

ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, 3 Schedule B, as amended (the “OEB Act”);

AND IN THE MATTER OF an Application by Milton Hydro Distribution Inc. under Section 78 of the OEB Act to the Ontario Energy Board for an Order or Orders approving or fixing just and reasonable rates and other service charges for the distribution of electricity as of January 1, 2023.

**INTERROGATORIES
FROM THE
SCHOOL ENERGY COALITION**

1-SEC-001

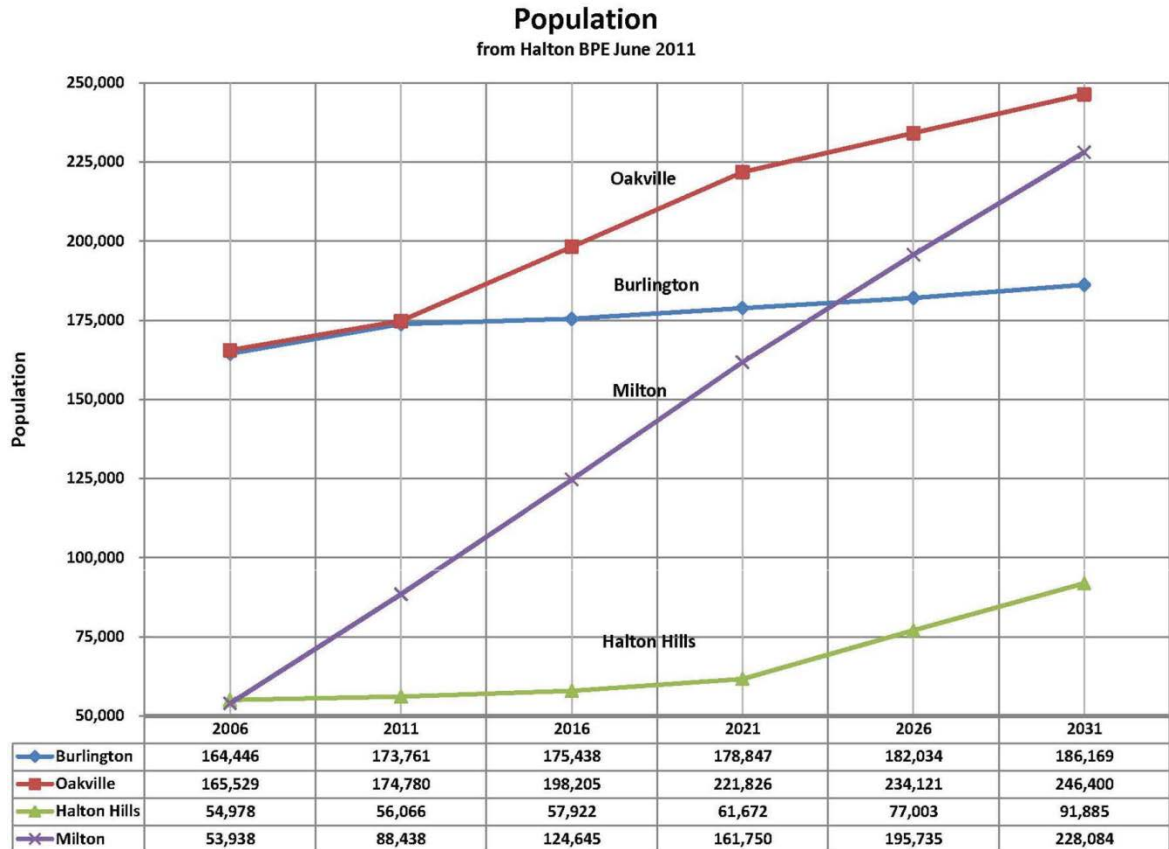
[Exhibit 1, p. 9, 98] The Application describes in some detail the shift in goals from being a “low-cost distributor” to being a “larger-sized distributor”:

- a) Please confirm that this means de-emphasizing the former goal of being “low-cost”.
- b) Please quantify if possible the cost savings that the Applicant believes have to be set aside in order to achieve this shift.
- c) Please identify stakeholder input that supports this shift.
- d) Please quantify the improved outcomes customers will experience as a result of de-emphasizing the low-cost goal.

1-SEC-002

[Ex. 1, p. 12] Throughout the Application the Applicant emphasizes the fast growth of the customers in its service territory, and the cost pressures that are resulting from that growth

- a) Please confirm that the chart below correctly represents Slide 15 of the Applicant’s presentation to the OEB in EB-2015-0089.



- b) Please re-do this chart and table with actuals to date, and current Milton Hydro forecasts for 2026 and 2031.
- c) Please explain the cost and revenue impacts of the Applicant planning in 2016 for a population that would have been 21.6% higher than what actually arose.
- d) Please confirm that the OEB, in its EB-2015-0089 Decision, and based on this population growth evidence, still determined [at page 43] *“The amount of office space that Milton Hydro created exceeded its reasonable requirements over the planning horizon.”*
- e) Please explain what has changed that would result in a much lower level of population and customer numbers increasing the “reasonable requirements” of the Applicant at this time.

1-SEC-003

[Ex. 1, p. 17] The Applicant refers to information from PwC:

- a) Please confirm that this “study” refers to Appendix F to the Distribution System Plan, Attachment 2-2.
- b) Please confirm that the said study has been replaced by the PwC Summary filed May 25, 2022.

- c) Please identify where in the PwC summary is the source of the claims of 25% of peak demand increase, and the analysis and support for that claim.
- d) If the PwC Summary does not provide full detailed support for the peak demand claim, please provide the basis on which the Applicant alleges that electrification of transportation will increase peak load. Please include in your analysis both the charging requirements, and timing of those needs, and the peak-shaving or load-shifting capabilities of EVs.

1-SEC-004

[Ex. 1, p. 20] With respect to the expected outcomes of the sustainability initiative, please provide details, including quantitative goals and measurement metrics, for each of the following claimed outcomes:

- a) “Reduce carbon emissions in the Company’s business”.
- b) “Develop accurate and actionable data”.
- c) “Reduce costs”.

1-SEC-005

[Ex. 1, p. 22, 23] The Applicant describes benefits associated with the change in communications strategy to include multiple platforms, including reducing the costs of the call centre. Please provide a table that shows, for each year from 2021 to 2027, the expected costs of the change in communications strategy, and the expected cost savings that will result. If the costs exceed the savings, please quantify the beneficial outcomes that ratepayers will enjoy over and above the cost savings.

1-SEC-006

[Ex. 1, p. 23] The Applicant advises that one of its risks is “customer loss and stranding of assets as has happened in the wireline telecommunications business”. Please provide an explanation as to how the situation of Milton Hydro is similar to the former incumbent local exchange providers in telecom.

1-SEC-007

[Ex. 1, p. 23] With respect to the expected outcomes of the “customer-centric” initiative, please provide details, including quantitative goals and measurement metrics, for each of the following claimed outcomes:

- a) “Improved service availability”.
- b) “Improved customer engagements and satisfaction”.
- c) “Reduce load on call centre”.

1-SEC-008

[Ex. 1, p. 25] Please advise whether the references to “enterprise” and to “entire organization” refer to the Applicant, Milton Hydro Holdings and its subsidiaries, or the Town of Milton.

1-SEC-009

[Ex. 1, p. 26] With respect to the IT budget and strategy:

- a) Please provide a copy of the most recent IT Roadmap or Strategy, or similar document including detailed IT budget, prior to the PwC Roadmap and Strategy referred to in Appendix F of the DSP.
- b) Please identify and quantify the changes in strategy between the previous plan and the one presented in this Application.

1-SEC-010

[Ex. 1, p. 27] Please provide a more detailed description of the Shared-First business model. Please specify how this model differs, if at all, from the Shared-First model adopted by the US Department of Agriculture, and from the concept of shared-first authorship.

1-SEC-011

[Ex. 1, p. 28] Please provide a more detailed description of the One-Team approach, including references to the academic and other sources of the methodology.

1-SEC-012

[Ex. 1, p. 28 and Attach. 1-6] With respect to the Applicant’s proposal to adopt Lean Six Sigma:

- a) Please confirm that the plan is to apply the methodology to the entire organization.
- b) Please confirm that
 - i) all employees are to be brought to the Yellow Belt certification level
 - ii) three have achieved Green Belt certification and more will be trained at that level
 - iii) one is, and will remain, the only Black Belt certified person
- c) The Lean Six Sigma standard requires the development of a detailed baseline, so that all waste can thereafter be identified and removed. Please provide a copy of the full baseline report. If the baseline has not yet been completed, please provide a status report together with the schedule for completion of the baseline.
- d) Please provide a table that shows, for each year from 2021 to 2027, the expected costs of the Lean Six Sigma strategy, and the expected cost savings that will result. If the costs exceed the savings, please quantify the beneficial outcomes that ratepayers will enjoy over and above the cost savings.

1-SEC-013

[Ex. 1, p. 30] For each of the five current and planned initiatives listed, please provide a detailed forecast of cost savings for each year from 2021 to 2027.

1-SEC-014

[Ex. 1, p. 35] Please provide, for each of 2020 and 2021:

- a) The final board-approved business plan and budget, including the “five proposed forward-looking years”.
- b) The full package of materials provided to the board of directors or any committee of the board of directors supporting the budget and/or providing background information.
- c) The board resolution approving the budget.
- d) The Finance team’s “goals and objectives for the organization” established in support of that budget.

1-SEC-015

[Ex. 1, p. 35] Please provide the Finance team’s goals and objectives established at the outset of the 2022 and 2023 business planning cycles.

1-SEC-016

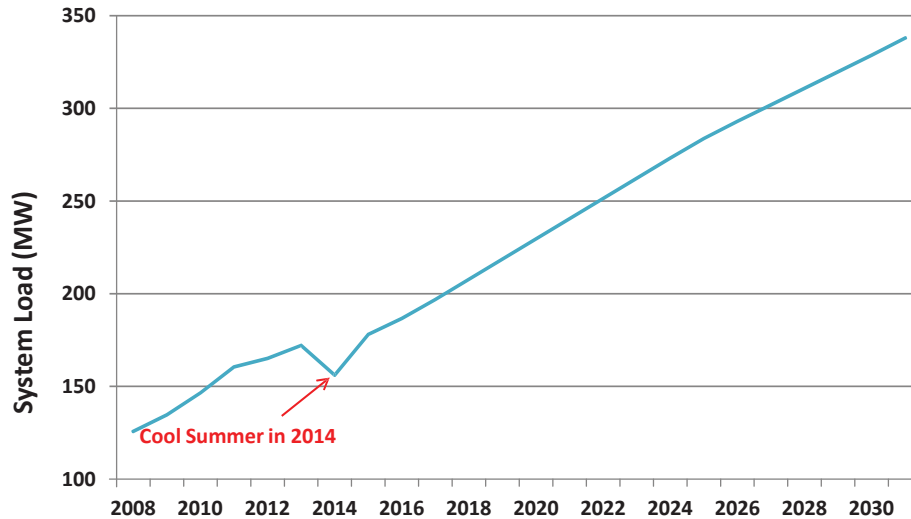
[Ex. 1, p. 56] The Applicant notes that its “operating and capital expenditures costs will be higher than what is currently proposed in 2023 rates”, and “will provide a further assessment during the proceeding as the situation evolves”. Please advise whether the Applicant is requesting approval of the rates and charges set forth in the Application. If the Applicant is expecting to request approval of higher rates or charges as a result of a change in its cost forecasts, what approval is the Applicant currently requesting, and what procedural proposals is the Applicant making to deal with its expectation that it will amend its Application?

1-SEC-017

[Ex. 1, p. 59] With respect to the Load Forecast:

- a) Please confirm that the following chart is Slide 16 from Milton Hydro’s presentation to the OEB in EB-2015-0089.

Load Growth in Milton



16

- b) Please reconcile the chart with Table 1-10.
- c) Please re-do the chart using actuals to 2021, and the current forecast for all subsequent years.

1-SEC-018

[Ex. 1, p. 77, 81, 82] Please advise why, unlike every other customer survey filed with the OEB in the last ten years, the list of items that are important to customers does not include lower rates.

1-SEC-019

[Ex. 1, p. 86, 87, 97] With respect to the Scorecard data:

- a) Please confirm that, prior to 2016, the Applicant had a category 2 efficiency assessment.
- b) Please explain in more detail why “Telephone calls Answered on Time” dropped substantially in 2019, long before the Covid impacts.
- c) Please explain the main changes in revenue, costs, or accounting practices that resulted in the precipitous drop in Achieved ROE from 2018 to 2019.

1-SEC-020

[Ex. 1, p. 102, 103] With respect to the metric customers per employee:

- a) Please explain why it is appropriate for the Applicant to go from 622 customers per employee in 2011 to 624 customers per employee in 2016 to 565 customers per employee in 2023.
- b) Please provide details of any economies of scale that the Applicant expects which will increase the number of customers per employee that can be managed reasonably.

1-SEC-021

[Ex. 1, p. 111] Please provide a table showing all capital and operating cost expenditures related to the Enterprise Resource Planning system from 2022 to 2028, and all impacts on annual revenue requirement calculated on a cost of service basis (including, without limitation, incremental operating costs and savings, depreciation/amortization, return on equity, interest, and PILs impact).

1-SEC-022

[Ex. 1, p. 112] Please advise whether the “on-boarding checklist” is an automated solution, or a manual checklist, and provide additional details of the proposed “structure” and how it will be implemented.

1-SEC-023

[Ex. 1, 115] Please provide a detailed table showing the cost savings expected by the Applicant for the benefit of shareholders for the years 2024 to 2027 that are to be financed by spending included in rates in 2023.

1-SEC-024

[Ex. 1, Attach 1-2, p. 5] Please explain why the charges for water billing are not increasing at a similar rate as the charges to distribution customers.

1-SEC-025

[Ex. 1, Attach 1-2, p. 7, 8] Please confirm that the “fixed committed reducing term loan” and the “interest only bearing loans” have been issued, and provide details of the terms of those debt instruments.

1-SEC-026

[Ex. 1, Attach 1-2, p. 9] Please provide details of the referenced “unfavourable regulatory policy”.

1-SEC-027

[Ex. 1, Attach 1-3] Please explain why the Application Customer Summary does not include any reference to the 21.3% average distribution rate increase. Please provide details of all ways in which the Applicant has disclosed this figure to its customers.

1-SEC-028

[Ex. 1, Attach 1-9, p. 17] Please reconcile the PP&E on the financial statements with the PP&E in the rate base evidence, and show details of how the Applicant has accounted for the disallowance of more than \$1.4 million of the cost of the building in its financial statements.

2-SEC-029

[Ex. 2, Attach 2-2, Appendix I] With respect to the Cresa plan:

- a) Please confirm that the external consultants did not give any advice on the number of workspaces needed by Milton Hydro, and in fact Senior Management determined that it needed a 1:1 ratio of workspaces to employees.
- b) Please confirm that the external consultants provided no opinion on the appropriate size of the facilities the Applicant would need, and did no benchmarking of space requirements relative to similar companies/utilities.

2-SEC-030

- a) **[Ex. 2, Attach 2-1]** Please provide all internal memoranda, studies, analyses, or other research, data or analytical documents, that deal with:
 - b) The space requirements of the Applicant's growing work force;
 - c) The changing approach to work, including work from home and similar trends, and including the impacts of Covid on those trends; and
 - d) Options available to the Applicant to reduce its costs by using less of its facilities, including generating revenue from unused space.

2-SEC-031

[Ex. 2, Attach 2-1] Please provide the Applicant's current work from home policy or protocol, and any communications to employees generally with respect to that policy/protocol.

4-SEC-032

[Appendix 2-K] With respect to historical employee costs:

- a) Please confirm that the Applicant had approximately \$29.3 million included in rates for the period 2016-2019 for employee costs (\$7,076,210 plus annual IRM increases), but only spent \$26.7 million, for a net underspend of just under 9%.
- b) Please explain why the underspend was appropriate and possible given the high levels of customer growth, and increasing customer numbers and revenues.

- c) In 2020 the employee costs started to increase substantially, and continued to do so each year. What were the operational and other external reasons why the Applicant had to start ramping up its spending on employees?

Respectfully, submitted on behalf of the School Energy Coalition, this July 4, 2022.

Jay Shepherd
Counsel for the School Energy Coalition