MILTON HYDRO DISTRIBUTION INC.
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July 25, 2022

RESS

Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON, M4P 1E4

Attention: Nancy Marconi, Registrar

Dear Ms. Marconi:

Re: Milton Hydro Distribution Inc. (Milton Hydro)
EB-2022-0049, Application for rates and other charges for electricity distribution to be effective January 1, 2023 (the Application)

Please find enclosed an electronic copy of Milton Hydro's responses to OEB Staff and Intervenor Interrogatories (IRR). Milton Hydro has also included updated cost of service excel spreadsheet models and excel spreadsheets in response to some of the IRRs.

Milton Hydro will be making a request for confidential treatment of certain information contained in the IRRs, pursuant to the OEB's Practice Direction on Confidential Filings. Also, Milton Hydro plans to provide a copy of the MEARIE Management Salary Survey to parties as soon as it resolves disclosure issues with MEARIE. Milton Hydro is working to resolve disclosure issues with MEARIE as quickly as possible and will file the report once Milton Hydro is contacted by MEARIE.

Respectfully submitted,

Dan Gapic

Digitally signed by Dan Gapic
DN: cn=Dan Gapic, o=Milton Hydro, ou=Regulatory Affairs, email=dangapic@miltonhydro.com, c=CA
Date: 2022.07.25 16:22:45 -04'00'

Dan Gapic, CPA, CMA
Director, Regulatory Affairs
Milton Hydro Distribution Inc.

cc: Igor Rusic, Chief Financial Officer and Vice President, Finance, Milton Hydro Distribution Inc.
Troy Hare, Chief Executive Officer and President, Milton Hydro Distribution Inc.
Tim Pavlov, Torys LLP

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EXHIBIT 1 - ADMINISTRATIVE INTERROGATORIES

OEB STAFF INTERROGATORIES

1-Staff-1

Updated Revenue Requirement Work Form (RRWF) and Models

Upon completing all interrogatories from OEB staff and intervenors, please provide an updated RRWF in working Microsoft Excel format with any corrections or adjustments that the Applicant wishes to make to the amounts in the populated version of the RRWF filed in the initial applications. Entries for changes and adjustments should be included in the middle column on sheet 3 Data_Input_Sheet. Sheets 10 (Load Forecast), 11 (Cost Allocation), and 13 (Rate Design) should be updated, as necessary. Please include documentation of the corrections and adjustments, such as a reference to an interrogatory response or an explanatory note. Such notes should be documented on Sheet 14 Tracking Sheet and may also be included on other sheets in the RRWF to assist understanding of changes.

In addition, please file an updated set of models that reflects the interrogatory responses. Please ensure the models used are the latest available models on the OEB's 2023 Electricity Distributor Rate Applications webpage.

Response:

The following models have been updated and are filed with interrogatory responses:

- Revenue Requirement Workform ("RRWF")
- Filing Requirements Chapter 2 Appendices
- Cost Allocation Model
- Load Forecast Model
- DVA Continuity Schedule
- RTSR Workform

- Test Year Income Tax PILs Model ("PILs Model")
- LRAMVA Workform
- Tariff Schedule and Bill Impact Model

Table 1-0 Summary of COS Model Updates

IR Response	Update	Models Updated
OEB Pre-IR Clarification Question-4	Corrected Gross Fixed Assets and Accumulated Depreciation figures within RRWF. Each were understated by $23k and there is no impact on net assets.	RRWF (May 26 version) – Tab 3
OEB Pre-IR Clarification Question-6	Group 2 DVA disposition within DVA model corrected from 24 months to 12 months, consistent with Exhibit 9.	DVA Continuity Schedule (May 26 version) Tariff Schedule and Bill Impact Model
OEB Pre-IR Clarification Question-10	Update to Low Voltage rates within Ch. 2 Appendices, consistent with rates provided in Exhibit 8. Please note this revision was included in the May 26 version of the Ch. 2 Appendices but not the May 26 version of the RRWF. The revision is now included in the RRWF filed with interrogatory responses.	Ch. 2 Appendices (May 26 version) – 2-ZB RRWF – Tab 3 (Cost of Power) Tariff Schedule and Bill Impact Model
3-VECC-29	Revision includes 2021 CDM savings from 2021-2024 CDM Framework within historic CDM figures. Regressions were rerun based on this revised data.	Load Forecast Model Ch. 2 Appendices – 2-IB, 2-ZA, 2-ZB Cost Allocation – 'I6 Revenue' and 'I8 Demand Data' RRWF – Tabs 3 (revenue at current rates) & 10 RTSR Workform – Tab 3 DVA Continuity Schedule – Tab 4
4-Staff-61	$26,800 increase to Regulatory OM&A (USoA# 5655), reflecting updated intervenor and OEB Assessment costs.	RRWF – Tab 3 (OM&A increase) Cost Allocation – increase to USoA# 5655 Ch. 2 Appendices – 2-JA, 2-JB, 2-JC, 2-L, 2-M
4-Staff-76	Updates to the LRAVMA workform for latest prescribed interest rates and corrections resulting from cell reference errors.	LRAMVA workform DVA Continuity Schedule Tariff Schedule and Bill Impact Model
7-VECC-59	Reduction to GS 50-999 kW Line Transformer and Secondary figures in 'I8 Demand Data' tab, consistent with share of volumes receiving TOA.	Cost Allocation Model – Tab I8 Demand Data RRWF – Tab 11
8-Staff-86	Correction to Oakville Hydro Network Service Charge ($3.4869/kW). Low voltage rates have been revised with updated RTSRs.	RTSR Workform – Tab 4 Ch. 2 Appendices –2-ZB Tariff Schedule and Bill Impact Model
9-Staff-91	Revised Pole Attachment Revenue Variance balance for $34.76 rate, with corresponding updates to Group 2 rate riders.	DVA Continuity Schedule Tariff Schedule and Bill Impact Model

as noted	Adjustments to Working Capital Allowance figures stemming from updates noted in Clarification Question-10, 3-VECC-29, 4-Staff-61, and 8-Staff-86 have been updated in the models filed with interrogatory responses.	PILs Model RRWF – Tab 3 (Cost of Power) Cost Allocation – USoA# 4705-4751
per above	Distribution Rates have been updated in the RRWF, accounting for revenue requirement updates noted above and the revised Load Forecast.	RRWF – Tabs 11 & 13 Tariff Schedule and Bill Impact Model

1-Staff-2

Letters of Comment

Following publication of the Notice of Application, the OEB received 38 letters of comment. Section 23.03 of the OEB's Rules of Practice and Procedure states that "Before the record of a proceeding is closed, the applicant in the proceeding must address the issues raised in letters of comment by way of a document filed in the proceeding." If the applicant has not received a copy of the letters or comments, they may be accessed from the public record for this proceeding.

Please file a response to the matters raised in the letters of comment referenced above. Going forward, please ensure that responses to any matters raised in subsequent comments or letter are filed in this proceeding. All responses must be filed before the argument (submission) phase of this proceeding.

Response:

To address matters raised in the letters of comment, Milton Hydro has reviewed each letter filed with the Ontario Energy Board (OEB), then identified key issues raised and developed responses to address those issues. Milton Hydro will continue to monitor for subsequent comments or letters that are filed and respond to any new matters accordingly.

Milton Hydro's responses to key issues/questions raised in the letters of comment filed are as follows:

1. How did Milton Hydro engage customers about their electricity needs and priorities to build the foundation of the Application?

Milton Hydro engaged customers through multiple approaches & platforms to understand their current and future electricity needs and priorities, then incorporated feedback into their investment planning. This customer engagement started in 2021 and included: telephone interviews; online surveys promoted on Milton Hydro's website, bill inserts, email and social media (Twitter, LinkedIn, Facebook); and a virtual webinar/online survey with commercial/ industrial customers. This multichannel approach enhanced customers' accessibility to participate in the engagement process and increased awareness of Milton Hydro's investment planning and COS Application. Milton Hydro accommodated customers' preferences/needs for participating in the online customer engagement survey by providing the option to receive a paper copy of the survey and to have the survey narrated, when possible, by a Milton Hydro employee who speaks their language. Input gathered from customers during the customer engagement process was analyzed and incorporated into Milton Hydro's strategic plan to deliver safe, reliable electricity to customers in the most efficient way possible.

2. With many still struggling from the impacts of the COVID-19 pandemic and increasing inflation rates, why has Milton Hydro decided to set the increase electricity distribution rates for 2023?

To ensure Milton Hydro has the resources needed to safely and reliably support the rapid growth and electrification of the Town of Milton, as well as the future Distributed Energy Resources (DERs) that will be available to customers, the total bill impact of 4.18% for residential customers and 1.22% for GS <50 kWh customers, has been proposed for January 2023. These numbers are specific to what Milton Hydro needs to safely deliver future-ready, customer-centric services. The sooner Milton Hydro can address areas within the LDC that need improvement, the sooner customers can receive the high value for money and benefits from those improvements. Milton Hydro needs to make initial/incremental investments to achieve this for their customers and has carefully budgeted investments to maximize the benefits for customers while avoiding waste/future cost.

Milton Hydro understands that some customers have been impacted by the COVID-19 pandemic and increasing inflation, and that some are also worried about the cost of electricity. To support customers most impacted, Milton Hydro plans to invest in external communications to increase awareness of existing support programs and resources such as the Ontario Energy Rebate (OER); the Low-Income Energy Assistance Program - Emergency Financial Assistance (LEAP EFA); and Save On Energy programs, as well as future support programs/ resources

available. Milton Hydro will continue to educate customers on available resources, energy conservation, and customer choice.

3. How will Milton Hydro invest the increased rate revenue?

The increased rate revenue will be utilized in areas of Capital and Operations, Maintenance and Administration (OM&A), to ensure Milton Hydro has the resources, capabilities and technologies needed to provide customer-centric services. More specifically, Milton Hydro plans to invest in the following areas to directly improve service to customers:

- Information technologies (i.e., new website/ cyber security/ TextPower/ Omni channel platform)
- An in-house Control Room to monitor the electricity distribution grid, 24 hours per day every day, to be able to respond quicker and more safely during emergencies/outages.
- Replacement aging fleet/ equipment
- Human Resources - to have an adequate number of staff with the needed technical and job related skills to support the customer base
- Community Relations (i.e., internal/external communications)
- Building renovations (i.e., relocating Customer Service Department to 1st floor, office work spaces to accommodate for staff needed to provide services to customers)

4. How will customers directly benefit from Milton Hydro's investment plan?

Some direct benefits customers will receive as a result of Milton Hydro's investment plan include:

- Frictionless access to information
- A better customer experience with a more seamless end-to-end customer experience
- Proactive outage communications
    - Dedicated storm mode representatives (customer service) to manage phone lines during emergency weather-related outages

- New TextPower services offers two-way emergency outage notifications to customers cellular phones
- New self-serve outage reporting options through Survalent and TextPower

- Improved reliability during extreme weather-related outages and during other times
- Decreased outage restoration times
- Increased awareness of electrical safety
- Enhanced protection of customers' private information

1-Staff-3

Productivity

Ref: Exhibit 1, page 108 of 118

Question(s):

a. Milton Hydro described its Lean Six Sigma approach to productivity improvements. Milton Hydro noted that productivity and efficiency improvements are a priority so that it can minimize the employee head count growth expected with the forecasted population growth. Please explain how productivity savings help with minimizing the employee head count growth.

b. Please explain whether Milton Hydro has reflected any productivity improvements in its proposed 2023 capital and OM&A budgets. If so, is that possible to quantify the productivity savings?

Response:

a. The scope of Milton Hydro improvement initiatives can generate savings in the cost of materials, but most initiatives will generate time savings and efficiency improvements. Moving to Lean Six Sigma processes involves creating flow and quality which collectively increases both productivity and efficiency[1]. Through Lean Six Sigma process

[1] Exhibit 1 subsection 1.9.7 Results Expected from Process Innovation Page 114 or 118.

improvements Milton Hydro will experience productivity improvements utilizing better scalable processes and systems that will allow for more economies of scale. Many of Milton Hydro business processes are legacy processes that were established when Milton Hydro was a small distributor and elements of the business processes are manual and inefficient. As Milton Hydro's customer base has grown, so has the amount of manual work that takes more effort and time to complete. Milton Hydro needs to transform itself and improve its business processes so it can effectively function as a large distributor. Through Lean Six Sigma, Milton Hydro will create better and more automated business processes that will enable it to have appropriate business processes and systems adequately scaled for its current customer base and for the growth in customer base expected.

b. Initially the benefits of Lean Six Sigma will primarily be soft savings, having an indirect financial impact. Implementation of new Lean Six Sigma business processes will enable the elimination of no value activities so more time can be spent on high value activities to improve quality and the overall customer experience. Hard savings benefits from process improvements can potentially have a direct financial impact on the budget or income statement of an organization depending on whether it is a steady state no growth or high growth organization. Milton Hydro does not expect any hard savings as it is a rapidly growing utility. If Milton Hydro was a steady state no-growth utility, then the results of process improvements could potentially mean hard savings. This is not the case for Milton Hydro. Milton Hydro has not reflected any reductions to its proposed 2023 Capital and OM&A budgets.

1-Staff-4

Exhibit 1 Subsection 1.9.7 Results Expected from Process Innovation Disallowed Costs Relating to Building Cost

Ref: Exhibit 1, page 32 of 118

Preamble:

In the current proceeding, Milton Hydro has brought the respective disallowed capital costs back into rate base and the disallowed OM&A costs back into the determination of revenue requirement for 2023.

Question(s):

a. Please specify the amount of disallowed OM&A costs that Milton Hydro is proposing to bring back into the determination of 2023 revenue requirement.

b. Please provide a breakdown of the OM&A costs associated with the disallowed space (e.g., property tax, gas, and electricity costs, etc.) that is included in the proposed 2023 revenue requirement.

Response:

a. Milton Hydro is proposing to include in 2023 revenue requirement $50,000 in OM&A costs associated with the space that was disallowed in the previous cost of service application.

b. The following summarizes the OM&A costs associated with the previously disallowed space that will be fully utilized in 2023 and is included in 2023 revenue requirement:

Property Tax	16,500
Electricity	30,000
Gas	3,500
Total	50,000

1-Staff-5

Impacts from COVID

Ref: Exhibit 1, page 47 of 118

Question(s):

a. Please clarify if Milton Hydro has included any costs resulting from COVID in its planned 2022 and 2023 capital and OM&A budgets

Response:

a. Milton Hydro has not included any costs resulting from COVID in its planned 2022 and 2023 capital and OM&A budgets.

1-Staff-6

Achieved ROE

Ref: Exhibit 1, page 86 of 118

Preamble:

The average achieved ROE over 2016-2018 was approximately 9.9%, the average achieved ROE over 2019-2020 was approximately 6.8%.

Question(s):

a. Please explain drivers for the lower achieved ROE in recent years.

Response:

a. The following Table 1-1 provides a summary of ROE for the period 2016 to 2020.

Table 1-1 ROE 2016-2020

	2016	2017	2018	2019	2020
Achieved ROE	9.87%	9.45%	10.45%	6.74%	6.86%
Deemed ROE	9.19%	9.19%	9.19%	9.19%	9.19%
Difference - ROE	**0.68%**	**0.26%**	**1.26%**	**(2.45%)**	**(2.33%)**

The lower achieved ROE for 2019 relative to the deemed ROE for 2019 was primarily attributable to: (i) lower regulated net income corresponding to higher income taxes of $700K mainly due to tax reassessments by the Ministry of Finance related to a PILs audit completed for the 2015-2016 tax years; (ii) higher depreciation expenses of $800K, increasing at a higher rate than distribution revenue received resulting in reductions to net income; and (iv) with the remainder relating to offsetting lower spending in OM&A in 2019.

The lower achieved ROE for 2020 relative to the deemed ROE for 2020 was primarily attributable to: (i) higher than anticipated losses on disposal of property, plant and equipment in 2020 of $500K; (ii) higher depreciation expenses of $900K, increasing at a higher rate than distribution revenue received resulting in reductions to net income; and (iii) with the remainder relating to offsetting lower spending in OM&A in 2020.

1-Staff-7

Efficiency Assessment

Ref: Exhibit 1, page 94 of 118

Question(s):

a. Please update the Benchmarking Forecast Model (in Excel) with forecast efficiency assessment for 2024 and 2025.

Response:

a. An updated Benchmarking Spreadsheet is provided as 1-Staff-7 Benchmarking Forecast Model. Assumptions used to forecast figures beyond the test year are provided in the '2024-2025 Assumptions' tab in the model. Capital additions are consistent with the DSP, OM&A is escalated by forecasted budget escalation as per Attachment 1-2 of Exhibit 1, Customer growth is based on the geometric mean of the Ten-Year Customer Growth Percentage already included in the model, and load is escalated by Forecast non-coincident peak growth from page 32 of the DSP. See Table 1-2 below for updated benchmarking results for 2020 to 2025 results.

Table 1-2 Summary of Cost Benchmarking Results 2020-2025

Summary of Cost Benchmarking Results Milton Hydro Distribution Inc.	2020 (History)	2021 (History)	2022 (Bridge)	2023 (Test Year)	2024	2025
Cost Benchmarking Summary						
Actual Total Cost	28,104,237	29,643,755	32,208,382	35,292,633	36,722,420	37,734,796
Predicted Total Cost	35,615,113	37,518,281	41,203,996	43,975,949	47,589,580	51,306,547
Difference	(7,510,876)	(7,874,526)	(8,995,614)	(8,683,317)	(10,867,159)	(13,571,751)
Percentage Difference (Cost Performance)	-23.7%	-23.6%	-24.6%	-22.00%	-25.92%	-30.72%
Three-Year Average Performance			-24.0%	-23.40%	-24.18%	-26.21%
Stretch Factor Cohort						
Annual Result	2	2	2	2	1	1
Three Year Average			2	2	2	1

1-Staff-8

APB

Ref: Exhibit 1, pages 99-101 of 118

Preamble:

The OEB issued an updated APB report dated April 29, 2022 with 2020 results included.

Question(s):

a. Please discuss Milton Hydro's year-over-year performance for each of these APB indices with 2020 results.

Response:

In Table 1-3 below, Milton Hydro Provides a 2020 vs 2019 year-over-year comparison of performance for each of the APB indices.

Table 1-3 2020 vs 2019 APB Index Comparison of Milton Hydro Data with Industry Averages

Unit Cost Index	2020 Milton Hydro Average	2020 Industry Average	% of Average	2019 Milton Hydro Average	2019 Industry Average	% of Average	Change in Milton Hydro Unit Cost Performance
Billing O&M	$ 38	$ 36	105 %	$ 39	$ 36	107 %	(1)%
Pole Maintenance O&M	29	11	270 %	29	14	208 %	62 %
Lines O&M	812	1,814	45 %	1	1	55 %	(10)%
Meter O&M	17	20	85 %	17	20	85 %	— %
Vegetation Management O&M	40	35	114 %	33	35	94 %	21 %
Station Maintenance O&M	6,443	68,109	9 %	11649	23981	49 %	(39)%
Poles, Towers, and Fixtures Capex	7,758	7,523	103 %	98	124	79 %	24 %
Stations Capex	109	223,325	— %	82	54092	— %	— %
Line Transformer Capex	11,817	10,970	108 %	43	28	154 %	(46)%
Meter Capex	33	13	249 %	31	12	252 %	(3)%

Milton Hydro's performance in 7 of the 10 APB Indices improved in 2020 vs 2019, and it's performance declined in three of the 10 APB Indices. Milton Hydro plans to investigate the significant variations from the industry mean in its APB indices. As outlined in Exhibit 1, subsection 1.2.6.2., Milton Hydro has developed a detailed "bottom up" budget while providing additional attributes of data such as: business unit; account group to describe the

activity or nature of the cost (i.e. Outside Service Provider, wages and salaries); and units of measure (where applicable). Leveraging the capital investments in process automation tools (Attachment 2-2 Milton Hydro_DSP_2023-2027), Milton Hydro will extract the data and deliver insightful analysis to understand the drivers of cost. Lean Six Sigma principles will be applied with the aim at continuously improving processes.

Milton Hydro is a member of the Utilities Standards Forum (USF), GridSmartCity (GSC), and the Electricity Distributors Association (EDA). Collaboration will be facilitated through these cooperatives to meet all regulatory requirements inclusive of the activity based benchmarks.

1-Staff-9

Benchmarking

Ref: Exhibit 1, page 105 of 118

Question(s):

a. Please compare Milton Hydro's Net PPE per customer with same comparators included in Table 1-29 for the period of 2016-2020 using OEB yearbooks.

b. Please compare Milton Hydro's 2022 monthly service charge for residential customers with same comparators included in Table 1-29.

Response:

a. The following Table 1-4 shows Milton Hydro's PP&E Cost per Customer for the Mid-Size GTA & Other Medium-High Undergrounding comparators. In 2016, Milton Hydro ranked 6th highest of 17 electricity distributors compared against. From 2017 to 2020, Milton Hydro ranked 7th highest consistently across the four-year period. A contributing factor to ranking high regarding PP&E Cost per Customer relates to Milton Hydro's being a fast growth utility. Due to high growth, Milton Hydro has proportionately more newer and higher cost assets on the balance sheet reflective of current market prices which would therefore increase Milton Hydro's overall PP&E per Cost per Customer.

Table 1-4 Net PP&E per Customer

Mid-Size GTA & Other Medium-High & Undergrounding	Net PP&E Per Customer*				
	2016	2017	2018	2019	2020
Bluewater Power Distribution Corporation	1,583	1,666	1,789	1,971	2,108
Brantford Power Inc.	1,646	1,700	1,738	2,145	2,328
Burlington Hydro Inc.	1,829	1,938	1,745	2,184	2,296
Energy+ Inc.	2,676	2,819	2,673	3,008	3,101
Entegrus Powerlines Inc.	2,023	2,106	1,956	2,167	2,279
Essex Powerlines Corporation	1,737	1,928	1,831	2,118	2,193
Greater Sudbury Hydro Inc.	1,754	1,840	1,935	1,997	2,103
Halton Hills Hydro Inc.	3,004	3,384	4,142	4,681	4,780
Kitchener-Wilmot Hydro inc.	2,374	2,455	2,191	2,666	2,784
Milton Hydro Distribution Inc.	2,490	2,545	2,240	2,761	2,829
Newmarket-Tay Power Distribution Ltd.	1,825	2,737	2,040	2,885	2,906
Niagara Peninsula Energy Inc.	2,413	2,468	2,542	2,602	2,685
Oakville Hydro Electricity Distribution Inc.	2,700	2,757	2,475	3,107	3,304
Oshawa PUC Networks Inc.	1,745	1,856	2,039	2,150	2,289
PUC Distribution Inc.	2,615	2,752	2,795	2,847	2,979
Synergy North Corporation**	1,988	2,079	2,171	2,368	2,429
Waterloo North Hydro Inc.	3,644	3,667	3,730	4,280	4,377
Peer Group Average of Distributors	2,238	2,394	2,355	2,702	2,810
Peer Group Average Excluding Milton Hydro	2,222	2,385	2,362	2,699	2,809

*Source: 2016-2020 OEB Electricity Distributors Yearbooks

**Source: Data for predecessor utilities aggregated for the 2016-2019 period

b. The following Table 1-5 shows Milton Hydro's 2022 monthly service charge for residential customers, compared to the Mid-Size GTA & Other Medium-High Undergrounding comparators. Milton Hydro's Residential Service Customer Charge ranks 9th lowest of 17 electricity distributors with respect to the 2022 calendar year.

Table 1-5 2022 Monthly Service Charge - Residential Customers

Mid-Size GTA & Other Medium-High & Undergrounding	Monthly Service Charge	Variance Compared to Milton Hydro
Bluewater Power Distribution Corporation	$34.18	14.39 %
Brantford Power Inc.	$27.84	(6.83)%
Burlington Hydro Inc.	$29.12	(2.54)%
Energy+ Inc.	$29.78	(0.33)%
Entegrus Powerlines Inc.	$28.70	(3.95)%
Essex Powerlines Corporation	$28.66	(4.08)%
Greater Sudbury Hydro Inc.	$31.01	3.78 %
Halton Hills Hydro Inc.	$39.43	31.96 %
Kitchener-Wilmot Hydro inc.	$23.66	(20.82)%
Milton Hydro Distribution Inc.	**$29.88**	**— %**
Newmarket-Tay Power Distribution Ltd.	$33.12	10.84 %
Niagara Peninsula Energy Inc.	$36.37	21.72 %
Oakville Hydro Electricity Distribution Inc.	$31.19	4.38 %
Oshawa PUC Networks Inc.	$26.58	(11.04)%
PUC Distribution Inc.	$33.72	12.85 %
Synergy North Corporation	$26.40	(11.65)%
Waterloo North Hydro Inc.	$33.71	12.82 %

*Source: 2022 Board Approved IRM Applications

1-Staff-10

Implementing the Green Button Initiative

Ref: OEB Letter dated November 1, 2021

Preamble:

Distributors are required to implement Green Button by November 1, 2023. The OEB has approved the establishment of a generic deferral account for rate regulated distributors to record the incremental costs directly attributable to the implementation of the Green Button initiative.

Question(s):

a. Please provide Milton Hydro's current progress of implementing the Green Button Initiative.

b. Please clarify if Milton Hydro has recorded any incremental costs directly attributable to the implementation of the Green Button initiative in the generic deferral account.

c. Please confirm Milton Hydro has not proposed any capital or OM&A costs associated with the implementation of the Green Button initiative for the 2022 bridge year and the 2023 test year.

Response:

a. Milton Hydro has started discussions with two vendors who are working on solutions for the Ontario market. Based on these discussions it is our understanding the Ontario Green Button Technical Working Group is still working on the Ontario specific technical requirements. Once the requirements have been fully developed, we will start the process of vendor selection and implementation. Milton Hydro's expectation is that the vendor will be providing a complete solution that will require no additional work expect for registering with the Green Button Alliance (GBA) for certification and testing.

b. Milton Hydro has not recorded any incremental costs directly attributable to the implementation of the GB initiative.

c. Milton Hydro has not included any Green Button Costs in either the 2022 Bridge Year or in the 2023 Test Year revenue requirement calculation. As Milton Hydro has not included any one-time or ongoing Capital or OM&A costs associated with the Green Button initiative in its test year, Milton Hydro proposes a deferral account to capture the revenue requirement amounts associated with one-time or ongoing capital or OM&A costs associated with the Green Button initiative. The generic account approved the OEB is not adequate for Milton Hydro given no Green Button costs have been included in its revenue requirement and the generic account that was approved by the OEB can not be used to record ongoing costs associated with the Green Button initiative.

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.

Response:

a. The preamble above mischaracterizes the information on the record. In particular, Milton Hydro does not describe its shift from being a "low-cost distributor" to a "larger-sized distributor". Instead, Milton Hydro introduces its new strategy, known as Milton Hydro 2.0, whose goal, among others, is a maturation in its business capabilities to being a high value for money distributor. The refinement of focus is to ensure that Milton Hydro continues to be agile and responsive to its customers while constantly focusing on improving service availability. As the Town of Milton has continued to grow as a community, the number of businesses, residences and critical infrastructure that Milton Hydro services has grown substantially and is forecast to grow for decades to come. As every growing business experiences, there comes a transition where the methods of the past become too manual, cumbersome and too generalized to properly manage the business as it continues to grow. As Milton Hydro continues to try to scale its capabilities to meet this growing demand, fundamental investments are necessary to enable the long-term responsiveness, availability and safe operations. Chronic underinvestment in people, systems and processes may serve to keep prices down, however the long-term effect is an erosion in service quality, responsiveness, safety and asset condition which Milton Hydro's customers have indicated are very important. Almost 80% of customers surveyed indicated that the systems that address these issues are important or very important. Milton Hydro is attempting to balance the cost of these investments and the value they provide inside the growing utility. Milton Hydro has grown and is considered to be a large-size distributor according to the Ontario Energy Board, which states that a utility with a customer base of 30,000 or more customers is a large distributor[2]. Although Milton Hydro is now considered to be a large-size distributor, its systems and business processes are scaled to those of a small-sized distributor. As a result, Milton Hydro

[2] OEB letter dated April 18, 2022, 2023 Cost of Service Filing Requirements.

needs to enhance its systems and business processes to meet today's needs and requirements of the utility and its customers while at the same time ensuring that those systems and processes are designed to the highest degree of efficiency and productivity. This will in turn allow Milton Hydro to provide its customers with the highest value for money. The requested change in rates quantify the investments that Milton Hydro is required to make now, to maintain or improve its services. The drivers are highlighted on the previous answer.

b. As described in part (a) above, the notion of the question is incorrect. Milton Hydro has provided its business plans, operating costs and capital costs requirements in support of the revenue requirement. Milton Hydro's rate application is the reflection of its business plans, and costs that are required to provide safe and reliable service to customers. This also includes efficiencies and productivity initiatives that will eventually result in cost savings to the customers as follows:

    i. proportionately less staff required in the long term as improved process and automated systems replace manual methods,

    ii. data and insights to guide Milton Hydro's maintenance plans for improved operational availability,

    iii. Less waste as follows:

        1. less economic loss for our customers by improved service availability,

        2. less time and resource wastage from process re-engineering,

        3. better insight to workforce efficiency,

        4. better planning tools for more informed decisions,

        5. streamlined communications, and

        6. less rework.

c. Decision Partners performed customer engagement for Milton Hydro, in Exhibit 1, page 79 of 118 customers were surveyed regarding their opinions regarding the appropriateness of Milton Hydro's spending plans. With respect to appropriateness of

Milton Hydro's Capital Spending Plans, over 75% of all customers rated that Milton Hydro's level of appropriateness of spending in all categories were either very appropriate or somewhat appropriate. With respect to appropriateness of Milton Hydro's OM&A spending plans, 71.4% of customers rated that Milton Hydro's level of appropriateness of spending was either very appropriate or somewhat appropriate. Looking at overall spending plans, when customers were asked how appropriate they think the proposed level of spending is, 68.4% of customers rated that Milton Hydro's level of appropriateness of spending was either very appropriate or somewhat appropriate. This demonstrates strong support from Milton Hydro's customers with regards to the proposed plans in the application.

d. Customers will receive the following improved outcomes:

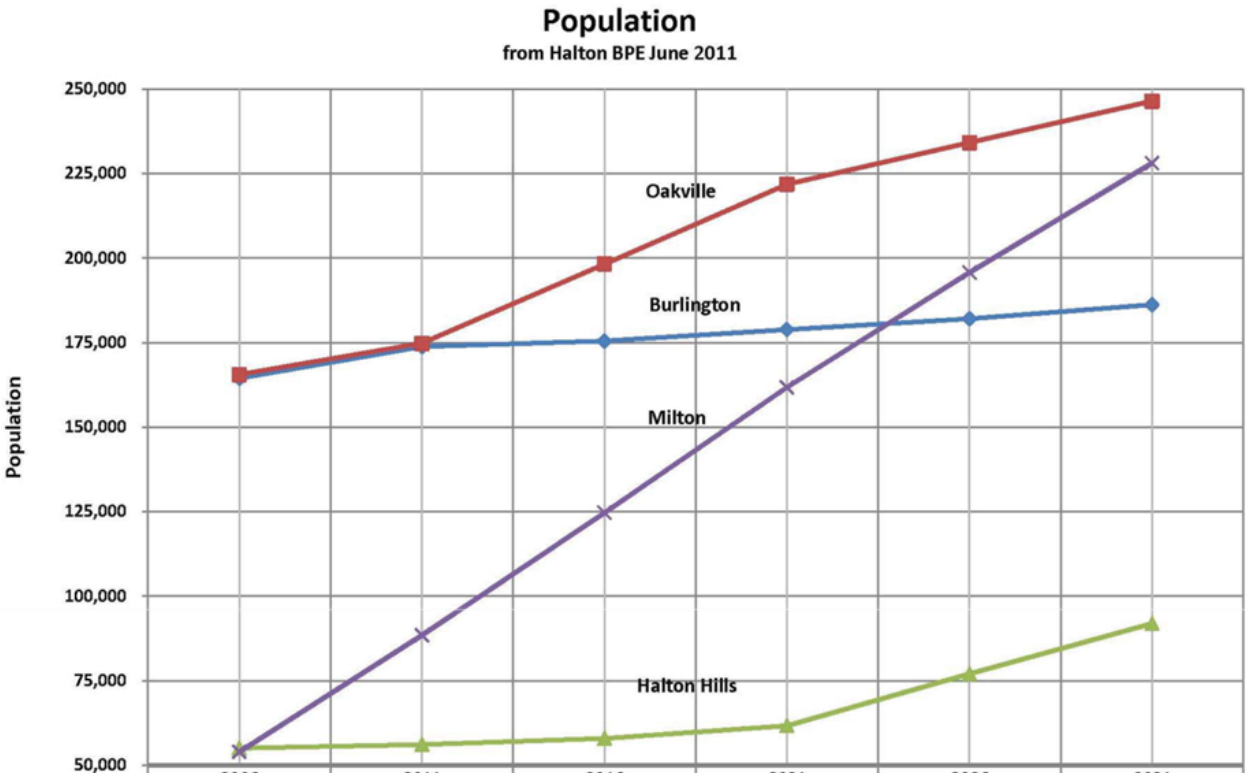
- Improved service availability, through reduced outage duration and frequency
- Enhanced safety practices
- Improved customer engagements and satisfaction
- Better communication through education and engagement through more modern social media platforms, eg. electricity safety, conservation, support programs and other energy updates
- A new website with live chat with customer service
- To establish additional baseline information for customer satisfaction and improve upon score over time, i.e. systems that support exit surveys and are able to collect Customer Sentiment and Net Promotor Score is one method under consideration
- Improved communication for both general information and outage information by text regarding outage notification and outage duration
- Through Omni-Channel engagements provide more choice to customers regarding their communication platform
- Through customer survey tools, continue to improve service to customers, using a net promoter score and voice of the customer initiatives

- Improved customer service from field crews through better technology with field crews enabled real time and actionable information, more information shared with customers during extreme weather events
- Improved customer service through tools to customer service representatives to communicate with customers about power outages
- Improved overall end-to-end customer interaction/customer experience from an enterprise journey perspective
- Through operational excellence, minimized errors or issues to improve overall customer experience
- Using Lean Six Sigma, through better accountability and processes, to achieve an improved operational response.
- Improved accessibility to customer service department by relocating from 2nd floor to 1st floor.
- Enhanced focus on safety through hiring full time safety resources and real-time field data
- Real-time insight of power to critical infrastructure such as police, fire and hospital facilities as well as other large critical customers
- Milton is a large logistics hub, Milton Hydro will be able to better support electrification of transportation and fleets
- Improved financial insight for cost control

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.



	2006	2011	2016	2021	2026	2031
Burlington	164,446	173,761	175,438	178,847	182,034	186,169
Oakville	165,529	174,780	198,205	221,826	234,121	246,400
Halton Hills	54,978	56,066	57,922	61,672	77,003	91,885
Milton	53,938	88,438	124,645	161,750	195,735	228,084

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.

Response:

a. Milton Hydro confirms that the chart provided in part (a) of 1-SEC-002 represents Slide 15 of Milton Hydro's presentation to the OEB in EB-2015-0089.

b. Chart and Table 1-6 updated below:

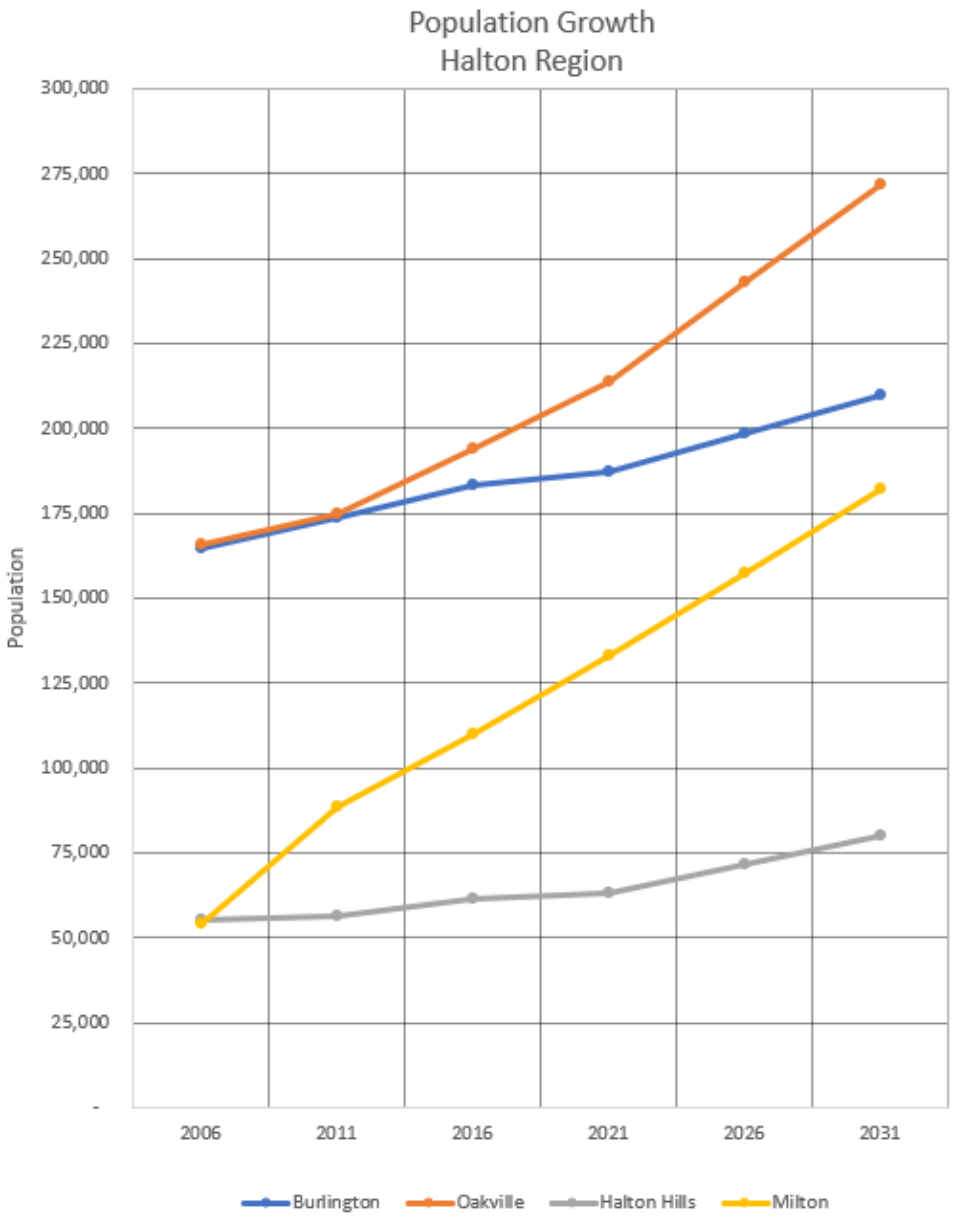


Table 1-6 Population Growth 2006 - 2031

	2006*	2011*	2016**	2021**	2026	2031***
Burlington	164,446	173,761	183,314	186,948	198,448	209,948
Oakville	165,529	174,780	193,830	213,759	242,759	271,759
Halton Hills	54,978	56,066	61,161	62,951	71,451	79,951
Milton	53,938	88,438	110,128	132,979	157,479	181,979
*Milton Hydro's OEB Presentation (EB-2015-0089)						
**Statistics Canada						
***Exhibit 1, Table 1-1 *'Population Growth - Halton Region Integrated Growth Plan**'*						

In the absence of population data for 2026, Milton Hydro extrapolated the 2026 forecast population figures based on an assumption of equal incremental annual growth in population for each LDC, between 2021 and 2031.

c. The actual population in 2016 of 110,128 is 12% lower than the forecast 2016 population of 124,645 per the chart provided in question a.

Notionally, with respect to Revenue impacts; Milton Hydro's customer base and load forecasts for the 2016 test year would have been informed by the expected population growth. Lower population from what actually arose, would cause impacts to revenue as follows:

- Lower population growth than expected would cause the 2016 test year customer base and load forecasts to be overstated,
- The result of over-stated customer base and load forecasts would be to cause the denominator quantities used in the calculations of the fixed and variable distribution rates to be overstated,
- Overstated denominator quantities in the rate design calculations would have caused the fixed and variable rates to be understated, and
- Understated fixed and variable rates would have caused lower revenue for Milton Hydro in the 2016 test year, and the entire IRM period, as the 2016 test year fixed and variable rates are the starting point for establishing the annual IRM rates annually.

Notionally, with respect to cost impacts. Lower revenue due to understated fixed and variable distribution rates would cause lower Regulated ROE, if unable to take spending containment measures.

In 2016 Milton Hydro's customer base was lower than the customer base used in rate design, the notional impacts described above occurred for Milton Hydro[3].

In 2023, although Milton Hydro was informed by Halton Regions population data projections for planning purposes, it did not rely on Halton Regions population projections data. Milton Hydro retained a third-party growth study report conducted by Glen Schnarr Associates Inc. (GSAI)[4]. GSAI is a long-established urban planning consultancy firm. Their expertise focuses on planning residential, commercial, industrial, institutional, and recreational development projects. Milton Hydro relied on the GSAI report to establish its 2023 test year customer base. Milton Hydro recognizes that the Halton Region growth projects for the town of Milton are very optimistic, and past projections have not materialized. However, irrespective of the projections, based on historical growth, from 2016 to 2021 the Town of Milton was the fastest growing community in Canada with a population of over 100,000. In addition, in response to 1-SEC-20 Milton Hydro provides Table 1-8 showing a comparison of the growth of all distributors from 2005 to 2020 which shows that Milton Hydro has been the fastest growing distributor in the province with growth during the 15-year period of over 107.58%, more than doubling the size of its customer base. The next fastest growing utility grew significantly less, by 39.79%.

Milton Hydro's request for revenue requirement in 2023 will enable it to have the resources that it needs in 2023, to transform itself so it has the systems, processes, and staffing to operate the business currently. Its current digital systems are outdated, its business processes are disjointed, include many manual elements, and are inefficient. The business processes and systems it currently uses were adequate when it had a smaller customer base. But these processes are no longer adequate, and for Milton Hydro to be a sustainable business, it needs to implement its Milton Hydro 2.0 Strategy and its 2023 business plan.

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[3] Milton Hydro's 2016 year-end actual metered customer base was 36,804, in its 2016 Cost of Service Rate application, in its load forecast it forecast the 2016 year-end metered customer base to be 37,461. Milton Hydro's forecasted customer base in 2016 was overstated by 657 customers.

[4] Exhibit 2, Attachment 2-2, Appendix G. GSAI Projected Growth Analysis Study (2021)

d. Milton Hydro confirms that in the EB-2015-0089 Decision (pg. 43) the Board said "The amount of office space that Milton Hydro created exceeded its reasonable requirements over the planning horizon.", however Milton Hydro cannot confirm that this statement was "based on this population growth evidence" as stated in the interrogatory. Milton Hydro cannot speak to the specific rationale supporting the Board's Decision, however it is understood that there were other factors that the Board would have considered such as the number of FTE's and operational requirements over the planning horizon. Since the time of the Board's Decision Milton Hydro has experienced and is expected to continue experience FTE growth over the planning horizon and increased operational needs for space.

e. Milton Hydro's requirements have grown. As its customer base has grown, its operational requirements have grown, and its number of FTE's have grown to support its customer base.

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.

Response:

a. This study does not refer to Appendix F of the Distribution System Plan, Exhibit 2 Attachment 2-2. It relates to the Accelerating Canada's electric vehicle transition information published by PwC[5].

b. The study referenced is unrelated to the PwC IT roadmap.

c. See reference to PwC webpage for information regarding the 25% increase to demand.

d. The reference is completely unrelated to the PwC reference noted in response to part a of the question.

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".

Response:

a. Milton Hydro currently has not quantified goals and measurement metrics for reducing carbon emissions in the Company's business outcome. Milton Hydro supports and will continue to support all internal and external initiatives for reducing carbon emissions, including but not limited to fleet electrification, efficient tools/equipment/assets, DERs and renewable/sustainable generation projects.

b. As new systems are brought online, the data from them will be managed in conjunction with data from all existing systems. Cross system data will eventually be managed by

[5] https://www.pwc.com/ca/en/industries/automotive/publications/accelerating-canadas-electric-vehicle-transition.html

Business Intelligence (BI) tools that will enable advanced analytics to help manage an efficient and effective organization with the potential for new and innovative metrics. Actionable data will come from a wide variety of information from a variety of systems including:

i. Customer data from Customer Information System (CIS), website, portal, outage management and metering systems;

ii. Integrated Financial data from Enterprise Resource Planning System (ERP), planning and analytics systems;

iii. Field operations from Geographic Information System (GIS), Outage Management System (OMS) and asset tracking systems;

iv. IT/Security systems from Mobile Device Management (MDM), Security Operating Centre (SOC) for cyber, network, helpdesk, asset trackers and others; and

v. People management, payroll, time tracking and personnel data from the Human Resource Information System (HRIS).

Combining data from these disparate sources will provide Milton Hydro with much better data, never combined before in an automated fashion, to produce accurate and actionable data that will not only improve outcomes for the sustainability initiatives, it will help reduce risk and create actionable data for a wide variety of decisions and activities.

c. Costs can be reduced by combining systems and improved processes to produce efficiencies. Also better data and analytics can lead to more informed decisions that can lead to cost savings. Access to data closer to real time also allows decision makers to make informed decisions leading to better outcomes and reducing rework and waste.

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.

Response:

The updated communications strategy and platforms are intended to provide many benefits to Milton Hydro's customers that include future cost avoidance, increased operating efficiencies from an integrated communications platform, improved response and communications capabilities for large outages and development of baseline communications content for proactive communications. These benefits are difficult to quantify. By investing into an integrated OMNI channel platform, Milton Hydro will be able to avoid the future costs of upgrading its inbound call capacity, call overflow and platform upgrades while adding resiliency by integrating and installing these functions into the cloud. Concurrently, Milton Hydro will be able to better use data and technology to proactively address and communicate common customer concerns and questions, thereby reducing call centre volumes resulting in the avoidance of adding additional Customer Service Representatives (CSR's). In the event of large outages and storm situations, the communications strategy would allow for consistent and integrated inbound and outbound communications across all communications channels (voice, email, social media and SMS). Customers would avoid the 'fast busy' that customers sometimes receive due to Milton Hydro's limitations with its current platforms and capacity. The underinvestment in the current platforms sometimes results in customers not being able to contact Milton Hydro when needed the most. Updating Milton Hydro's communications strategy and platforms will provide actionable data for Milton Hydro to continue to refine and improve its communications leading to efficiencies and customer satisfaction.

Table 1-7 outlines the expected costs of the new communications strategy which are included in the DSP and operating programs (Software License).

Table 1-7 Communications Strategy Costs

Description	2021	2022	2023	2024	2025	2026	2027	Total
OMNI Channel maintenance (OpEx)	—	30,750	32,288	33,902	35,597	37,376	37,377	**207,290**
OMNI Channel (Capital)	105,990	—	—	—	—	—	—	**105,990**

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.

Response:

Similar to ILEC (Incumbent Local Exchange Carriers) and incumbent cableco's, Milton Hydro is a facilities-based services provider whose business is based on placing wires to a home and delivering a service over those wires. While the services delivered 'over the wire' by the incumbent telco's is different, the fate of how utility wires are used over the coming years and decades will be driven by innovation within the market. Throughout the past 20 years, the telecom incumbents faced increasingly disruptive innovation where their monopoly status that was derived from being a 'wires' company was significantly eroded by replacement services, cancellation of services or consumption of what was a monopoly service now offered on a competitive basis with alternative delivery mechanisms such as cell phones, broadband and content streaming. Customer options evolved that either bypassed the wire (cord cutting), or minimized the value that could be derived from the wires (over the top content consumption). According to statista, Network Access Services from Bell dropped from 7.1 million subscribers in 2014 to 2.3 million subscribers in 2021, representing a significant erosion of landline services[6]. Furthermore over-the-top streaming services continues grow at a compounded annual growth rate of over 10%, replacing the once lucrative cable TV business[7].

Non traditional competitors have entered into what was once a monopoly or duopoly based market and caused competitive disruption to the incumbents.

Milton Hydro's reference indicates that Grid defection may or may not be a reality in coming years, however Milton Hydro wants to ensure that it learns the lessons of the telco market. Similar and substantial innovation disruption within the electricity sector may threaten to strand Milton Hydro's wires in a similar fashion should the technology and economics enable this. If

[6] https://www.statista.com/statistics/484492/bell-canada-wireline-subscriber-breakdown/

[7] https://www.statista.com/outlook/amo/media/tv-video/ott-video/canada#revenue

customers have the choice to go off grid, and if Milton Hydro's customers had their service removed, then Milton Hydro's assets would be stranded similarly to what happened in the telecom industry. Milton Hydro is attempting to be proactive should this competitive threat arise.

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".

Response:

a. The standards of measurement for service availability in the LDC industry are System Average Interruption Duration Index (SAIDI) and System Average Interruption Frequency Index (SAIFI) – measures of how often and how long the services are not available to Milton Hydro's customers. Management tracks these indices on an ongoing basis and always compares the current year vs the 5 year average, as well as the best and worst years within these periods. The goal of Milton Hydro is to continually be improving its 5 year average to provide ongoing improvements on the availability of Milton Hydro's service. Furthermore, continuous improvement on the 5 year average is one of the balanced scorecard measures that management has financial incentive. The way that Milton Hydro is improving these measures is through establishing a 24/7 control room, which will allow Milton Hydro to have better visibility to its distribution system, and will be able to dispatch crews quicker, and isolate faults quicker, and reduce outage durations for customers as well as investing in distribution system assets that allow for more insight, visibility, operational flexibility and more granular isolation, thus enabling the control room to provide faster and larger service restoration from outages.

b. Milton Hydro has not traditionally established ongoing customer satisfaction goals or exit surveys after customer interaction. It currently does not have the platforms to enable this feature. However as part of the overall investment strategy in customer support systems, Milton Hydro plans to launch a Net Promoter Score(NPS) survey at the end of customer transactions to 1) establish a baseline of customer satisfaction and 2) Improve on that baseline over time. While there are not any readily available Canadian comparators, Milton Hydro is looking to some of its American counterparts to establish a relative baseline of customer satisfaction based on NPS[8].

   Through mapping out the end-to-end customer experience and installing platforms that are able to provide meaningful and actionable data, Milton Hydro will gather rich data from customers to make continuous improvements to its customer interactions, to improve customer satisfaction measured through the NPS score on an ongoing basis.

c. Milton Hydro's customer systems and the data derived from these systems are currently quite basic. By capturing trends in inbound customer inquiries and providing detailed and proactive outbound communications (social, text, website, automated calling) in outage and storm situations, Milton Hydro believes it will be able to improve its customer communication, while at the same time managing an improved and tailored experience through the contact centre. Recent weather events have highlighted that Milton Hydro needs to consolidate and improve its communications systems through an omni-channel approach to provide customers more accurate and timely information about their services. Measures include reduced call volume within the contact centre, elimination of fast busy signals during high call volume (i.e. outages) and increased usage on automated systems such as Milton Hydro's Outage Management System and its outage to text service.

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.

[8] https://customer.guru/net-promoter-score/industry/utilities-gas-and-electric

Response:

The references to enterprise and entire organization refer only to the Applicant.

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.

Response:

a. There is no comprehensive and consolidated IT Roadmap or Strategy that was produced before the PwC report. The PwC Roadmap and Strategy is the first of its kind that Milton Hydro has had conducted. The report reinforces the need for the proposed new systems required to enable the Digital Transformation of Milton Hydro.

b. Earlier IT investments were based on a piecemeal and unstructured approach to implementing and managing IT assets to support a relatively stable and consistent business. With the growth and complexity of the business, a new and coordinated approach proposed in this application envisions a Digital Transformation to enable and support the complex needs of a modern and fast growing utility.

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.

Response:

For Milton Hydro, Shared-First is a concept of shared enterprise planning to minimize cost and maximize efficiency. It is not about two authors sharing credit for a particular document or response. For Milton Hydro, planning for all technology investments is about all employees in the organization sharing ideas and requirements to implement the best solutions.

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.

Response:

A One-Team culture is an enabler to the strategic pillar "Maximize Value using an Enterprise Approach". In order to have an enterprise approach Milton Hydro needs to foster collaboration amongst individuals, within teams and across departments. Adopting a One-Team approach means that Milton Hydro work towards common goals while creating an environment of belonging and increased involvement amongst our employees. As an organization, being One-Team will help share the passion, belief and values to achieve corporate goals.

Forbes article "One Team" To Rule Them All", authored by Sebastian Bailey[9], writes about team collaboration elevating communication and application of employee competencies to improve task performance. He references "One Team" as a core value used in many organizations. Two lessons cited to create successful collaboration are:

1. Create work environment where teams share and leverage individual's area of expertise.

2. Encourage relationships between team members through common goal setting and rewards/recognition for successes.

Since the formal launch of the One Team slogan at Milton Hydro in early 2022, One Team culture has been enabled through various approaches that include:

[9] https://www.forbes.com/sites/sebastianbailey/2015/08/23/one-team-to-rule-them-all/?sh=6996c7ee324a

- Lean Six Sigma project work on defined goal leveraging and a cross functional team where collaboration is encouraged with transparent communications.
- Quarterly Town Halls where all Milton Hydro employees attend for business updates on challenges and wins, business performance, and collectively recognizing and celebrating new Lean Six Sigma Yellow Belt certifications.
- Semi-Monthly Management meetings where each function provide a brief performance update and shares One Team examples.

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.

Response:

a. The intent is to apply Lean Six Sigma methodology across the electricity distribution business. As MHDI launched the Lean Six Sigma program in January 2022, it is just beginning it's journey to full adoption of the methodology. As Milton Hydro builds the Lean Six Sigma bench strength more use of the methodology can be applied.

b.

i. In order to create a culture of process improvement all Milton Hydro employees with the capability to recognize opportunities for improvements will participate in implementing sustainable improvements. The Milton Hydro leadership team has included a target of 85% Lean Six Sigma Yellow Belt certification into the 2022 Corporate Performance Scorecard. The expectation will be for 100% employee certification in 2023.

ii. Three individuals were hired into Milton Hydro already certified in Lean/Six Sigma from previous employment. Future in-house Green Belt certifications will be considered based on capacity and capability of selected individuals to pursue this development opportunity.

iii. At this time, one Milton Hydro employed Black Belt can support Milton Hydro's adoption of the Lean Six Sigma methodology.

c. A quantified metric baseline will be established for chartered projects as part of the Measurement phase of the Lean Six Sigma problem solving methodology. A baseline will be performed on a project by project basis. Reported savings will be quantified based on demonstrated improvement achieved over the defined baseline.

d. Process improvement/innovation launched in January 2022. During the first 6 months of implementing this strategy, Milton Hydro has not incurred any incremental costs beyond the wages and benefits of the Process Improvement Officer. Milton Hydro does not expect any additional costs in future years for implementing this strategy as the resident certified Black Belt will develop and perform all training, advanced learning and coaching capabilities. Any spending to implement solutions from Lean Six Sigma projects will be allocated to departmental budgets and/or already established strategic project budgets.

No cost savings plan exists at this point; however, Milton Hydro has started to identify process improvement initiatives that will be used to prioritize and plan for this and future years. The primary focus for the Lean Six Sigma strategy will be to establish more productive business processes, and minimize the need for additional labour as Milton Hydro's customer base increases due to population growth while achieving reliable power distribution and strong customer service. As a result the expectation is that ratepayers should experience better customer service, a more positive, seamless end to end customer experience and a higher degree of customer satisfaction.

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.

Response:

The current and planned initiatives are not projected to provide hard operating or capital savings for Milton Hydro. The initiatives are focused on delivering productivity savings that will lead to increased capacity for those resources performing those tasks. The following provides a description of the initiatives and summary of expected savings:

a. **Treasury and cash management initiatives** - The administration of cash and treasury management will be focused on understanding the day-to-day cash requirements to support the operating, investing and financing activities of the organization. The savings here are difficult to quantify as there is variability in cash inflows/ outflows and fluctuations in borrowing rates. The objective is to ensure financial stability with the potential to optimize short-term indebtedness.

b. **Debt consolidation and financing** - The scope of services are principally focused on: developing and optimal debt structure of Milton Hydro to ensure it is adequately capitalized to execute its plan; development structured approach regarding the timing, structure, and forms of long-term debt; and develop a balanced long-term and short-term debt structure. These services will be principally performed by the Corporate Finance

staff. The savings expected here will be related to increased capacity for the resources performing these activities.

c. **Improved insights and timeliness to financial measures** - Milton Hydro is focused on aligning its processes to deliver monthly, quarterly, and yearly analysis to its key stakeholders more efficiently. The current process focuses on a centralized model where Finance delivers the results to the Executive team and Board of Directors directly. The integrated process will focus on integrating a decentralized model where business unit owners are involved in the financial and operational results of there respective organizations. The expected results will be actionable insights to make more informed and timely decisions. Milton Hydro has anticipated increasing capacity for the management team here.

d. **Improved planning and analytics process** - This is described in the response to 1-SEC-15. The cost savings expected to improve operational capacity for those management staff that oversee and manage there organizations.

e. **Enterprise Risk Management (ERM)** - Milton Hydro reviews its risks and impacts each year as part of its ERM strategy. The risks identified outline the exposure Milton has to several things including, but not limited to: extreme weather events; pandemic related events; government policy changes; cyber breach; adequate system capacity; and delivering the annual capital plan. Milton Hydro employees resources, third parties and invests in it core operating/ capital plans to mitigate these risks. However, Milton Hydro does not include reactive costs for these events in its budget instead choosing to highlight these risks to the Board of Directors as potential risks to delivering the approved plans. By identifying and understanding these risks, Milton Hydro is better equipped to respond and mitigate these risks where practical. The savings will be to improve capacity when these events/incidents occur as well as reduce unbudgeted risks.

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.

Response:

a. Attachment 1-1 2020 Budget, Attachment 1-2 2021 Budget, and Attachment 1-3 Budget 2021 and LRF for 2022-2024

b. The full package of materials are presented in the final board-approved business plan presented in part a. of this question above.

c. There were no formal written resolutions. The 2020 and 2021 budgets were approved during the Board of Directors meetings, held on December 9, 2019 and December 14, 2020, respectively, and these approvals are reflected in the respective meeting minutes.

d. The goals and objectives are presented as part of the full package of materials are presented in the final board-approved business plan presented in part a. of this question above.

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.

Response:

Prior to the Financial planning and budget cycle, parameters are put in place to guide and govern the process. The goals and objectives must align to the strategy, vision and mission of

the organization. Organizational goals and objectives are then cascaded down to the business unit and to each employee. The business unit goals and objectives represent the operational and capital needs and requirements to deliver it services and/ or perform its activities. These goals include, but not limited to: operational reliability; financial performance; cost containment and mitigation; customer service targets; and safety targets.

The budgeting team is provided direction on key assumptions and risks to incorporate into the plan. In a Cost of Service year, the application resets these assumptions and risks to align to the revenue requirement being requested in the application.

Attachment 1-6 Budget Kick Off Documents provides the budget kickoff documents provided to each business unit leader prior to the onset of the planning cycle. Additionally, the key assumptions and risks are outlined in Exhibit 1, Attachment 1-2 2023 Budget and 2024-2027 Forecast.

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?

Response:

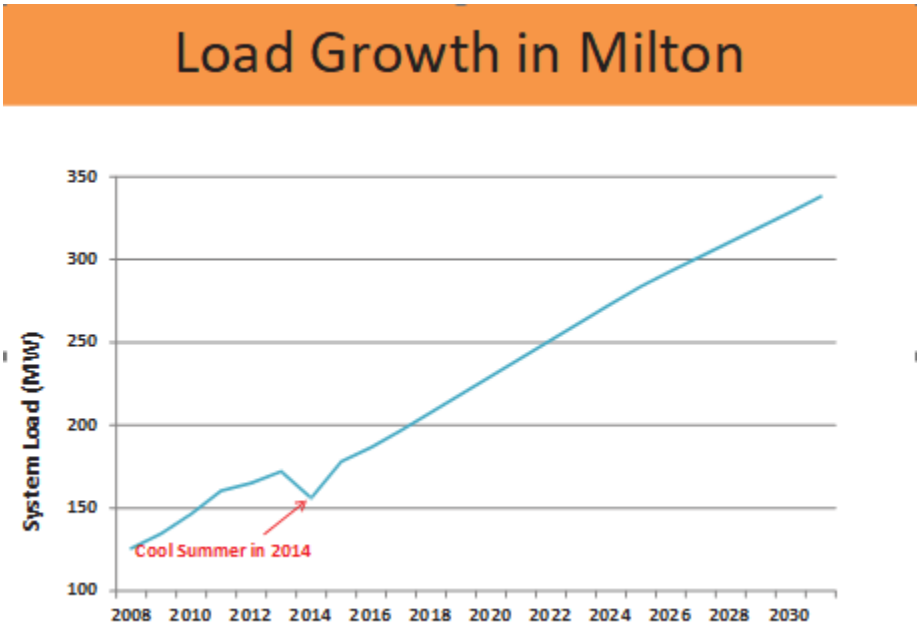
Please refer to response for 4-Staff-59.

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.



b. Please reconcile the chart with Table 1-10.

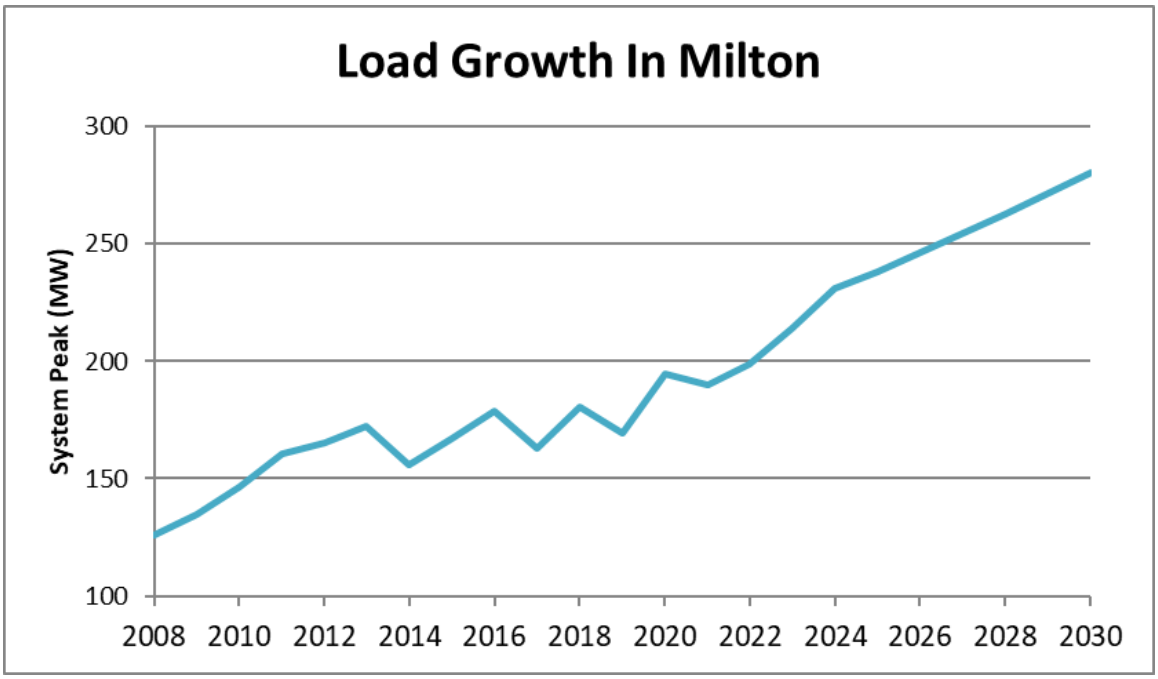
c. Please re-do the chart using actuals to 2021, and the current forecast for all subsequent years.

Response:

a. Confirmed.

b. The chart and Table 1-10 provide different types of load data. This chart reflects system peak loads and Table 1-10 provides the sum of monthly billed demands of only demand-billed classes.

c.



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.

Response:

Milton Hydro understands customers' are concerned about the cost of electricity and the importance of delivering safe, reliable services at an affordable cost. Milton Hydro consistently engages customers in surveys to better understand their current and future electricity needs and priorities, which includes delivering services customers value at an affordable cost, and to provide education customers around various topics such as electricity safety. Survey data is consistently tracked and measured to ensure Milton Hydro is meeting industry regulations and standards. The surveys referenced in the Application acknowledge how Milton Hydro understands how important affordability and cost value are to customers in the following sections:

1) Customer Engagement Surveys conducted by Decision Partners:

[Reference - COS Application - Exhibit 2: Rate Base - Distribution System Plan - Appendix J - Customer Engagement Summary Report on Milton Hydro's Investment Planning: 3.3 Introduction to Key Elements of Milton Hydro's Capital Spending/ 3.4 Introduction to Key Elements of Milton Hydro's OM&A Spending/ 3.5 Overall Impact of Spending on Customer Bills and Confidence in Milton Hydro/ Appendix C: Customer Engagement Web Survey/ Appendix D: Larger Commercial/Industrial Customer Webinar Online Survey]

The following survey questions, show that Milton Hydro asked customers to rate how important each area of investment is to them and whether the amount allocated to each area of investment is appropriate. By asking these questions to customers, Milton Hydro ensured that customers could share feedback around what areas are important to them and if the investments, that will impact rates, are appropriate for the value they will provide customers.

Online Customer Engagement Survey:

- In question 3 under Considerations for Business Planning, customers were asked how important it was to them that electricity delivery be at an appropriate cost and given the option to provide comments
- In questions 12 to 19 under Capital Investments, customers were asked how important each area of capital investment (System Access/ System Renewal/System Service/ General Plant) was to them and how appropriate they thought level of investment was for that area
- In question 22 under OM&A Spending, customers were asked how appropriate they thought the proposed level of investment in OM&A spending was and given the option to provide comments as to why they chose that rating
- In question 23 under The Bottom Line: How this Affects Your Electricity Bill, customers were asked to reflect on everything that was presented in the survey and rate how appropriate the proposed level of spending was and given the option to provide comments as to why they chose that rating

Larger Commercial/Industrial Webinar Online Survey:

- In questions 8 to 11 under System Access/System Renewal/System Service/General Plant, customers were asked how important each area of capital investment was to them and how appropriate they thought the level of investment was for that area

- In questions 13 to 14 under OM&A Spending, customers were asked how appropriate they thought the proposed level of investment in OM&A spending was and given the option to provide comments as to why they chose that rating

- In question 15 under The Bottom Line: How this Affects Your Electricity Bill, customers were asked to reflect on everything that was presented in the survey and rate how appropriate the proposed level of spending was and given the option to provide comments as to why they chose that rating

Note: The chart referenced in this question on page 77 of the Application listing items of importance for Milton Hydro customers, are specifically focusing on what customer services are important to customers, and not overall importance of electricity provision.

2) Customer Satisfaction Survey conducted by UtilityPULSE:

[Reference - page 83 - COS Application - 1.7.4.2. UtilityPULSE Customer Satisfaction Survey]

For Milton Hydro's Customer Satisfaction Surveys, customers are asked the same questions on a biennial basis to measure and compare results across provincial and national industry benchmarks. In each Customer Satisfaction Survey, customers are consistently asked if paying for electricity is a a worry or a major problem and what they think of electricity costs.

In response to 1-CCC-3 Milton Hydro identified that it omitted the inclusion of its biennial customer satisfaction survey that it referred to in its original evidence as filed. Milton Hydro provides the 2021 Customer Satisfaction Survey Report, titled 23rd Annual Electric Utility Customer Satisfaction Survey conducted by UtilityPULSE.

References on how customers have been engaged about the importance of price are contained in the 2021 UtilityPULSE Customer Satisfaction Survey Report as follows:

- On page 19 is Milton Hydro's UtilityPULSE Score Card. Milton Hydro scored a B+ for Customer Care - Price and Value (B)/Customer Service (A), matching the Ontario and National B+ performance ratings. In order to provide a Score Card for Milton Hydro,

UtilityPULSE needed to ask their customers about price and value. This driver measures customer perceptions as to whether the total costs of electricity represent good value and whether the utility is seen as working in the best interests of its customers as it relates to keeping costs affordable. Score Cards are provided year over year.

- On page 22 and 23, UtilityPULSE states, "As with the previous 23 years, the number one suggestion, by a wide margin, has been 'better prices.' Price will always be top of mind for customers.' This statement proves that Milton Hydro historically and consistently gives customers the choice to express how important price is to them.

- The Table on page Page 84, highlights part of the survey where customers were asked to indicate one or two most important things Milton Hydro could do to improve customer service, which better prices/lower rates was provided as an option.

- The Table on page 85, shows what customers thought when asked: Is paying for electricity is a worry or a major problem?

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.

Response:

a. Milton Hydro does not confirm the statement made in part a. of the question above. Prior to 2016, in 2015 Milton Hydro had a category 3 efficiency assessment[10], in 2014 Milton Hydro had a category 2 efficiency assessment[11].

b. Milton Hydro provided the following information in its 2019 Scorecard: "In 2019, Milton Hydro received 24,292 incoming calls from its customers or 98 calls per working day. Our Customer Service Representatives ("CSR's") answered 84.44% of the calls within 30 seconds or less, slightly less than previous years due to modifications to Milton Hydro's method of tracking calls."

c. Milton Hydro corrects the reference to a precipitous drop in 2018 and 2019 achieved ROE. Milton Hydro's drop in ROE was in 2019 and 2020. The main reasons for the reduction in achieved ROE from 2019 to 2020 are provided in the response to 1-Staff-6.

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.

Response:

a. Milton Hydro corrects the reference noted above; in 2011 its customers per employee were 663 as per the 2011 OEB Yearbook. From 2011 to the 2016 rebasing year, Milton Hydro's customers per employee dropped by 39 customers per employee (663 - 624),

[10] PEG Report - Empirical Research in Support of Incentive Rate-Setting: 2015 Benchmarking Update, issued July 2016.
[11] PEG Report - Empirical Research in Support of Incentive Rate-Setting: 2014 Benchmarking Update, Issued July 2015

then from 2016 to 2023 its customers per employee are projected to drop by 59 customers per employee (624 - 565). Milton Hydro's current level of staffing is scaled at the level of a small distributor. This level of resourcing is insufficient to properly support its current customer base and the growth in customer base in the future. Milton Hydro's current level of FTEs is insufficient to support proper functions of the company. In 2020 Milton Hydro had the 6th highest ratio of customers to employees in the province. When compared to its peers it has the highest ratio of customers to employees per Table 4-40 from Exhibit 4 reproduced below.

Table 4-40 Customers to FTE Ratio Comparisons

Description	Milton Hydro	Waterloo North	NPB	Energy+	Oshawa	Burlington Hydro	Synergy Corp.	Blue Water	Essex
# of Customers	41,221	58,438	56,979	67,303	59,486	68,568	56,887	36,919	30,661
# of Employees	51	119	121	121	76	97	129	117	40
Ratio:	808:1	491:1	470:1	556:1	782:1	706:1	441:1	317:1	766:1

Milton Hydro's high customer to employee ratio is putting strains on the current workforce that may result in burning out of employees, morale erosion, errors, safety issues, and rework leading to inefficiency. This high ratio has also introduced a lack of bench strength within the organization and single incumbency risk, meaning that the departure of employees in key roles can have a material and detrimental effect to the organization. Previous management tried to run a lean organization and save money, but this became increasingly unsustainable and is further exacerbated with persisting high customer growth resulting in numerous challenges unless specific mitigating strategies are executed. Refer to Exhibit 4, Section 4.4.2.8 page 105 & 106, Milton Hydro has provided some of the challenges it is experiencing as a result of operating a lean organization over the past many years. As a result, with the new management, and continued customer base growth, Milton Hydro is making a shift and needs to invest in its workforce to ensure that Milton's customers are served well and in a safe manner.

As laid out in the third-party Resource Optimization Review Report, Milton Hydro has maintained a workforce well below the average of its other large-sized LDC peers for a number of years. Its business processes and IT systems are sub-optimal given its customer base, its legacy business processes are disjointed with many manual processes embedded into them. Better processes through automation and improvements in productivity are needed through using the Lean Six Sigma

methodology. Milton Hydro is cognizant that its customers per employee metric will temporarily drop off. The transformation of Milton Hydro will take time, the resource requirements of 2023 will set the level needed for the IRM period allowing it the resources to work to be more productive through a combination of new digital systems and improved business processes. This is not a one or two year transformation journey. It will take Milton Hydro 4 or 5 years to redesign the way it operations. As Milton Hydro's customer base grows coupled with improvements in productivity, its customers per employee metric will gradually grow and improve.

b. During its transformation journey, Milton Hydro's customers per employee metric will gradually increase. This is expected to occur as Milton Hydro becomes more efficient, its business processes improve, digital systems are modernized, and its customer base grows.

When considering economies of scale, it's important note that Milton Hydro is the fastest growing utility in Ontario and has been for many years based on natural growth from customer expansions and new customer connections (organic growth). Table 1.8 below, lists growth in customer base due to organic growth since 2005 for licenced distributors as at December 31, 2020. To calculate the 2005 customer bases for licenced Ontario electricity distributors as at December 31, 2020 who were involved in a MAADS between 2005 and 2020 the customer bases for legacy distributors as at December 31, 2005 were combined. The source of information is the applicable 2005 and 2020 OEB yearbooks. Milton Hydro includes the source excel spreadsheet file "1-SEC-020 Customer Growth Analysis 2005 vs 2020", for the calculations along with its responses to the Interrogatories.

As per Table 1-8 below, Milton Hydro's organic growth since 2005 is the highest of any distributor in the province. Milton Hydro has more than doubled its customer base since 2005 when it had 19,858 customers. In 2020 Milton Hydro had 41,221 customers with growth of 107.58% since 2005. Milton Hydro's overall organic growth is 2.7 times greater than the second fastest growing utility Innpower Corporation whose customer base has grown by 39.79% since 2005. Milton Hydro's compound annual growth rate since 2005 is 4.99%, and the next fastest growing utility, since 2005 is Innpower Corporation with a % compound growth rate of 2.26% since 2005.

Milton Hydro's historical growth rate is important to be aware of for two reasons. First, although its customer base has more than doubled in the past 15 years, its organization, systems, and business processes have not changed enough to support the size of its current customer base and the continued growth expected in its customer base. With the changes Milton Hydro is making through its 2022 and 2023 business plans, and its 2023 to 2027 Distribution System Plan, its systems will be appropriately scaled to be able to achieve economies of scale as it continues to grow. The second reason Milton Hydro's historical customer growth rate is important, is because the growth experienced in the past years is expected to continue, with respect to the number of new customers added to the customer base, albeit at a slowing compounded growth rate. GSAI's Growth Study indicates that Milton Hydro's growth from the end of 2024 to the end of 2027 could potentially be about 1,875 new residential customers on average per year, however, in the report GSAI notes the degree of uncertainty beyond 2024 and into 2027, and the accuracy of the projections begin to diminish as there are a greater number of factors that can influence the timing of development. Simply put, a status quo approach in the face of ongoing growth will become increasingly problematic for Milton Hydro.

Milton Hydro acknowledges that with additional customer growth there will also come additional revenue, which Milton Hydro has seen over the years, however, even with the growth experienced, its approved revenue requirement and rates from past rebasing applications did not provide the funding needed to make the incremental investments to grow the scale its business to the level needed in 2023. These incremental revenues are insufficient to address the growing requirements of the organization on many fronts (people, processes, and systems). Once its revenue requirement is approved by the OEB, Milton Hydro will be able to implement its plans. Economies of scale will be recognized as the strategic plan is executed. Additional resourcing will enable the addition of automation. The combination of people, processes and systems over time will allow Milton Hydro to get on a trajectory to establish economies of scale. Without addressing the fundamental issues of manual operations, lack of systems and lack of process innovation, Milton Hydro will never be able to rise above 'firefighting' mode and achieve economies of scale. As these are implemented, efficiencies are gained, the trajectory of headcount and automation investments level off and economies of scale are gained wherein the customers per employee metric will increase again over time.

Table 1-8 Ontario Electricity Distributor Growth Rates from 2005 to 2021

Distributor	2005 Customer Count	2020 Customer Count	Growth Since 2005[1]	Compound Annual Growth Rate
Milton Hydro Distribution Inc.	19,858	41,221	107.58%	4.99%
Innpower Corporation	13,793	19,281	39.79%	2.26%
Oakville Hydro Electricity Distribution Inc.	54,677	74,001	35.34%	2.04%
Wasaga Distribution Inc.	10,545	14,238	35.02%	2.02%
Cooperative Hydro Embrun Inc.	1,791	2,409	34.51%	2.00%
Niagara-on-the-Lake Hydro Inc.	7,466	9,632	29.01%	1.71%
EPCOR Electricity Distribution Ontario Inc.	14,124	18,203	28.88%	1.71%
Kitchener-Wilmot Hydro Inc.	79,487	99,026	24.58%	1.48%
Lakefront Utilities Inc.	8,551	10,639	24.42%	1.47%
Hydro Ottawa Limited	278,581	346,347	24.33%	1.46%
Grimsby Power Incorporated	9,530	11,684	22.60%	1.37%
Alectra Utilities Corporation	866,410	1,062,040	22.58%	1.37%
Tillsonburg Hydro Inc.	6,343	7,719	21.69%	1.32%
Waterloo North Hydro Inc.	48,041	58,438	21.64%	1.31%
Newmarket-Tay Power Distribution Ltd.	36,682	44,187	20.46%	1.25%
Oshawa PUC Networks Inc.	49,498	59,486	20.18%	1.23%
Orangeville Hydro Limited	10,609	12,697	19.68%	1.20%
Centre Wellington Hydro Ltd.	6,086	7,283	19.67%	1.20%
Energy+ Inc.	56,495	67,303	19.13%	1.17%
E.L.K. Energy Inc. [2]	10,626	12,611	18.68%	1.23%
Elexicon Energy Inc.	142,965	169,489	18.55%	1.14%
Orillia Power Distribution Corporation	12,374	14,552	17.60%	1.09%
London Hydro Inc.	138,046	162,140	17.45%	1.08%
Niagara Peninsula Energy Inc.	48,671	56,973	17.06%	1.06%
Westario Power Inc.	20,699	23,953	15.72%	0.98%
Burlington Hydro Inc.	59,537	68,568	15.17%	0.95%
Toronto Hydro-Electric System Limited	676,678	779,176	15.15%	0.94%
Festival Hydro Inc.	18,860	21,654	14.81%	0.93%
Lakeland Power Distribution Ltd.	12,260	13,936	13.67%	0.86%
Halton Hills Hydro Inc.	19,873	22,564	13.54%	0.85%
Brantford Power Inc.	35,986	40,662	12.99%	0.82%
Wellington North Power Inc.	3,416	3,859	12.97%	0.82%
Hydro 2000 Inc.	1,130	1,273	12.65%	0.80%
ERTH Power Corporation	20,952	23,547	12.39%	0.78%
Ottawa River Power Corporation	10,190	11,442	12.29%	0.78%
Welland Hydro-Electric System Corp.	21,430	24,054	12.24%	0.77%
Hydro One Networks Inc.	1,217,212	1,361,102	11.82%	0.75%
Essex Powerlines Corporation	27,437	30,661	11.75%	0.74%
Peterborough Distribution Incorporated	33,531	37,467	11.74%	0.74%
Entegrus Powerlines Inc.	54,802	60,587	10.56%	0.67%
ENWIN Utilities Ltd.	84,254	90,104	6.94%	0.45%

Canadian Niagara Power Inc.	27,902	29,718	6.51%	0.42%
Renfrew Hydro Inc.	4,116	4,345	5.56%	0.36%
Kingston Hydro Corporation	26,265	27,718	5.53%	0.36%
Bluewater Power Distribution Corporation	35,208	36,916	4.85%	0.32%
Hydro Hawkesbury Inc.	5,248	5,474	4.31%	0.28%
Greater Sudbury Hydro Inc.	45,915	47,865	4.25%	0.28%
PUC Distribution Inc.	32,497	33,751	3.86%	0.25%
North Bay Hydro Distribution Limited	23,405	24,290	3.78%	0.25%
Algoma Power Inc.[3]	11,688	12,124	3.73%	0.33%
Sioux Lookout Hydro Inc.	2,760	2,841	2.93%	0.19%
Synergy North Corporation	55,405	56,887	2.67%	0.18%
Rideau St. Lawrence Distribution Inc.	5,823	5,899	1.31%	0.09%
Espanola Regional Hydro Distribution Corporation	3,315	3,328	0.39%	0.03%
Hearst Power Distribution Company Limited	2,780	2,659	-4.35%	-0.30%
Northern Ontario Wires Inc.	6,202	5,929	-4.40%	-0.30%
Fort Frances Power Corporation	4,040	3,761	-6.91%	-0.48%
Atikokan Hydro Inc.	1,765	1,627	-7.82%	-0.54%
Chapleau Public Utilities Corporation	1,353	1,223	-9.61%	-0.67%

1 - Growth rate based on customer expansions and connections

2 - Growth based on period from 2006 to 2020

3 - Growth based on period from 2009 to 2020

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).

Response:

The question is very broad and asks for information that is currently not available and/or will require significant time and effort to be derived. Milton Hydro has not yet finalized the scope of the project, nor has it retained a consultant to undertake the required work, and does not have all required information to properly answer the question. The ERP system is not being in-serviced in the 2023 test year and Milton Hydro is not requesting the approval of any revenue requirement associated with the ERP capital expenditures. As such, the full scope of the

question is not proportional to the materiality of the investment and value it will bring to the OEB to decide the issues in the proceeding.

Nevertheless, Milton Hydro provides, on a best efforts basis, Table 1-9 below that contains preliminary capital and operating expenditures associated with the ERP system for the 2022-2028 period. As Milton Hydro progresses with the implementation of the ERP system, the provided below estimates may change.

Table 1-9 Capital & Operating Expenditures Projection Related to Enterprise Resource Planning System for 2022 to 2028

Description of Expenditure	2022	2023	2024	2025	2026	2027	2028	Total
Capital Expenditure								
Software Acquisition Costs	$175,000	$513,000	$263,000	$—	$—	$—	$—	**$951,000**
Installation Costs (includes internal resources)	$94,815	$208,593	$76,000					**$379,408**
	$269,815	**$721,593**	**$339,000**					**$1,330,408**
Operating Expenditures								
Annual Software Maintenance		$—	$115,000	$115,000	$115,000	$115,000	$115,000	**$690,000**

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.

Response:

The on-boarding checklist is a manual tool primarily used by Human Resources to ensure that key department stakeholders within Milton Hydro complete the necessary onboarding steps for a new hire. The document structure outlines the tasks associated with each responsible party. We anticipate leveraging system capabilities in the ADP and/or ERP systems to transition the onboarding checklist and appropriate portions of orientation to an automated platform in the future.

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.

Response:

Milton Hydro does not expect any cost savings that will accrue for the benefit of shareholders from 2024 to 2027. The investments being made by Milton Hydro are being made for customers, to improve the overall service provided by Milton Hydro for electricity distribution services as the company navigates the challenges of continued growth for both customers and consumption as well as ongoing changes within the electricity distribution market. Transforming Milton Hydro is a journey, it will take 4 to 5 years to transform Milton Hydro into Milton Hydro 2.0, then after it has been transformed the company will continue to work on continuous improvement through the Lean Six Sigma discipline. Milton Hydro will also need to update business processes outside of the new ERP system, across the organization. It will continue to invest in its operations to achieve its Strategic goals. As indicated in Exhibit 1 page 116, Milton Hydro does not expect hard savings having a direct financial impact on the budget or income statement. For a rapidly growing utility such as Milton Hydro it will need to continue to re-invest in transforming the company to achieve its Milton Hydro 2.0 Strategy. Milton Hydro is a high growth utility; it is not a steady state no-growth utility.

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.

Response:

The water billing shared service costs are based on fully allocated costs comprised of direct labour charges from mainly the Customer Call Centre, the Billing department, support costs from Finance, Information Technology, and depreciation on assets. The rates to distribution

customers are based on the expected frequency of customer related charges for items such as late payments and new connection charges. The customer related charges are based on the growth of customers which are not the same drivers used in determining water billing charges.

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.

Response:

The fixed committed reducing term loan and the interest only bearing loans are outlined in the response to 5-Staff-79.

1-SEC-026

[Ex. 1, Attach 1-2, p. 9]

Please provide details of the referenced "unfavourable regulatory policy".

Response:

With respect to the impacts of the Pandemic, the support of customer payment flexibility and providing electricity distributors with enabling financial mechanisms to do so. The impacts on bad debt and increased cleaning costs were not recoverable through a regulatory deferral account.

With respect to the period in between rebasing applications, utilities do not have sufficient levers to manage inflationary or general cost increases to its operating and capital programs. Recovery is based on existing distribution rates with funding for higher than anticipated increases being required to meet narrow criteria in order to be eligible (e.g. Incremental Capital Module).

Changes to customer rules, including winter disconnection moratorium, reduce budgeted collection, connection, reconnection, and late payment revenue.

Utilities looking to improve customer engagement and service through online or Software as a Solution ("SaaS") platforms are restricted from earning a return on capital since they are considering operating, maintenance and administration expenditures. Milton Hydro is disincentivized in acquiring cloud-based software and would select on premise solutions. This creates financial hurdles that hinder utilities from realizing the benefits that are available, including but not limited to potential cost reductions as well as greater security and protection from cyber threats.

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.

Response:

The order of magnitude of the customer rate increase was presented in the Customer Engagement Survey. This can be found in Exhibit 2, Attachment 2-2 DSP, Appendix J, Customer Engagement Summary Report, Appendix C: Customer Engagement Web Survey Copy page 61, which states that:

"Starting in 2023 a typical Residential customer would see an **increase in distribution charges of $5.33** (an increase of about 18% of the distribution portion of their bill)."

At the time when Milton Hydro conducted customer engagement, it performed Revenue Requirement Calculations based on information available at that time. Subsequent to Milton Hydro conducting customer engagement, its revenue requirement and rates were updated for the OEB published cost of capital parameters and refinements to its revenue requirement calculations as it worked through its rate application fine tuning elements of its revenue requirement.

Milton Hydro prepared the Application Customer Summary consistent with the filing requirements, which do not state that the distribution rate increase be included. According to the filing requirements, the summary must include the bill impacts for a consumer using 750 kWh, as well as a typical consumer for a distributor's service area for each of the residential and

small business customer classes. The bill impacts are to be based on commodity rates based on time-of-use and regulatory charges held constant.

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.

Response:

Milton Hydro has reconciled the PPE on the 2021 Financial Statements with the PPE that is included in Rate Base and the difference in the COS 2016 Disallowed Building.

Gross Cost of Building Disallowed (2016 COS)	$ 1,429,202
Accumulated Depreciation	($ 185,796)
Net Cost of Building Disallowed (2016 COS)	$ 1,243,406

Note: Rate Base is based on the Average Fixed Assets, but for this analysis Gross Fixed Assets Closing and Accumulated Depreciation Closing was used.

Financial Statements	
NBV PPE per 2021 FS	$ 120,080,746
NBV Intangible Assets per 2021 FS	$ 2,260,737
	$ 122,341,483
Less Work in Progress	- 6,583,565
	$ 115,757,918
Rate Base	
Gross Fixed Assets Closing	$ 170,093,630
Accumulated Depreciation Closing	$ 75,516,462
NBV PPE and Intangibles Closing 2021	$ 94,577,168
Add Back Deferred Revenue	$ 20,547,338
Less Major Spare Parts	$ (610,000)
Reconcilied Difference between FS and Rate Base is Dissallowed Building (2016 COS)	**$ 1,243,412**
	$ 115,757,918

Average Gross Fixed Assets	$ 167,584,598
Average Accumulated Depreciation	$ 73,895,078
Average Net Book Value	$ 93,689,520

CONSUMERS COUNCIL OF CANADA

1-CCC-1

Ex. 1

Please explain how Milton Hydro addresses the Letters of Comment that have been filed with the OEB regarding its Application.

Response:

Milton Hydro's process for addressing letters of comment filed with the OEB regarding its Application is as follows:

- Letters are reviewed as they are filed and key issues/questions are identified
- Responses are prepared to address key issues and questions [see responses in section: 1-Staff-2]

1-CCC-2

Ex. 1/p. 9, p. 19

The evidence states, "The company has been able to maintain its low-cost distributor position throughout many years of rapid customer growth by minimizing or deferring investments in people, systems and processes. While initially workable, the compounding effects of community growth against a backdrop of minimal investments into supporting resources now has the company stretched on many fronts. In sufficient growth in employees and IT innovations that were set in motion many years ago will be increasingly unsustainable." Please explain why Milton Hydro's customers must be responsible for Milton Hydro's proposals to "catch up" when it was management's decision to minimize or defer needed investments?

Response:

As described in the evidence above, Milton Hydro has tried to keep its company lean and run it at a minimal cost. This approach does not work and is not sustainable in the long-run as the company's customer base continues to grow, assets deteriorate and systems and processes become obsolete. While Milton Hydro's customers have received the benefits of Milton Hydro's cost minimization strategy for many years, it cannot continue at the risk of jeopardizing safety and reliability of Milton Hydro's distribution system.

As regulated electricity distributors are permitted to submit rate applications based on the cost of providing service to customers, Milton Hydro's rate application incorporates budgets and costs for what the current costs are in 2023 to provide service to its customers. Milton Hydro is requesting to re-set its rates based on the current reality, that the status quo is not sustainable for the utility, it needs to hire more staff, and make investments in digital modernization. Milton Hydro is not asking to resolve its sustainability concerns simply by hiring new staff, it is using a three-prong approach to addressing its operational challenges, it is proposing a mix of hiring new staff, making investments in new computer systems, as well as making a commitment to ongoing productivity improvement through process innovations through the use of the Lean Six Sigma discipline. Furthermore, it is not only Milton Hydro's ratepayers that are paying the costs to bring the company workforce and systems up to the current needs. Milton Hydro shareholders also paying some of its costs. In 2022, Milton Hydro is hiring needed staff including the Supply Chain Manager, Manager Health and Safety, Director, IT and Client Services, Regulatory Analyst, Client Services Financial Analyst, an Engineering Technologist, Power Line Technician – Apprentice, VP Customer Experience, and VP Corporate Services. The Milton Hydro shareholder is absorbing the incremental wages and salaries expense in 2022.

1-CCC-3

Ex. 1/p. 10

The evidence refers to third-party assessments which concluded that Milton Hydro's current level of human resources and digital systems are inadequate for today's requirements. Please provide a list of all third-party reports produced for Milton Hydro in the context of its 2.0 Strategy and in support of its rate application. Please file those that are not currently part of the record.

Please provide the cost of each consulting engagement and indicate how that work has been funded.

Response:

The third-party assessments which are being referred to in the above evidence extract (Exhibit 1, page 10) in respect of the level of human resources and digital systems are the following two assessments/reports: (i) Resource Optimization Review, prepared by Marjorie Richards & Ass. Ltd. dated November 2021 (the "Resource Optimization Review Report") and (ii) IT Strategy & Roadmap Final Summary Report, prepared by PwC dated September 2021. These are the two reports prepared in support of Milton Hydro's rate application on these topics and on which Milton Hydro is relying, and they have been produced.

There are a number of other reports that were also prepared in the context of the Milton Hydro 2.0 strategy and in support of the rate application. These reports support different aspects of the application, and they have been produced. In addition, one further report that is referred to and relied on in support of the application evidence at Exhibit 1, Section 1.7.4.2, is the 23rd Annual Electric Utility Customer Satisfaction Survey. It is attached to this response as it was not previously produced.

The following table lists the above reports in support of the rate application along with (i) references to where in the application evidence these reports can be found, (ii) the associated cost of each of these consulting engagements, and (iii) the funding source for each report.

Table 1-10 Third Party Reports in Support of Milton Hydro 2.0 Strategy and the Rate Application

Report Name	Reference in Evidence	Cost of Consulting Engagement	Funding Source
Milton Hydro PwC IT Strategy & Roadmap Final Report Summary	Letter to Request to Amend Application Application and Evidence Filed May 25, 2022	$112,350	2021 OM&A
Kinectrics Asset Condition Assessment	Exhibit 2 Attachment 2-2 DSP, Appendix E	$58,000	2021 OM&A
GSAI Projected Growth Analysis Study (2021)	Exhibit 2 Attachment 2-2 DSP, Appendix G	$29,793	2021 OM&A
Cresa Strategic Facilities Plan	Exhibit 2 Attachment 2-2 DSP, Appendix I and Letter filed June 30, 2022	$4,569	2022 OM&A
Customer Engagement Summary Report	Exhibit 2 Attachment 2-2 DSP, Appendix J	$62,969	One-Time Rate Application Preparation Costs
AESI Control Room Cost Benefit Analysis	Exhibit 4 Attachment 4-2	$33,751	2022 OM&A
Resource Optimization Review Report[1]	Exhibit 4 Attachment 4-3	$13,750	2021 OM&A
23rd Annual Electric Utility Customer Satisfaction Survey	1-CCC-3 Attachment 1-7 Customer Satisfaction Survey Report	$22,400	2021 OM&A
Indeco Strategic Consulting Inc. 2023 LRAMVA Claim Report and LRAMVA Model	Exhibit 4 Attachment 4-11	$8,450	One-Time Rate Application Preparation Costs
		$346,032	

[1] The Resource Optimization Review Report was prepared in the context of Milton Hydro 2.0 strategy and in support of the application. This same consultant, Marjorie Richards & Ass, Ltd., had previously done some work and prepared a presentation which included preliminary/ draft considerations or options regarding possible organizational structure and FTEs. This work was done solely for consideration at the time by a senior executive (and on a confidential basis); not for purposes of the rate application. Subsequently, the Resource Optimization Review Report was prepared for purposes of the application. Milton Hydro's plan, supported by the Resource Optimization Review Report is presented in Exhibit 4, Section 4.4.3.3.

1-CCC-4

Ex. 1/p. 10 and pp. 108-116

Please provide a complete list of all productivity initiatives undertaken during the 2016-2021 period. Please quantify the savings achieved. Please set out all productivity initiatives built in to the 2023 budget. Please quantify the assumed savings.

Response:

MHDI does not have quantification of productivity initiatives undertaken during 2016-2021 period. Going forward, productivity improvements will be quantified for each project and summarized by year within the Milton Hydro Productivity tracker for both hard and soft savings (See response to 1-SEC-12 (d) for further details).

The following are productivity initiatives undertaken by Milton Hydro:

Geographic Information System (GIS)

- leveraged the Arc GIS cloud technology to improve asset data collection and monitoring capabilities
- implemented electronic survey forms for mobile field data collection have been created for all inspection activities
- created online operations dashboards for reporting and facilitating the management of maintenance and capital expenditure planning.

Distribution Automation

Milton Hydro has implemented changes to the grid providing automation and smart devices:

- Installed 77 fully operational automated overhead and 5 underground automated switches as well as installed 44 sets of 3 phase smart fault indicators, remotely monitored on SCADA. The real time information from the above devices tells the Operator the faulty area of the feeder which reduces the need to send out a crew of PLT`s to patrol the entire feeder every time there is a momentary or lockout event. Besides remote monitoring, the automated switches allow Operators to perform remote

switching enabling quick restoration of the non-faulted area. Not having to patrol the whole length of the feeder means reducing the time between the start of the outage and the time action is taken in the order of an hour to minutes.

- installed a total of 442 audible fault indicators in both the overhead and underground systems to assist crews to pinpoint the cause of an outage at a faster rate, ultimately reducing the outage time to customers. The audible fault indicators are extremely useful, especially during winter where the underground transformers are covered in thick snow and ice.

Safety Improvement Tools

- New battery operated tools that are used in the construction and repair of the infrastructure were introduced to replace the aging hydraulic tools providing an additional layer for the safety of PLTs, reducing ergonomic and other related hazards. Milton Hydro has achieved over 500,000 hrs since its last lost time incident.

2023 Initiatives

Milton Hydro has committed to focus on process innovation to its services to customers, both internally and externally. These savings will be measured in three categories: productivity/ capacity savings; operational/ capital budget savings; and future cost avoidance. The following are targets for the 2023-2027 rebasing period:

- Capacity improvements to delivering arrears notices by leveraging the Customer Information System (CIS) automation platform to eliminate manual process.

- Implementation of a cloud based reporting tool to innovate and improve the organizational reporting framework. Milton Hydro has leveraged this tool to deliver the 2023 Test Year application, monthly management and discussion analysis (MD&A), Board reporting, and it annual financial planning materials leading to capacity improvements;

- The Customer Services department will focus on a number of capacity building initiatives to increase available time to work such as leveraging the OMNI channel platform to reduce call volumes;

- Milton Hydro's investment in process automation tools outlined in Attachment 2-2 Milton Hydro_DSP_2023-2027 will focus on improving data and analytics through more intelligible ways of monitoring its financial performance.

- The business case for the Enterprise Resource Planning Tool (Attachment 2-2 Milton Hydro_DSP_2023-2027) outlines the current processes, needs assessment and expected business outcomes that provide for expected productivity savings.

- The procurement and purchase of fleet units (Attachment 2-2 Milton Hydro_DSP_2023-2027) will be monitored and balanced with Milton Hydro's future needs of the organization. Monitoring and measurement of fleet utilization will focus on identifying efficiencies and fleet requirements.

1-CCC-5

Ex. 1/p. 11-12

Milton Hydro has identified a list of internal and external drivers that will challenge the company into the future. For each of the internal and external drivers please specifically identify how they impact the 2023 budget amounts.

Response:

Internal Drivers

1. Workforce sufficiency, capability & effectiveness – Milton Hydro has one of the highest customers per employee ratios within the Province[12] and is highest amongst its peers as per Table 1-11, see extract below. Unlike many of these peers, Milton Hydro had the highest percentage growth over the past 15 years[13] of all utilities in the province and the community is projected to grow at a similar trajectory for decades to come[14].

[12] See 4-JOL Shewchun-4 e. Table 4-27 Statistics by Utility for the Year ended December 31, 2020
[13] See 1-SEC-020 b. Table 1-8 Ontario Electricity Distributor Growth Rates from 2005 to 2021

[14] Exhibit 2 Attachment 2-2 DSP, Appendix G – GSAI Projected Growth Analysis Study (2021), Exhibit 1 Table 1-2 Halton Region Utilities - Customer Base Growth

Table 1-11 Customers to FTE Ratio Comparisons

Description	Milton Hydro	Waterloo North	NPB	Energy+	Oshawa	Burlington Hydro	Synergy Corp.	Blue Water	Essex
# of Customers	41,221	58,438	56,979	67,303	59,486	68,568	56,887	36,919	30,661
# of Employees	51	119	121	121	76	97	129	117	40
Ratio	808:1	491:1	470:1	556:1	782:1	706:1	441:1	317:1	766:1

As the customer base continues to grow, it will further strain an already stretched workforce. The past approach requiring long work hours and poor work/life balance for employees will not sustain the organization any longer. As additional operational personnel are recruited to support the distribution network planning and operations, additional back-office staff are required as well. Systems and processes are encompassed in the rate application to streamline the headcount as much as possible. Recognizing that the workforce is highly stretched in its current form, a workforce plan was established which was informed by the Resource Optimization Review Report. Milton Hydro added employees to its workforce to address sufficiency. Milton Hydro addressed workforce capability and effectiveness by adding new leadership positions, by upskilling existing employees through training and development, and by hiring the right skilled workforce to succeed in an increasingly digitally technical workplace. See Exhibit 4 subsection 4.4 for details of Milton Hydro's workforce plan.

2. Increased technology adoption for efficiency & scalability – While Milton Hydro does have systems in place to support its operations, many of these systems are inflexible and do not interoperate well with other systems. The result is significant manual processing of data which is highly inefficient resulting in more manual labour and the increased possibility of errors. Milton Hydro has identified a significant opportunity to improve its effectiveness through investments in automation and systems. These systems will improve efficiencies while providing actionable data to also improve operational capabilities and better guide maintenance and capital investments to provide the best benefit to the organization and ultimately, to its customers. To achieve this, a detailed IT Roadmap was developed and lays out the digital modernization needed by Milton Hydro. Milton Hydro has also added employees with the IT skills required to manage its systems and lead the department. Milton Hydro has added a Director, Information Technology and Client Services role to lead the digital modernization required, and an IT Infrastructure & Security Specialist Position to manage the cyber

security threats. Milton Hydro details the capital investments in digital systems in its Distribution System Plan.

3. Process re-engineering to be future ready – Milton Hydro's strategic plan is underpinned by investments into people, systems and processes. This combination will enable Milton Hydro's long-term scalability, responsiveness, and sustainability as a business. The people and systems are described in points 1 & 2 above, however these cannot just be added into the organization without consideration of process flow and process efficiency. In order to maximize the performance of the people and systems, Milton Hydro is ensuring that they are supported by effective processes. Clearly articulated and executed processes will maximize the capabilities of the organization and facilitate the successful implementation of automation. Milton Hydro has filled the position of Process Improvement Officer with a Lean Six Sigma certified black belt professional to lead Milton Hydro's transformation of business processes across the organization to have more efficient and appropriately scaled business processes. Milton Hydro has undertaken the Lean Six Sigma discipline of process improvement to enable it to be future ready. This has been included in the business plan within the application.

4. Maximizing service availability – Milton Hydro has more than doubled in size for customers served since 2005. More residential customers and more business customers rely on Milton Hydro service, and this is anticipated to continue to grow for decades to come as well as expansion of the applications of electricity (i.e. electrification of transportation). Milton Hydro is investing in distribution system automation, and its smart grid infrastructure in its 2023 Capital Expenditures to enable it to control its system better and to restore power quicker during system outages. Milton Hydro is building a 24/7 control room and adding 6 control room operators as part of its workforce plan as the current best efforts restoration process is no longer acceptable. Milton Hydro customers deserve a high level of distribution system oversight and restoration as other similarly sized utilities that have control rooms can provide. The new system control room capability will give Milton Hydro visibility to its system around the clock and to be able to manage restoration better and more safely during weather events that damage its Distribution System and cause widespread outages. With more customers than ever before, and more to come into the future, outages have an increasingly large impact and Milton Hydro must now put in the mechanisms and technologies to best respond and minimize outage frequency and duration.

5. Risk management and mitigation – The threat landscape to Milton Hydro is constantly evolving. Milton Hydro must make the investments to keep up with risks that range from cyber threats to weather preparedness & response to organization depth and resilience. These threats have been identified throughout the application and the mitigation to these threats have been built into the financial requirements, the workforce planning, the IT roadmap, the Distribution System Plan and the 24/7 Control Room. The investments in people, processes and systems serve to mitigate risks to the organization.

6. Strong financial management & performance –. The IT Strategy Roadmap outlines new systems that Milton Hydro is investing in which will enable better analytics, better reporting systems, and more actionable data. Debt consolidation and re-financing to enable more advantageous debt arrangements. Investment in automation software included in capital investment plans. Additional Finance Staff hired to expand financial capability of capacity of finance department. Better insight to financial performance and their drivers allows for better decision making to make the organization more financially efficient. The enhancements in the financial capability has been included within the application.

7. Meeting evolving customer expectations – Customer interactions have changed, driven by social media, technology and re-aligned expectations from experiences with the likes of Amazon. Customers expect to interact on the media of their choosing (i.e. twitter, SMS etc) and expect responses in real-time. Milton Hydro does not currently have the capacity to manage real-time interactions on platforms other than voice. In order to evolve the way Milton Hydro interacts with customers and also provide additional data insights, investment in a new website with clear navigation, providing more timely and useful information to customers regarding outages, being able to communicate with customers on more platforms through OMNI Channel Software, reducing outage durations through more system automation and having an in house 24/7 system control room are all part of Milton Hydro's plans to evolve how it interacts with its customers. These are identified within the rate application.

8. Improved communications – Through Lean Six Sigma improve end-to end communication processes to create a seamless and better communication experience for customers. Investing in OMNI channel software platform, engaging on social media about outage, electrical safety, conservation support programs and other energy

updates. Launching new outage notification systems to send text messages to customers about outage information and duration. Also, an investment in a new website as noted in 7 above.

9. Enhancing Corporate resiliency (people, systems) – Milton Hydro is too thinly staffed resulting in significant single-incumbency risk. In order to enhance resiliency, Milton Hydro is investing into people to add capacity and bench strength, systems are being implemented to institutionalize and normalize data and processes are being implemented for clarity, accountability and transparency. Milton Hydro's entire business plan has been prepared to achieve the Milton Hydro 2.0 Strategy, investments to improve resiliency can be found throughout its capital and OM&A budgets.

External Drivers

1. Continued rapid community growth – Milton Hydro's investments in people, systems and processes will enable their scaling so Milton Hydro can efficiently manage the business transaction volumes with the current number of customers and be positioned for increases due to growth in the future. Milton Hydro has managed the growth over the past years through long work hours and poor work/life balance for employees; however, the ability to continue to manage the business this way is becoming increasingly strenuous to the organization and will become unsustainable. To manage the current customer base and scale its business for the impending growth in customer base, Milton Hydro has recognized that it is at a transition point where it must modify and improve the way it operates. The capital and operating expenditures outlined in the rate application are for the systems, people and assets required to be able effectively modernize Milton Hydro's operational capabilities to meet the current and coming demand in terms of population growth and load growth.

2. Electrification of Transportation – As load grows due to EVs, Milton Hydro's engineering team will assess and address the impacts to its distribution grid. There hasn't been significant impact due to EVs yet, however by enhancing corporate resiliency, the company will be better positioned to respond to the disruption that is expected to occur due to EVs. By incorporating an in-house 24/7 system control room, the company will be better able to manage its distribution grid as changes to its infrastructure are made to accommodate EVs and to enable crews to work safely through better control of its

system. Electrification of transportation represents a significant acceleration of capacity requirements on the Distribution Network. According to the Minister of Transportation, the goal is to have 20% cars sold to be zero emission vehicles on the road by 2026, increasing to 60% by 2030 and 100% by 2035[15]. This will have significant impact on the capacity of Milton Hydro's distribution network. If 50% of Milton Hydro's customers were to add a single 10KW Level 2 Chargers, it would amount to approximately the same load that Milton Hydro has added throughout its entire existence. It is not unreasonable that this increase in Level 2 charger installation could occur within the next 10-15 years. Captured in Milton Hydro's strategic plan are the enhancements in the distribution system, service availability, data insights and system upgrades that will support the move towards electrification of vehicles.

3. Local Residential Demographics – Given that the Town of Milton is a highly residential community, with many new subdivisions with large homes, the demographics of Milton may mean more EVs than other communities as the average household income is higher than provincial averages. See Electrification of Transportation driver above.

4. Local Industry Demographics – The main industry in Milton is warehousing and logistics and it is expected that there will be a higher adoption of electrification of vehicles because the nature of the industry. See Electrification of Transportation driver above.

5. Acceleration of severity & frequency of weather-related events – See part c. of 1-JOL Shewchun-1 which discusses the recent derecho event, and the investments Milton Hydro is making to improve power outage response.

6. Sustainability & Net Zero – Milton Hydro expects more Distributed Energy Resources (DERs) within the town of Milton as customers look to lowering their carbon footprint. Milton Hydro's electricity distribution grid will become increasingly complex, the company investments in a new control room will help mitigate some of the risks associated with a more complex system. Milton Hydro's engineering department does not currently have the incremental capacity to manage these types of connection requests.

7. Disruption within the traditional LDC Business Model – Milton Hydro's goals to be more customer centric will help mitigate the potential risk of customers defecting and going off

[15] https://www.canada.ca/en/transport-canada/news/2022/04/minister-of-transport-announces-the-expansion-of-the-incentives-for-zero-emission-vehicles-program.html

grid. Milton Hydro's investments in customer communications, smother end to end customer experiences, and other investments noted regarding the internal driver of meeting customer expectations is driving some of its investments here as well.

1-CCC-6

Ex. 1/p. 17

Milton Hydro has referred to having its system ready to operate as a Distribution System Operator as the electricity landscape changes with more Distributed Energy Resources coming online. Please explain, in detail, how Milton Hydro's role will change with the onset of more DERs and that role impacts Milton Hydro's costs. Does Milton Hydro have a forecast of DERs expected over the rate plan period? If so, please provide that forecast. If not, why not?

Response:

Historically, electricity is generated at generating stations and transmitted to downstream loads through transmission lines and distribution network. DERs such as rooftop solar and battery storage provide sources of energy injected into the distribution system which are local or within the load mixes. This changes the historical convention of distribution grid operation which an LDC has to adapt, among which are safety procedures.

With the increasing volume of DERs, the control room operators have a more complex system to monitor and ensure that the system remains stable and sections are not overheated. They may have to mediate between DERs to ensure the system remains stable and viable. With two way flows, there will be additional tools to manage the system and for the operators to monitor. Continuous investment in the SCADA/OMS system will be required to provide new capability to monitor all the active DERS and their output. Optimization tools will be required to look after these DERs in the distribution system which an operator has to understand and mange.

Milton Hydro does not have a forecast of expected DERs, however it monitors the industry trend and reports such as the two consultations initiated by Ontario Energy Board: Utility Remuneration (EB-2018-0287) and Responding to Distributed Energy Resources (EB-2018-0288). The goal of these consultations was to investigate how Ontario may need to adapt current regulatory approaches, taking incremental steps to evolve the existing policy framework and proactively identifying and addressing emerging issues. ICF was engaged by the

OEB to assist in these consultations. In the ICF study, two DER technology trends are identified. The report projects a ten year growth which it terms as indicative rather than predictive from 2021 to 2030. For solar, it projects a cumulative growth between 3.2% and 13% with a mid range of 7.3% while energy storage has a growth projection between 2.9% and 17.2% with a mid range of 8.6%. Milton Hydro's territory is in the GTA corridor with a young and rapidly growing population which it anticipates the growth of these two technologies to be at least in the mid range if not more on the high rage.

1-CCC-7

Ex. 1/p. 35

Please fully describe, in detail, the process that Milton Hydro undertook to develop the budgets set out in the Application. Please provide all directives sent to employees regarding the development of the business planning cycle

Response:

Milton Hydro's process to develop the budgets as set out in the application are referenced in Exhibit 1, subsection 1.2.6.2, Page 35.

See response to 1-SEC-15 for more information regarding Milton Hydro's budget kick-off materials sent to all business units.

1-CCC-8

Ex. 1/p. 35

Please provide all materials provided to Milton Hydro's Board of Directors with respect to this Application and the underlying budgets.

Response:

The materials relating to the application and underlying budgets provided to Milton Hydro's Board of Directors are included in Exhibit 1, Attachment 1-2 2023 BUDGET AND 2024-2027 FORECAST. No other materials were provided to the Board.

1-CCC-9

Ex. 1/p. 9 and p. 49

The entire Senior Management Team (SMT) at Milton Hydro has turned over during the 18-month period from August 2020 to January 2022. Please provide an organization chart setting out positions prior to August 2020. Please indicate how the organization will change over the rate plan term

Response:

A Senior Management Team Organization Chart dated April 2020 is provided (Attachment 1-8 Senior Management Team Organization Chart).

For organizational changes over the rate plan term, please refer to Exhibit 4, Table 4-48 page 109 which provides the year-over-year changes in FTE's within each of MHDI's functional departments. Also please refer to Exhibit 4, Table 4-49 page 110 which provides the year-over-year changes for New and Eliminated roles from 2016 over the term of the rate plan.

MHDI has also provided its justification for each New and Eliminated headcount in Exhibit 4, pages 111 to 121.

1-CCC-10

Ex. 1/p. 56

The evidence states, "As a result of the recent volatility in inflation, and as this is an evolving situation, Milton Hydro notes the issue and will provide further assessment during the proceeding as the situation evolves." What is Milton Hydro's current proposal regarding inflation? Please specifically identify the cost categories that are most impacted by inflation – both with respect to capital and operating costs

Response:

Please refer to response for 4-Staff-59.

1-CCC-11

Ex. 1/pp. 74-75

What was the cost of the Decision Partners two-phase research program and the UtilityPULSE Customer Satisfaction Survey? How are those costs recovered?

Response:

The Cost of Decision Partners two-phase research program is $62,969, as indicated in response to 1-CCC-3, these costs are a component of One-Time Rate Application Preparation Costs, and 1/5th of the costs were included in 2023 OM&A. The cost of the UtilityPulse Customer Satisfaction Survey was $22,400, and costs were expensed as part of the 2021 OM&A costs.

1-CCC-12

Ex. 1/p. 97

Please provide the allowed and actual ROE for Milton Hydro for the years 2016-2021.

Response:

Year	Achieved ROE%	Deemed ROE % (COS 2016)
2016	9.87 %	9.19 %
2017	9.45 %	9.19 %
2018	10.45 %	9.19 %
2019	6.74 %	9.19 %
2020	6.86 %	9.19 %
2021	7.41 %	9.19 %

VULNERABLE ENERGY CONSUMERS COALITION

1-VECC-1

Reference: Exhibit 1, page 17

MHDI states its franchise has a : *"Young demographic (largest age group is 35-39) – median age is 3510 (a demographic that is more in touch with climate related initiatives and electric vehicles (EV)), i.e.: willing to invest in EVs."* Yet we note that the Fuels Institute's EV Consumer Behavior June 2021 Report states: *"The average EV owner continues to be male, aged 40-55 years old, with an annual household income of more than $100,000 ($129,000 CDN.)(2019).* https://www.fuelsinstitute.org/

a. What actual evidence does MHDI have to suggest that its franchise areas is any more likely than other parts of Ontario to require EV charging infrastructure in the future?

Response:

Milton Hydro is correlating the forward-looking indicators contained within the demographics and industry trends and preparing itself for the future based on the story that these indicators are telling, doing so is responsible and helps the company be proactive by preparing. Milton Hydro's current largest demographic group of 35-39 will shift into the demographic group cited in the question (https://www.fuelsinstitute.org/) over the course of the 5 year rate period. The question highlights the annual household income as a factor and a driver of electrification. According to Statscan*, Milton has 15.7% of its population earning over $100,000 per year while 11.5% of Ontarians have an income of over $100,000 per year, thus indicating Milton has 35.8% more of its population earning more than $100,000 compared to the rest of Ontario. Alignment of this data leads Milton Hydro to conclude that it will have increased demand for electrification of transportation which it must prepare its assets and operations to support.[16]

1-VECC-2

Reference: Exhibit 1, page 36

"Based on customer feedback and preferences, Milton Hydro made changes and re-prioritized some of its investments during the DSP period, with a goal to improving service without increasing its total capital budgets."

a. What changes did MHDI make to its investments due to customer feedback?

[16] https://www12.statcan.gc.ca/census-recensement/2021/dp-pd/prof/details/page.cfm?Lang=E&SearchText=ontario&DGUIDlist=2021A00053524009,2021A000235&GENDERlist=1,2,3&STATISTIClist=1&HEADERlist=0

Response:

a. Customer Engagement feedback indicated a strong preference for system reliability and future readiness. These two indicators support project prioritization in the System Service category. $579,957 was shifted from System Renewal to System Service for 2023. This shift of funds was continued for 2024-2027. (For more information, please see response 2-Staff-41.)

   This budget shift enables the reprioritization of automated overhead and underground switch projects, along with the implementation of a SCADA based Fault Location, Isolation and Services Restoration (FLISR) system. These projects can help Milton Hydro better meet customer preferences.

1-VECC-3

Reference: Exhibit 1, page 56 / Exhibit 4, page 9

With respect to the inflation assumptions applied by MHDI, the Utility states: *"Milton Hydro notes the issue and will provide further assessment during the proceeding as the situation evolves."*

a. Please explain this statement and specifically address whether MHDI is proposing to amend its application and if so when.

Response:

Please refer to response for 4-Staff-59.

1-VECC-4

Reference: Exhibit 1, page 70 / Exhibit 4, page 54

"70% of Milton Hydro's customers have chosen paperless e-billing."

a. Please describe the account opening processes provided to new customers. Specifically, is paper or on-line billing the default option presented.

b. What promotions or incentives does MHDI currently offer to encourage e-billing. What new programs are being offered in the test year and during the rate plan period?

c. Please provide a breakdown of the forms of customer payments for 2021 (i.e., online, cheque, cash).

Response:

a. New customers have the choice to sign up online or by calling in to Milton Hydro's head office. For both account registration options, e-billing is the default billing option. Milton Hydro's account opening process for new customers is as follows:

- Online set up:
  - www.miltonhydro.com
    → My Account portal on Milton Hydro's website:
    https:/myaccount.miltonhydro.com/
- Call in set up:
  - request address to start (confirm landlord if a tenant)
  - request take over date or closing date if owner with lawyer name and number
  - request contact information, owner, tenant and others to be noted on the account
  - email is requested to provide e-bills on account (this also prompts the customers online portal account for set up where changes are available to customers for paper or other updates)
  - advise $30.00 and HST set up fee on their first bill
  - ensure they are aware of monthly billing for hydro and bi-monthly for water
  - customer to receive an email same day confirming the account number and subsequently another email with username and temporary password for their online account

b. Milton Hydro does not incentivize e-billing as it is the default option for a new customer opening an account. The company does encourage existing customers still on paper billing, to register for paperless billing for the soft benefits such reducing paper waste and environmental impact, as well as the time/cost avoidance (i.e., of printing, postage, processing, and archiving). This type of promotion is done through organic social media posts or at local community events.

c. In 2021, the following payment options were available to Milton Hydro customers:

    1. Pre-authorized payment of full bill amount on due date withdrawn from bank
    2. Budget billing
    3. Online banking
    4. Telephone banking
    5. Credit card payment through third party
    6. Cheque mail in or drop box at head office
    7. Cash payment in drop box at head office

1-VECC-5

Reference: Exhibit 1, page 86

a. Please provide the updated final results 2021 Milton Hydro Scorecard.

Response:

a. Milton Hydro is providing a draft 2021 scorecard based on best available information as the final scorecard for 2021 has not been produced. For example, the cost control metrics for 2021 are not yet available. In Table 1-12 below, Milton Hydro provides an updated version of Table 1-21 Milton Hydro Scorecard 2016 to 2021 from Exhibit 1 page 86 of 118 based on information it filed in its 2021 RRR filing with the OEB.

Table 1-12 Updated Version of Milton Hydro Scorecard 2016 to 2021

Performance Outcomes	Performance Categories	Measures	2016	2017	2018	2019	2020	Projection 2021	Draft 2021
Customer Focus	Service Quality	New Residential/Small Business Services Connected on Time	99.60%	96.76%	99.61%	99.88%	100.00%	100.00%	100.00%
		Scheduled Appointments Met on Time	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
		Telephone Calls Answered on Time	96.70%	96.52%	93.87%	84.44%	73.17%	76.20%	76.24%
	Customer Satisfaction	First Contact Resolution	90%	94.20%	99.20%	100%	Compliant	Compliant	Compliant
		Billing Accuracy	99.99%	99.96%	99.99%	100.00%	100.00%	100%	99.99%
		Customer Satisfaction Survey Results	A	A	A	A	A	A	A
Operational Effectiveness	Safety	Public Safety	82.00%	84.00%	84.00%	84.00%	82.00%	80.00%	80.00%
	System Reliability	Average # of Hours that Power to a Customer is Interrupted	0.74	0.61	0.74	0.33	1.52	0.75	0.76
		Average # of Times that Power to a Customer is Interrupted	0.59	0.49	0.83	0.58	1.15	0.57	0.57
	Asset Management	Distribution System Plan Implementation Progress	on track	on track	on track	on track	on track	N/A	N/A
	Cost Control	Efficiency Assessment	3	3	2	2	2	2	
		Total Cost per Customer	$723	$667	$683	$700	$682	$703	
		Total Cost per KM of Line	$25,334	$9,673	$10,195	$10,390	$10,157	$10,534	
Public Policy Responsiveness	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Complemented on Time	100.00%	100.00%	N/A	N/A	100.00%	100.00%	
		New Micro-embedded Generation Facilities Connected On Time	100.00%	100.00%	100.00%	N/A	N/A	N/A	100.00%
Financial Performance	Financial Ratios	Liquidity : Current Ratio (current assets/current liabilities)	2.01	1.72	1.65	1.56	1.65	0.80	0.80
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	1.33	1.25	1.24	1.28	1.37	1.27	1.27
		Profitability: Deemed ROE	9.19%	9.19%	9.19%	9.19%	9.19%	9.19%	9.19%
		Profitability: Achieved ROE	9.87%	9.45%	10.45%	6.74%	6.86%	7.30%	7.41%

1-VECC-6

Reference: Exhibit 1, page 100-101

"Pole Maintenance O&M Unit Cost Index - Milton Hydro's average unit cost index is $29.22, while the Industry average unit cost index is $14.05. Currently Milton Hydro has no visibility or insights as to why its unit cost index is higher from the average distributors unit cost index. Milton Hydro will consult with other distributors who have lower than average unit cost indices to understand the difference between its pole maintenance program and the programs of those distributors with lower unit cost indices, to establish an action plan to reduce its costs."

"Milton Hydro's average unit cost index is $30.81, while the Industry average unit cost index is $12.21."

a. Please explain precisely what plan MHDI has to investigate this and other significant variations from the industry mean in its activity based benchmarks.

Response:

a. As outlined in Exhibit 1, subsection 1.2.6.2., Milton Hydro has developed a detailed "bottom up" budget while providing additional attributes of data such as: business unit; account group to describe the activity or nature of the cost (i.e. Outside Service Provider, wages and salaries); and units of measure (where applicable). Leveraging the capital investments in process automation tools (Attachment 2-2 Milton Hydro_DSP_2023-2027), Milton Hydro will extract data and deliver insightful analysis to understand the drivers of cost. Lean Six Sigma principles will be applied with the aim at continuously improving processes.

   Milton Hydro is a member of the Utilities Standards Forum (USF), GridSmartCity (GSC), and the Electricity Distributors Association (EDA). Collaboration will be facilitated through these cooperatives to meet all regulatory requirements inclusive of the activity based benchmarks.

1-VECC-7

Reference: Exhibit 1, pages 113-

a. MHDI has introduced the management process of Lean and Six Sigma. Six Sigma's goals are to reduce defects and variation so that processes are more consistent and predictable. What metrics will be used to show the success (or lack thereof) of introducing this new management process. Specifically address how the introduction of this program will impact reliability metrics (e.g.,SAIDI/SAIFI and specific code outages like those due to equipment failure).

b. Please provide the total costs of introducing the "Lean Six Sigma" and Lean Six Sigma belt" programs. Please delineate the costs, by FTE, training, and other significant costs (identify). Please provide the one-time and annual costs separately and delineate between capital from OM&A costs.

c. MHDI notes a number of "soft" savings may occur with the introduction of the Six Sigma processes. Examples given of this are "increased customer satisfaction and increased employee moral". What baseline measurement of employee moral and customer

satisfaction is MHDI using to measure whether the program has any discernible affect on these or other "soft savings"?

d. "Improved quality" and "Improved productivity" are other examples offered of the benefits of the Sigma program. Improvement in the quality of what type and productivity of what nature are being contemplated by MHDI management?

e. MHDI states that "For a rapidly growing utility such as Milton Hydro hard savings are not expected" from the program. If that is the case then how will success (or failure) of the program be measured in each year of the rate plan? That is how will value for money be demonstrated?

Response:

a. The reduction of variation and defects creates more consistent and desirable customer outputs. The metric(s) used to measure success will be project specific as it depends on the scope and goal of the opportunity being addressed.

Lean Six Sigma can be applied on improving system distribution reliability. Two reliability metrics we can leverage are SAIDI and SAIFI. Using the problem solving methodology, Milton Hydro can collect the code outage data, perform root causes analysis and then implement impactful solutions that demonstrate an improvement over baseline performance. As a result of the improvements, customers would have a more positive experience with less power interruptions and shorter power outages. Approaches that could be used to help demonstrate the impact of an improvement on SAIDI and SAIFI are:

- Customer satisfaction survey results. (More consistent outputs lead to improved customer satisfaction)
- Reduction in unplanned power outage costs incurred by Milton Hydro (cost reductions will be quantified and captured within the Productivity Tracker)
- Adherence to schedule of planned projects (planned work is not interrupted with the unplanned outage recovery efforts)

b. The cost to implement and maintain the Lean Six Sigma Methodology is effectively the cost of wages and benefits of the Process Improvement Officer who is a certified Six Sigma Black Belt with over 18 years of cross functional and industry diverse experience in coaching, teaching, and leading lean and six sigma methodology.

The Milton Hydro Lean Six Sigma (LSS) program launched in January 2022 which involves following initial activities to develop the overall LSS knowledge base; Process Innovation Onboarding, Yellow Belt training followed by availability of ongoing coaching to all employees seeking support for their respective lean initiatives and certification. Table 1-13 breaks down the time per employee for each of these three activities resulting in a total expected duration of 5 hrs./employee for yellow belt certification.

Table 1-13 Activities to Develop LSS Knowledge Base

Activity	Duration (hours/employee)
Onboarding	0.5
YB Training	1.5
Lean Application Coaching	3.0
Total	**5.0**

In addition to these listed activities, The Process Improvement Officer will continue to provide training, mentoring and coaching on other Lean Six Sigma methods, tools and concepts to effectively support the organization in its Lean Six Sigma journey.

c. For projects that identify employee morale and/or customer satisfaction impacts, Milton Hydro will leverage surveys or structured interviews to baseline current state and then measure again post improvement. This pre and post comparison will allow Milton Hydro to observe the impact of the improvement. For example: The Employee On boarding project involved designing and administering survey to baseline the onboarding satisfaction for new employees in 2021. The improvement was to implement a comprehensive onboarding checklist that included organizational introductions and informational sessions to improve transition of the new hire into their role along with ensuring availability of resources on Day 1 of employment. The same survey was administered to employees hired in 2022 after the checklist was implemented. This comparison enabled Milton Hydro to measure success of the checklist on improving employee satisfaction during the onboarding experience.

d. Improved quality refers to providing the right output to the customer the first time. In Lean Six Sigma we define the customer as both internal and external. Internal customer quality improvements would enable streamlined internal work flow within by eliminating defects/rework efforts. Whereas, external customer quality improvements refers to end users getting what they requested and paid for without rework to complete the work. The type of quality improvement being being improved will depend on the specific process output and downstream customer requirements. For example: quality requirements for a new pole install could be the right pole length and asset sizing were installed as per design in the right location.

   Productivity is a measurement of output per a unit of time. When processes are simplified, productivity is improved by removing non value added activities, thereby achieving the same process output in a reduced amount of labour time. Or alternatively, an increase the number of process outputs without increasing labour time.

e. Productivity improvements will be quantified for each project and summarized by year within Productivity Tracker for both hard and soft savings. This Productivity Tracker can be leveraged to demonstrate savings progress for the annual rate plans.

   Milton Hydro may also track other soft savings through annual employee and customer satisfaction surveys depending on the whether the scale of an improvement is large and specific enough to be attributed to a change in the survey response.

1-VECC-8

Reference: Exhibit 1, page 86

"The entire Senior Management Team (SMT) at Milton Hydro has turned over during the 18-26 month period from Aug 1, 2020, to January 2022"

a. Was the Milton Hydro 2.0 Strategy and Six Sigma program developed by the new management team? What was the longest tenure of a senior manager at Milton Hydro who assisted in the development of these initiatives?

b. Is MHDI aware of any other electricity utility that has implemented a Lean Six Sigma program? If yes please provide the assessments MHDI of those programs.

Response:

a. The reference cited above for this question could not be located on page 86. Exhibit 1 Page 9 of 118 indicates:

"The entire Senior Management Team (SMT) at Milton Hydro has turned over during the 18-month period from Aug 1, 2020 to January 2022."

The new management team developed the Milton Hydro 2.0 Strategy which identified the need for a Lean Six Sigma Program. The longest tenure of a senior manager at Milton Hydro who assisted in the development of these initiatives is 24 months.

Lean Six Sigma Program was developed and launched in January 2022.

b. Milton Hydro is not aware of any other electricity utility that has implemented a Lean Six Sigma program.

INDEPENDENT PARTICIPANT

1-JOL Shewchun-1

Reference: Customer Centric Organization, Exhibit 1 p.21

Not only in Exhibit 1, but scattered throughout the application, Milton Hydro states they want to build a Customer Centric Organization where loyalty, satisfaction and trust are established with its customers. Many Customer objection letters, to this proposed increase, have been received by the OEB. Milton Hydro customers state that the proposed increase is too high, will cause financial hardship and have requested that the OEB NOT grant this increase.

a. Has Milton Hydro read the Customer Letters sent to the OEB?

b. Would Milton Hydro be prepared to respect their customers and postpone this increase until inflation returns to 2-3%?

c. If not why not?

d. If this increase is postponed what catastrophic destructive event could occur in the next year?

e. Would Milton Hydro be prepared to do anything to ease the financial burden for its customers?

Response:

a. Milton Hydro has read all of the customer letters sent to the OEB.

b. Milton Hydro is requesting a rate increase because it's customers need to receive safe and reliable power from Milton Hydro, and Milton Hydro needs the revenue to be able to deliver the programs required to achieve this goal. Milton Hydro's investment plans will improve the customer experience and overall satisfaction by reducing outage frequency and duration, keeping safety as a top priority, and providing frictionless access to information for customers. Based on Milton Hydro's outreach to customers regarding its investment plans, the majority of customers are supportive of Milton Hydro's plans. Milton Hydro will not be able to achieve its objectives if it postpones this increase until inflation returns to 2-3%. Even with this increase, Milton Hydro will be challenged to deliver the programs its customers require, as it too will face growing costs as its suppliers will pass on higher costs to Milton Hydro as all segments of the economy are impacted by inflation.

c. See part b.

d. On May 21, 2022 Canada's most densely populated region, the corridor between Windsor to Quebec City, was affected by a high-impact derecho event. This was one of the most impactful thunderstorms in Canadian history with winds up to 190 km/h as well as several tornadoes causing widespread and extensive damage along a path that extended for 1,000 kilometers. The Town of Milton was in the path, it was affected by this Major Storm, and there were widespread outages in the Town of Milton impacting thousands of customers. Milton Hydro considers safety as its number 1 priority. Milton Hydro has been able to operate without a control room without any catastrophic event; however, as experienced recently during the derecho windstorm, Milton Hydro lacks the resources to be able to effectively respond to such major weather events and associated outages. The severity of weather events is increasing, and Milton Hydro needs to make new investments so it is prepared to respond effectively to such major weather events. As was demonstrated during this storm and during the aftermath of this storm. To be better equipped to respond to outages such as this, Milton Hydro is investing in

distribution automation and smart grid infrastructure, it is building a control room with 24/7 oversight, maintaining system performance through proactive replacement and refurbishment of aging poles, transformers and wires, it is repatriating its line staff whose work had previously been contracted to third parties, and it is investing in an outage notification system. As weather events become more active and more frequent, Milton Hydro must begin to build resiliency as soon as possible, which includes additional operational personnel (including more poweline technicians), better insight to our distribution network, a 24/7 control room and improved inbound and outbound communications with customers so that Milton Hydro can better inform its customers. It is a matter of time before the next ice storm, or the next derecho event occurs and Milton Hydro is attempting to strategically prepare for these events to the extent that is able.

e. Milton Hydro recognizes that some customers have been struggling to pay their electricity bills, especially during the COVID-19 pandemic, and inflation increases will not make it easier for customers. We continue to help customers in need by connecting them with financial assistance, relief measures and other flexibility.

1-JOL Shewchun-2

Reference: Enterprise Resource Planning System (ERP) Exhibit 1 p.20

The implementation of ERP is a major driver in this application for a large increase.

a. Please provide a complete, detailed costing to implement and maintain this program, including increased need for personnel, precise IT requirements including software, consultants,training costs, etc.

b. If ERP were not implemented what decrease would there be on the proposed increase to residential customers of 4.18%, $5.32 per month and for GS Customers?

c. If ERP were not implemented what expense savings would benefit Milton Hydro?

d. Please provide all documentation related to ERP which influenced Milton Hydro to implement ERP.

Response:

a. Please refer to response to 1-SEC-21.

b. ERP capital expenditures are not impacting customer rates in 2023, there is no in-service ERP Capital in 2023. The ERP system is planned to go into service after 2023. Please refer to response to 1-SEC-21.

c. If the ERP system was not implemented Milton Hydro would need to hire more staff to operate the antiquated current systems because we have many legacy cumbersome processes working with the system, of which there are manual processes. We would also risk a complete failure of the system as the version of the system we are using will eventually not be supported by the vendor as it is 13 years old and the typical lifespan of such a system is 15 years. Milton Hydro is also implementing new systems that require integration with ERP. The current ERP, or financial system, does not easily integrate with new systems coming online and is become increasingly costly to maintain and develop these integrations. Currently many of the integrations are not possible and require costly, manual work arounds.

d. Please refer to Exhibit 2, Attachment 2-2, DSP, Appendix A: Capital Investment Sheets and Business Cases, Business Case: ERP pdf page 314 of 667.

1-JOL Shewchun-3

Reference: Lean Six Sigma Methodology(LSSM) Exhibit 1 p. 25

a. Did a consultant recommend LSSM? If not what was the impetus for its implementation.

b. Please provide a detailed costing to implement and maintain this LSSM.

Response:

a. Milton Hydro did not rely on a consultant to recommend using the Lean Six Sigma Methodology. Milton Hydro's senior management team identified that its business processes needed to be significantly overhauled so that they could be appropriately scaled given the size of its customer base. The impetus for the implementation is that many of Milton Hydro's business processes are legacy business processes and have been used for many years since it was a small distributor. The current business processes are cumbersome, disjointed, and have substantial manual processing components embedded within them and inherent inefficiencies. Milton Hydro's customer base has grown and the company has determined that much improvement is needed to

its business processes through automation. This will enable Milton Hydro to process transactions quicker, more economically, and to create a seamless end to end customer experience as many of its processes are fragmented and need to be more customer centric. Lean Six Sigma will allow Milton Hydro to better scale its processes and take on more work as its customer base grows. The Lean Six Sigma Methodology is a well known and widely accepted methodology in the competitive private business sector as a means for continuous improvement, productivity improvements, and for the development of efficient innovative business processes. Therefore, Milton Hydro's Senior Management Team has determined that the Lean Six Sigma Methodology is critical for the future success of Milton Hydro who operates in the customer service focused electricity industry. The utility's processes must be transformed from those of a small distributor to those of a large distributor. The result of not automating and streamlining would result in having to hire additional people to make up for inefficiencies and potential customer experience degradation over time.

b. The cost to implement and maintain the Lean Six Sigma Methodology is effectively the cost of wages and benefits of the Process Improvement Officer. One of the biggest challenges organizations typically have when implementing new computer systems, is creating business processes that feed information into the new digital systems. Some organizations try to implement new digital systems without making the appropriate changes to the underlying business processes.However, this is like trying to put a square peg into a round hole, it just doesn't fit. The Process Improvement Officer role will lead Milton Hydro in overhauling its business processes so that the right data is gathered and captured using efficient processes to feed into the new digital systems. In addition, the Process Improvement Officer role will work with functional departments to establish improved business processes so that functional departments can optimize resources and operate more efficiently. The work of Lean Six Sigma is an ongoing long term journey to enable the organization to continuously improve. By having processes well established and documented beforehand, the organization will be able to de-risk the implementation of its automated platforms and ensure their success. Furthermore, having this position filled in-house will avoid substantial consultants fees on system process mapping when automating many of the functions. This role will lead to cost savings through streamlined operations, elimination of waste and unproductive efforts, avoidance of consulting costs and automation preparedness.

EXHIBIT 2 - RATE BASE INTERROGATORIES

OEB STAFF INTERROGATORIES

2-Staff-11

Asset Management & Asset Condition Assessment

Ref: Exhibit 2, Appendix E, Page 34

Preamble:

Milton Hydro provided the following information regarding the MS Transformer Age Limiter, and the Health Index results for MS Transformers (Main Tank) and MS Transformers (LTC):

- Age Limiting Factor Criteria – MS Transformers: Figure 1-1, pp. 34
- Health Index Distribution – MS Transformers (Min Tank): Figure 1-3, pp. 36
- Health Index Distribution – MS Transformers (LTC): Figure 1-4, pp. 36

Question(s):

a. Please explain why Milton Hydro uses age limiting factor on assets that are in Good and Very Good condition.

    i. Specifically, please discuss the use of age limiting factors on assets that may remain in Good and Very Good conditions well past their actuarially expected service lives.

b. What is the calculated Health Index for all the “MS Transformers (Main Tank)” assets with the “Age Limiter” removed?

c. What is the calculated Health Index for all the “MS Transformers (LTC)” assets with the “Age Limiter” removed?

Response:

a. Age limiter was used for MS7 and MS4T1 transformers that were found to be in a “very good” condition based on their Health Index scores. The function of the Age Limiter is to

establish a maximum Health Index score to account for aging not necessarily captured by Health Index. Even though the Health Index scores show that these transformers are in a "very good" condition, they are both over 45 years old and it is not reasonable to assume that they will function as well as brand new units or will last for an extended period of time. Just because they were flagged for action using Age Limiter does not mean that they must be replaced, but rather that appropriate action, such as more frequent inspections or testing, may be required.

b. The calculated Health Index scores for all the MS transformers (main tank) assets with "age limiter" removed are provided in Table 2-1 below:

Table 2-1 Health Index Scores, MS Transformers

ID	Health
MS6	90%
MS4T2	43%
MS7	93%
MS4T1	99%
MS9	89%

c. There is only one MS Transformer (LTC) in the study (MS6). With "age limiter" removed, the calculated Health Index is the same as in the report (Main tank 90%, LTC 19%, Composite 19%).

2-Staff-12

Asset Management & Asset Condition Assessment

Ref: Exhibit 2, Appendix E, Page 54-55

Preamble:

Milton Hydro provided the following information regarding its health index distributions and flagged-for-action plans for different asset classes:

- Concrete Poles: Figs 4-3 and 4-4, pp. 54-55
- Pole Mounted Transformers: Figs 5-3 and 5-4, pp. 60-61

- Pad Mounted Transformers: Figs 6-3 and 6-4, pp. 66-67
- Pad Mounted Switchgear: Figs 7-3 and 7-4, pp. 72-73
- RTUs: Figs 8-3 and 8-4, pp. 77-78
- Submersible Transformers: Figs 10-3 and 10-4, pp. 85-86
- Vault Transformers: Figs 11-3 and 11-4, pp. 90-91

Question(s):

a. Please confirm that at the planned rate of replacement over the upcoming DSP period as shown in the flagged for action figures referenced in the preamble, all Poor and Very Poor condition assets in each of these asset classes will have been replaced prior to the end of the DSP period (in some cases as early as in the second or third year of the DSP period).

   i. If confirmed, please explain why it is prudent for Milton Hydro to begin replacing assets that are in Fair, Good or Very Good conditions during the upcoming DSP period after all the Poor and Very Poor condition assets have been replaced in each of these asset classes. Provide separate explanations for individual asset classes as appropriate.

   ii. If not confirmed, please identify which of these asset classes will not have had all Poor and Very Poor condition assets replaced prior to the end of the upcoming test period and explain why all the Poor and Very Poor condition assets were not replaced. In other words, which classes will not have seen the replacement of Fair, Good or Very Good condition assets prior to the end of the test period and why.

   iii. If not confirmed, please provide revised flagged for action plans that do not feature a rate of asset replacements that implies that Fair, Good or Very Good condition assets will be replaced during the DSP period.

Response:

a.

i. N/A

ii. Not confirmed: It is not necessarily expected that all Poor and Very Poor condition assets in each of these asset classes will have been replaced prior to the end of the DSP period. These asset classes are replaced reactively due to failure or if found to be in a condition of imminent failure during routine field inspections. Assets ranked as in Fair and Good condition are also candidates for failure. Milton Hydro experience has been that units may fail prematurely due to deteriorated tanks, tracking insulators etc caused by a poor environment such as proximity to salt spray and exposure to ground water. The Health index of these assets was reviewed along with the flagged-for-action plans to determine an appropriate reactive replacement budget. See Table 1 The Health Index Results Summary (pg. 458 / 667) and Table 3 Ten Year Flagged-for-action plan (pg. 461 / 667)

iii. The numbers presented in the Flagged-for action plan are not necessarily equal to the number of assets to be replaced as units to be replaced represent a subset of the Flagged for Action units (pg.430 / 667)

It is also important to note that the Flagged-for-action plans are based solely on asset condition using a probabilistic, non-deterministic, approach and, as such, can only show expected failures or probable number of units that are expected to be candidates for replacement or other action. While this condition-based Flagged-for-action plan can be used as a guide for Renewal Investment category within Distribution System Plan, it is not expected that it be followed directly or as the final deciding factor in making investment decisions. (pg. 431 / 667)

2-Staff-13

Asset Management & Asset Condition Assessment

Ref: Exhibit 2, Attachment 2-2, Page 75 of 132

Preamble:

Regarding information by asset type, Milton Hydro provided the following:

- MHDI Asset Summary: Table 31, pp. 75 of 132

Question(s):

a. How did Milton Hydro determine the appropriate TULs to use for the listed assets?

    i. If different approaches are used for different asset classes, please identify the different approaches and why they are used for the respective assets.

b. Please explain the role TULs play in Milton Hydro's asset management (e.g., in determining when an asset reaches "end-of-life").

Response:

a. Milton Hydro based the TULs on the values found in Table F1 of the Asset Depreciation Study for the Ontario Energy Board, Kinectrics Inc. Report No: K-418033-RA-001-R000. There has been no change to the TULs since the 2016 COS filing with the exception of Overhead Remote Switches. Overhead Remote Switches were originally bundled with RTUs and given a TUL of 20 years. They have since been unbundled and given a TUL of 35 years for the Switch portion and 15 years for the RTU portion which conforms to Kinectrics Table F1.

b. The TULs serve as a guide for Milton Hydro's asset management. Milton Hydro uses the TUL as well as a condition based assessment to determine end-of-life of assets. Milton Hydro also increases its maintenance activities as an asset approaches it's TUL such as increased frequency of pole testing.

2-Staff-14

Capital Spending Envelope

Ref: Exhibit 2, Attachment 2-2, Page 96 of 132

Preamble:

Regarding its customer engagement activities to ascertain plan alignment, Milton Hydro provided the following:

- Capital Budget Moved from System Renewal to System Service: Table 41, page 96 of 132.

Question(s):

a. Please explain the basis for Milton Hydro's decision to move funds from Milton Hydro wood pole replacement and switchgear replacement programs to System Service.

b. What will the Wood Pole Replacement Capital Budget funds moved to System Service be used for? How did Milton Hydro evaluate the trade off?

c. What will the Switchgear Replacement Capital Budget funds moved to System Service be used for? How did Milton Hydro evaluate the trade off?

Response:

a. Customer Engagement feedback indicated a strong preference for system reliability and future readiness. These two indicators support project prioritization in the System Service category. Rather than incorporate additional System Service capital projects and increase the overall budget envelope, projects in the System Renewal category were reviewed for system risk and prioritization. Two programs were examined: pole replacement and proactive switchgear replacement. Prior to receiving customer engagement feedback, the pole replacement budget was initially defined based upon the preliminary Asset Condition Assessment (ACA) findings. The ACA pole classification was reviewed and revised addressing poles that are at their end of life or in very poor and poor conditions. Upon examination as a result of customer feedback, Milton Hydro determined that budget previously allocated to the pole replacement program could be reallocated without adding additional risk to maintaining system reliability. The switchgear replacements were divided into two programs: proactive and reactive replacements, both in the System Renewal category. The proactive switchgear replacement budget was shifted into System Service as part of the switchgear automation program. System Service was deemed the appropriate driver for this

investment. The budget shift ensures that the equipment and system reliability are maintained, while supporting investments in new smart technology.

b. The wood pole budget was directed to the replacement of manual overhead switches with SCADA operated switches and to the implementation of a SCADA based Fault Location, Isolation and Services Restoration (FLISR) system. The reallocated budget was a portion of the pole replacement that are typically low risk, feed few customers and will be managed via the pole inspection program. The shifted funds can better affect and improve reliability for many customers and enhance future readiness by accelerating the replacement of OH/UG switches and the implementation of FLISR.)

c. The System Renewal proactive switchgear replacement budget was reallocated to System Service for the proactive replacement of manual overhead and underground switches with units that have SCADA operated switches for remote control capabilities. This provides operators more visibility of field assets, more control and better safety for operations staff, and improved reliability. Switchgears that are identified for replacement through the inspection program or have been run to failure will be replaced within the reactive replacement program.

2-Staff-15

Capital Spending Envelope

Ref: Exhibit 2, Attachment 2-2, Page 128 of 132

Preamble:

Regarding its Planned Capital Expenditures, Milton Hydro provided the following:

- DSP Planned Capital Expenditures 2023-2027: Table 49, page 128 of 132.

Question(s):

a. Please provide the average annual historical period spending in each of the same System Renewal sub-categories as shown in Table 49.

b. Please provide the average annual historical period spending in each of the same System Service sub-categories as shown in Table 49.

c. Please provide the average annual historical period spending in each of the same General Plant sub-categories as shown in Table 49.

Response:

Table 2-2 Average Historical Spend provides the information requested in parts a., b. and c. of the question.

Table 2-2 Average Historical Spend

Category	Average Annual (2016-2021)
System Renewal	**1,946,695**
Wood Pole Replacement Program	505,660
Reactive OH Replacement of defective/damaged equipment	469,688
Reactive UG Replacement of defective/damaged equipment	430,291
Proactive Meter Replacements	85,282
Porcelain to Poly replacement program	130,654
Other, System Renewal	325,121
System Service	**1,172,561**
Overhead switch automation	434,299
Adding SCADA/OMS functionality and upkeep	200,797
TS Capacity Relief - new 2 circuit pole line	406,764
Other, System Service	130,701
General Plant	**1,179,074**
Fleet	210,104
Miscellaneous Building Capital	310,704
Computer Software Misc	74,138
Computer Software - Data, Analytics, & Other Initiatives	107,314
Computer Hardware - Server, projector, toughbooks	72,201
Stores Equipment	16,771
Major Tools	31,448
Other, General Plant	356,394

2-Staff-16

System Renewal Spending

Ref: Exhibit 2, Attachment 2-2, Page 76 of 132

Preamble:

Regarding information by asset type, Milton Hydro states:

"Proactive replacement strategies have been adopted for poles, porcelain hardware, defective polymeric switches, legacy pad mounted transformers and underground primary switchgear. Reactive replacement strategies have been adopted for the remainder."

Question(s):

a. Please provide documentation of the proactive replacement strategies for each of the listed asset types, if available.

b. Kinectrics' ACA study report, pages 6-7, characterizes poles as having "low consequences of failure that are run to failure and are replaced reactively". Please explain the apparent contradiction with Milton Hydro's proactive replacement strategy for poles.

Response:

a. The proactive replacement strategies of poles is documented in SR-1 Capital Project Sheet of the Distribution System Plan, pages 257-259 of 667. Similar proactive replacement strategies considering End of Life, Reliability, capital prioritization process, safety are used for porcelain hardware, defective polymeric switches, legacy pad mounted transformers and underground primary switchgear.

b. In the ACA report, the approach of establishing Flagged-for-Action plan was based assuming reactive replacements, i.e., poles failure rate based on the fleet failure curve was used in conjunction with age distribution to generate predicted number of poles that would have to be replaced without identifying specific poles to be replaced. The flagged-for-action numbers represent a starting point for developing proactive pole replacement programs. Poles that are identified as flagged for action are then assessed for pole replacement program by reviewing customer impact, public/worker safety, age, height and strength standards.

2-Staff-17

System Renewal Spending

Ref: Exhibit 2, Attachment 2-2, Page 126 of 132

Preamble:

Regarding its system renewal investment drivers, Milton Hydro states:

"In summary, system renewal spending will focus more proactively on planned proactive pole replacement programs at higher levels than seen prior to 2023 and on meter replacements for units that have been determined to be functionally obsolete."

Question(s):

a. Regarding the forecast step increase in pole replacement spending:

   i. What factors are driving this spending increase?

   ii. Please compare Milton Hydro's actual pole replacement (number of replacement and costs) with planned replacement for the period of 2016-2020. Please discuss drivers for the variance, if any.

   iii. Please compare asset condition assessment results for poles from last DSP with the current one. Please discuss drivers for changes in poles' condition assessment results, if any.

Response:

a.

i. Increased spend is due to a forecasted requirement for replacement of more poles at a higher unit cost. The average unit cost of pole replacements has seen a rise in recent years and is attributed to an increased use of hydrovac services for pole hole excavations, traffic protection services, as well as more frequent requirement for rock drilling.

ii. Annual budget values for the Pole Replacement Program were adjusted each year based on the number of actual poor poles identified. See Table 2-5 below. Poor pole replacements were also replaced under the reactive program, overhead rebuilds and various road widening projects.

Table 2-5 Pole Replacement Program Actual vs Budget

Annual Wood pole Replacement Program					
	2016	2017	2018	2019	2020
Budget - 2016 DSP	$ 500,000	$ 375,000	$ 500,000	$ 500,000	$ 625,000
# poles	100	75	100	100	125
Budget - approved each year	$ 500,000	$ 444,528	$ 329,502	$ 386,878	$ 386,878
Actual spend	$ 287,537	$ 211,838	$ 397,369	$ 437,867	$ 303,779
Actual # poles replaced	62	37	42	43	31

iii. The asset condition assessment (ACA) from the 2016 DSP was primarily based on age whereas the current ACA assessed all available data to determine the Health Index distribution. The current ACA concludes that the quantity of poles in each of the very poor, poor, fair and good categories is significantly lower than in 2016 and the quantity of poles in the very good category is much higher. However, the average pole age has increased. The average pole age in the 2016 DSP was 27 years and the average age in the current DSP is 28 years indicating the overall population is continuing to age as replacements and almost 300 new additions have not lowered the average age. See Table 2-6 below.

Table 2-6 Asset Condition Assessment Results Comparison

	Asset	Quantity	<10	11%-35%	36%-65%	66%-89%	>90%	Average Age
2016 DSP ACA	Poles - Wood	8,745	2,364	1,002	2,177	2,336	866	27
			<25	25%-50%	50-70%	70-85%	>=85%	Average Age
2016 DSP ACA*	Poles - Wood	8,745	2,865	1,590	1,556	1,402	1,333	27
2022 DSP ACA	Poles - Wood	9,013	61	390	557	517	7,488	28
*quantities adjusted using average values to allow for category alignment								

2-Staff-18

System Renewal Spending

Ref: Exhibit 2, Appendix A, pdf pages 260, 263, and 266

Preamble:

Regarding asset replacement projects, Milton Hydro provided the following information:

- Reactive replacement of OH damaged/defective Equipment projects on pdf page 260 of 667
- Reactive replacement of UG damaged/defective equipment project on pdf page 263 of 667
- Meter Replacement Program project on pdf page 266 of 667

Question(s):

a. Please explain the step changes in planned spending trends relative to the historical period for the following programs.

   i. Reactive replacement of OH damaged/defective Equipment

   ii. Reactive replacement of UG damaged/defective equipment

   iii. Meter Replacement Program

Response:

a.

i. Reactive replacement of OH damaged/defective equipment. The 5 year historical expenditures (2017-2021) were used for the forecasted 2023 budget amount of $330,000. It should be noted that May 4, 2018 Storm Damage replacements of $291,497 were included in the calculation as this was a reactive project.

ii. Reactive replacement of UG damaged/defective equipment. The average value of the 5 year historical spend (2017-2021) was used for the 2023 forecasted budget amount of $280,000.

iii. The Meter Replacement Program includes Proactive Meter Replacements and Meter Room Upgrades - Cell Modems. Proactive Meter Replacement refers to replacing individual meters that are found to be at the end of their useful life and have communication issues. Generally, these consist of meters greater than 15 years in age. Ensuring meters are in good working order mitigates billing errors and associated customer billing complaints, as well as avoiding costly manual

meter probes (in the event of a meter failure) along with ensuring regulatory compliance (Measurements Canada). Milton Hydro was one of the first LDCs to implement smart meters in 2007 and have developed a program to replace approximately 6,000 aging smart meters per year. Since this program didn't exist in the previous years, it represents a step change in planned spending vs historical period.

2-Staff-19

General Plant – Buildings

Ref: Exhibit 2, Attachment 2-1, Page 9,11, and 12

Preamble:

Regarding capital cost consequence using inside storage to replace outside storage, Milton Hydro provided the following on page 9:

- Utilization of Warehouse & Operations Space: Table 1-5, pp. 9

Regarding its shipping and receiving functionality needs, Milton Hydro states on page 12:

"This area is used to manage incoming deliveries of inventory and other purchases. The space consists of a loading dock for goods inbound via transport trailer and drive-up docks for overhead crane loading and unloading. The area also provides space for issuing and loading job-site material to Milton Hydro crews and 3rd party contractors."
"*As described above, the previously disallowed 36,000 sq. ft. "premium" indoor storage space was not entirely required to accommodate the lack of outside storage. The Warehouse & Operations space has been re-purposed (from that "deemed" to be storage) to more accurately align with Milton Hydro's operations and space requirements for various tasks and is currently fully utilized. As such, Milton Hydro is requesting that the depreciated value of this space (e.g. net book value) in the amount of $640,458 be brought into rate base effective January 1, 2023."*
Question(s):

a. Please identify all materials and equipment Milton Hydro formerly stored outside that it now stores inside.

    i. For each type of material, vehicles and equipment identified, please explain why the change adds value for ratepayers, with due consideration of all associated costs (including the cost of owning and maintaining the associated storage space, either inside or outside)

Response:

a. Underground and Overhead Cable Reels are now stored indoors and stacked vertically. This approach to storing the reels vertically helps to minimize the footprint required for storage. As well, utilizing the building overhead cranes provides for a much safer and more efficient means for handling the materials. UV exposure to the Underground jacket/ shielding is eliminated which helps maintain the product integrity. Alternatively the product would need protection from the outdoor elements if stored for extended periods of time. Cable/wires inventory is prone to theft and indoor storage helps to reduce this risk and cost.

If stored outside, Submersible and Vault Room Transformers would need to be protected from exposure to the outdoor elements and monitored to ensure protection was maintained. With these units now being stored indoors, not only are the units climate controlled but handling (using overhead cranes) is much safer for loading and unloading.

A selection of commonly used Overhead and Pad mount Emergency/Storm Transformers are now maintained indoors. This approach helps Operations to expedite customer response to after hours repairs/replacements/emergencies, while using minimal resources to locate and load the equipment for service vehicles.

The Material Staging area allows for inventory to be designated to Project assignments in advance of work being issued. This approach ensures materials are readily available and accounted for, in addition to utilizing company resources more efficiently. As well, this same area is utilized for the set-up and programming of Viper Switch Gear, prior to installation.

Light-Duty vehicles are now parked indoors. This allows staff to maintain sensitive/high value equipment inside the vehicle during off-hours without the need to load and unload to and from vehicle on a daily basis. This process would typically take approx. 30-45 minutes/employee/day. In addition, indoor parking eliminates exposure to the elements and the time needed to clear vehicles of frost/ice/snow during Fall - Spring months. Indoor parking also reduces the risk of theft and vandalism.

Similarly, storing the additional 2 Heavy-Duty vehicles indoors (acquired since 2016) their exposure to UV is reduced, as recommend by the OEM when vehicles are not in

service. This helps to ensure degradation of hydraulic equipment is minimized. As well, during extreme cold weather events, airlines tend to freeze and the PTO can see premature wear. Indoor storage eliminates the time needed to warm-up the truck to operating temperature so that the hydraulics are in working order. Overall, vehicle integrity is improved and maintenance costs tend to be reduced with vehicles being stored indoors. Preventative maintenance and repairs are conducted onsite in this same area, helping to ensure equipment downtime is minimized.

2-Staff-20

General Plant – Buildings

Ref: Exhibit 2, Appendix I, Page 16

Preamble:

Cresa reviewed Milton Hydro's space requirement and provided forecast space programming for the period of 2023-2026.

Question(s):

a. What is the basis for the assumed increase in office staff count from 18 in 2021 to 22 in 2023?

b. What is the basis for the assumed increase in workstation staff count from 29 in 2021 to 34 in 2023?

c. What the basis for the assumed increase in lines staff count from 10 in 2021 to 13 in 2023?

Response:

a. In response to 2-SEC-030 Milton Hydro provided an update to the 2021 space requirement, staff requiring an office decreased from 18 to 17. The increase of 5 office staff between 2021 and 2023 are related to the additions of the following headcount outlined in Exhibit 4, subsection 4.4.3.3:

    i. Director, Information Technology and Client Services;

ii. VP, Customer Experience;

iii. VP, Corporate Services;

iv. Manager, Supply Chain Management (SCM); and

v. Manager, Health & Safety.

b. As indicated in part a. of the question In response to 2-SEC-030 Milton Hydro provided an update to the 2021 space requirement, staff requiring a workstation increased from 29 to 30. The increase of 4 workstation staff between 2021 and 2023 are related to the additions of the following headcount outlined in Exhibit 4, subsection 4.4.3.3:

i. Regulatory Analyst;

ii. Client Services Financial Analyst;

iii. IT Security & Infrastructure Specialist; and

iv. Engineering Technologist.

c. The increase in 3 Lines - Hotelling staff relates to the addition of workstation space to accommodate employees and contractors with space to perform their duties if they are not dedicated a workstation or office. Milton Hydro has not finalized a work-from-home policy and will use this space to manage space requirements for employees.

i. Power Line Technician

ii. Power Line Technician

iii. Power Line Technician Apprentice

2-Staff-21

General Plant – Buildings

Ref: Exhibit 2, Appendix I, Page 25

Preamble:

Regarding Building Modification Budgets & Phasing, Cresa provided project cost estimate for Phase I to Phase III.

Question(s):

a. Please confirm that Cresa's recommended incremental space requirements to develop additional workspaces, offices and meeting areas are largely or entirely based upon projected staffing growth numbers provided by Milton Hydro.

    i. If not confirmed, please explain the basis for Cresa's recommendations.

b. Please confirm that Cresa has not reduced its recommended space requirements to account for shared workspaces or offices for employees who might be regularly working from home for part of each week.

c. Please provide a table that shows the existing space allocation (in square footage) to each of the business functions described in this report, as well as the space allocations after implementing the Phase 1 and Phase 2 modifications recommended by Cresa.

Response:

a. Cresa developed the space layout in the Strategic Facilities Plan based on staffing growth numbers provided by Milton Hydro, current identified needs for meeting space, the reconfiguration of current space to better suit requirements (e.g moving customer service area) and the new space requirement for a control room.

b. Milton Hydro's workplace strategy is to provide a workstation for all staff required to work at the office. As such, Cresa's space recommendation includes a workstation for all staff in the Office and Administration space. There are "Hoteling" workstations in the Operations space to accommodate employees who are not assigned to work in the office on a regular basis.

c. The following Table 2-7 provides information on the current Office and Administration space allocation and space allocation after the Cresa Phase 1 and 2 work. Common space such as hallways, meeting rooms, washrooms and the lunch room has been allocated to business functions on a pro rated basis.

Table 2-7 Space Allocation

Business Function	Current Space Allocation	Space Allocation After Cresa Phase 1 & 2 Work
Engineering	4,233	5,306
Billing	3,023	3,381
Customer Service	4,836	5,195
Finance	4,233	4,949
Settlements	1,209	1,209
IT	1,814	2,530
Regulatory Affairs	605	963
System Planning	1,209	1,567
Human Resources	1,209	1,209
Senior Mgt. Team	2,419	3,134
Network Operations - Exec	605	605
CFO	605	605
Control Room	N/A	2,147
Total	**26,000 Sq./ft.**	**32,800 Sq./ft.**

2-Staff-22

OM&A Spending

Ref: Exhibit 2, Attachment 2-2, Page 42 of 132

Preamble:

Regarding unit cost metrics, Milton Hydro states:

"O&M increased in 2021 due to primarily due to an increase in maintenance activity in 2021 compared to previous years."

Question(s):

a. Please explain what drove the increased need for maintenance activity in 2021.

b. If the 2021 maintenance activity level represents a new baseline of activity, please explain why the increased ongoing effort is needed.

Response: See Exhibit 4, pg 36 and 41

a. Increased need for maintenance activity in 2021 was driven by:

   i. One-time environmental remediation at 96 Bronte North

   ii. Increased Planned Overhead Line and station maintenance carryover of maintenance activities not completed during 2020 due to pandemic

   iii. 2 windstorms in December 2021

~~b.~~ The 2021 maintenance activity does not represent the baseline. A normalized 2023 constant dollar basis will be the base line.

2-Staff-23

2022 Bridge Year Actual

Ref: Appendix 2-AA

Question(s):

a. Please update actual capital expenditures for 2022 bridge year in Appendix 2-AA format. Please specify how many months are actual vs. forecast.

Response:

a. Table 2-7a below shows Year To Date actual expenditures as of May 31, 2022 and the 2022 year end Forecast in Appendix 2-AA format.

   YTD May 2022 is trending characteristically low at $2.168 Million. Milton Hydro's YTD May spending is typically low relative to year end spending when reviewing past fiscal periods, for instance, YTD May 2020 spending was $2.368 Million, and YTD May 2021 spending was $2.011 Million, in both years Milton Hydro completed its Capital Programs.

Milton Hydro is on track to complete all planned Capital Programs by year end 2022 as well, and it provides further information regarding its 2022 forecast Capital Expenditures below.

The Following are project specific notes:

- Milton Hydro has multiple pre-approved contractors to tender to, that will ensure they have the resources to complete capital projects on time and on budget.

- Project starts are controlled by the road authorities for road widening. Specifically, 5th Line between Yukon Court and Derry Road is part of a road widening project with the Town of Milton. The Town has confirmed that construction shall begin in mid-August 2022. This project has been tendered and is on track to be completed September 2022.

- 5 Side Road from Tremaine to Dublin has been tendered and is on track to be completed October 2022.

- Procurement is on track for all scheduled 2022 projects, with most materials already on site to ensure global supply issues don't delay our capital projects.

- Milton Hydro notes, that it replaced its original building renovations budget for the construction of the system control room with the Cresa Phase 1 estimate of $1.1 Million, causing the projected capital expenditures for 2022 to be $600K higher than what was included in the 2022 Bridge Year. The Control Room Construction and Building renovations tender is scheduled to close on July 28, 2022, with PO to be issued on July 29, 2022.

- Meter Replacement Program was kicked off in May, 2022, and scheduled to be completed by end of November, 2022.

- Switchgear replacement program start was delayed from the beginning of the year due to supply chain delays for lightning arrestors. Milton Hydro now has enough quantities procured to start the switchgear replacement program in August and complete by end of November 2022.

- Two forecasted residential subdivisions under construction are scheduled to be energized in July and August. Forecasted industrial subdivision started construction in July with an anticipated energization of December 2022.

- Milton Hydro capitalizes subdivision assets that are constructed and energized during the year, by year end. There were no new subdivisions energized between January 2022 and May 2022, however we estimate that as of end of May 2022, about 40% (approximately $1M of $2.53M) of the assets that Milton Hydro will be capitalizing have been installed by the developers.

- Vehicles ordered are on track to be delivered prior to year end

- Computer Software projects will commence in early September once the internal resources are not focused on supporting the 2023 Test Year Cost of Service application. Projects such as OMNI channel platform, Enterprise Ticketing system, Enterprise Resource Planning and Human Resource Information Systems will incorporate both internal resourcing costs and external third party expenditures. The Enterprise Resource Planning system project is a multi-year project that is anticipated to be completed sometime in 2024.

Table 2-7a 2022 Bridge Year Capital Expenditure Projection

Projects	2022 YTD (end May)	2022 Year End Forecast
System Access		
Subdivisions	232,247	2,530,000
Region Halton Britannia, RR25 to JSP Relocation Ph2	—	559,052
Town of Milton - Bronte St., Main to Steeles	156,072	909,321
Derry Rd, JSP to Fifth Line, new pole line, 2 circuits	—	149,764
Fifth Line - 401 to Derry	5,806	153,440
Customer Connections	317,437	928,109
Meters - New Industrial/Commercial	78,055	306,490
Mandated Meter Replacements	149,121	441,055
Sub-Total	**938,738**	**5,977,231**
System Renewal		
Porcelain to Polymer Insulator Replacement Program	12,583	73,416
Wood Pole Replacement Program	283,101	712,687
Overhead Rebuild/ First Line to Lower Base Line	7,846	385,000
Switchgear Replacement Program	—	254,768
Miscellaneous Overhead Replacements	323,056	330,994
Miscellaneous Underground Replacements	204,006	258,596

Meter Replacements, defective	26,973	100,000
Meter Replacement Program	17,717	1,220,286
Meter Room Upgrades - Cell Modems	—	126,013
Sub-Total	**875,282**	**3,461,761**
System Service		
13.8kV to 27.6kV MS4-F2 Feeder Conversion & Regulator Installation	10,976	423,670
Tremaine, 14 Side Rd to Steeles, add 2nd circuit	—	59,821
Fifth Line, Yukon to Derry, new Pole Line, 2 circuits	—	242,074
Fifth Side Rd, Tremaine to Dublin, rebuild and add circuit	1,910	104,845
Automation	145,165	477,362
Scada/OMS	53,570	110,000
Sub-Total	**211,621**	**1,417,772**
General Plant		
Building - 200 Chisholm	10,540	93,000
Building - Renewal/Renovations - Phase 1 Cresa Report	—	1,111,882
Computer Hardware - Server, projector, toughbooks	80,626	87,500
Computer Hardware - Control Room	—	30,000
Software - licenses	1,339	32,500
Software -MV 90 Upgrade	—	15,000
Software - CIS Northstar Automation Platform	50,763	50,000
Software - OMNI Channel Platform	—	105,990
Software - Human Resource Info System	—	132,330
Software - Enterprise Service Ticketing	—	155,240
Wimax/Scadamates (Tower)	—	56,000
Enterprise Resource Planning System	—	269,815
Backyard RBD/Tension Machine	—	280,000
Single Bucket Truck	—	225,000
Vehicles - Lightweight	—	246,500
Miscellaneous	—	50,000
Sub-Total	**143,268**	**2,328,875**
Total	**2,168,909**	**13,185,639**

2-Staff-24

Distribution System Plan

Ref: Exhibit 2, Attachment 2-2

Question(s):

a. Please identify main changes/improvements in Milton Hydro's asset management practices and capital expenditure planning process since its last DSP filed in the 2016 rate application.

Response:

a. The main improvement since the 2016 rate application was leveraging the ArcGIS cloud technology to improve asset data collection and monitoring capabilities. Electronic survey forms for mobile field data collection have been created for all inspection activities as well as online operations dashboards for reporting and facilitating the management of maintenance and capital expenditure planning.

2-Staff-25

Coordinated Planning with Third Parties

Ref: Exhibit 2, Attachment 2-2

Preamble:

In accordance with the OEB's letter dated April 28, 2022 in response to the Regional Planning Process Advisory Group's Report to the OEB, a distributor is required to identify if there are any inconsistencies between its DSP and any current Regional Plan. If there are any inconsistencies, the distributor shall explain the reasons why, particularly where a proposed investment in their DSP is different from the recommended optimal investment identified in the Regional Plan.

Question(s):

a. Please clarify if there are any inconsistencies between Milton Hydro's DSP and the current Regional Plan.

Response:

Milton Hydro's cobnfirms its DSP's planned investment is consistent with the Regional Infrastructure Planning (RIP). The Hydro One GTA West-RIP on page 28 discusses the upsizing of Palermo TS in 2026. This has a dual purpose of increasing the short circuit capacity from 110MW to 180MW to allow integration of DERs as well as addressing future Milton Hydro load growth. This planned load upsizing of Palermo TS is also mentioned in the Milton Hydro DSP.

2-Staff-26

Summary of Capital Expenditures

Ref: Exhibit 2, page 59 of 86

Preamble:

Milton Hydro adjusted its planning and reduced its allocated capital funding for System Access (on average $1.1 million) after recognizing the shift of more modest growth in System Access and increased its investments in the other three investment categories.

Question(s):

a. Milton Hydro illustrated its Asset Management Planning Cycle in Figure 9 of the DSP. Please explain at what stage of the Planning Cycle Milton Hydro decided to reallocate funding for System Access to the other three investment categories.

b. Please explain the derivation of the average $1.1 million in System Access (e.g., is this $1.1 million the difference between the final proposed capital expenditures in System Access and the original budget or is this the difference between the final proposed capital expenditures in System Access and the average historical spending?)

c. Please confirm Milton Hydro increased its investments in the other three investment categories by an average of $1.1 million per year over the DSP period after its adjustment to System Access.

d. Please explain how Milton Hydro justified the re-allocation rather than reducing System Access after recognizing the more modest growth, while maintaining the other three investment categories at the originally planned levels.

Response:

a. Milton Hydro clarifies that the 2023-2027 DSP budget allocation for System Access was set based upon SA Requirements and historical actuals when determining the Preliminary Investment Portfolio. It did not change; the proposed plan is the original plan. System Access spending is mandatory, and the “reduction” represents the impact of the

current estimates of the System Access works to be performed in the 2023 – 2027 timeframe.

Milton Hydro did not reallocate funds from mandatory SA to other categories.

b. Milton Hydro clarifies, that the average of $1.1 million reduced funding for System Access, referred to in the question reference should have been $1.3 million, there was an inadvertent typographical error. The average $1.3 million reduction in System Access is the difference between average historical spending and current DSP planning. See Table 2-8 below.

Table 2-8 Comparison of System Access Average Spending

	2016-2021		2023-2027
SA Actuals	40,616	SA Planning	27,349
SA Actuals average	6,769	SA Plan average	5,470
Difference	1,299		

c. Milton Hydro clarifies that its choice of words describing how the funding increases in the above noted reference were not clearly described. it did not increase funding to the other three categories through reallocation of SA funds. Although it plans to spend less in the System Access capital category, there was no direct re-allocation of reduced spending to the other three capital categories. The other three investment category proposed budgets and plans were independently drafted and assessed for risks and value to the distribution system. Any increased investment funding in any of the categories would need to fit in the overall capital budget envelope with System Access having the first priority for budget funds.

d. There was no reduction of SA funding from the originally planned level, nor was there any reallocation of the SA funding. The SA plans are based upon multiple inputs including Regional and Municipal plans, developer inputs, the GSAI Growth Report and historical experience.

The proposed investment plans and correlating budgets for the other three categories are based upon key asset management drivers, an assessment of the preliminary portfolio drivers, portfolio prioritization, specific category investment plans using specific project requirements and merit in risk assessment and overall value to the grid.

For the overall DSP (2023-2027), Milton Hydro developed its capital plan in an attempt to balance overall Total Expenditures so as to minimize the effects of typical annual variances in spending that develop. Balanced annual spending provides a degree of certainty to the amount of resources (labour, material, etc.), internal and external, that are required to address the spending needs and provides a degree of flexibility in addressing changing priorities (more spending required in a category than was forecast). In this sense, Milton Hydro is striving to ensure investments are prioritized and paced in a way that results in predictable and reasonable rates.

2-Staff-27

Actual Capital Expenditure on General Plant

Ref: Exhibit 2, page 60 of 86

Question(s):

a. Please explain why the actual capital expenditures in 2021 on General Plant was a negative amount of $91k.

Response:

Included in the actual capital expenditures for General Plant in 2021 was new in period spending totaling $268,531. Milton Hydro also received a capital contribution refund of $359,680 in 2021 from Hydro One related to Tremaine TS feeder egress work completed in prior Fiscal periods. The net transactions in 2021 is a net credit capital expenditure of $91,149 as provided in Appendix 2-AA.

2-Staff-28

Bringing Disallowed Office Space into Rate Base

Ref: Exhibit 2, Attachment 2-1, pages 8-9

Preamble:

Prior to purchasing the property at 200 Chisholm Drive, Milton Hydro had identified that 65,000 sq. ft. of outside storage would be required.

Question(s):

a. Given that the 29,000 sq. ft. outside storage space at the 200 Chisholm Drive did not meet Milton Hydro's requirement for outside storage (65,000 sq. ft.), please explain why Milton Hydro decided to purchase the land and premises at 200 Chisholm Drive as its new office and service centre.

b. When discussing its utilization of warehouse and operation space, Milton Hydro stated that there are other areas that it requires for operations that were not specifically identified in the 2016 rate proceeding. Please explain why these operation requirements were not identified in the 2016 rate proceeding.

Response:

a. The decision to purchase the land and premises at 200 Chisholm Drive was the result of an extensive multi-year search process. Evidence describing this process and the rationale for the purchase decision was provided in EB-2015-0089 (e.g. Undertaking K.1.3). The 65,000 sq. ft. of outside storage was identified as part of the initial premises search criteria. However, Milton Hydro re-evaluated its outside storage requirements and determined that it did not require that much space and could manage its outdoor storage requirements in the 29,000 sq. ft. available at 200 Chisholm Drive.

b. Other areas such as the staging area and shipping and receiving were not specifically identified in the 2016 rate proceeding as the full scope of building use had not been developed at that time. 36,000 sq. ft. of “Warehouse and Operations” space was “deemed” to be inside storage, however the need for this indoor storage never fully materialized. The space is used for other operational purposes such as garage/fleet area, materials staging area and shipping and receiving. A portion of this area is used for storing material that requires indoor storage (e.g. Vault Room and Submersible Transformers, Meters, CT/VT, Meter communication devices and hardware).

2-Staff-29

New ERP System

Ref: Exhibit 2, Attachment 2-2, Business Case: ERP

Question(s):

a. Please provide a breakdown of the forecast project cost for the new ERP system for each year over the 2022-2024 period.

b. Please provide the useful life of the new ERP system.

Response:

a.

Table 2-9 ERP System Costs for the 2022-2024 Period

2022	2023	2024	Total
$269,815	$721,593	$338,852	$1,330,260

The business case and forecasted project costs are outlined in Exhibit 2 - Attachment 2-2 Milton Hydro_DSP_2023-2027. Also see 1-SEC-21.

b. 15 years with consistent and required ongoing enhancements and upgrades

2-Staff-30

Cresa Strategic Facilities Plan

Ref: Exhibit 2, Attachment 2-2, Appendix I, page 3

Preamble:

In the Executive Summary of Cresa's Facility Plan, it stated that its "preliminary" space programming suggests that Milton Hydro will require approximately 80 seats to accommodate its forecasted FTEs growth over the next five years.

The total cost of renovation is estimated to be $1.5 million based upon Class D estimates prepared by Cresa.

Question(s):

a. Please explain why the space programming is "preliminary".

b. Does this mean there will be some form of further study/analysis conducted by Cresa to finalize Milton Hydro's Facility Plan?

c. Has the Class D cost estimate been updated to Class C, Class B or even Class A?

d. Did Milton Hydro go through an RFP process to seek a vendor for the renovation? If so, who was the selected vendor and what's the proposed renovation cost from the vendor?

e. What's the current status of the renovation? What renovation costs have been spent so far and what's the budget included in the 2023 test year? When will the renovation be completed?

Response:

a. Cresa generally refers to programming completed at the feasibility stage as preliminary, as the program tends to get modified as the design evolves and more is learned about project requirements.

b. No further study/analysis will be conducted by Cresa.

c. A RFP has been issued and responses are expected to be at a Fixed Fee. Responses to the RFP will be evaluated, and work is planned to be awarded by end of July 2022.

d. Please refer to 4-Staff-69 part b. for further details.

e. Renovations are underway, with design and engineering confirmed. Invoiced amounts to date are $5,162; however, further invoices are anticipated soon for additional work that has been completed.

The Control Room is budgeted to be completed in 2022 at a cost of $500,000. The budget included in the 2023 Test Year Capital additions is for general building renovations of $400,000. Phase I renovations are scheduled for completion 4th quarter of 2022 at an estimated cost of $1.1 Million as per Phase I of the cresa report.

2-Staff-31

Cresa Strategic Facilities Plan

Ref: Exhibit 2, Attachment 2-2, Appendix I, page 9

Question(s):

a. Please explain the difference between this $7.7 million building cost presented in Cresa's Strategic Facility Plan and the $14.5 million capital cost referenced in OEB's decision in the 2016 rate proceeding (EB-2015-0089, Decision and Order dated July 28, 2016, page 48).

Response:

a. The $7.7 million is the land and building acquisition cost. The $14.5 million includes the additional capital renovation costs that were required to be incurred to make the building functional for Milton Hydro's operational needs.

2-Staff-32

Cresa Strategic Facilities Plan

Ref: Exhibit 2, Attachment 2-2, Appendix I, pages 10-11

Preamble:

There are currently three meeting rooms throughout the 200 Chisholm Drive office building including the executive boardroom.

Question(s):

a. Please explain how many meeting rooms were planned at the time of the 2016 rate proceeding.

b. Please explain how many meeting rooms have been converted to offices since 2016.

c. Please explain how many meeting rooms are planned for the 2023 test year.

d. Cresa stated that the current layout of the Office & Administration is inefficient due to the previous design and the unique, triangular space of some areas. Please elaborate why the current layout is not efficient.

Response:

a. There were 6 meeting rooms planned at the time of the 2016 rate proceeding.

b. Since 2016, 3 meeting rooms have been converted into offices.

c. There are 9 meeting rooms planned for the 2023 test year.

d. The current layout is not efficient due primarily to offices, workstations and meeting rooms generally being square or rectangle shape, whereas the front of the office and administration area is a triangle shape. Fitting squares or rectangles into a triangle results in increased circulation areas. The previous design had a significant amount of circulation area and Cresa has worked to minimize the circulation areas and make better use of space.

2-Staff-33

Cresa Strategic Facilities Plan

Ref: Exhibit 2, Attachment 2-2, Appendix I, pages 16-17

Preamble:

Cresa provided a table that summarizes Milton Hydro's space requirement for 2021, and each year over the 2023-2026 period.

Question(s):

a. Please provide the current (2022) space requirement breakdown.

b. For 2021, there were 63 staff in total and 57 seats, please explain what workstation arrangement Milton Hydro provided to the remaining six staff.

c. Cresa stated that 52% of employees, who did the "Future of Work" survey would prefer to work three or more days from the office and 30% of respondents would prefer to work from the office 100% of the time. What's Milton Hydro's current workplace arrangement (e.g., Hybrid) and what's the workplace strategy for the next five years.

Response:

a. Table 2-10 below provides the 2022 Space Requirements.

Table 2-10 2022 Space Requirements

Space Requirement	June 2022 Staff	July to Dec 2022 Additions	2022 Staff	June 2022 Seats	July to Dec 2022 Additions	2022 Seats
Office	18	4	22	18	4	22
Workstation	34	—	34	34	—	34
Student Workstations	6	—	6	6	—	6
Hoteling - Lines	11	1	12	5	—	5
Hoteling - General Labour	1	—	1	1	—	1
Control Room Shared	—	2	2	—	2	2
Total	**70**	**7**	**77**	**64**	**6**	**70**

b. In 2021 there were 10 Lines staff that shared 5 hoteling workstations, and 2 general labourers that shared 1 hoteling workstation, the difference of six relates to the shared hoteling space.

c. Milton Hydro's current and five year workplace strategy is to provide a workstation for all staff required to work at the office.

2-Staff-34

Cresa Strategic Facilities Plan

Ref: Exhibit 2, Attachment 2-2, Appendix I, pages 22-24

Exhibit 2, Attachment 2-2, Appendix A (Exhibit 2, pdf page 308)

Preamble:

Cresa recommended $1.1 million total project cost for the control room, $369k for relocating customer service desk, and $750k for exterior window replacement.

Milton Hydro stated that the building renovation budget was developed and finalized prior to the receipt of Cresa's Strategic Facilities Plan.

Milton Hydro's updated capital plan provides for approximately $1,100,000 in 2022 as compared to the original capital plan which underpins the 2023 rate base of $900,000 (i.e., $500,000 building renovations in 2022 and $400,000 building renovations in 2023). Milton Hydro is not proposing to adjust the timing or amounts included in its 2023 rate base as the original capital plan provides a better levelized, smoothed expenditure over the DSP period, with lesser impact to its customers.

Question(s):

a. Please explain when Cresa was retained to develop the Strategic Facilities Plan.

b. For the control room, please explain the difference on the budget between what developed by Cresa ($1,111,882) and AESI ($512,000). Please clarify capital expenditures budgeted for the control room for 2022 and 2023.

c. Please provide details of Milton Hydro's original capital plan of $900,000 over 2022-2023. Please detail the scope of work and provide a breakdown by cost component for each year of 2022 ($500,000) and 2023 ($400,000).

d. Please provide details of the updated capital plan of $1,100,000 for 2022. Please detail the scope of work and provide a breakdown by cost component.

e. Regarding the $500,000 building renovation cost budgeted for 2022, please explain what has been done in 2022 and what's the actual spending so far.

f. Given that Milton Hydro's updated capital plan provides approximately $1,100,000 in 2022 and it is not proposing to adjust the timing or amounts included in 2023 rate base, please clarify if Milton Hydro proposes to bring the actual capital expenditures associated with office building renovations in 2022 in its next rebasing application.

g. For relocating customer service desk, please confirm Milton Hydro decided to adopt Cresa's recommendations and included a budget of $369k for 2024 in the DSP.

h. For exterior window replacement, please confirm Milton Hydro decided to adopt Cresa's recommendations and included a budget of $750k for 2025 in the DSP.

i. In Appendix 2-AA, Milton Hydro budgeted $93,000 for 2022 and $119,000 for 2023 for the "Building – 200 Chisholm" project under General Plant. Please detail the scope of

work and provide a breakdown by cost component for each year of 2022 ($93,000) and 2023 ($119,000).

Response:

a. Cresa was retained in November 2021.

b. The budget developed by AESI was incorporated in the AESI control room report, and the Phase 1 expenditures in the cresa report was for combined building renovations including office/workspace and meeting rooms for staff of other functional departments, including the cost of the control room. The cresa report does not delineate separate costs for the various aspects of Phase 1 of the building renovations. it provides them as an all inclusive cost.

c. The $400,000 included in the 2023 Test Year additions was based on the smoothing of an estimated $2,000,000 of building renovations expected over the 2023-2027 rebasing period. For the 2022 Bridge Year, Milton Hydro used an estimate of $500,000 for the control room before the completion of the Cresa Strategic Facilities Plan (Exhibit 2, Appendix I). The Cresa report (pgs. 21-22) outlines the costs of Phase 1 of the project which includes the costs for combined office/workstations meeting rooms for other functional departments and for the cost to construct the Control Room.

d. Details of the $1,100,000 capital plan in 2022 are in Table 2-11 below:

Table 2-11 Control Room Capital Costs - per Cresa

Description		$
Professional Fees	$	57,564
Construction	$	738,950
Furniture, Fixtures & Equipment	$	144,340
Technology	$	26,000
Project Contingency	$	145,028
Total	**$**	**1,111,882**

e. Preliminary planning has been completed and Milton Hydro has issued an RFP to prospective vendors. As such, there are currently no dollars in the capital work order.

Construction is planned to start in the summer with completion by the 4th quarter of the year.

f. Milton Hydro plans on bringing forward the remaining undepreciated capital cost associated with the building renovations in its next rebasing application for inclusion into rate base.

g. Confirmed. Milton Hydro has included in the DSP the relocation of the customer service desk in 2024.

h. Milton Hydro has included in the DSP the replacement of windows starting in 2024 with expected completion in 2025. It is noted that the DSP Building renovation budget is $400,000 yr. for the years 2023-2027. Work planning and budget expenditure timing may need to be reassessed as cost estimates and work priorities evolve over the planning horizon.

i. The $93,000 in 2022 is comprised of: Replace Shop Vehicle Entrance Ramp/$40,000; Repair Irrigation System/$18,000; Replace Shop Lighting/$15,500; Repair Stores Office Floor and Wall Fan/$12,000; Replace Ductless HVAC unit (#1) in IT Server Room/$7,500

The $119,000 in 2023 is comprised of: Install Grey/Rain Water Recovery System/ $70,000; Relocate Hydro Pole Bunks/$34,000; Replace Ductless HVAC unit (#2) in IT Server Room/$7,500; Replace Shop Air Compressor/$7,500.

2-Staff-35

Customer Oriented Performance

Ref: Exhibit 2, Attachment 2-2, page 37 of 132

Preamble:

Milton Hydro tracks and compares their OM&A cost per Customer and Customers per Employee to its peer group. Milton Hydro intends to maintain the top-half standing target for peer group comparison in the forecast period.

Question(s):

a. Please discuss Milton Hydro's benchmarking performance results among its peer group for 2023 with the forecast OM&A, customers, and employees.

Response:

a. In the absence of published OEB Electricity Yearbooks for the calendar years 2021 to 2023, Milton Hydro has prepared benchmarking performance results using the following assumptions:

   - Milton Hydro's test year proposal for customer count, number of employees, and OM&A requirement, as per Exhibit #1.
   - No change in customer count and number of employees for Milton Hydro's peer group.
   - Peer group 2020 OM&A cost/customer data adjusted for inflation.
   - 2021 OEB Inflation rate: 2.20%
   - 2022 OEB Inflation rate: 3.30%
   - 2023 Projected Inflation rate: 3.80%

Milton Hydro provides the requested information in the following Table 2-12. However, it is important to note that a number of assumptions had to be made and that they may or may not be accurate. These assumptions impact the resulting 2023 peer results and ranking. For example, 2020 Year Book information was used to extrapolate 2023 results for Burlington Hydro, Brantford Power, Halton Hills Hydro, Oshawa PUC, and Waterloo North Hydro. These utilities have received Cost of Service Decisions since their 2020 results and their actual approved OM&A and staff levels may be higher than results using the generic extrapolation methodology. In addition, for all peer LDC's the actual level of 2023 OM&A and staff may be different from that derived by extrapolating. This renders the results of the forecast peer group comparisons to have some variability.

Table 2-12a Peer Group Comparison of OM&A/Customer (Forecast)

Electricity Distributor	2023 OM&A/Customer (Forecast)
Milton Hydro Distribution Inc.	340
Brantford Power Inc.	332
Halton Hills Hydro Inc.	326
Burlington Hydro Inc.	326
Newmarket-Tay Power Distribution Ltd.	311
Energy+ Inc.	311
Oakville Hydro Electricity Distribution Inc.	284
Waterloo North Hydro Inc.	271
Oshawa PUC Networks Inc.	259
Kitchener-Wilmot Hydro inc.	240

With respect to the 2023 Test Year, Milton Hydro's forecast OM&A cost/customer based on the assumptions noted above is projected to be $340 per customer, this is the highest in comparison with the peers as indicated in Table 2-12a. Milton Hydro anticipates that its average OM&A cost per customer will gradually decrease during the course of the incentive regulation period as its customer numbers increase coupled with productivity improvements achieved through its Lean Six Sigma program.

Table 2-12b Peer Group Comparison of Customers per Employee

Electricity Distributor	Milton Hydro 2023 Customers / Employee vs Peers 2020 Customers / Employee
Oshawa PUC Networks Inc.	784
Newmarket-Tay Power Distribution Ltd.	762
Oakville Hydro Electricity Distribution Inc.	726
Burlington Hydro Inc.	707
Brantford Power Inc.	644
Milton Hydro Distribution Inc.	565
Energy+ Inc.	556
Kitchener-Wilmot Hydro inc.	539
Waterloo North Hydro Inc.	491
Halton Hills Hydro Inc.	460

Milton Hydro's forecast 2023 Customers per Employee metric of 565 Customers per Employee compared to Milton Hydro's peers provided in Table 2-12 above based on its Peers 2020 Customers per Employee metrics is projected to be 6th highest in comparison with its peers. Milton Hydro's customers per employee metric will also gradually increase as its customer base grows and its FTE's grow at a proportionately lower rate than its

Customers Per employee metric due to the implementation of Lean Six Sigma process improvements. Milton Hydro will become more efficient and will strive to provide high value for money to its customers while working on reducing the OM&A cost per customer, and increasing its Customers per Employee metric.

Based on this analysis, Milton Hydro's standing in the short run for peer group comparison will decrease; however, as Milton Hydro implements its Milton Hydro 2.0 Strategy, its performance, in OM&A Cost per Customer & Customers per Employee metrics, is expected to improve over the forecast period.

2-Staff-36

Distribution System Planning Quality

Ref: Exhibit 2, Attachment 2-2, page 38 of 132

Preamble:

Milton Hydro considers several factors when assessing distribution system planning quality, including plan input, plan management and budgetary performance.

Question(s):

a. Please discuss if Milton Hydro has developed any quantitative approach to measure its distribution system planning quality. If so, please explain the derivation of the measure and provide the target of this measure for the DSP period.

Response:

a. Milton Hydro has not developed a quantitative approach to measure its distribution system planning quality. Milton Hydro relies on its asset management practices, financial data and project management to guide its distribution system planning, implementation oversight and subsequent assessment of planning quality.

   MHDI collects data that summarizes the transactions against workorders, and the budgets used to create the workorders so Milton Hydro can evaluate financial performance on a regular basis. Milton Hydro reviews the budget vs. actual capital and

operating spending on a regular basis at both the material project and program spending level. At a corporate level, capital and operating expenditures are reviewed regularly to ensure they are on budget and on schedule.

Going forward, a new ERP system will better support Milton Hydro's ability to track financial performance of projects, programs and overall planning against budgets. This combined with more robust project management practices will net more accurate and timely data. This information will empower Milton Hydro to make a more accurate assessment of the quality of its distribution system planning.

Milton Hydro also assesses the quality of its distribution system planning through its RRFE outcomes as they tie to Corporate and Asset Management Objectives, Table 1 – RRFE Outcomes—Corporate Objectives—Asset Management linkage in Exhibit 2, Attachment 2.2, Appendix D, Asset Management Plan.

2-Staff-37

DSP Performance Target

Ref: Exhibit 2, Attachment 2-2, page 40 of 132

Preamble:

Milton Hydro provided its DSP performance targets for each year over the DSP period.

Question(s):

a. In light of the OEB's Activity and Program Based Benchmarking Initiative,[1] has Milton Hydro considered including cost efficiency and effectiveness measures to track unit cost information for its main OM&A and capital programs/projects?

b. The DSP Progress Variance metric will measure DSP implementation of planned total capital expenditures vs. actuals, has Milton Hydro considered a metric to measure the completeness of planned units vs. actuals for its major asset classes?

Response:

a. Yes. Please see response (b.) for details.

b. Yes. MHDI tracks the planned costs vs actual costs for capital expenditures for its major asset classes on a monthly basis. MHDI plans to commence measuring actual units and unit costs against the estimated units and unit costs for those projects where it is suitable and meaningful. The objective of the measuring activity will be to take action to reduce unit costs, with an aim to increasing productivity. Leveraging the capital investments in process automation tools (Attachment 2-2 Milton Hydro_DSP_2023-2027), Milton Hydro will extract the data and deliver insightful analysis to understand the drivers of cost. Lean Six Sigma principles will be applied with the aim at continuously improving processes.

MHDI plans to track and analyze the unit and unit cost differences of the following projects:

- SA-1 Customer connections – new installs;
- SS-1 Overhead switch automation;
- SS-2 Pad mounted switch automation;
- SS-3 Auto Reclose Switches;
- SR-1 Pole Replacement Program;
- SR-2 Reactive OH replacement of defective/damaged equipment
- SR-3 Reactive UG replacement of defective/damaged equipment
- SR-4 Proactive Meter Replacement Program

2-Staff-38

Reliability Statistics

Ref: Exhibit 2, Attachment 2-2, pages 46-48 of 132

Question(s):

a. Please explain why outage caused by Lighting (0) and Human Element (2) were low for 2020 in Table 14, while Lighting and Human Element were the largest two contributor to SAIDI and SAIFI for 2022 in Table 16 and Table 18.

Response:

a. Milton Hydro understands that the reference to 2022 in the last part of the question was meant to be 2020. Table 16 and 18 had an inadvertent data entry issue and data is corrected in Tables 2-13 and 2-14 below:

Table 2-13 Contribution to SAIFI - Excluding LoS

Cause	2016	2017	2018	2019	2020	2021	Grand Total
Unknown/Other	1%	1%	1%	2%	11%	15%	5%
ScheduledOutage	7%	2%	1%	3%	5%	1%	3%
TreeContacts	11%	4%	0%	4%	1%	3%	3%
Lightning	0%	0%	0%	0%	0%	0%	0%
DefectiveEquipment	56%	76%	47%	2%	32%	29%	39%
AdverseWeather	0%	13%	37%	16%	5%	34%	19%
AdverseEnvironment	0%	1%	0%	0%	0%	1%	0%
HumanElement	14%	0%	0%	0%	0%	11%	3%
ForeignInterference	10%	3%	14%	73%	45%	5%	27%
Grand Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Table 2-14 Contribution to SAIDI - Excluding LoS

Cause	2016	2017	2018	2019	2020	2021	Grand Total
Unknown/Other	1%	1%	0%	2%	3%	3%	2%
ScheduledOutage	2%	5%	1%	14%	1%	5%	3%
TreeContacts	19%	10%	1%	5%	5%	2%	5%
Lightning	0%	0%	0%	0%	0%	1%	0%
DefectiveEquipment	66%	64%	12%	11%	44%	31%	33%
AdverseWeather	0%	11%	76%	31%	5%	49%	39%
AdverseEnvironment	0%	3%	0%	0%	0%	4%	1%
HumanElement	2%	0%	1%	0%	0%	1%	1%
ForeignInterference	9%	6%	9%	36%	42%	6%	18%
Grand Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

2-Staff-39

Interruptions Caused by Defective Equipment

Ref: Exhibit 2, Attachment 2-2, pages 49 of 132

Question(s):

a. Does Milton Hydro track interruptions due to Defective Equipment by equipment type? If so, please provide a further breakdown of historical interruptions due to Defective Equipment by year and by equipment type.

Response:

a. Milton Hydro maintains information on the equipment type for interruptions that are due to Defective Equipment. Please refer to Table 2-15 below for a breakdown of the number of historical interruptions due to Defective Equipment by year and equipment type.

Table 2-15 Historical Interruptions Due to Defective Equipment

Defective Equipment Type	2016	2017	2018	2019	2020	2021
Sec connection	8	9	11	4	4	6
UG sec	7	5	13	2	2	3
OH sec	4	3	1			3
Meter	3	1		1	4	
Porcelain insulators			1			
Porcelain switch	1			1	4	1
Pole					4	1
Primary connection		4	6	2	4	2
Primary wire down			3		1	1
Primary sleeve	3				1	
Switchgear			2			2
Arrester		3	2		1	1
Fuse	1	4	2	3	1	4
Switch / Cutout	7	7	4	1	1	2
Transformer	13	8	22	11	19	10
UG primary cable		3	2	3		
UG primary cable term	5	3	3	3	4	1

2-Staff-40

DSP Spending Variance 2016-2020

Ref: Exhibit 2, Attachment 2-2, pages 52 of 132

Question(s):

a. OEB staff notes that the actual net capital expenditure over the 2016-2020 period is $3.3 million (8%) higher than the OEB-approved amount. Please explain main drivers for the overall net overspending.

Response:

a. In 2016, $1.3M was spent on building renovations (office construction, roof replacement, security upgrades, fuel tank installation, generator relocation, etc.), as part of the General Plant capital category. In 2018 and 2019 Milton Hydro paid Hydro One Networks Inc. $1.0M each year for capital contribution for two breakers on Tremaine TS for additional capacity as part of the General Plant capital category. These three amounts total $3.3M and were not part of the DSP. When considering, actual capital expenditures on a gross basis, over the 2016-2020 period, Milton Hydro spent $0.5M more than the OEB-approved amount due to underspending in the System Access capital category in 2017 of $2.8M offset by the overspending of $3.3M in the General Plant capital category. The difference between the Net Capital spending and the gross capital spending relates mainly to lower capital contributions collected due to reduced spending in the System Access capital category.

2-Staff-41

Asset Management Planning Cycle

Ref: Exhibit 2, Attachment 2-2, pages 62 of 132

Preamble:

Milton Hydro illustrated its Asset Management Planning Cycle in Figure 9, which includes the following steps:

i. Determine Budget Envelope

ii. Capital Requirements by Investment Category (System Access, System Renewal, System Service and General Plant) and Annual System Maintenance Plan

iii. Preliminary Investment Portfolio

iv. Portfolio Prioritization

v. Establish Investment Plans

vi. Capital Investment and OM&A Approval

vii. Budget Approval

Question(s):

a. Please provide main change(s) in capital investment and OM&A budget during the planning process from the original budget envelope to the proposed capital and OM&A for the 2023 test year. Please also explain drivers for the change(s) and identify at which step of the planning process each change was made.

Response:

Capital Investment

There are four main changes to capital investment that occurred during the planning process from the original budget envelope to the proposed budget for the 2023 test year:

1. Reduction in Wood pole replacement program
2. Increase in automation equipment (switchgear, switches)
3. Reduction in Proactive meter replacements
4. Elimination of Sprinter Cargo Van

Changes 1 & 2: As a result of Customer Engagement feedback received during the Capital Investment and OM&A Approval/Portfolio Prioritization stage of the Asset Management process, the following changes were made to the planned capital investments for 2023:

- System Renewal, Pole replacement reduced by $325,189.
- System Renewal, Proactive switchgear replacement program was shifted to System Service, $254,768. System Service was deemed to be the appropriate driver for this investment.

These two changes result in $579,957 shifted from System Renewal to System Service.

This budget shift enables the reprioritization of automated overhead and underground switch projects, along with the implementation of a SCADA based Fault Location, Isolation and Services Restoration (FLISR) system.

Change 3: The proactive meter replacement budget was reduced after a thorough review was conducted with the meter technicians regarding labour efforts and quantities of meters that were estimated to be replaced.

Change 4: A Sprinter Cargo Van was deemed not necessary and therefore was removed from the budget.

OM&A

Milton Hydro has provided the goals and objectives outlined at the onset of a planning cycle in its response to 1-SEC-015. During the budget workshops that are delivered in June of each year, the Finance business partner meets with the Asset Management business unit leader to determine what the financial requirements are to deliver the operating maintenance plan (during the Determine Budget Envelope stage). The Finance team provides the wages, salaries and payroll burden assumptions to overlay to calculate the cost of internal resources. The non-labour requirements are reviewed line by line to ensure the adequate financial servicing costs are provided for.

There were no material changes made to the original budget envelope to support its operating maintenance plans outside of the resourcing assumptions to deliver the program.

2-Staff-42

Mandatory vs. Non-Mandatory

Ref: Exhibit 2, Attachment 2-2, pages 63 of 132

Preamble:

Mandatory capital projects are automatically included as per scheduled need. In general, mandatory projects are defined as:

i. New/modified customer service connections (System Access)

ii. Road authority required plant relocation projects (System Access)

iii. Mandated service obligations (System Access)

iv. Renewable energy projects (System Access)

v. Emergency replacement of failed equipment (System Renewal)

vi. Safety related projects (System Service)

Question(s):

a. For all projects proposed for 2023 and presented in Appendix 2-AA, please identify which ones are mandatory and which ones are non-mandatory.

b. Please provide the actual splits of mandatory vs non-mandatory spending for each year over 2016-2021.

Response:

Table 2-16 Mandatory vs. Non-Mandatory 2023 Projects

2023 Projects	Type
Subdivisions	Mandatory
Fifth Line - Derry to Britannia	Mandatory
Steeles Avenue - Regional Rd 25 to Trafalgar Rd.	Mandatory
Appleby Line - Derry North	Mandatory
Customer Connections	Mandatory
Meters - New Industrial/Commercial	Mandatory
Mandated Meter Replacements	Mandatory
Porcelain to Polymer Insulator Replacement Program	Non-mandatory
Wood Pole Replacement Program	Non-mandatory
Replace Regulator at MS7	Non-mandatory
Reactive Overhead Replacement	Mandatory
Reactive Underground Replacement	Mandatory
Meter Replacements, defective	Mandatory
Meter Replacement Program	Non-mandatory
Meter Room Upgrades - Cell Modems	Non-mandatory
Boston Church JSP to 5 Side Rd	Non-mandatory
Automation	Non-mandatory
Scada/OMS	Non-mandatory
Building - 200 Chisholm	Non-mandatory
Building - Renewal/Renovations 2nd Flr	Non-mandatory
Computer Hardware - Server, projector, toughbooks	Non-mandatory
Software - licenses	Non-mandatory
Software - FSR financial statement reporting tool	Non-mandatory
Software - Accounts payable three-way match tool	Non-mandatory
Software - Revenue Dollar and Statistical Data Warehouse	Non-mandatory
Software - FME for GIS	Non-mandatory
Wimax/Scadamates	Non-mandatory
Robotic Process Automation Phase 1 - Discovery	Non-mandatory
Robotic Process Automation Phase 2 - Implementation	Non-mandatory
Enterprise Resouce Planning System	Non-mandatory
Single Bucket Truck	Non-mandatory
Vehicles - Lightweight	Non-mandatory
Miscellaneous	Non-mandatory

b.

Table 2-17 Mandatory vs. Non-Mandatory Spend

Project type	2016	2017	2018	2019	2020	2021
Mandatory	7,134,823	5,806,754	9,102,176	9,360,700	8,347,031	9,105,799
Non-mandatory	4,417,826	3,472,294	3,287,094	2,478,346	2,010,897	1,882,568
Grand Total	**11,552,649**	**9,279,048**	**12,389,270**	**11,839,046**	**10,357,929**	**10,988,366**

2-Staff-43

Lifecycle Risk Management

Ref: Exhibit 2, Attachment 2-2, pages 87 of 132

Question(s):

a. Does Milton Hydro have a quantitative approach to derive risk-based project prioritization? If so, please explain the quantitative approach and provide risk score for each project. Please also provide the list of projects for 2023 test year before and after prioritization in Appendix 2-AA format. If not, please explain how Milton Hydro prioritizes non-mandatory projects.

Response:

Milton Hydro does not have a quantitative approach that results in a "score" to derive risk and value based project prioritization.

As stated in 5.3.3d of the DSP, Milton Hydro considers a number of factors when prioritizing non-mandatory investments with Safety and Reliability being the top considerations. All annual capital investments selected for implementation, mandatory and non-mandatory, are scheduled within the annual capital budget envelope. Capital investments selected for implementation are reviewed by Milton Hydro Management to ensure they provide qualitative benefits with respect to risk and value and to the ongoing operations of the utility.

Going forward, Milton Hydro plans to enhance its Asset Management Plan with risk and value based analysis. This analysis will feed the prioritization assessment process for non-mandatory projects. Building on this, it is Milton Hydro's goal to develop and implement a quantitative (score based) approach to derive risk and value based project prioritization as a future initiative.

2-Staff-44

Flagged for Action Plan

Ref: Exhibit 2, Attachment 2-2, Appendix E, page 17

Preamble:

Kinectrics developed a ten-year flagged-for-action plan in Table 3 of the Asset Condition Assessment (ACA) report.

Question(s):

a. Please provide Milton Hydro's actual (2016-2021) and forecast (2022-2027) asset replacements (number of replacements and capital expenditures) for each of these asset categories in Table 3 of the ACA report in Excel.

Response:

a. Please refer to pg. 430-431/667: (pg. 430/667). The numbers presented in the Flagged-for action plan are not necessarily equal to the number of assets to be replaced as units to be replaced represent a subset of the Flagged for Action units...(p431/667) It is also important to note that the Flagged-for-action plans are based solely on asset condition using a probabilistic, non-deterministic, approach and, as such, can only show expected failures or probable number of units that are expected to be candidates for replacement or other action. While this condition-based Flagged-for-action plan can be used as a guide for Renewal Investment category within Distribution System Plan, it is not expected that it be followed directly or as the final deciding factor in making investment decisions. See excel spreadsheet "2-Staff-44 Costs and Quantities by Asset Class".

2-Staff-45

PwC Report

Ref: Exhibit 2, Attachment 2-2, Appendix F

Question(s):

a. Please explain if Milton Hydro has adopted PwC's recommended external costs on capital and operations for each year over the 2022-2024 period. If not, please detail the differences between Milton Hydro's proposal vs. PwC's recommendations and explain why.

b. Please explain if Milton Hydro has adopted PwC's recommended internal resource requirement. If not, please detail the differences between Milton Hydro's proposal vs. PwC's recommendations and explain why.

Response:

a. Milton Hydro has adopted PwC's recommend external costs on capital and operations

   – Omni Channel and Enterprise Ticketing will continue to be integrated with ERP and other system as they come on board. Requirements for early systems will take into account an eventual ERP system upgrade in the future.

   – RPA implementation will take place in 2022. Over time, as more investments in new systems are executed, RPA will continue to be leveraged and potentially expanded to enhance efficiency and long term integration with new or updated systems such as ERP.

b. Yes, Milton Hydro has adopted PwC's recommend internal resource requirements.

2-Staff-46

GSAI Report

Ref: Exhibit 2, Attachment 2-2, Appendix G

Preamble:

GSAI prepared an analysis of projected residential and employment growth as well as infrastructure expansions in the Town of Milton between 2016 and 2027.

Question(s):

a. Please confirm Milton Hydro used GSAI's projection of residential customer growth of 950, plus 50 nonresidential customers to base its residential subdivisions and general

services connection costs in System Access investments during the DSP period. Please also explain the basis of the forecasted 50 nonresidential customers.

b. If confirmed in part a, please explain why Milton Hydro did not rely on data from developers, builders and the Town of Milton to develop budget for System Access investments in residential subdivisions and customer connections.

c. Please explain how Milton Hydro derived its residential customer connections costs in its last DSP in the absence of a third party's growth study.

d. Please clarify whether GSAI's employment growth and infrastructure expansions forecast have an impact on Milton Hydro's capital and OM&A budgets proposed for the 2023 test year. If so, please explain the impact.

Response:

a. Milton Hydro projected that it would need to make System Access, distribution system infrastructure expansion investments relating to 1,000 new customers[17] based on a combination of using near-term, 2022 and 2023 Halton Region plans, and Town of Milton plans; historical actual distribution system infrastructure expansion investments related to new customers; and consultations with developers and builders.

Milton Hydro's infrastructure expansion investments relating to the 1,000 new customers is a blend of residential and non-residential connections includes the blended costs of all types of customers and the infrastructure Milton Hydro is required to install to connect customers. For example, there is minimal infrastructure for some larger customers that lie along the distribution system and have installed customer owned transformers and switchgear. In some cases customers pay for transformation and secondary services when the loading exceeds the transformation that Milton Hydro can supply. In other cases, customers may request their transformer to be located at the rear of their property vs. the front resulting in longer cable runs. Some non-residential class customers cost little to connect while others cost more, Milton Hydro's blended average infrastructure expansion investment is a weighted average of all connections including residential and non-residential. For the most part the vast majority of connections are residential, and

[17] Investments to construct distribution system infrastructure in a fiscal period for a given number of customers don't typically translate directly into new connected customers immediately, there is typically a slight lag to when the customers are actually connected and set up in a distributors Customer Information Systems.

based on past history, the non-residential class connections are fairly steady and predictable each year.

The GSAI growth report was used to help Milton Hydro assess its near-term plans and to give Milton Hydro an indication of the future growth expected beyond the 2023 Test Year. In its load forecast/customer forecast, for new residential class customer connections Milton Hydro used GSAI's near term projections of 750 in 2022 and 950 in 2023. In its load forecast/customer forecast, for non-residential customer connections Milton Hydro used the geometric mean of its historical actual annual connections for near term projections for 57 in 2022 and 58 in 2023. Total metered number of connections forecast in its load forecast/customer forecast were therefore 807 for 2022, and 1,008 in 2023[18].

The GSAI growth report provided the number of new residential housing units in its near-term forecast, but only provided general information relating to non-residential customers to help inform Milton Hydro's System Access investment plans. The general information included, for example, the number of annualized apartment units, but not the number of bulk metered apartment buildings (treated as non-residential customers). Also, information was provided relating to employment growth and population growth projections; however, this information could not be distilled into the number and type of new non-residential customers to be connected in the near-term. Milton Hydro's assessment of the GSAI growth report was that it was informative, and helpful to confirm its investment plans were reasonable.

b. See part a. of the question. Milton Hydro relied on data from developers, builders, the Town of Milton, and Halton Region to develop its budget for System Access investments in residential subdivisions and customer connections. However for a number of reasons, Milton Hydro needed an independent third-party assessment done to confirm that its System Access, infrastructure investment plans, and new customer connections used in its load forecast were reasonable, as follows:

   i. As a result of the pandemic, third party consultations had been restrained and less frequent,

[18] Note the small difference between the 2023 forecast customer additions of 1,008 compared to the 1,000 new customer connections in the System Access investment plans. The forecast customer additions and the number of customers for which infrastructure investments were constructed don't usually align completely given that the investments in infrastructure take place when the assets are constructed, not when the customer's meter is connected, energized, and power is flowing. These minor differences are typical.

ii. The developers and building markets had been inconsistent during the pandemic as a result of supply chain and union issues,

iii. The future housing market was also facing uncertainty with rising housing prices and anticipated increases in mortgage rates,

iv. The data coming from the Region of Halton was changing throughout the course of planning, which had consequential implications for the Town of Milton's data, and

v. In its last Cost of Service rate application Milton Hydro's 2016 customer base was lower than the forecast by 657 customers[19]. This caused the denominator quantities used to calculate rates to be overstated and therefore, Milton Hydro under-collected its revenue requirement for the entire IRM term.

As a result of the preceding, Milton Hydro determined that with the history of rapid growth and amidst ambiguity, a third-party assessment of the growth of the Town of Milton was justified and appropriate for due diligence in its planning efforts.

c. In the previous DSP (2016 -2020), Milton Hydro used a variety of inputs in the development of its SA funding plan:

i. Population and growth data and projections from the Region of Halton and the Town of Milton

ii. Regular and consistent consultations with developers and builders

iii. historical actual distribution system infrastructure expansion investments related to new customers

d. See part a. above explaining how the GSAI growth report helped inform Milton Hydro, and assessed the reasonability of Milton Hydro's capital and OM&A budgets. The GSAI growth report did not provide any new information that identified significant differences or any anomalies that Milton Hydro felt warranted a change in plans. The GSAI growth

[19] Milton Hydro's 2016 year-end metered customer base was 36,804, in its 2016 Cost of Service Rate application, in its load forecast it forecast the 2016 year-end metered customer base to be 37,461.

report helped Milton Hydro confirm that its' plans were reasonable and also provided some insights to the growth that would follow in 2024 to 2027[20].

2-Staff-47

Distribution System Plan

Ref: Exhibit 2, Attachment 2-2, Section 5.4.1

2021 CDM Guidelines, Chapter 3.1

Preamble:

Milton Hydro's Distribution System Plan notes that there are no rate-funded activities to defer distribution infrastructure.

Question(s):

a. Please describe how Milton Hydro has addressed or plans to address the requirement in the OEB's CDM Guidelines for distributors to "make reasonable efforts to incorporate consideration of CDM activities into their distribution system planning process, by considering whether distribution rate-funded CDM activities may be a preferred approach to meeting a system need, thus avoiding or deferring spending on traditional infrastructure."

Response:

To date, Milton Hydro has not identified any CDM activities that would defer or reduce expenditures on traditional infrastructure. As part of its ongoing distribution system planning process, Milton Hydro will consider the viability of implementing CDM solutions related to projects where they could be beneficial.

[20] Note, that in the GSAI growth report, on page 5, GSAI provides the following caveat: "Beyond 2024 and into 2027, the accuracy of the projections begins to diminish as there are a greater amount of factors that can influence the timing of development. Such factors could include changes in political governments, residential housing market fluctuations affecting housing demand and the ongoing and uncertain impact of COVID 19 on the residential housing market through supply chain and labour disruptions."

2-Staff-48

Distribution System Plan

Ref: Exhibit 2, Attachment 2-2, page 13

Exhibit 2, Attachment 2-2, Appendix A, Capital Project Sheets SS-1 to SS-3

Preamble:

Milton Hydro notes that "smart grid development enhances MHDI's ability to provide a variety of energy services, including conservation and demand management." Milton Hydro's Capital Project Sheets (SS-1 to SS-3) provide more details on specific smart grid projects, with sheets SS-1 and SS-2 noting that these projects "enable{s} the connection and operation of Distributed Energy Resources (DER) and is adaptable for use in a variety of grid modernization software packages such as Fault Location, Isolation, and Service Restoration (FLISR), Distributed Energy Resources Management (DERMS) or Advanced Distribution Management Systems (ADMS) that MDHI may or may not adopt as it moves towards grid modernization."

Question(s):

a. Please provide more details as to how projects SS-1 to SS-2 (and SS-3, if applicable) enhance Milton Hydro's ability to provide CDM.

b. In particular, how will these projects facilitate integration of DERs for the purpose of load management, and have they been assessed to be as future-proof as possible in regard to potential future efforts by Milton Hydro regarding DER integration?

Response:

a. A successful CDM program requires good communication infrastructure to field devices for load and generation dispatches. The programs in SS-1, SS-2 and SS-3 are a continuation of the automation build up to future proof Milton Hydro for integration and implementation of CDM and DERs with remote monitoring and controls.

   By building up Milton Hydro's remote-control capability, it enhances system operation flexibility and increases the ability to disconnect and reconnect generation in response to system demands.

b. Analytical software such as FLISR, makes use of information from the automated switches to quickly react to system abnormalities. It isolates the problem and quickly re-routes electricity flow to minimize damage and restore service to customers. The FLISR analysis tool enriches the information that would help to integrate DERs by calculating loads and fault direction during system disturbances. DERs introduce loads on circuit branches and complexity increases with increasing adoption. FLISR provides data, analysis and automatic response with real time information to Control Room Operators, better enabling reliable and safe management of an increasing complex modern distribution system introduced by DERs.

2-Staff-49

Distribution System Plan

Ref: Exhibit 2, Attachment 2-2, pages 21, 26, and 28

Preamble:

The DSP notes that a new transformer station (Halton TS2) was originally identified in the regional planning process as needed to service Milton Hydro load growth, but recent discussions with Hydro One have indicated that this can be deferred until beyond 2027 (currently planned for 2033).

Question(s):

a. Is Milton Hydro (either on its own or as part of the regional planning process) considering CDM/non-wires solutions that may further defer or avoid the need for the Halton TS2 project?

[1] EB-2018-0278

Response:

Milton Hydro has considered and will continue to explore non wires solution, however currently, there are no CDM or DER plans that would be significant enough to defer or eliminate the need for building Halton TS2 due to the forecasted load growth. A non-wires solution the size of Halton TS2 would be far more expensive than building the TS. As pointed out in an engagement webinar by the IESO on May 2, 2021 for the Peel/Halton (GTA W) Integrated

Regional Resource Plan (IRRP), "...the estimated cost of the generation/non-wires options were far more expensive than the wires options and were thus screened out from further consideration". For DER at the customer level, while it lowers the net demand, it does not reduce the number of customers still connected and dependent on the distribution system when they don't generate or when the load is not curtailed.

SCHOOL ENERGY COALITION

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.

Response:

a. Milton Hydro (Senior Management) provided direction to Cresa as to the number of workspaces required. The ratio of workspaces to employees is not 1:1 due to hoteling in the Operations group and control room shift scheduling. Please refer to Cresa plan (Ex.2, Attach 2-2, Appendix I, page 16),

b. The external consultants developed workstation and meeting room sizes based on industry standards and Milton Hydro's needs. There was no specific benchmarking of office size, however Milton Hydro's workstation spaces are consistent with government of Canada Workplace 2.0 Fit-up Standards of 48.5 sq.ft. for a typical employee workstation.

2-SEC-030

[Ex. 2, Attach 2-1]

Please provide all internal memoranda, studies, analyses, or other research, data or analytical documents, that deal with:

a. The space requirements of the Applicant's growing work force;

b. The changing approach to work, including work from home and similar trends, and including the impacts of Covid on those trends; and

c. Options available to the Applicant to reduce its costs by using less of its facilities, including generating revenue from unused space.

Response:

a. These details are provided within the Cresa Strategic Facility Plan. Milton Hydro provides excel spreadsheet "2-SEC-030 Space Programming for 2021 to 2026". Milton Hydro notes a minor adjustment to the 2021 state of the space programming data in the table on page 16 of the cresa report to transfer a unit of 1 between the 2021 Office and Workstation categories. Also, Milton Hydro made a minor reallocation in the Role Evaluation for Remote or Hybrid Work table on page 19 of the cresa report reducing the quantities from 6 to 5 for each year from 2023 to 2026 for the Assessment for Flexible Workspace Data, this change had no impact to the Space Requirements. Also Milton Hydro notes that all other data on the Space Programming Table on page 16 of the cresa report for 2023 to 2026 remains as presented in the cresa report. No additional studies were commissioned.

b. As the Covid pandemic started and progressed, Milton Hydro communicated at various times, work from home protocol and recently return to office expectations. The most recent is provided in the response to 2-SEC-31. Milton Hydro has not yet established a policy that encompasses a work from home option for it's employees on a going forward basis.

c. Please see the Cresa Strategic Facility Plan for proposed space utilization. The entire facility foot print will be utilized, based upon the projected growth requirements and functional needs (e.g. meeting space, Control Room).

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.

Response:

Milton Hydro does not currently have a work from home policy. Milton Hydro employees whose work tasks can effectively be completed from home are currently participating in a hybrid work model. All other roles are working onsite. Below is the most recent communication to employees about COVID Practices which mentions work from home protocol.

Subject: April 1: Continued COVID practices

In anticipation of the government of Ontario lifting several health and safety measures effective March 21st , and in response to our recent COVID-19 survey (approximately 57% participation) suggesting that some employees are still concerned about the impact of COVID-19, please see the updated COVID-19 summary below:

Milton Hydro will proceed with caution and place priority on the health, safety, and well-being of our employees. To this end, we will continue a phased approach to lifting our workplace restrictions and remain vigilant about our C.O.V.I.D practices until April 1st. Thereafter, we will reassess our position.

In summary, employees shall continue to:

1. Self-monitor potential symptoms and complete the online pre-screening assessment prior to entering the office.
2. Maintain distance.
3. Maintain masks – masks can be removed IF you are amongst a small group (e.g., meeting) and ALL UNANIMOUSLY agree.

Additionally, Milton Hydro maintains that:

1. Vaccination is the best way to protect yourself against potential hospitalization and death due to COVID-19. Call the Provincial Vaccine

Contact Centre at 1-833-943-3900 to book over the phone. This line is available 8:00 a.m. to 8:00 p.m., 7 days a week.

2. The current gradual-return-to-office model (or "hybrid" model that allows for a combination of remote work with on-site work) will remain in effect for the next coming months. Providing a flexible work arrangement that help departments accommodate business/customer needs while supporting employees and attracting new talent in a challenging market will help us enable Milton Hydro's future-ready "modern workplace". We will continue to assess successes and/or address potential challenges, following which we will determine if a hybrid work model is a viable long-term solution for Milton Hydro.

As we continue to return to a state of much-anticipated normalcy, there will be a need for patience, sensitivity, and charity – understanding that the circumstances and experiences of our employees will vary.

For more information and/or support to ease your COVID-19 concerns, please talk to your supervisor, or visit https://covid-19.ontario.ca/ for the most relevant COVID-19 updates.

VULNERABLE ENERGY CONSUMERS COALITION

2.0-VECC -9

Reference: Exhibit 2, pages 6, 29

a. Please explain how major spare parts and standby equipment (MSP&SE) was accounted for prior to the change to include them in rate base sought in this application.

b. Please explain what precipitated the change in policy.

c. Please provide the amounts of MSP&SE for each year 2016 through 2020.

d. Please provide an inventory list of the major assets included in the $610k being sought to be included in rate base.

Response:

a. Previously, MSP&SE was only accounted for as inventory and not included in Property, plant, and equipment capital assets.

b. Milton Hydro identified, that it had inventory that it was utilizing as major spare parts and stand-by equipment and it should adhere to Article 410 OEB Accounting Procedures Handbook (APH) outlined as follows:

""Spare parts and servicing equipment are usually carried as inventory and recognized in profit or loss as consumed. However, major spare parts and stand-by equipment qualify as property, plant and equipment when an entity expects to use them during more than one period. Similarly, if the spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment."

c. Milton Hydro has carried the appropriate minimum inventory levels for each of these spare parts for each of the years 2016 to 2020. Table 2-18 quantifies the MSP&SE inventory values for the years 2016 to 2020.

Table 2-18 MSP&SE Detailed Parts for 2016 to 2020

Part Description	Price per part	2016	2017	2018	2019	2020
38KV 3-PH 6VT POP Viper	20,943	—	41,886	83,772	125,658	125,658
38KV 3-PH 6VT Cluster Viper	27,796	—	—	27,796	27,796	27,796
150KVA 27600 120/208 L.F. Pad	18,794	—	—	—	—	—
500KVA 27600 120/208 Pad	25,960	77,880	77,880	51,920	103,840	51,920
750KVA 27600/8320 347/600 Pad	33,950	—	—	—	—	—
750KVA 27600 347/600 L.F. Pad	34,017	102,051	68,034	68,034	102,051	68,034
1000KVA 27600 347/600 Pad	43,850	43,850	43,850	219,250	87,700	131,550
1500KVA 27600 347/600 L.F. Pad	47,650	238,250	190,600	95,300	190,600	190,600
2000KVA 27600 347/600 L.F. Pad	42,100	42,100	42,100	42,100	84,200	42,100
300KVA 27600 347/600 L.F. Pad	19,500	19,500	39,000	78,000	19,500	58,500
500KVA 27600 347/600 L.F. Pad	24,185	48,370	72,555	72,555	48,370	24,185
Switch Gear PMH-9 28KV	25,332	—	75,996	101,328	126,660	101,328
RTU Virelec P68-06 Box	13,700	232,900	13,700	13,700	41,100	41,100
Total		**804,901**	**665,601**	**853,755**	**957,475**	**862,771**

d. The following Table 2-19 provides the 2021 inventory list of MSP&SE totaling $610K. This amount was also used as a forecast and was included in the 2023 rate base.

Table 2-19 MSP&SE Detailed Parts for 2021

Part Description	Price per part	# of Spare Parts	$
38KV 3-PH 6VT POP Viper	20,943	2	41,886
38KV 3-PH 6VT Cluster Viper	27,796	1	27,796
150KVA 27600 120/208 L.F. Pad	18,794	3	56,382
500KVA 27600 120/208 Pad	25,960	2	51,920
750KVA 27600/8320 347/600 Pad	33,950	1	33,950
750KVA 27600 347/600 L.F. Pad	34,017	1	34,017
1000KVA 27600 347/600 Pad	43,850	1	43,850
1500KVA 27600 347/600 L.F. Pad	47,650	2	95,300
2000KVA 27600 347/600 L.F. Pad	42,100	1	42,100
300KVA 27600 347/600 L.F. Pad	19,500	1	19,500
500KVA 27600 347/600 L.F. Pad	24,185	2	48,370
Switch Gear PMH-9 28KV	25,332	4	101,328
RTU Virelec P68-06 Box	13,700	1	13,700
Total			**610,099**

2-VECC-10

Reference: Exhibit 2, page 23

a. Given the proposal to include the previously disallowed building space into 2023 rate base, please explain why the account 1908 “Building disallowed in 2016 ($1,429,202) is removed from the 2022 continuity schedule rather than the 2023 schedule.

Response:

a. Account 1908 - Building disallowed in 2016 of ($1,492,202) was removed from the 2022 continuity schedule so that the closing balance of 2022 would reflect the removal of the building disallowed in 2016, and rolls forward into the opening balance of 2023 appropriately for rate making purposes. See Table 2-1-1 Reconciliation of the net book Value of Fixed Assets between the 2021 Closing Balance and the 2022 Opening Balance Exhibit 2 page 9 of 86.

Another way of making this adjustment, with the same resulting 2023 fixed asset continuity schedule, would have been to remove the undepreciated anounts relating to Account 1908 - Building disallowed in 2016 only from 2023 (not from 2022) and to adjust the opening balance of 2023. Had the 2023 fixed asset continuity schedule been adjusted this way, there would have been no difference between the 2023 continuity schedule using this approach, or the 2023 continuity schedule based on the approach taken by Milton Hydro in the evidence. Therefore no different to the Rate Base for 2023. See Table 2-20 below, providing an updated Table 2-1-1, and Table 2-21 below provides an updated 2022 Fixed Asset Continuity Schedule, and Table 2-22 below reproduces the 2023 Fixed Asset Continuity Schedule which did not change.

Table 2-20 Updated Table 2-1-1 from Exhibit 2 Page 9 of 86

Description	Original 2022 Closing Balance	Adjustment	2023 Opening Balance
Gross Fixed Assets	181,380,635		181,380,635
Add Back: Building Gross Fixed Assets Disallowed in 2016 COS		1,429,202	1,429,202
Gross Fixed Assets	**181,380,635**	**1,429,202**	**182,809,837**
Accumulated Depreciation	79,679,369		79,679,369
Add Back: Building Accumulated Depreciation Disallowed in 2016 COS		214,380	214,380
Accumulated Depreciation	**79,679,369**	**214,380**	**79,893,749**
Net Book Value	**101,701,266**	**1,214,822**	**102,916,088**

Table 2-21 2022 Fixed Asset Continuity Schedule

			Cost				Accumulated Depreciation				
CCA Class	OEB Account	Description	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Net Book Value
25	1609	Capital Contributions Paid (Other Intangible Assets)	2,009,006	—	—	2,009,006	149,630	50,073	—	199,703	1,809,303
5	1611	Computer Software	2,926,484	547,060	—	3,473,544	2,525,121	263,251	—	2,788,372	685,172
0	1725	Poles, Towers and Fixtures	—	—	—	—	—	—	—	—	—
0	1730	Overhead Conductors and Devices	—	—	—	—	—	—	—	—	—
N/A	1805	Land	69,883	—	—	69,883	—	—	—	—	69,883
47	1820	Distribution Station Equipment Normally Primary below 50 kV	1,455,992	—	—	1,455,992	1,454,599	934	—	1,455,533	460
47	1830	Poles, Towers and Fixtures	41,892,299	2,123,772	(650,000)	43,366,072	15,221,507	758,391	(300,000)	15,679,898	27,686,173
47	1835	Overhead Conductors and Devices	26,964,238	1,959,548	—	28,923,786	13,537,853	478,207	—	14,016,060	14,907,726
47	1840	Underground Conduit	34,088,150	1,667,581	—	35,755,731	12,161,340	803,552	—	12,964,892	22,790,839
47	1845	Underground Conductors and Devices	26,434,621	1,115,865	—	27,550,486	11,007,610	539,020	—	11,546,629	16,003,857
47	1850	Line Transformers	47,832,478	2,187,208	—	50,019,686	21,097,128	986,386	—	22,083,514	27,936,172
47	1855	Services	15,034,867	776,762	—	15,811,629	4,005,988	371,366	—	4,377,354	11,434,274
47	1860	Meters	15,304,660	2,820,676	—	18,125,335	8,410,790	1,019,722	—	9,430,512	8,694,823
N/A	1905	Land	4,040,000	—	—	4,040,000	—	—	—	—	4,040,000
1b	1908	Buildings and Fixtures	10,767,883	593,000	—	11,360,883	1,332,852	222,827	—	1,555,679	9,805,204
	1908	Building disallowed in 2016 COS	(1,429,202)			(1,429,202)	(185,796)	(28,584)		(214,380)	(1,214,822)
13	1910	Leasehold Improvements	377,009	—	—	377,009	377,009	—	—	377,009	—
8	1915	Office Furniture and Equipment	1,134,341	—	—	1,134,341	976,011	42,168	—	1,018,179	116,162
50	1920	Computer Equipment Hardware	2,539,334	117,500	—	2,656,834	2,312,939	91,634	—	2,404,573	252,262
12	1925	Computer Software	—	—	—	—	—	—	—	—	—
10	1930	Transportation Equipment	3,552,461	751,500	—	4,303,961	2,316,394	290,228	—	2,606,622	1,697,339
8	1935	Stores Equipment	575,918	20,000	—	595,918	331,291	25,472	—	356,763	239,155
8	1940	Tools, Shop and Garage Equipment	756,313	30,000	—	786,313	528,949	37,298	—	566,247	220,066
8	1945	Measurement and Testing Equipment	170,762	—	—	170,762	139,728	6,481	—	146,209	24,553
8	1955	Communication Equipment	673,100	—	—	673,100	495,910	44,574	—	540,484	132,616
8	1980	System Supervisory Equipment	2,383,544	235,352	—	2,618,896	574,035	165,163	—	739,198	1,879,698
47	1990	Other Tangible Property	133,004	—	—	133,004	133,004	—	—	133,004	—
0	1995	Contributions and Grants	(47,115,668)	—	—	(47,115,668)	(20,846,919)	(1,101,130)	—	(21,948,049)	(25,167,619)
	various	Major Spare Parts	610,000	15,250	—	625,250	—	15,250	—	15,250	610,000
	2440	Capital contributions - Distribution	(23,087,850)	(3,024,069)	—	(26,111,919)	(2,540,511)	(619,375)	—	(3,159,886)	(22,952,033)
		Sub-Total	**170,093,630**	**11,937,005**	**(650,000)**	**181,380,635**	**75,516,462**	**4,462,907**	**(300,000)**	**79,679,369**	**101,701,266**
		Less Socialized Renewable Energy Generation Investments (input as negative)									
		Less Other Non Rate-Regulated Utility Assets (input as negative)									
		Total PP&E	**170,093,630**	**11,937,005**	**(650,000)**	**181,380,635**	**75,516,462**	**4,462,907**	**(300,000)**	**79,679,369**	**101,701,266**
		Depreciation Expense adj. from gain or loss on the retirement of assets (pool of like assets), if applicable									

		Total	**4,462,907**
			Adjustments: Fully Allocated Depreciation
10		Less: Transportation	(290,228)
8		Less: Tools	(37,298)
2440		Less: Capital contributions - Distribution	619,375
			Net Depreciation **4,754,756**

Table 2-22 2023 Fixed Asset Continuity Schedule

			Cost				Accumulated Depreciation				
CCA Class	OEB Account	Description	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Net Book Value
25	1609	Capital Contributions Paid (Other Intangible Assets)	2,009,006	—	—	2,009,006	199,703	50,073	—	249,776	1,759,230
5	1611	Computer Software	3,473,544	551,440	—	4,024,984	2,788,372	284,063	—	3,072,435	952,549
0	1725	Poles, Towers and Fixtures	—	—	—	—	—	—	—	—	—
0	1730	Overhead Conductors and Devices	—	—	—	—	—	—	—	—	—
N/A	1805	Land	69,883	—	—	69,883	—	—	—	—	69,883
47	1820	Distribution Station Equipment Normally Primary below 50 kV	1,455,992	200,000	—	1,655,992	1,455,533	2,684	—	1,458,216	197,776
47	1830	Poles, Towers and Fixtures	43,366,072	2,130,999	(650,000)	44,847,071	15,679,898	805,667	(300,000)	16,185,565	28,661,506
47	1835	Overhead Conductors and Devices	28,923,786	1,187,072	—	30,110,858	14,016,060	513,169	—	14,529,229	15,581,629
47	1840	Underground Conduit	35,755,731	245,000	—	36,000,731	12,964,892	826,993	—	13,791,884	22,208,847
47	1845	Underground Conductors and Devices	27,550,486	837,913	—	28,388,400	11,546,629	563,344	—	12,109,973	16,278,426
47	1850	Line Transformers	50,019,686	2,183,080	—	52,202,766	22,083,514	1,038,712	—	23,122,226	29,080,540
47	1855	Services	15,811,629	371,654	—	16,183,283	4,377,354	385,721	—	4,763,076	11,420,207
47	1860	Meters	18,125,335	2,439,924	—	20,565,259	9,430,512	891,510	—	10,322,022	10,243,237
N/A	1905	Land	4,040,000	—	—	4,040,000	—	—	—	—	4,040,000
1b	1908	Buildings and Fixtures	11,360,883	519,000	—	11,879,883	1,555,679	233,947	—	1,789,626	10,090,257
13	1910	Leasehold Improvements	377,009	—	—	377,009	377,009	—	—	377,009	—
8	1915	Office Furniture and Equipment	1,134,341	—	—	1,134,341	1,018,179	42,168	—	1,060,346	73,994
50	1920	Computer Equipment Hardware	2,656,834	94,500	—	2,751,334	2,404,573	97,604	—	2,502,176	249,158
12	1925	Computer Software	—	—	—	—	—	—	—	—	—
10	1930	Transportation Equipment	4,303,961	451,000	—	4,754,961	2,606,622	324,363	—	2,930,986	1,823,976
8	1935	Stores Equipment	595,918	30,000	—	625,918	356,763	27,555	—	384,319	241,600

8	1940	Tools, Shop and Garage Equipment	786,313	45,000	—	831,313	566,247	40,452	—	606,698	224,615
8	1945	Measurement and Testing Equipment	170,762	—	—	170,762	146,209	4,546	—	150,754	20,008
8	1955	Communication Equipment	673,100	—	—	673,100	540,484	43,583	—	584,067	89,033
8	1980	System Supervisory Equipment	2,618,896	397,393	—	3,016,289	739,198	186,255	—	925,452	2,090,837
47	1990	Other Tangible Property	133,004	—	—	133,004	133,004	—	—	133,004	—
0	1995	Contributions and Grants	(47,115,668)	—	—	(47,115,668)	(21,948,049)	(1,095,885)	—	(23,043,934)	(24,071,734)
	various	Major Spare Parts	625,250	15,250	—	640,500	15,250	15,250	—	30,500	610,000
	2440	Capital contributions - Distribution	(26,111,919)	(2,539,386)	—	(28,651,305)	(3,159,886)	(688,413)	—	(3,848,299)	(24,803,006)
		Sub-Total	**182,809,837**	**9,159,839**	**(650,000)**	**191,319,676**	**79,893,749**	**4,593,359**	**(300,000)**	**84,187,108**	**107,132,568**
		Less Socialized Renewable Energy Generation Investments (input as negative)									
		Less Other Non Rate-Regulated Utility Assets (input as negative)									
		Total PP&E	**182,809,837**	**9,159,839**	**(650,000)**	**191,319,676**	**79,893,749**	**4,593,359**	**(300,000)**	**84,187,108**	**107,132,568**
		Depreciation Expense adj. from gain or loss on the retirement of assets (pool of like assets), if applicable									
		Total						**4,593,359**			

Adjustments: Fully Allocated Depreciation

10		Less: Transportation	(324,363)
8		Less: Tools	(40,452)
2440		Less: Capital contributions - Distribution	688,413
		Net Depreciation	**4,916,957**

2-VECC-11

Reference: Exhibit 2, Appendix 2-AB

a. Please explain how the capital contribution amount for 2023 of ($2,539,000) was derived.

b. Please confirm (or correct) that the only category of capital projects that attract capital contributions are in System Access.

Response:

a. The capital contribution amount is a forecast based on historical information and known future projects. The total was derived by calculating the sum of the estimated capital contributions expected from the following projects expected to be completed in 2023:

- Road Projects (based on Town of Milton and Halton Region plans);
- Customer Connection projects (based on historic trend), and;
- Residential Subdivisions (based on expected customer growth and development proposals).

b. It is confirmed that System Access is the only category that attracts capital contributions.

2-VECC-12

Reference: Exhibit 2, DSP Appendix 2, PDF 288

a. Has the bucket truck ("Unit #44 Single Bucket 46') been ordered and a delivery date confirmed?

Response:

a. Confirmed, Milton Hydro PO# DP48318 has been issued. Delivery date remains as an estimate only (late-June, 2023), based upon the fact that the vehicle Chassis has still not been assigned a firm production date by the OEM.

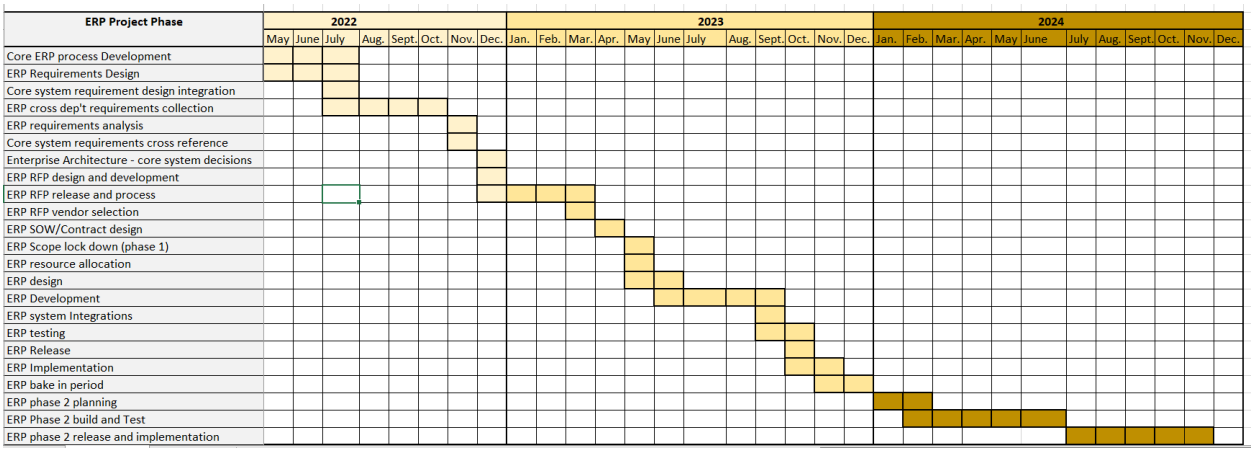
2-VECC-13

Reference: Exhibit 2, DSP Appendix 2, PDF 311

a. Please provide the implementation Gantt charts for the ERP and Robotic Process Automation Phase 1 and Phase 2.

Response:

Gantt chart image (1) for ERP and Gantt chart image (1) and supporting RPA documentation image (1) are attached.



ERP Project Phase	2022								2023												2024											
	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Core ERP process Development																																
ERP Requirements Design																																
Core system requirement design integration																																
ERP cross dep't requirements collection																																
ERP requirements analysis																																
Core system requirements cross reference																																
Enterprise Architecture - core system decisions																																
ERP RFP design and development																																
ERP RFP release and process																																
ERP RFP vendor selection																																
ERP SOW/Contract design																																
ERP Scope lock down (phase 1)																																
ERP resource allocation																																
ERP design																																
ERP Development																																
ERP system Integrations																																
ERP testing																																
ERP Release																																
ERP Implementation																																
ERP bake in period																																
ERP phase 2 planning																																
ERP Phase 2 build and Test																																
ERP phase 2 release and implementation																																

RPA Project Phases	2022												2023											
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
RPA Plan																								
RPA Process improvement development																								
RPA Requirements deep dive																								
RPA design (use cases and prototyping)																								
RPA Development																								
RPA testing																								
RPA Implementation (phase 1)																								
RPA Process development																								
System implementation Considerations																								
RPA Phase 2 (bots) build & Test																								
RPA phase 2 release and implementation																								
RPA future planning																								

2-VECC-14

Reference: Exhibit 2, /EB-2015-0089, page 53

The following table was provided in the last cost of service application (EB-2015-0089):

Material Capital Expenditures (2016 – 2020)

Category	Category Total Expenditure	Project Name	2016 $'000	2017 $'000	2018 $'000	2019 $'000	2020 $'000
System Access	$30.0M	Steeles Ave –	$284				
		Britannia Rd–	$1,005				
		Garden Lane	$133				
		5th Line: LSL to	$415				
		5th Line: LSL to	$397				
		Britiannia Rd –	$403				
		Bronte Street –	$390				
		Britannia Rd –		$1,016			
		Britannia Rd –		$366			
		1st Line –		$732			
		Thompson Rd		$400			
		LSL – JSP to		$191			
		Main St – JSP		$475			
		Campbellville			$239		
		6th Line – 401			$463		
		6th Line – Derry			$695		
		Provision for				$1,500	$2,000
		Subdivision	$3,780	$3,780	$3,780	$3,780	$3,780
System Renewal	$9.2M	Pole	$500	$375	$500	$500	$625
		Porcelain to	$150				
		Derry Rd –	$155				
		6th line – Nass	$322				
		6th Line – Nass	$321				
		UG Scott	$250				
		U/G Main and	$65				
		Sixth Line –		$321			
		25 SR – east of		$325			
		UG Macarthur		$350			
		20 SR – east of			$215		
		20 SR – west			$210		
		15 SR – east of			$365		
		Misc system	$350	$450	$500	$1,300	$1,100
System Service	$6.6M	WiMAX –	$120				
		WiMAX – 100	$650				
		Automated	$175	$175			
		New	$194	$250	$250	$250	$250
		New TS		$450	$500	$500	$1,000
		Derry Rd – JSP			$175		
		Provision for new projects/		$350	$425	$600	$250
General Plant	$2.5M	Rolling Stock	$510	$490	$500	$465	$485
Total	$48.1M						

a. Please provide a variance analysis showing which projects forecast in the last DSP were completed and at what variance to the cost estimated in that proceeding.

Response:

The DSP project forecast for 2016 contained in the table provided in the question above was based on Milton Hydro's original 2016 DSP, it was subsequently updated as part of the final OEB decision. A revised project table was filed in August 2016 as part of the Draft Rate Order and subsequently approved. Milton Hydro has updated the table in the question to provide both the original and final 2016 DSP amounts from the Draft Rate Order. Milton

Hydro notes that in 2016 at the draft rate order stage of the proceeding, the table provided in the question above was not updated for years from 2017 to 2020, so this analysis is not completely reliable. The variance analysis provided in Table 2-23 Material Capital Expenditures 2016-2020 Variance Analysis, below, in response to this interrogatory is completed and included based upon the revised/approved project list. Further information on the analysis provided in this response is as follows:

- An additional column is inserted to help align project nomenclature as identified in the revised project list and the project list identified in 2-AA.
- Some original projects were broken out into different phases, while some final delivered projects were the culmination of more than one original project. "&" signs are used to help identify these culminations.
- WIMAX projects were not segregated as per the plan, and are grouped into Automation/ Scada/OMS/Communication Infrastructure.
- One project was moved from System Renewal to System Service, as once it came to fruition, it was recognized as a system expansion related project.
- Some projects did not go forward as a result of change of plans by the Halton Region, Town of Milton, or developers.
- Some projects did not proceed as originally planned based on re-prioritization of other projects, Covid-19 and supply chain issues.
- Both the original and the revised project list contained only projects that met the materiality threshold and thus were not complete budget plans that would correlate to the total expenditure identified in 2-AA.
- The aggregate DSP Period Total Planned, for all project costs totaled $54,895K vs. the aggregate DSP Period Total Actual, for all projects, totaled $55,418K.
- Reviewing only planned vs actual costs on a project by project basis by year does not reflect changes/delays in timing of projects so Milton Hydro has provided 5 year totals by project. Note that there were also project costs that carried over into 2021 that are not reflected in the analysis. As seen in 2-AA 2021, the delivery of planned projects

continues, such as Britannia Rd– RR25 to JSP (now Region Halton Britannia, RR25 to JSP Relocation Ph1).

- The DSP period Total Planned for projects exceeding materiality was $49,991K vs the DSP Period Total Actual for projects exceeding materiality of $35,686. This shows that 71.4% of the planned project exceeding materiality were delivered. Milton Hydro notes, that although 71.4% of projects are quantified, there are other new material projects that replaced projects that were originally planned, but cancelled; however, such projects are not reflected in the table below, as they were not a component of the Material Capital Expenditures (2016 – 2020) table provided in the question. Milton Hydro cautions that the information in the table is an incomplete representation of Milton Hydro's capital spending from 2016 to 2020. Appendix 2-AB provides total Capital Expenditures by Capital Category.

Table 2-23 Material Capital Expenditures 2016-2020 Variance Analysis

K$		Original Filing	Updated August 2016	Actual	Variance $	Variance %	Planned	Actual	Variance $	Variance %	Planned	Actual	Variance $	Variance %	Planned	Actual	Variance $	Variance %	Planned	Actual	Variance $	Variance %	DSP Period Total Planned	DSP Period Total Actual	Variance $	Variance %
						2016				2017				2018				2019				2020				Total
Planned Project Name	2AA Project Name				$'000	%			$'000	%			$'000	%			$'000	%			$'000	%			$'000	%
ROH: Guelph Line Reconstruction (1 km north of Derry to Conservation)	Miscellaneous Roads	—	198	—	198	100 %	—	50	(50)	(100)%	—	—	—	— %	—	63	(63)	(100)%	—	56	(56)	(100)%	198	169	29	15 %
Steeles Ave – Industrial to Martin	Steeles Ave Widen Martin to Industrial	284	285	862	(578)	(203)%	—	—	—	— %	—	—	—	— %	—	—	—	— %	—	—	—	— %	285	862	(578)	(203)%
Britannia Rd– RR25 to JSP	Region Halton Britannia, RR25 to JSP Relocation Ph1 & Ph2	1,005	1,005	—	1,005	100 %	—	—	—	— %	—	—	—	— %	—	—	—	— %	—	—	—	— %	1,005	—	1,005	100 %
Garden Lane -400m		133	133	—	133	100 %	—	—	—	— %	—	—	—	— %	—	—	—	— %	—	—	—	— %	133	—	133	100 %
5th Line; LSL to Derry Road		415	—	—	—	— %	—	—	—	— %	—	—	—	— %	—	—	—	— %	—	—	—	— %	—	—	—	— %
5th Line; LSL to Britannia Road		397	—	—	—	— %	—	—	—	— %	—	—	—	— %	—	—	—	— %	—	—	—	— %	—	—	—	— %
Britiannia Rd – RR25 to Tremaine	Britannia Rd Widening Tremaine to Bronte	403	179	—	179	100 %	—	—	—	— %	—	—	—	— %	—	526	(526)	(100)%	—	—	—	— %	179	526	(347)	(194)%
Bronte Street – LSL to Britannia	Bronte St Widening from LSL to Britannia	390	390	271	119	31 %	—	—	—	— %	—	—	—	— %	—	—	—	— %	—	—	—	— %	390	271	119	31 %
Britannia Rd – Trafalgar to 407 & JSP to Trafalgar	Britannia Rd Reconstruction JSP to 407	—	—	—	—	— %	1,379	—	1,379	100 %	—	—	—	— %	—	—	—	— %	—	2,174	(2,174)	(100)%	1,379	2,174	(795)	(58)%
1st Line – Nassagaweya		—	—	—	—	— %	732	—	732	100 %	—	—	—	— %	—	—	—	— %	—	—	—	— %	732	—	732	100 %
Thompson Rd – Britannia to LSL - see comment cell W17	Subdivisions	—	—	—	—	— %	400	—	400	100 %	—	—	—	— %	—	—	—	— %	—	415	(415)	(100)%	400	415	(15)	(4)%
LSL – JSP to 5th Line		—	—	—	—	— %	191	—	191	100 %	—	—	—	— %	—	—	—	— %	—	—	—	— %	191	—	191	100 %
Main St – JSP to 5th Line	Town of Milton - Main St. , JSP to Fifth Line	—	—	—	—	— %	475	—	475	100 %	—	—	—	— %	—	—	—	— %	—	—	—	— %	475	—	475	100 %
Campbellville Rd – Milborough to Guelph		—	—	—	—	— %	—	—	—	— %	239	—	239	100 %	—	—	—	— %	—	—	—	— %	239	—	239	100 %
6th Line – 401 to Derry		—	—	—	—	— %	—	—	—	— %	463	—	463	100 %	—	—	—	— %	—	—	—	— %	463	—	463	100 %
6th Line – Derry to Britannia		—	—	—	—	— %	—	—	—	— %	695	—	695	100 %	—	—	—	— %	—	—	—	— %	695	—	695	100 %
Provision for new projects	Tremaine Rd Steeles Ave to 3 Sideroad	—	—	—	—	— %	—	—	—	— %	—	—	—	— %	1,500	—	1,500	100 %	2,000	573	1,427	71 %	3,500	573	2,927	(100)%
Subdivision development		3,780	3,780	3,738	42	1 %	3,780	3,078	702	19 %	3,780	3,833	(53)	(1)%	3,780	3,264	516	14 %	3,780	2,201	1,579	42 %	18,900	16,114	2,786	15 %
Sub-total		**6,807**	**5,970**	**4,871**	**1,098**	**18 %**	**6,957**	**3,128**	**3,829**	**56 %**	**5,177**	**3,833**	**1,344**	**26 %**	**5,280**	**3,853**	**1,427**	**27 %**	**5,780**	**5,419**	**361**	**6 %**	**29,164**	**21,104**	**8,059**	**18 %**
Pole Replacement Program	Wood Pole Replacement Program	500	500	288	212	42 %	375	212	163	43 %	500	397	103	21 %	500	438	62	12 %	625	304	321	51 %	2,500	1,639	861	34 %
Highside Drive & Ridge Drive	Highside Dr and Ridge Dr Primary UG Rebuild	—	240	152	88	37 %	—	—	—	— %	—	—	—	— %	—	—	—	— %	—	—	—	— %	240	152	88	37 %
Porcelain to Poly program	Porcelain to Polymer Insulator Replacement Program	150	150	105	45	30 %	—	114	(114)	(100)%	—	200	(200)	(100)%	—	175	(175)	(100)%	—	161	(161)	(100)%	150	755	(605)	(403)%
Derry Rd – Trafalgar to 8th	Derry Rd Pole Line Extention Trafalgar to 8th Line - shifted to System Service as project materialized	155	155	112	43	28 %	—	—	—	— %	—	—	—	— %	—	—	—	— %	—	—	—	— %	155	112	43	28 %
6th Line – Nass north of 20 SR & Nass South of 25 SR	Sixth Line Nass. N of 20 Sdrd Rebuild	643	643	534	109	17 %	—	—	—	— %	—	—	—	— %	—	—	—	— %	—	—	—	— %	643	534	109	17 %
UG Scott Rebuild	Bronte Meadows Conversion to 27.6kV	250	—	112	(112)	(100)%	—	—	86	— %	—	—	—	— %	—	—	—	— %	—	—	—	— %	—	112	(26)	(100)%

K$		Original Filing	Updated August 2016	Actual	Variance $	Variance %	Planned	Actual	Variance $	Variance %	Planned	Actual	Variance $	Variance %	Planned	Actual	Variance $	Variance %	Planned	Actual	Variance $	Variance %	DSP Period Total Planned	DSP Period Total Actual	Variance $	Variance %
						2016				2017				2018				2019				2020				Total
Derry Road: Appleby Line to Guelph Line	Derry Rd - Tremaine to Guelph Line Pre conversion (13.8kV to 27.6kV)	—	280	272	8	3 %	—	—	59	— %	—	—	—	— %	—	—	—	— %	—	—	—	— %	280	272	67	3 %
U/G Main and Commercial UG Rebuild		65	65		65	100 %	—	—	—	— %	—	—	—	— %	—	—	—	— %	—	—	—	— %	65	—	65	100 %
Sixth Line – Nass north of 20 SR	Sixth Line Nass. N of 20 Sdrd Rebuild	—	—	—	—	— %	321	—	321	100 %	—	—	—	— %	—	—	—	— %	—	—	—	— %	321	—	321	100 %
25 SR – east of 5th	25 Sideroad, East of Fifth Line Rebuild	—	—	—	—	— %	325	288	37	11 %	—	—	—	— %	—	—	—	— %	—	—	—	— %	325	288	37	11 %
UG Macarthur Dr rebuild	Macarthur Dr UG Rebuild	—	—	—	—	— %	350	261	89	25 %	—	—	—	— %	—	—	—	— %	—	—	—	— %	350	261	89	25 %
20 SR – east of 5th		—	—	—	—	— %	—	—	—	— %	215	—	215	100 %	—	—	—	— %	—	—	—	— %	215	—	215	100 %
20 SR – west of 6th		—	—	—	—	— %	—	—	—	— %	210	—	210	100 %	—	—	—	— %	—	—	—	— %	210	—	210	100 %
15 SR – east of Guelph line		—	—	—	—	— %	—	—	—	— %	365	—	365	100 %	—	—	—	— %	—	—	—	— %	365	—	365	100 %
Misc system renewal		350	350	107	243	69 %	450	264	186	41 %	500	532	(32)	(6)%	1,300	410	890	68 %	1,100	384	716	65 %	3,700	1,697	2,003	54 %
Sub-total		**2,113**	**2,383**	**1,682**	**701**	**29 %**	**1,821**	**1,139**	**827**	**45 %**	**1,790**	**1,129**	**661**	**37 %**	**1,800**	**1,023**	**777**	**43 %**	**1,725**	**849**	**876**	**51 %**	**9,519**	**5,822**	**3,842**	**39 %**
WiMAX – automate existing switches	Automation/Scada/ OMS/ Communication Infrastructure	120	120	—	120	100 %	—	—	—	— %	756	—	756	100 %	677	—	677	100 %	—	—	—	— %	1,553	—	1,553	100 %
WiMAX – automate existing switches	Automation/Scada/ OMS/ Communication Infrastructure	—	—	—	—	— %	—	—	—	— %	230	—	230	100 %	115	—	115	100 %	—	—	—	— %	345	—	345	— %
WiMAX – 100 Meter points	Automation/Scada/ OMS/ Communication Infrastructure	650	425	—	425	100 %	—	—	—	— %	—	—	—	— %	—	—	—	— %	—	—	—	— %	425	—	425	100 %
Automated Fault Indicators – WiMAX	Automation/Scada/ OMS/ Communication Infrastructure	175	175	—	175	100 %	175	—	175	100 %	—	—	—	— %	—	—	—	— %	—	—	—	— %	350	—	350	100 %
New Automated switches - WiMAX	Automation/Scada/ OMS/ Communication Infrastructure	194	194	—	194	100 %	250	—	250	100 %	250	—	250	100 %	250	—	250	100 %	250	—	250	100 %	1,194	—	1,194	100 %
	Communication Infrastructure	—	—	136	(136)	(100)%	—	—	—	— %	—	—	—	— %	—	—	—	— %	—	—	—	— %	—	136	(136)	(100)%
	Automation	—	—	102	(102)	(100)%	—	779	(779)	(100)%	—	756	(756)	(100)%	—	677	(677)	(100)%	—	95	(95)	(100)%	—	2,409	(2,409)	(100)%
	Scada/OMS	—	—	52	(52)	(100)%	—	308	(308)	(100)%	—	230	(230)	(100)%	—	115	(115)	(100)%	—	184	(184)	(100)%	—	889	(889)	(100)%
Fibre Connection to New Building		—	200	—	200	100 %	—	—	—	— %	—	—	—	— %	—	—	—	— %	—	—	—	— %	200	—	200	100 %
JSP, extend to Campbelleville (new Tremaine Rd)	JSP Pole Line Extention to Campbellville Rd	—	206	—	206	100 %	—	—	—	— %	—	169	(169)	(100)%	—	—	—	— %	—	—	—	— %	206	169	37	18 %
MS#4 Conversion-rabbit	13.8kV to 27.6kV MS4-F2 Feeder Conversion & Regulator Installation	—	200	—	200	100 %	—	—	—	— %	—	—	—	— %	—	—	—	— %	—	153	(153)	(100)%	200	153	47	24 %
MS#4 Conversion-rabbit	Tremaine M2 Voltage Regulator	—	—	—	—	— %	—	—	—	— %	—	—	—	— %	—	—	—	— %	—	—	—	— %	—	—	—	— %
New TS feeders	Tremaine TS, UG Egress for 2 feeders and contribution for 2 breakers	—	—	—	—	— %	450		450	100 %	500	—	500	100 %	500	1,639	(1,139)	(228)%	1,000	215	785	79 %	2,450	1,854	596	24 %
Derry Rd – JSP to 5th		—	—	—	—	— %	—	—	—	— %	175	—	175	100 %	—	—	—	— %	—	—	—	— %	175	—	175	100 %
Provision for new projects/non-Distribution System alternatives	Miscellaneous	—	—	—	—	— %	350	133	217	62 %	425	—	425	100 %	600	—	600	100 %	250	—	250	100 %	1,625	133	1,492	92 %
Sub-total		**1,139**	**1,520**	**290**	**1,230**	**81 %**	**1,225**	**1,220**	**5**	**— %**	**2,336**	**1,155**	**1,181**	**51 %**	**2,142**	**2,431**	**(289)**	**(13)%**	**1,500**	**647**	**853**	**57 %**	**8,723**	**5,743**	**2,980**	**30 %**
Rolling Stock		510	645	481	164	25 %	490	118	372	76 %	500	459	41	8 %	465	134	331	71 %	485	—	485	100 %	2,585	1,192	1,393	54 %
Building Maintenance/ Renovations		—	—	1,300	(1,300)	(100)%	—	75	(75)	(100)%	—	56	(56)	(100)%	—	364	(364)	(100)%	—	30	(30)	(100)%	—	1,825	(1,825)	(100)%
Sub-total		**510**	**645**	**1,781**	**(1,136)**	**(176)%**	**490**	**193**	**297**	**61 %**	**500**	**515**	**(15)**	**(3)%**	**465**	**498**	**(33)**	**(7)%**	**485**	**30**	**455**	**94 %**	**2,585**	**3,017**	**(432)**	**(17)%**

K$		Original Filing	Updated August 2016	Actual	Variance $	Variance %	Planned	Actual	Variance $	Variance %	Planned	Actual	Variance $	Variance %	Planned	Actual	Variance $	Variance %	Planned	Actual	Variance $	Variance %	DSP Period Total Planned	DSP Period Total Actual	Variance $	Variance %
				2016						2017				2018				2019				2020				Total
Grand Total		10,569	10,518	8,624	1,893	18 %	10,493	5,680	4,958	48 %	9,803	6,632	3,171	32 %	9,687	7,805	1,882	19 %	9,490	6,945	2,545	27 %	49,991	35,686	14,449	22 %
2AB totals			11,957	11,553			11,839	9,279			10,063	12,389			10,237	11,839			10,799	10,358			54,895	55,418		

2-VECC-15

Reference: Exhibit 2, page 67

a. Please provide the project description and projected in-service date of the project associated with the $333,000 refund from Hydro One.

Response:

a. Milton Hydro assumes that this question is referring to page 67 of 86 in Exhibit 2 and also that the refund being referred to is in the amount of $360,000 rather than $333,000 as stated in the question.

Hydro One was engaged by Milton Hydro in 2018 to install two (2) new 27.6 kV feeder breaker positions at Hydro One owned Tremaine TS to supply Milton Hydro's local load. The CCRA was based on an estimated cost of $2,000,000 which was paid to Hydro One in 2019. The project was completed in 2019. The Actual Cost Reconciliation showed that the previous payment made by Milton Hydro exceeded the actual project cost. Consequently, a portion of previous payment made by Milton Hydro was refunded by Hydro One to Milton Hydro.

2-VECC-16

Reference: Exhibit 2,

a. Please provide the agenda for each Board of Director's meeting between 2016 and now.

Response:

Milton Hydro's Board of Directors meeting agendas are not relevant to the issues that the OEB has to decide in this proceeding, in addition the OEB does not regulate the governance of electricity distributor Board of Directors and how they conduct their meetings.

2-VECC-17

Reference: Exhibit 2, DSP Appendix 2, PDF 308,

Project Description	This investment primarily covers the cost of building renovations within MHDI's Head office in accordance with a Strategic Facility Plan developed by Cresa. Key renovations include construction of a new Control Room (2022 investment), second floor workstations and offices to accommodate employee growth, relocation of the customer service desk and new windows.

		2023	2024	2025	2026	2027
Building Renovations		$400,00	$400,00	$400,00	$400,00	$400,00
Miscellaneous Building		$119,00	$ 60,000	$ 60,000	$ 60,000	$ 60,000
	Total	$519,00	$460,00	$460,00	$460,00	$460,00

a. Are both the $400k and 119k required for the new SCADA centre renovations?

Response:

a. No, the control room renovations were budgeted as part of the 2022 Building Capital Expenditures/In-Service Capital. Milton Hydro budgeted $500,000 for Control Room Renovations in 2022 as shown in Exhibit 2, Table 2-37 Appendix 2-AA (Summary of Capital Projects) on page 74 of 86. The amounts budgeted in 2023 relate to other building related capital expenditures.

2-VECC-18

Reference: Exhibit 2, Attachment 2-1

a. Is the new proposed SCADA operation centre being housed in any of the disallowed space at 200 Chisholm Drive?

b. What is the total square space required for the SCADA operations?

c. What is the total square space of the disallowed office space at 200 Chisholm Drive?

d. Please provide the incremental number of FTEs (actual and proposed) since 2016 that required office space and the average square footage Milton Hydro proposes to use for those FTEs.

Response:

a. Yes.

b. The Control Room (SCADA operations) requires 1,400 sq. ft.

c. In the 2016 Decision (EB-2015-0089) 6,800 sq. ft. of office space was disallowed.

d. In 2023 there will be 16.2 incremental FTE's (as noted in Exhibit 4, Table 4-48, page 109) requiring office space as compared to 2016. The average square footage for the incremental FTE's will be approximately 420 sq. ft./FTE. This amount was derived by assuming the incremental FTE's would be accommodated in the space that was previously disallowed (1,640 + 5,160 = 6,800 sq. ft.)

2-VECC-19

Reference: Exhibit 2,

a. What investments in its DSP and Operating Programs are specifically aimed at reducing duration of outages?

Response:

While all System Renewal investments in the DSP lead to at least maintaining reliability if not improving it, they do not impact outage duration. Investments in automation (SCADA, OMS, remote controlled Overhead and Pad Mounted Switches as well as Smart Fault Indicator projects) would lead to reduced outage duration. A 24/7 Control Room with active system monitoring and outage management will also lead to improved outage response and hence reduced duration of outages. Note that the investments are not necessarily aimed at reducing outage duration but it is one of the key drivers for the investment, along with improving day to day operating activities (switching, etc.)

INDEPENDENT PARTICIPANT

2-JOL Shewchun-5

Control Room

Reference: Exhibit 2 Business Case For Control Room

One of the supports for an in-house Control Room is a comparison to other LDCs-see pp4-5 Exhibit 2 Business Case 24/7 System Control Room and Operations. Most of the comparisons are with much larger LDCs with a population base of over 50 000, except for Newmarket Tay

Distribution which services Newmarket, Midland and Tay Township, a much larger area than Milton, Sault Ste Marie PUC distribution and Bluewater Power Distribution Corp. are more remote than Milton and do not have access to a nearby utility that can provide support.

a. Please provide more information about the control rooms for Newmarket Tay, Sault Ste Marie and Bluewater Power.

By the year 2027, Milton Hydro's customer base will be approximately 47 000(based on Milton Hydro's forecasted growth of 1 000 customers per year), still below the 50 000 customer base for most LDC's who have an in-house control room. In 2027, the cost of having an in-house control room would be absorbed by a larger customer base. The current arrangement, is and has been working for many years.

b. If the Control Room were postponed until 2027, what would be the cost savings?

The construction of the control room in the business case is $352 000. Cresa's construction cost is listed as $738 950 + $57 564(consultant) = $798 514

c. Please explain this differential.

AESI's Potential Annual Average Savings is stated as $1 239 064 for an in-house control room.

d. Is this a hypothetical savings based on outage time and for a typical residential customer, with no business dealings at home, there would be no savings on their bill?

Response:

a. Table 2-24 below shows more information about the control rooms for Newmarket Tay, Sault Ste Marie and Bluewater Power:

Table 2-24 Other Distributor Control Room Information

Distributor	2020 Customer Count	In-house Control Room Y/N	Control room staff	Year Control room was brought in-house	# of customers when control room brought in-house
Sault Ste. Marie PUC Distribution Inc.	33,751	Yes	1 Operator weekday business hours and one supervisor who can fill in	2009	32,825

Bluewater Power Distribution Corporation	36,916	Yes	2 full time Operators with an on-call Operator plus supervisor	prior to 2000	35,208 (2005 – earliest yearbook on OEB website)
Newmarket-Tay Power Distribution Ltd.	44,187	Yes	2 trained operators & 1 apprentice with another staff who is a trained operator and can fill in	1999	26,176 (2005 – earliest yearbook on OEB website)

b. The current control room arrangement has not been working to the satisfaction of Milton Hydro or customers 'for many years'. For example, Milton Hydro was not able to depend on control room support during large outage events such as the Derecho wind storm of May 21, 2022. Having an ad hoc off hour service means, some times PLT's have little or delayed support adding to delayed outage restorations. Also during off hours, Milton Hydro has not been able to provide consistent outage communications in the form of twitter or outage map to customers. Timely communications about critical information such as outages is extremely valued by customers. There have also been challenges when multiple communities were experiencing high numbers of incidents due to extreme weather.

   Table 5: Comparison of Cumulative Costs* over 5 years from Exhibit 2, Attachment 2.2, DSP, Appendix A, 364 of the PDF or page 16 of 18 in the business case, demonstrates that by year 2027 (year 5), the costs of 24/7 in house operations ($8,176,875) is less than Outsourced 24-7 coverage ($8,283,000) – a cost differential of more than $100,000. Beyond the staffing cost savings of 2023 implementation, the construction cost implications are significant when factoring in inflation and material costs in 2027.

   It is Milton Hydro's determination that there are no cost savings to be achieved by delaying the implementation of a control room till 2027.

c. Cresa's construction cost estimate is not limited to the control room. It also includes renovations adding new workstations and offices, meeting rooms, hoteling workstations for other functional departments, and more collaboration spaces. Cresa's construction cost estimate includes costs for additional renovations supporting FTE growth, which is independent of the control room.

d. The Interruption Cost Estimate (ICE) calculation tool provides an estimate of outage costs for the total customer collection based on identifying the following classes of customers:

   - Residential

- Small Commercial & Industrial (C&I)
- Medium and Large Commercial & Industrial (C&I)

The calculation of savings in ICE is based on several decades of analysis of surveys of customers providing information on how much an outage cost them in lost revenue and repair costs.

For the residential class, the cost is based on how much they would be willing to pay to avoid outages rather than a residential customer actually experiencing an outage. ICE does not provide information detailed to individual impacts on a homeowner's monthly electricity bill based on their individual consumption patterns.

A typical distribution of the savings of an improvement in CAIDI/SAIFI is 2% residential, 54% small C&I and 44% Medium and Large C&I.

Also, it should be noted that the improvements are based on what Milton Hydro has control over. Outages that were due to loss of supply from Hydro One were not included for consideration in the analysis.

2-JOL Shewchun-7

Office and Administration Space References: Exhibit 2, Attachment 2-1

The space requirement is based on the 2016 ratio of 619 sq.ft. per employee...

a. Please provide more information for the approved ratio.

b. With advances in accommodating employees, would this ratio still be applicable?

Response:

a. The 2016 ratio 619 sq. ft./employee was derived by dividing the EB-2015-0089 approved office and administration square footage of the building by the number of employees occupying that space (26,000 sq. ft./42 employees = 619 sq. ft./employee)

b. Based on 2023 staffing levels and space utilization this ratio is no longer applicable and will be reduced.

EXHIBIT 3 - OPERATING REVENUE INTERROGATORIES

OEB STAFF INTERROGATORIES

3-Staff-50

Load forecast

Ref: Load forecast excel file

Preamble:

Milton Hydro has supplied an excel model in which all entries and cell selection has been locked. This makes it difficult to validate model function and formulas used.

Question(s):

a. Please supply an unlocked model.

Response:

a. An unlocked load forecast excel spreadsheet model is provided as "3-Staff-50 Load Forecast Model".

3-Staff-51

Residential Load forecast

Ref: Exhibit 3.3.3, page 11 of 46, Load forecast excel file, sheet Residential

Preamble:

A set of COVID/weather interaction variables were considered to capture the incremental consumption caused by people working from home and generally staying at home due to lockdowns. These variables, "HDD COVID" and "CDD COVID" are equal to the relevant HDD and CDD variables since March 2020. The coefficients reflect incremental heating and cooling load consumed in 2020 and 2021. These variables continue to December 2022 but are reduced to 75% of HDD and CDD in all months in 2023.

Question(s):

a. How is the issue of multicollinearity between HDD, CDD and the COVID/HDD/CDD interaction variables being dealt with in the Residential class load forecast?

b. Please provide a scenario without the interaction terms, using all other variables in the original model filed.

c. The COVID flag variable is reduced to 50% instead of 75% of the HDD and CDD in 2023 as per the load forecast excel file. Please confirm this.

d. Please include a scenario where the COVID flag variable is 0 for 2022 and 2023.

Response:

a. Multicollinearity between HDD/CDD and the COVID interaction HDD/CDD is not an issue because the variables have zero correlation in 110 out of 132 observations.

b. The scenario is provided in excel spreadsheet model "3-Staff-51 Load Forecast Scenario 1".

c. Confirmed.

d. The scenario is provided in excel spreadsheet model "3-Staff-51 Load Forecast Scenario 2".

3-Staff-52

Load Forecast

Ref: Exhibit 3.7.2, 3.7.3, Load forecast excel file: sheet GS< 50 kW and GS>50 kW

Preamble:

A COVID flag variable equal to 1 from March 2020 to December 2021 was tested found to be statistically significant for the General Service < 50 kW and General Service > 50 kW classes.

Question(s):

a. Please explain why the COVID flag variable takes a value of 0.38 in 2022 and 0.25 in 2023?

b. Please provide a scenario in which the COVID flag is 0 for 2022 and 2023.

Response:

a. The COVID variable used for the GS<50 kW and GS>50 kW classes are discounted by the same factor as the COVID variable used in the Residential class. The 0.38 figure (0.375) is calculated as 75% of 0.5 and the 0.25 figure is 50% of 0.5.

b. The scenario is provided in excel spreadsheet model as "3-Staff-52 Scenario Flag '0'".

3-Staff-53

Residential Customer forecast

Ref: Exhibit 3.4. Customer/Connection Forecast, page 12 of 46

Preamble:

Based on its analysis, GSAI forecasts 750 new housing units in 2022 and 950 new housing units in 2023 within the Town of Milton.

Question(s):

a. Please provide a scenario using 2012-2020 geomean and 2011-2019 for the customer forecast.

b. Please also provide historical change in housing units (2012-2021). Is the historical change in housing units consistent with year over year customer growth?

Response:

a. The scenarios are provided in excel spreadsheet model "3-Staff-53 Scenario 2012-20 Geomean 2011-19 Cust Forecast".

b. Historical changes in Residential customer growth is generally consistent with housing growth in Milton. Table 3-1 below provides growth in Sub-Division Housing since 2012. Though generally consistent overall customer growth has been lower than sub-division housing growth as there is little to no growth among non-sub division units.

Table 3-1 Sub-Division Housing Growth

	Sub-Division Housing			Non Sub-division Units			Total Residential Customers		
Year	Units	Change (+/-)	Change (%)	Units	Change (+/-)	Change (%)	Customers	Change (+/-)	Change (%)
2012	20,145			8,693			28,838		
2013	21,728	1,583	7.9%	9,003	310	3.6%	30,731	1,893	6.6%
2014	22,696	968	4.5%	9,011	8	0.1%	31,707	976	3.2%
2015	23,358	662	2.9%	9,360	349	3.9%	32,718	1,011	3.2%
2016	24,457	1,099	4.7%	9,076	(284)	-3.0%	33,533	815	2.5%
2017	25,462	1,005	4.1%	8,881	(195)	-2.1%	34,343	810	2.4%
2018	27,178	1,716	6.7%	8,618	(263)	-3.0%	35,796	1,453	4.2%
2019	27,994	816	3.0%	9,007	389	4.5%	37,001	1,205	3.4%
2020	28,755	761	2.7%	8,951	(56)	-0.6%	37,706	705	1.9%
2021	29,513	758	2.6%	8,978	27	0.3%	38,491	785	2.1%
Average Growth			4.3%			0.4%			3.3%

3-Staff-54

Customer Forecast

Ref: Exhibit 3.4. Customer/Connection Forecast, page 13 of 46

Preamble:

Due to the COVID-19 pandemic, many General Service customers reduced demands resulting in reclassifications in August and September 2021. Since growth rates in 2021 reflect these reclassifications rather than ongoing trends, a 2012-2020 geometric mean growth rate is applied to December 2021 customer counts (rather than 2021 monthly average counts) for the GS<50 kW and GS 50 to 999 kW rate classes.

Question(s):

a. Please include a scenario based on 2011-2019 geometric mean growth rate applied to the December 2021 customer counts.

b. Please include a scenario where the 2011-2020 geometric mean is applied to the December 2021 customer counts.

Response:

a. The scenario is provided in excel spreadsheet model as "3-Staff-54 Scenario 2011-2019 Geomean 2021 Cust Count".

b. The scenario is provided in excel spreadsheet model as "3-Staff-54 Scenario 2011-2020 Geomean 2021 Cust Count".

3-Staff-55

Approach to Kilowatt Demand Forecast

Ref: Exhibit 3.3.4, page 11 of 46

Preamble:

The ratios applicable by class have changed materially over time so averages of different time frames were used for different classes. The General Service 50 to 999 kW forecast, Streetlight forecast, and Sentinel forecast are based on the 10-year average ratio from 2012 to 2021. The ratios applied for General Service 1,000 to 4,999 kW and Large User classes is a 5-year average.

Question(s):

a. Is Milton Hydro aware of the reasons for material changes in the ratios which warranted the class specific time frames (5 or 10-year) to be used?

b. Please comment on the suitability of a 5-year average for the GS 50-999 kW rate class. From 2017 till 2021 (except 2019), the ratio is above the 10-year average that is used.

c. As a scenario, please provide the forecasted kW that would result from using a five-year average kW to kWh ratio for the GS 50-999 rate class.

Response:

a. The changes to kW/kWh ratios may be the result of CDM and other efforts to reduce peak demand such as the Industrial Conservation Initiative. Milton Hydro notes the GS 1,000 to 4,999 kW and Large User classes include only 15-17 customers, combined, so changes to consumption and demand patterns of one or two customers in each class could cause material changes to each class.

b. Milton Hydro notes that the 5-year average is higher than the ratio in two years in the 2017-2021 period and the 10-year average is higher than 3 years. The 5-year average is appropriate given the trend in the kW/kWh ratio over time, which has declined in each year from 2017 to 2021. Additionally, the ratios in 2020 and 2021 are lower than any ratio from 2012 to 2019 so a selection of more recent years is appropriate.

c. The scenario is provided in excel spreadsheet model as "3-Staff-55 Scenario 5yr Avg kw for GS".

3-Staff-56

Load Growth

Ref: Load Forecast

Question(s):

a. Has EV penetration been factored into load growth expectation over the forecast period?

b. Has Milton Hydro developed a load forecast specifically for EV growth?

Response:

a. No.

b. No.

3-Staff-57

Load Forecast Model

Ref: Exhibit 3, pages 9 and 14-17

Load Forecast Model, Historic CDM Tab

Load Forecast Model, CDM Forecast Tab

IESO 2021-2024 CDM Framework Program Plan

IESO 2021 Annual Planning Outlook Demand Forecast Module Data

IESO 2019-2020 Interim Framework Results (appendix)

Preamble:

Milton Hydro describes how it has accounted for CDM in its load forecast, by accounting for the impacts of historic CDM in its regression forecast (section 3.3.1), and by proposing a CDM adjustment based on the forecast impact of CDM activities between 2023 and 2027 in its service territory (section 3.5). Milton Hydro's CDM adjustment estimates CDM savings based on the IESO's 2021-2024 CDM Framework Program Plan and a growth rate in CDM activity for the 2025-2027 period taken from the Achievable Potential Study.

Question(s):

a. Do the CDM savings shown in the "Historic CDM" tab include CDM savings for programs completed by the IESO under the Interim CDM Framework between March 31, 2019 and December 31, 2020 (the savings shown in the appendix to the IESO's 2019-2020 Interim Framework results) in its "Historic CDM" variable?

b. If not, please clarify Milton Hydro's rationale for excluding these savings from the "Historic CDM" variable, but including savings from IESO programs in the proposed CDM adjustment for the 2023-2027 period.

c. Please provide Milton Hydro's rationale for accounting for the persisting impact of historic CDM in the 2023 test year using the persistence of historic CDM savings in the

2023 year alone (as shown in the "Historic CDM" tab), i.e., not accounting for persistence impacts from 2023 to 2027 of historic programs, yet using the average annual impact between 2023-2027 (as shown in the "CDM Forecast" tab) to calculate the proposed manual CDM adjustment for new CDM activity.

d. The IESO's 2021 Annual Planning Outlook Demand Forecast Module Data (released January 2022) provides updated estimates of the expected persisting CDM savings in each of 2023 to 2027 from the 2021-2024 CDM Framework (Figure 17) and a potential future longer-term CDM Framework (Figure 18). Has Milton Hydro considered using these values to calculate its proposed CDM adjustment? If Milton Hydro has considered and rejected using these values, please indicate why Milton Hydro's proposed sources for CDM savings estimates are preferred.

Response:

a. Yes.

b. N/A.

c. Historic CDM impacts are typically considered "built-in" to test year load forecasts. The intent of the adjustment methodology is to mitigate the discontinuance of the LRAMVA workform for general CDM activity savings. Neither that LRAMVA model nor the derivation methodology of LRAVMA thresholds accounted for the loss of persistence of programs that are built-in to the test year forecast so loss of persistence was not accounted for in the CDM adjustment included in Milton Hydro's load forecast.

d. Milton Hydro did not consider the values from the referenced tables. The tables do not include 2021 or 2022 data and do not provide details by 2021-2024 CDM Framework program. Milton Hydro notes it did not include the Climate Action Incentive Fund, Green Municipal Fund, or Greener Homes Grant in its CDM derivation.

CONSUMERS COUNCIL OF CANADA

3-CCC-13

Ex. 3

Please indicate the extent to which Milton Hydro has changed its revenue and load forecasting methodologies since its last rebasing.

Response:

Milton Hydro's load forecast continues to be based on class-specific multivariate regressions for weather-sensitive classes and average use per customer figures for non-weather-sensitive classes. As per updated filing requirements, the regressions have been updated to account for historic CDM and to consider a wider range of heating and cooling degree variables (e.g. at base temperatures other than 18°C).

COVID has been accounted for with weather/COVID interaction and binary COVID variables for weather sensitive classes. Following cancellation of the Conservation First Framework and discontinuance of the LRAMVA for general CDM savings, the CDM adjustment methodology has also been revised.

VULNERABLE ENERGY CONSUMERS COALITION

3-VECC-20

Reference: Exhibit 3, page 12

Load Forecast Model, Rate Class Customer Model Tab

Exhibit 2, Attachment 2-2, Appendix G, page 12

a. According to Exhibit 3 (page 12) the Residential customer count forecast is based on GSAI's forecast of 750 new housing units in 2022 and 950 new housing units in 2023 within the Town of Milton. However, in the GSAI Report (Appendix G, page 12) the 750 and 950 new housing units are "ground level" housing units and do not include apartment units which are forecast to increase by 200 units per year in 2022 and 2023.

Please explain why the increase in apartment units was not factored into the Residential customer count forecast.

Response:

a. The apartment units referred to in the GSAI report will not be individually metered, and will not be treated as residential class customers. The apartment units will be contained in apartment buildings that will be connected as bulk metered commercial/industrial accounts.

3-VECC-21

Reference: Exhibit 3, pages 12-13

Load Forecast Model, Rate Class Customer Model Tab

Preamble: The. Application states:

"Due to the COVID-19 pandemic, many General Service customers reduced demands resulting in reclassifications in August and September 2021. Since growth rates in 2021 reflect these reclassifications rather than ongoing trends, a 2012-2020 geometric mean growth rate is applied to December 2021 customer counts (rather than 2021 monthly average counts) for the GS<50 kW and GS 50 to 999 kW rate classes".

a. Please provide a schedule that sets out the impact of the August/September 2021 reclassification on the customer counts for the various GS classes (i.e., number of customers transferred into and out of each class).

b. Was the decline in the GS 999-4,999 class in 2021 (from 15 in January to 12 in December) all due to the August/September reclassification?

c. It is noted that for the GS<50 class the customer count for 2022 is derived by applying the forecast growth rates to the January 2022 count. Is the January 2022 value used an actual value?

    i. If not, what is the January 2022 value based on and why is it used as the starting point as opposed to December 2021?

Response:

a. See Table 3-2 below.

Table 3-2 August/September Reclassification

	Total Change			GS 50-999 kW to GS<50 kW		GS 1,000-4,999 kW to GS 50-999 kW	
	GS< 50 kW	GS 50-999 kW	GS 1,000 - 4,999 kW	GS<50 kW	GS 50-999 kW	GS 50-999 kW	GS 1,000 - 4,999 kW
Jul to Aug	30	-29	-1	30	-30	1	-1
Aug to Sept	13	-11	-2	13	-13	2	-2

b. Yes.

c. No.

i. The January 2022 value is the December 2021 count with the 0.27% growth rate applied. This value was inadvertently hardcoded.

3-VECC-22

Reference: Exhibit 3, page 13

Load Forecast Model, Data and Rate Class Customer Model Tabs

Exhibit 7, Cost Allocation Model, Tab I6.2-Customer Data

Preamble: The Application states:

"In 2021 many streetlighting fixtures were moved behind-the-meter. This caused a 10.1% reduction in Streetlight connection counts. This shift to behind-the-meter is not forecast to continue in 2023 and beyond so 2021 is excluded from the geometric mean growth rate applied to the Streetlight class".

a. It is noted that the connection count for Streetlighting steadily declined over the period from May 2020 to May 2021 (see Data Tab). Is the decline all due to the change described in the Preamble?

i. If not, what else accounted for the reduction?

b. It is noted that for the Streetlight, Sentinel and Unmetered Load classes the customer/ connection counts for 2022 are derived by applying the forecast growth rates to the January 2022 count for each class. Are the January 2022 values used actual values?

   i. If not, what are they based on and why were these January values used as the starting point as opposed to December 2021?

c. Please explain what is meant by "streetlighting fixtures were move behind-the-meter" and why this resulted in a 10.1% reduction in Streetlight connection counts. As part the response, please clarify whether Streetlight load is actually "metered".

d. Please explain why this change did not impact the device:connection ratio for the Streetlight class (per CA Model, Tab I6.2), which is still 1:1 as it was in MHDI's 2016 COS Application.

Response:

a. Yes.

b. January 2022 values are not actuals.

   i. The January 2022 values are derived with the "GoalSeek" function to maintain the average annual growth rate. If monthly growth rates are applied to December 2021 values it is unlikely that the average monthly connection count in 2022 will be equal to the value derived by applying the 10-year average growth rate to the 2021 average monthly connection count. The January 2022 values with the model are adjusted such that the average customer count derived in rows 60-71 of the 'Rate Class Customer Model' is equal to the value derived in row 26 based on annual growth rates.

c. Approximately 10% of streetlight connections that were unmetered and have been historically billed as part of the Streetlighting class are no longer connected directly to the distribution system. These connections are now metered within General Service customer loads. Loads of the remaining Streetlighting connections continue to be unmetered.

d. The composition of the Streetlights that moved behind the meter were not materially different than the Streetlights that remain in the Streetlighting class.

3.0-VECC-23

Reference: Exhibit 3, page 13

a. Please provide a schedule that sets out the 2022 monthly customer/connection count by customer class for all months where actual values are available.

Response:

Table 3-3 2022 Customer Counts

Summary	Jan-22	Feb-22	Mar-22	Apr-22	May-22
Residential	38,844	38,892	38,957	39,008	39,059
GS<50 KW	2,919	2,933	2,934	2,936	2,931
GS 50-999 kW	331	331	336	336	336
GS 1,000-4,999 kW	12	12	12	12	12
Large User	3	3	3	3	3
Streetlight	2,807	2,893	2,893	2,894	2,894
Sentinel	227	230	232	233	231
Unmetered	221	222	222	222	222
Total	**45,364**	**45,516**	**45,589**	**45,644**	**45,688**

3-VECC-24

Reference: Exhibit 3, pages 11 and 17-18

Load Forecast Model, Residential Tab

Preamble: The Application states (page 11):

"A set of COVID/weather interaction variables were considered to capture the incremental consumption caused by people working from home and generally staying at home due to lockdowns. These variables, "HDD COVID" and "CDD COVID" are equal to the relevant HDD and CDD variables since March 2020. The coefficients reflect incremental heating and cooling load consumed in 2020 and 2021. These variables continue to December 2022 but are reduced to 75% of HDD and CDD in all months in 2023."

a. The Application states that the impact of the HDDCOVID and CDDCOVID variables was reduced to 75% in 2023. However, in the Residential Tab of the Load Forecast model the reduction used is 50%. Please clarify what the proposed reduction for 2023 is and update the Load Forecast as necessary.

b. Please explain the basis for the continued inclusion of the COVID/weather interaction variable in 2023 and the rationale for the "reduction" level used.

c. Did MHDI test other approaches to reflecting the impact of COVID on Residential energy use?

    i. If yes, what were the results and why were these approaches rejected?

    ii. If not, please provide a Residential regression model using an approach similar to that employed for the GS<50 class and the resulting forecast for 2023.

Response:

a. The preamble should state that the proposed reduction is 50% in 2023, as per the load forecast model.

b. The reductions reflect an estimate of the extent to which COVID impacts on class consumption will continue in 2022 and 2023. Given the ongoing public health mandates

and advisories at the time the application was prepared, and expectation that many will continue to work from home permanently, Milton Hydro estimated that the impacts of COVID on electricity demand will continue into 2023.

c. Yes.

i. The simple binary "COVID" variable and "COVID_AM" variable, which can be considered a binary variable with a double impact in April and May 2020, were considered but found to be inferior. Incremental Residential consumption following the start of the COVID-19 pandemic was found to be correlated with weather variables and the interaction variables accounted for this factor.

ii. N/A

3-VECC-25

Reference: Exhibit 3, pages 10-11 and 17-18

Load Forecast Model, Residential Tab

a. With respect to the Residential model, were any other explanatory variables tested?

i. If yes, what were they and why were they rejected for inclusion in the model?

Response:

a. Yes.

i. Separate Spring and Fall variables were considered but found to be similar to the impact of the joint "Shoulder" variable that was used in Milton Hydro's 2016 COS. Other variables with upward trends were considered, such as economic variables and simple time trends, but number of customers was found to have the strongest statistical results. In general customer counts, economic variables, and time trends are correlated and only one variable should be selected to avoid multicollinearity issues.

3-VECC-26

Reference: Exhibit 3, pages 11 and 18-20

Load Forecast Model, GS<50 and GS>50 Tabs

Preamble: The Application states (page 11):

"A COVID flag variable equal, to 1 from March 2020 to December 2021, was tested found to be statistically significant for the General Service < 50 kW and General Service > 50 kW classes."

a. Contrary to the statement in the Application the COVID flag actually used in the GS<50 and GS>50 models is only set at 1.0 for the months of April and May 2020. For the month of March 2020, the balance of 2020 and all of 2021 the flag is set at 0.5. Please clarify what the proposed values of the flag for the period of March 2020 to December 2021 were intended to be and update the Load Forecast model as required.

b. It is noted that, in the Load Forecast Model, for 2022 the flag value is set at 0.38 and for 2023 the flag value is set at 0.25 for the GS<50 and GS>50 classes. Please explain the basis for using these values in the Bridge and Test years.

Response:

a. The regressions for the GS<50 kW and GS 50-999 kW classes use a "COVID_AM" variable. As noted in the question, the value is 1 in April 2020 and May 2020 and 0.5 in all following months. This is an additional COVID variable to consider, which acts similarly to a binary variable but attributes additional weighting to April 2020 and May 2020 to account for the larger impact of the COVID-19 pandemic in those months. Functionally, this is equivalent to using 1 in all months except April and May 2020 which is assigned a value of 2. Milton Hydro found this variable to better account for the impacts of COVID than the simple "COVID" binary variable.

   For clarity, the reference noted in the preamble should include this description of the "COVID_AM" variable and no changes to the load forecast are required.

b. The values 0.38 and 0.25 reflect the same 75% adjustment to 2022 COVID values and 50% adjustment to 2023 COVID variables as described in 3-VECC-24 part b, applied to

0.5. Please note the 2022 value is 0.375, though it appears as rounded to 0.38 within the model.

3-VECC-27

Reference: Exhibit 3, pages 10-11 and 18-20

Load Forecast Model, GS<50 and GS>50 Tabs

Load Forecast Model, Economic Tab

a. At page 11 the Application indicates that a range of economic variables were considered. However, there are no economic variables included in the GS<50 model. Please explain why none of the economic variables referenced on page 11 were included in the GS<50 model.

b. The GS>50 model includes Toronto FTEs (seasonally adjusted) as an explanatory variable. Please confirm that, out of the economic variables listed on page 11, this was the one that improved the model the most.

c. It is noted that the Toronto FTEs (seasonally adjusted) forecast for 2022 and 2023 is based on economic forecasts made by the major banks in the later months of 2021. Are there more recent forecasts for 2022 and 2023 available from the same sources and, if so, please provide the most recent forecasts from each.

Response:

a. Each of the economic variables were tested but none were found to be statistically significant at the 10% level, except Ontario GDP which had a counterintuitive negative coefficient.

b. Confirmed.

c. Yes. See Table 3-4 below.

Table 3-4 Economic Forecasts

		TD 22-Jun-22	BMO 8-Jul-22	Scotia 9-Jun-22	RBC 7-Jun-22	Average
GDP	2020		-5.10%	-5.10%	-5.10%	**-5.10%**
	2021	4.30%	4.60%	4.60%	4.60%	**4.53%**
	2022	3.60%	3.30%	3.70%	4.10%	**3.68%**
	2023	1.60%	1.20%	2.70%	1.90%	**1.85%**
FTE	2020		-4.70%	-4.80%	-4.80%	**-4.77%**
	2021	4.90%	4.90%	4.90%	4.90%	**4.90%**
	2022	4.90%	5.00%	4.70%	4.70%	**4.83%**
	2023	0.60%	1.70%	1.40%	1.20%	**1.23%**

3.0-VECC -28

Reference: Exhibit 3, pages 13 and 20-21

Load Forecast Model, Economic and Rate Class Energy Model Tabs

Preamble: At page 13 the Application states:

"In 2021 many streetlighting fixtures were moved behind-the-meter. This caused a 10.1% reduction in Streetlight connection counts. This shift to behind-the-meter is not forecast to continue in 2023 and beyond."

a. It is noted that for the GS 1,000-4,999 class the average use per customer forecast for 2022 and 2023 (9,056,779 kWh) – before any reduction for CDM – is less than the usage in all of the years 2018-2021 except for 2020 which was the first year of COVID. Why is it reasonable that the average use in 2023 will less than that in both 2019 and 2021 when: i) according the economic forecast used by MHDI in 2023 the economy has recovered to levels above those in 2019 and ii) according to the economic forecast used by MDHI economic activity in 2023 will be higher than in 2021 levels.

b. It is noted that for the Large Use class the average use per customer forecast for 2022 and 2023 (45,827,503kWh) – before any reduction for CDM – is less than the usage in all of the years 2018-2021 except for 2020 which was the first year of COVID. Why is it reasonable that the average use in 2023 will less than that in both 2019 and 2021 when: i) according the economic forecast used by MHDI in 2023 the economy has recovered to

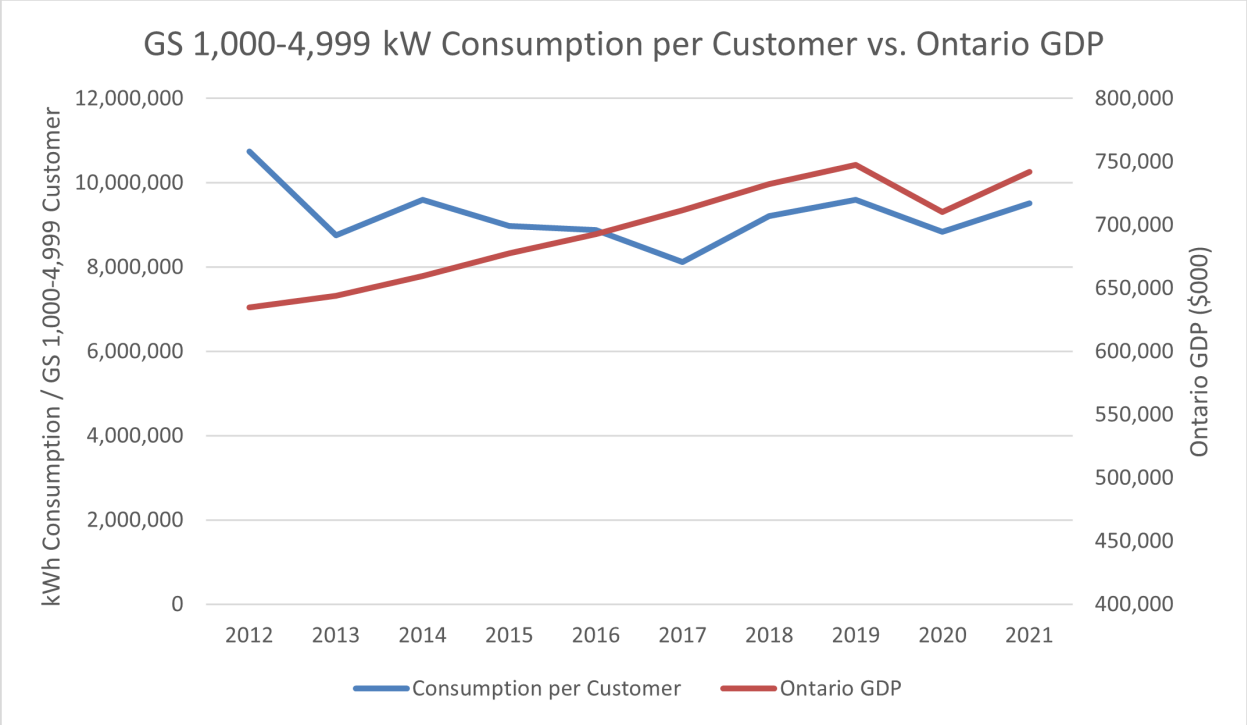
levels above those in 2019 and ii) according to the economic forecast used by MDHI economic activity in 2023 will be higher than in 2021 levels.

c. With respect to the Streetlighting class, it is noted that the 2021 connection count used in the calculation of the average consumption per connection for 2021 and hence the forecast volume for 2023 includes months where the change described in the Preamble was occurring. Does inclusion of these months result in an understatement of the average use per connection for purposes of forecasting 2023 volumes? If not, why not?

Response:

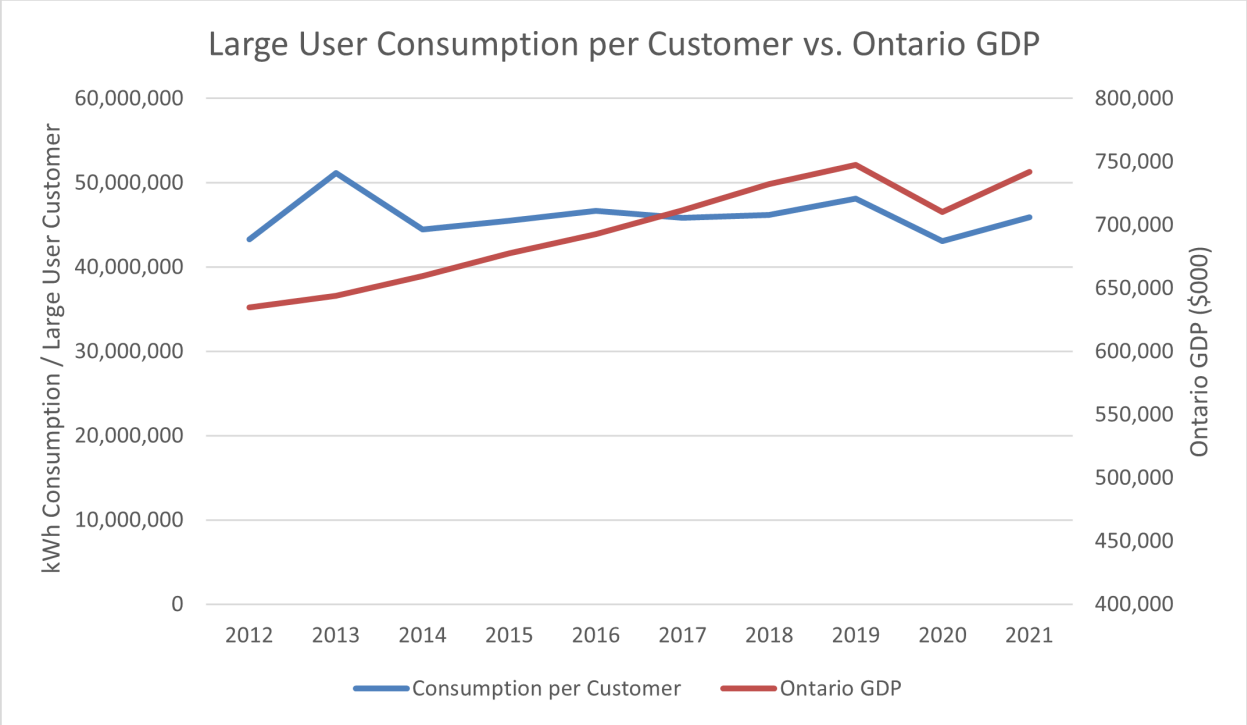
a. The average use per GS 1,000-4,999 kW customer is based on the class's 5-year average from 2017 to 2021. Though the 2023 forecast is lower than actual consumption per customer in three of those five years, it is higher in the other two. Additionally, forecast 2023 consumption is greater than average consumption per customer in each of the two years (2015-2016) before the 5-year period used and in five of the last 10 years. GS 1,000-4,999 kW class consumption depends on the consumption of the 12-15 customers in the class over the past ten years, which has not increased with economic variables over this time. This is demonstrated in the chart below (please note the right vertical axis (GDP) does not begin at zero).

Figure 1 - GS 1,000-4,999 kW vs GDP



b. The average use per Large User customer is based on the class's 5-year average from 2017 to 2021. Though it is true that forecast consumption per customer is lower than actual 2021 consumption per customer, the variance is only 0.18%. There are only 3 customers in the class so year-to-year variances are dependent on the circumstances of each customer, which have historically correlated with economic growth. Average consumption per Large User customer compared to Ontario GDP is provided below.

Figure 2 - Large User vs GDP



c. The preamble should state the movement occurred in 2020 and 2021, specifically, from October 2020 to March 2021. Approximately 90% of the movement occurred in 2020 and 10% in 2021 so the impact in 2021 is minimal. Additionally, Streetlighting consumption and demand decreased with the declining customer counts.

Table 3-5 below provides these figures for the October 2020 to March 2021 period and the year prior. The changes from the 2019-2020 period to the 2020-2021 period demonstrate that the consumption and demand figures that underpin the numerator of the consumption per customer calculation declined as customer counts decline. Please note declining consumption at the end of 2020 also reflects Milton Hydro's LED conversion program.

Table 3-5 Streetlight Movement

Date	kWh	kW	Count
Oct-19	593,988	1,474	3,282
Nov-19	604,343	1,405	3,282
Dec-19	637,704	1,364	3,282
Jan-20	611,574	1,345	3,282
Feb-20	498,777	1,266	3,282
Mar-20	477,725	1,275	3,282

Date	kWh	kW	Count
Oct-20	496,461	1,232	3,271
Nov-20	523,936	1,218	2,953
Dec-20	561,065	1,200	2,936
Jan-21	541,086	1,190	2,933
Feb-21	442,485	1,163	2,921
Mar-21	435,336	1,162	2,895

Range	kWh %	kW %	Count %
Oct-19 – Oct-20	-16.4%	-16.4%	-0.3%
Nov-19 – Nov-20	-13.3%	-13.3%	-10.0%
Dec-19 – Dec-20	-12.0%	-12.0%	-10.5%
Jan-20 – Jan-21	-11.5%	-11.5%	-10.6%
Feb-20 – Feb-21	-11.3%	-8.1%	-11.0%
Mar-20 – Mar-21	-8.9%	-8.9%	-11.8%

3-VECC -29

Reference: Exhibit 3, page 9 / Load Forecast Model, Historic CDM Tab

Preamble: At page 9 the Application states:

"The weather normalized load forecast regressions use actual customer class kWh billed by month, plus persisting CDM, as the dependent variable in the regression models. Persisting CDM as measured by the IESO is added back to rate class consumption to simulate class consumption had there been no CDM program delivery. This is labeled as "No CDM" throughout the Load Forecast model. The effect is to remove the impact of CDM from any explanatory variables, which may capture a trend, and focus on the external factors."

a. Please provide the IESO Reports that document/support the CDM savings from 2011 to 2020 programs as used in the Load Forecast Model for the Residential, GS<50 and GS>50 classes (i.e. the savings from 2011 to 2020 programs for the period 2011 to 2023) per the Historic CDM Tab.

b. Please indicate precisely where in these IESO Reports the annual CDM values set out in the Historic CDM Tab were taken and/or how they were derived.

c. Please explain why, in the Load Forecast Model, the annual savings were divided evenly across the 12 months as opposed to increasing on a monthly basis so as to equal the overall savings for the year.

d. Please explain why, in developing the load forecast models for Residential, GS<50 and GS>50 the savings from 2021 programs (per the CDM Forecast Tab) were not added back to the actual sales values for 2021.

e. Using the same methodology as in the CDM Forecast Tab, please undertake the following: i) calculate MHDI's contribution to the provincial 2021 CDM savings as set out in the 2021-2024 Framework for the Residential, GS<50 and GS>50 classes, ii) add these CDM savings to the 2021 CDM adjusted actuals already calculated for each class, iii) re-estimate the models for the Residential, GS<50 and GS>50 classes and iv) provide revised load forecasts for 2023 for each of the classes.

Response:

a. Historic CDM values used in the load forecast were obtained from MH's LRAMVA workforms, with savings persisting to 2023 added where necessary. The values are based on annual net incremental savings and persistence from IESO reports, plus post-CFF savings as calculated by IndEco in the LRAMVA workform. Please see the "CDM Summary" filed as 3-VECC-29 CDM Summary.

b. See part a). 3-VECC-29 CDM Summary includes excerpts from the IESO Reports.

c. Annual savings are divided evenly across the 12 months rather than escalate each month because escalation would introduce a steady monthly trend to the dependent variable. This may artificially cause the appearance of a correlation between consumption (with CDM added) and escalating independent variables, particularly the time trend variable.

d. Milton Hydro agrees savings from 2021 programs should be added back to actual 2021 sales for consistency. The load forecast filed with interrogatories includes this adjustment, consistent with 3-VECC-29 CDM Summary - Scenario in part e).

e. This scenario is attached as 3-VECC-29 CDM Summary - Scenario.

3-VECC-30

Reference: Exhibit 3, pages 13-14

Load Forecast Model, CDM Forecast Tab

Preamble: At page 13 the Application states:

"On December 20, 2021, the OEB issued a report Conservation and Demand Management Guidelines for Electricity Distributors which provided updated guidance on the role of CDM for rate-regulated LDCs. Milton Hydro has reviewed these guidelines as it derived a manual adjustment to the load forecast. This CDM adjustment has been made to reflect the impact of CDM activities that are expected to be implemented through the 2023-2027 rate period".

At page 14 the Application states:

"Average cumulative CDM savings from programs implemented in 2021 to 2024 persisting to each year from 2023 to 2027 are calculated for each 2021-2024 CDM Framework program."

At page 14 the Application also states:

"Average provincial cumulative CDM savings in 2023 to 2027 is then attributed to rate classes based on Milton Hydro's historic allocation of the 2021-2024 CDM Framework programs and similar programs, and the judgement of Milton Hydro's consultants IndEco and Elenchus".

a. Please provide a copy of the IESO's 2021-2024 Conservation and Demand Management Framework Plan used to derived MMHDI's CDM savings from 2021-2024 Programs.

b. Please provide reference as to where, in the Plan, it states that the savings will persist until 2026 (per the CDM Forecast Tab).

c. Please provide the data regarding MDHI's "historic allocation of 2021-2024 CDM Framework programs" referenced in the Preamble and provide the source of the data.

d. Please provide the analysis/calculations supporting the percentages used for MHDI's share of the provincial savings for each customer class (e.g., 0.5% for Residential).

e. Please provide the calculation of the growth rates used to determine the "in year energy savings" for 2025-2027 per the CDM Forecast Tab (Row 21). As part of the response, please copies of any references/sources for the data used.

f. Please explain more fully why is it is appropriate to include in the calculation of the CDM adjustment for 2023 savings from CDM Programs which are to be implemented in 2024-2027.

g. If savings from CDM programs implemented after 2023 are to be incorporated in the load forecast please explain why the impact of future growth in customer/connection counts and volumes after 2023 should not also be reflected in the load forecast for 2023.

h. Please recalculate the 2023 CDM adjustment for each class only using the savings from programs implemented in 2021-2023.

i. At page 14, reference is made to using the 2019 Conservation Achievable Potential Study as a source for future CDM savings. Has the IESO formally included the savings estimates from this Study in its most recent load forecast as set out in its 2021 APO?

    i. If yes, please provide the appropriate references.

Response:

a. See Attachment 3-1 2021-2024 CDM Framework Program Plan.

b. On page 5, the first bullet states "Peak demand savings and energy savings are persisting savings in 2026."

c. These estimates took into account historic data, but weren't based exclusively on historic data. The actual historic data is attached as 3-VECC-30 Retrofit Historic Allocations. Although Large User allocation was more significant than assumed for the forecast, it was all in 2015, so it was reallocated to the other rate classes as reflective of more recent practice, while not eliminating Large User savings. GS<50 is the same, GS>50 is larger than Intermediate in both history and forecast, and both are larger than Large User.

d. MHDI's shares of provincial savings for each program except the Energy Affordability Program are based on MHDI's share of provincial customers, by class, from the 2020 OEB Yearbook for Electricity Distributors. The share of General Service >= 50 kW is used for both of the GS 50-999 kW and GS 1,000-4,999 kW classes. The relevant figures are provided in Table 3-6 below.

Table 3-6 Milton Hydro's Share of Provincial Savings

Customers	Province	Milton Hydro	
Residential	4,801,697	38,063	0.79%
General Service<50 kW	446,066	2,781	0.62%
General Service >=50 kW	54,040	374	0.69%
Large Users	123	3	2.44%

MHDI's share of the Energy Affordability Program is based on Milton's share of low income households based on the after tax Low-income measure (LIM-AT). As per the 2016 Census, 9,435 (0.50%) of Ontario's 1,898,975 low-income households are in Milton. Note that Statistics Canada 2021 Census data does not yet include this measure, and Milton-specific data is not provided in Statistics Canada's annual LIM-AT data (Statistics Canada Table: 11-10-0020-01).

e. Growth rates were calculated based on 2024-2027 savings within the Southwest region in the Achievable Potential Study Appendices. The figures and growth rates are provided in Table 3-7 below, which was calculated in tab '06aElec Potential by TX Zone' in the Appendices, with is attached as 3-VECC-30 Growth Rate Calculation Source File.

Table 3-7 Achievable Potential Southwest TX Region Savings Growth

	Southwest TX Region	
	GWh Savings	% Growth
2024	15,106	
2025	16,352	8.2%
2026	17,448	6.7%
2027	18,514	6.1%

f. A forecast based on only 2023 CDM would significantly underestimate the impact of CDM over the period until the next COS, and given there is not an LRAMVA or other adjustment mechanism, that would be an unreasonable burden on Milton Hydro.

g. Growth in customer counts and consumption/demand volumes cause incremental costs in addition to incremental revenues. The costs to serve incremental customers are not included in the test year revenue requirement. Reductions in variable revenue from CDM activities do not correspond with declining costs.

h. A 2023 CDM adjustment using only 2021-2023 programs is derived below.

Table 3-8 Adjusted 2021-2024 Framework (GWh)

2021-2024 Framework	2021		2022		2023	Total
	A	B = A /	C	D	E = D /	F = B + C +
Retrofit	354.	177.2	337.	217.	108.6	**623.6**
Small Business	40.2	20.1	28.5	14.3	7.2	**55.8**
Energy Performance	21.8	10.9	17.3	34.1	17.1	**45.3**
Energy Management	16.4	8.2	47.3	115.	57.6	**113.1**
Customer Solutions	0.0	0.0	0.0	325.	162.9	**162.9**
Local Initiatives	52.4	26.2	52.4	62.9	31.5	**110.1**
Energy Affordability Program	47.6	23.8	50.3	52.3	26.2	**100.3**
First Nations Program	10.3	5.2	7.3	7.3	3.7	**16.1**

Table 3-9 Allocation to Milton Hydro Rate Classes

	Residential	GS<50	GS 50-999	GS>=1000	Large
Retrofit		20 %	40 %	30 %	10 %
Small Business		100 %			
Energy Performance Program			70 %	20 %	10 %
Energy Management			70 %	20 %	10 %
Customer Solutions		20 %	40 %	30 %	10 %
Local Initiatives					
Energy Affordability Program	100 %				
First Nations Program					
Milton Hydro Share	0.50%	0.62%	0.69%	0.69%	2.44 %

Table 3-10 CDM Adjustment by Rate Class (kWh)

	Residential	GS<50	GS50-999	GS>=1000	Large	Total
Retrofit	-	777,505	1,726,186	1,294,639	1,520,854	5,319,184
Small Business	-	347,574	-	-	-	347,574
Energy Performance Program	-	-	219,216	62,633	110,366	392,215
Energy Management	-	-	547,920	156,548	275,854	980,322
Customer Solutions	-	203,058	450,821	338,116	397,195	1,389,189
Local Initiatives	-	-	-	-	-	-
Energy Affordability Program	501,250	-	-	-	-	501,250
First Nations Program	-	-	-	-	-	-
Total	**501,250**	**1,328,136**	**2,944,143**	**1,851,937**	**2,304,268**	**8,929,734**

i. The achievable potential study is mentioned as a source for potential savings on pages 12-13 of its Annual Planning Outlook, which is attached as Attachment 3-2 Annual Planning Outlook.

3-VECC-31

Reference: Exhibit 3, pages 37-39

a. With respect to USOA#4210 (Rent from Electric Property) it is noted that the percentage increases in revenues for 2023 over 2022 varies widely as between Cogeco, Rogers and Bell. Please explain why this is the case and how the 2023 revenues from each company were determined.

b. What is the basis for the increase in USOA#4390-Miscellaneous Revenues to $126,000 in 2022 and why is it just for the one year?

Response:

a. The increases in revenue in USOA# 4219 (Rent from Electric Property) corresponds to the pole attachment rates approved in the 2016 Board approved application. The joint use rate dropped from $44.50 to $33.76 between 2022 and 2023. The deficiency in revenue is captured in a regulatory deferral account. In the 2023 Test Year, the revenue offsets in MIlton Hydro's revenue requirement are updated to the new rate resulting in a reduction to 2023 revenues.

b. The increase in USOA# 4390 Miscellaneous Revenues of $126,000 corresponds to the revenues related to anticipated third party recoverable work.

EXHIBIT 4 - OPERATING EXPENSES INTERROGATORIES

OEB STAFF INTERROGATORIES

4-Staff-58

2022 Bridge Year Actual

Ref: Appendix 2-JC

Question(s):

a. Please update actual OM&A costs for 2022 bridge year in Appendix 2-JC format. Please specify how many months are actual vs. forecast.

Response:

Milton Hydro is anticipating achieving its 2022 OM&A Budget as planned in Appendix 2-JC, 5 months of actual months are included in the forecast. Please see 4-CCC-15 for details.

4-Staff-59

Inflation

Ref: Exhibit 4, page 9 of 166

Question(s):

a. Please explain Milton Hydro's current assessment of inflation and clarify if the recent volatility in inflation has any impact on Milton Hydro's proposed capital expenditures and OM&A for the 2023 test year.

Response:

a. Milton Hydro continues to experience increasing pressure on managing its capital and operating expenditures in a volatile inflationary environment. Milton Hydro is insulated from inflation on a number of operating expenditures such as wages and salaries (collective agreement negotiated until end of 2023), property taxes, prepaid contracted

services (i.e. software license agreements, audit fees) that are multi-year agreements, membership and subscriptions (i.e. industry, accreditations), and other employer controlled programs (i.e. training).

A material risk to Milton Hydro relates to delivering its operating and capital programs with respect to direct materials used in capital and operating programs, costs to manage and utilize its fleet, and third party service providers.

Milton Hydro used an inflation rate of 1.5% on these budgeted line items to form the 2023 Test Year operating expenditures. At June 2022, Milton Hydro has noted an inflation rate of 7.7%. Based on these assumptions, the implied risk ceiling for third party service providers would amount to $0.14MM based on total 2023 Test Year expenditures of $2.27MM. For Fleet expenditures, Milton Hydro used the assumption that the price of fuel per litre was 25% lower than anticipated resulting in an increase of $37,000. Direct material expenditures have increased significantly price increases ranging from 5.4% for meters to 39.5% for 1500 KVA Meters (see Table 3-11). Table 4-1 demonstrates the current 2022 price per part relative to 2021 prices.

Table 4-1 Price Per Part Comparisons

	Expected Quantity (2022) *	Price per unit (2020)	Price per unit (2021)	Price per unit (2022)	Change in Price (2022 vs. 2021)	Estimated impact on Materials ($)**
Poles 40 foot	33	$409.63	$417.82	$489.99	17.3%	$2,382
Poles 60 foot	4	$2,309.25	$2,355.44	$2,866.29	21.7%	$2,043
25 KVA Transformer	19	$1,833.63	$1,999.00	$2,199.00	10.0%	$3,800
1500 KVA Transformer	3	$40,800.00	$42,244.13	$58,950.00	39.5%	$50,118
2000 KVA Transformer	1	$50,750.00	$69,950.00	$91,145.00	30.3%	$21,195
3 Phase Aerial Meter	39	$785.90	$865.66	$950.54	9.8%	$3,310
3 Phase Wireless Meter	189	$239.00	$239.00	$252.00	5.4%	$2,457
Switchgear	4	$4.54	$5.90	$8.41	42.5%	$10
O/H Wire	23441	$4.54	$5.90	$8.41	42.5%	$58,837
U/G Wire	8153	$11.02	$11.80	$19.50	65.3%	$62,778
Total						**$206,930**

***Quantities expected in 2022 assumes volumes consistent to 2021**

****Estimated impact on materials measures the the expected increase in materials costs for 2022 relative to 2021**

Milton Hydro is requesting approval of the rates and charges set forth in the Application and does not intend to include any impact of inflation on its application.

4-Staff-60

Wages, Salaries, Progressions and Benefits

Ref: Exhibit 4, page 16 of 166

Preamble:

Wages, salaries, progressions and benefit is the largest contributor of the cost drivers in OM&A increase from 2016 OEB-approved level to the 2023 proposed budget ($3,447,418).

Question(s):

a. Please explain whether the proposed budget for the six system operators and one supervisor for the new control room was included in the wages, salaries, progressions and benefits increase.

b. Please provide a breakdown to show how much of the increase is driven by increase in FTEs and how much is driven by increase in compensation.

Response:

a. No. These costs are included in the 'Control Room Services' line of Table 4-5 on pg. 16.

b. The increase driven by increases in FTEs is $1,664,521 which includes 19 new positions and three positions eliminated as outlined in Exhibit 4, Section 4.4.3.3. The increase in compensation is $1,782,897.

4-Staff-61

Regulatory Cost

Ref: Exhibit 4, page 78 of 166

Preamble:

Milton Hydro budgeted an on-time cost of $766,415 for the preparation of the 2023 cost of service application, and $158,000 for the OEB annual assessment.

Question(s):

a. Please explain the assumptions used for the $766,416 one-time regulatory cost for the 2023 cost of service proceeding (e.g., how many intervenors, written or oral hearing).

b. Please explain the basis for the OEB annual assessment proposed for the 2023 test year.

Response:

a. Within the one-time regulatory cost of $766,415 to prepare its 2023 cost of service rate application Milton Hydro assumed $180,000 for cost awards for 5 intervenors including $15,000 in OEB fees. Since there are only three intervenors who requested cost awards, Milton Hydro reduces its one-time regulatory cost by $66,000 and reduces the 2023 Test Year OM&A costs by $13,200, and updates RRWF and other models as per 1-Staff-001.

b. Milton Hydro based its 2023 Test Year OEB annual assessment on the 2021 OEB annual assessment plus an inflation adjustment for a total of $158,000. Given that the OEB subsequently changed the methodology it uses to allocate costs to regulated entities, Milton Hydro now expects the 2023 Test Year OEB annual assessment to be $198,000 based on the 2022 OEB annual assessment plus an inflation adjustment. Milton Hydro increases the 2023 Test Year OM&A costs by $40,000, and updates the RRWF and other models as per 1-Staff-001.

4-Staff-62

Summary of FTE Changes

Ref: Exhibit 4, page 109 of 166

Question(s):

a. Please provide a breakdown of FTEs from 2016 approved to 2023 test year by department (e.g., Engineering, Billing, Customer Service, Finance, IT, etc.) and job title.

Response:

a. Table 4-2 provides the breakdown from 2016 Board approved to 2023 Test Year:

Table 4-2 2016 Board Approved to 2023 Test Year

FTE's by Department	Department	2016 Board Approved	2023 Test Year	Change
Executive Assistant	CEO Office	1.00	1.00	—
President and Chief Executive Officer	CEO Office	1.00	1.00	—
Communications Coordinator	CEO Office	1.00	1.00	—
Process Improvement Officer	CEO Office	—	1.00	1.00
Vice President, Customer Experience	CEO Office	—	1.00	1.00
Vice President, Corporate Services	CEO Office	—	1.00	1.00
Vice President and Chief Financial Officer	CFO Office	1.00	1.00	—
Control Room Operator	Control Room Operations	—	1.00	1.00
Control Room Operator	Control Room Operations	—	1.00	1.00
Control Room Operator	Control Room Operations	—	1.00	1.00
Control Room Operator	Control Room Operations	—	1.00	1.00
Control Room Operator	Control Room Operations	—	1.00	1.00
Control Room Operator	Control Room Operations	—	1.00	1.00
Payrolll Specialist	Corporate Finance	—	1.00	1.00
Financial Analyst	Corporate Finance	1.00	1.00	—
Controller	Corporate Finance	1.00	1.00	—
Senior Clerk	Corporate Finance	1.00	1.00	—
Senior Clerk	Corporate Finance	1.00	1.00	—
Senior Clerk	Corporate Finance	1.00	1.00	—
Student - Corporate Finance	Corporate Finance	0.51	0.34	(0.17)
Student - Corporate Finance	Corporate Finance	0.51	0.34	(0.17)
Client Support Analyst	Corporate Finance	—	1.00	1.00
Finance CDM Specialist	Corporate Finance	1.00	—	(1.00)
Billing Supervisor	Customer Service - Billing	1.00	1.00	—
Senior Clerk	Customer Service - Billing	1.00	1.00	—
Senior Clerk	Customer Service - Billing	1.00	1.00	—
Senior Clerk	Customer Service - Billing	1.00	1.00	—
Student - Customer Service - Billing	Customer Service - Billing	0.51	0.34	(0.17)
Customer Service Supervisor	Customer Service - Call Centre Operations	1.00	1.00	—
Senior Clerk	Customer Service - Call Centre Operations	1.00	1.00	—
Senior Clerk	Customer Service - Call Centre Operations	1.00	1.00	—

FTE's by Department	Department	2016 Board Approved	2023 Test Year	Change
Senior Clerk	Customer Service - Call Centre Operations	1.00	1.00	—
Senior Clerk	Customer Service - Call Centre Operations	1.00	1.00	—
Senior Clerk	Customer Service - Call Centre Operations	1.00	1.00	—
Senior Clerk	Customer Service - Call Centre Operations	1.00	1.00	—
Student - Customer Service - Call Centre Operations	Customer Service - Call Centre Operations	0.51	0.34	(0.17)
Senior Clerk	Customer Service - Call Centre Operations	1.00	—	(1.00)
IT Settlement Specialist	Customer Service - Settlements	1.00	1.00	—
AMI Operator	Customer Service - Settlements	1.00	1.00	—
Manager, People & Culture	Human Resources	—	1.00	1.00
Manager, Health and Safety	Human Resources	—	1.00	1.00
IT System Analyst	Information Technology	1.00	1.00	—
IT Network Administrator	Information Technology	1.00	1.00	—
IT Supervisor	Information Technology	1.00	1.00	—
IT Infrastructure & Security Specialist	Information Technology	—	1.00	1.00
Director, Information Technology & Client Services	Information Technology	—	1.00	1.00
VP, Distribution Services	Network Operations - Executive	—	1.00	1.00
Director, Operations	Network Operations - Executive	1.00	—	(1.00)
Manager, Operations	Network Operations - Lines	1.00	1.00	—
Lead Hand	Network Operations - Lines	1.00	1.00	—
Linesperson	Network Operations - Lines	1.00	1.00	—
Linesperson	Network Operations - Lines	1.00	1.00	—
Linesperson	Network Operations - Lines	1.00	1.00	—
Linesperson	Network Operations - Lines	1.00	1.00	—
Lead Hand	Network Operations - Lines	1.00	1.00	—
Lead Hand	Network Operations - Lines	1.00	1.00	—
Linesperson	Network Operations - Lines	1.00	1.00	—
Operations Supervisor	Network Operations - Lines	1.00	1.00	—
Student - Network Operations - Lines	Network Operations - Lines	0.51	0.34	(0.17)
Student - Network Operations - Lines	Network Operations - Lines	0.51	0.34	(0.17)
Linesperson	Network Operations - Lines	1.00	1.00	—
Linesperson	Network Operations - Lines	1.00	1.00	—
Linesperson - Apprentice	Network Operations - Lines	1.00	1.00	—
Metering and Protection & Control Supervisor	Network Operations - Metering	1.00	1.00	—
Senior Meter Tech	Network Operations - Metering	1.00	1.00	—
Meter Technician	Network Operations - Metering	1.00	1.00	—
Meter Technician	Network Operations - Metering	1.00	1.00	—
Capital Projects Manager	Network Services - Engineering	1.00	1.00	—

FTE's by Department	Department	2016 Board Approved	2023 Test Year	Change
Distribution Engineer	Network Services - Engineering	1.00	1.00	—
Senior Clerk	Network Services - Engineering	1.00	1.00	—
Senior Engineer Tech	Network Services - Engineering	1.00	1.00	—
Engineering Technologist	Network Services - Engineering	1.00	1.00	—
Engineering Tech	Network Services - Engineering	1.00	1.00	—
Engineering Tech	Network Services - Engineering	1.00	1.00	—
Student - Network Services - Engineering	Network Services - Engineering	0.51	0.34	(0.17)
Engineering Tech	Network Services - Engineering	—	1.00	1.00
Director, Engineering	Network Services - Engineering	1.00	—	(1.00)
Manager, System Planning, Reliability and FIT	Network Services - System Planning, Reliability and FIT	1.00	1.00	—
SCADA/OMS Technician	Network Services - System Planning, Reliability and FIT	0.40	1.00	0.60
Director, Regulatory Affairs	Regulatory Affairs	1.00	1.00	—
Regulatory Analyst	Regulatory Affairs	—	1.00	1.00
Procurement Specialist	Supply Chain Services	—	1.00	1.00
Storeskeeper	Supply Chain Services	1.00	1.00	—
Student - Supply Chain Services	Supply Chain Services	0.51	0.34	(0.17)
General Labourer	Supply Chain Services	1.00	1.00	—
General Labourer	Supply Chain Services	—	1.00	1.00
Manager, Supply Chain Management	Supply Chain Services	—	1.00	1.00
Total		**61.5**	**77.7**	**16.2**

4-Staff-63

New and Eliminated Roles

Ref: Exhibit 4, page 110 of 166

Question(s):

a. How many of these 10 added roles budgeted for 2022 bridge year have been filled so far? Please provide the date that each position was filled.

b. Please explain Milton Hydro's internal process of approving new positions.

Response:

a. Of the 10 positions, 6 have been filled so far. Please see Table 4-3 below:

Table 4-3 New Roles Filled

NEW ROLES	2022	Position Filled	Date Hired (MM-DD-YYYY)
EXECUTIVE			
VP Customer Experience	1	No	
VP Corporate Services	1	No	
VP Distribution Services	1	Yes	1/4/2022
MANAGEMENT			
Director IT & Client Services	1	Yes	2/28/2022
Manager SCM	1	Yes	4/4/2022
Manager Health & Safety	1	Yes	7/18/2022
NON-UNION/PROFESSIONAL			
Regulatory Analyst	1	Yes	3/14/2022
Client Services Financial Analyst	1	Yes	1/18/2022
IT Security & Infrastructure Specialist	1	No	
TRADES & TECHNICAL			
Engineering Technologist	1	Yes	4/12/2022

b. The internal process for approving new positions is aligned with the annual financial planning and budget process. Each business unit owner receives a prepopulated headcount planning template that includes positions that were approved in the prior years financial plan. Positions are reviewed each year to determine whether the positions are still required. The business unit owners recommend changes to their senior leader combined with business rationale as to why the change is needed. Secondary approval is received from the Executive Management Team and if approved, the recommendations are brought forward through the Audit Committee and Board of Directors for formal approval.

4-Staff-64

Process Improvement Officer

Ref: Exhibit 4, page 115 of 166

Question(s):

a. Is Milton Hydro aware of any peer distributors who have a dedicated position for Process Improvement?

b. Is this a permanent position?

Response:

a. Milton Hydro is not aware of any other LDC that employs a dedicated Process Improvement function and/or role.

b. This is a permanent position.

4-Staff-65

Compensation Benchmarking

Ref: Exhibit 4, page 123 of 166

Question(s):

a. Has Milton Hydro done any compensation benchmarking study for its management positions? If so, please provide a copy.

Response:

Please see response to 4-CCC-18.

4-Staff-66

Management & Non-Union Professional Salary Band Increase

Ref: Exhibit 4, page 127 of 166

Question(s):

a. Please expand Table 4-59 to provide the forecast increase for 2022 and 2023.

Response:

a. Table 4-4 provides years 2022 and 2023.

Table 4-4 Non-Union Professional Salary Band Increases Including 2022/2023

Year	Non Union
2016	3.00 %
2017	2.80 %
2018	2.60 %
2019	2.60 %
2020	2.50 %
2021	2.40 %
2022	2.00 %
2023	2.10 %

4-Staff-67

Affiliated Companies

Ref: Exhibit 4, page 131 of 166

Question(s):

a. Does any of the two affiliated companies have its delegated staff? If so, please specify the number of employees for each affiliate company.

b. Please clarify if employees of these affiliated companies work at 200 Chisholm Drive.

c. Please clarify if the affiliated companies provide any services to Milton Hydro. If so, please explain the service(s) provided and provide associated historical (2016-2021) and forecast (2022-2023) costs.

Response:

a. Neither of Milton Hydro's two affiliated companies have any dedicated staff working at 200 Chisholm Drive.

b. See part a.

c. Milton Hydro Holdings, as the parent organization, provides Strategic planning, Management oversight support, and Board governance to Milton Hydro.

Table 4-5 below contains historical and forecast costs.

Table 4-5 Affiliated Companies Historical and Forecasted Services

	2016	2017	2018	2019	2020	2021	2022	2023
Holdings Management Fee	21,480	22,833	20,434	112,224	97,280	81,554	118,796	120,658

4-Staff-68

PILs

Ref: Exhibit 4, page 153 of 166

Question(s):

a. Please explain the difference on PILs shown in Table 4-75 ($502,825) and in RRWF ($684,115).

Response:

a. The PILs shown in Table 4-75 of $502,825 is the amount of income taxes (not grossed up), consistent with the PILs Model on Tab T0 PILs Tax Provision Test, cell J25. The PILs shown in the RRWF of $684,115 is the amount of income taxes (grossed up), consistent with the PILs Model on Tab T0 PILs Tax Provision Test, cell J30.

4-Staff-69

Control Room

Ref: Exhibit 4, Attachment 4-1, Business Case: 24/7 System Control Room, page 2 of 18

Preamble:

Milton Hydro plans to construct a control room within its facilities in 2022, along with the hiring and training of two control room operators. Late in 2022, four additional operators will be recruited to start in January 2023.

Question(s):

a. Has Milton Hydro gone through an RFP process and selected a vendor for the construction? If so, who is the selected vendor?

b. What's the estimated cost provided by the selected vendor for the construction?

c. Has Milton Hydro started the construction of the control room? If so, how much has been spent so far? When will the construction be completed?

d. How many of the six operators were hired so far?

e. Why does Milton Hydro plan to hire two control room operators first and four additional operators later?

f. Is the supervisor a new position planned for the control room? Is this position reflected in Table 4-49?

Response:

a. To date (July 6, 2022), Project Management, Interior Design and Mechanical & Electrical Engineering Services have been awarded. Separate RFP's are issued for the Construction and Furniture scope of supply (exclusive of one another).

b. The vendor is not yet selected. The RFP was issued on July 15th, Milton Hydro expects to evaluate and award the work to a vendor thereafter and issue the Purchase Order by end of July 2022.

c. Committed costs to date (July 6, 2022) equal $53,250. Occupancy is expected in the 4th quarter of 2022.

d. None. 2 operators are planned to be hired by Q4 2022 and the remaining 4 by January 2023.

e. First 2 operators will be early-hired to assist with setting up the control room and policies and procedures, in parallel with control room services still outsourced to BHDI. Once the control room is fully setup and operational, and contract ends with BHDI, new operators will be on-boarded to support 24/7 shift work.

f. The Supervisor position is not a planned position for the control room at this time. The Supervisor position is not reflected in Table 4-49. Milton Hydro 2.0 plans to introduce Lean Six Sigma process flows to deliver efficient process within the Control Room Operations leading to cost savings relative to the Business Case. Therefore, the supervision of the Control Room will be initially carried out by the existing Manager, System Planning and Reliability.

4-Staff-70

Control Room

Ref: Exhibit 4, Attachment 4-1, Business Case: 24/7 System Control Room, page 3 of 18

Preamble:

Since 2017, Milton Hydro entered into agreement with Burlington Hydro to provide control room functions. Burlington Hydro has provided control room services during regular business hours and ad hoc support after hours depending on operator availability.

Question(s):

a. Please explain if Milton Hydro has experienced any problems with its practice of outsourcing control room functions from Burlington Hydro since 2017. If so, please describe the issue(s) and explain Milton Hydro's actions of addressing these issues and associated costs, if any.

b. Has Milton Hydro ceased its agreement with Burlington Hydro to outsourcing its control room service? If so, please specify when.

c. What's Milton Hydro's current approach of dealing with control room functions before new facilities are constructed? Where is the temporary location to house control room equipment?

Response:

a. One of the main limitations of the outsourcing arrangements with Burlington Hydro Distribution Inc. (BHDI) is that Milton Hydro does not receive the required level of support during off hours. While BHDI provides dedicated personnel to Milton Hydro during business hours on week days, it cannot provide the required level of support during off hours. Due to the size, complexity, and age of Milton Hydro's electrical system along the continued growth of the Town of Milton, Milton Hydro requires frequent assistance during off hours as much as business hours especially during extreme weather events (which happen more frequently nowadays) and emergency situations with the emergency services in attendance. During these times, power lines have to be made safe for emergency personnel to perform their work. With the ad hoc level of service during off hours that Milton Hydro currently receives, the required level of service is simply not possible. As a temporary solution, Milton Hydro relies on its existing engineering and operations resources to deal with outage restoration efforts. However, this solution is not feasible in the long term as it may cause delays in restoration efforts due to staff availability and lack of real time knowledge of system configuration. The lack of 24/7 staff also results in challenges in timely entry of information into the OMS to inform the public of an outage and estimated restoration time which reduces Milton Hydro's ability to implement its customer centric strategy of Milton Hydro 2.0. As a result, supported by a third party cost benefit analysis, Milton Hydro requires an in-house control room staffed 24/7 to ensure it provides the highest level of operational and customer support.

b. Milton Hydro is continuing with the outsourcing contract with BHDI until the end of December 2022.

c. Milton Hydro's current approach is to remain outsourced to BHDI until its Control Room is built and ready for service by the 4th quarter 2022. There is no temporary location to house control room equipment. A makeshift war room is established in a meeting room

for large outages/storms with laptops, paper maps, resourced with existing engineering/ operations resources, diverting them from their base duties.

4-Staff-71

Control Room

Ref: Exhibit 4, Attachment 4-1, Business Case: 24/7 System Control Room, page 4 of 18

Preamble:

Milton Hydro reviewed its peers, distributors with more than 30,000 customers, and whether they have an in-house system control room.

Question(s):

a. Please explain which ones are 24/7 control room, and which ones are not.

b. Is Milton Hydro aware of how many operators are required for each utility?

c. Please add information for Burlington Hydro and Oakville Hydro to the table.

Response:

The information requested for parts a, b and c of question is provided in Table 4-6 below.

Table 4-6 Other Distributor Control Room Information

Distributor	2020 Customer Count	In-house Control Room Y/N	Operating hours	Control room operating hours and total staff including supervisors as applicable
Essex Powerlines Corporation	30,661	N/A	N/A	N/A
Sault Ste. Marie PUC Distribution Inc.	33,751	Yes	7-4 Monday to Friday, On-call service evenings and weekends	1 Operator weekday business hours and one supervisor who can fill in

Bluewater Power Distribution Corporation	36,916	Yes	7-4 Monday to Friday, On-call service evenings and weekends	2 full time Operators with an on-call Operator plus supervisor
Brantford Power Inc.	40,662	N/A	N/A	N/A
Newmarket-Tay Power Distribution Ltd.	44,187	Yes	7-4 Monday to Friday, On-call service evenings and weekends	2 trained operators & 1 apprentice with another staff who is a trained operator and can fill in
Greater Sudbury Hydro Inc.	47,865	Yes	24/7 Monday to Friday On-call service weekends	4 operators on 24 hours during week days. On-call operator on weekends. Supervisor also a trained operator
Synergy North Corporation	56,887	Yes	24/7	1 Supervisor & 7 operators
Niagara Peninsula Energy Inc.	56,973	No	N/A	N/A
Waterloo North Hydro Inc.	58,438	Yes	24/7	24/7: 1 Supervisor 8 operators including a rotation for operations planning
Oshawa PUC Networks Inc.	59,486	Yes	24/7	24/7: 1 Supervisor and at least 5 operators, probably 6
Entegrus Powerlines Inc.	60,587	Yes	7-3:30 Monday to Friday, On-call service evenings and weekends	2 operators on weekday business hours and one on call for after hours
Energy+ Inc.	67,303	Yes	24/7	1 Supervisor, 5 Journeyperson SCOs, 3 Apprentice SCOs
Burlington Hydro Inc.	68,568	Yes	24/7	1 Supervisor, 3 senior operators, 2 journeymen operators, 1 third year apprentice, 2 first year apprentices
Oakville Hydro Electricity Distribution Inc.	74,001	Yes	24/7	1 manager, 1 supervisor, 1 Planner and 8 operators; contract for services Halton Hills Hydro and Welland Hydro.

4-Staff-72

Control Room

Ref: Exhibit 4, Attachment 4-1, Business Case: 24/7 System Control Room, page 13 of 18

Question(s):

a. Please explain the difference between the annual operating costs shown in Table 3 ($1,586,275) and the budget proposed for the control room service program ($1,155,897) for the 2023 test year.

Response:

Table 3 of the Control Room Business Case was derived from the AESI Report - Control Room Exhibit 4 Attachment 4-2. The differences between Table 3 Control Room Business Case Table ($1,586,275) and the proposed 2023 Test Year budget ($1,155,897) correspond to the following:

- the fully burdened cost of a Supervisor, Control Room was not included in the 2023 Test Year expenditures ($181,000);
- differences in the benefit burden assumptions between the AESI report and Milton Hydro's fringe and statutory benefits ($165,000); and
- lower non labour expenditures for subscriptions and memberships, software license and maintenance costs, and other miscellaneous expenditures to support operations ($84,000).

Milton Hydro 2.0 plans to introduce Lean Six Sigma process flows to deliver efficient process within Control Room Operations leading to cost savings relative to the Business Case. Therefore, the supervision of the Control Room will be initially carried out by the existing Manager, System Planning and Reliability.

4-Staff-73

Control Room

Ref: Exhibit 4, Attachment 4-1, Business Case: 24/7 System Control Room, page 14 of 18

Preamble:

To properly assess the outsourcing alternative, Milton Hydro issued an RFP for an updated SLA based upon the drivers identified in the Investment Needs and the requirement for 24/7 coverage. The RFP was issued to three utilities: Burlington Hydro, Oakville Hydro and Oshawa Hydro.

Question(s):

a. Please describe responses to the RFP from the three utilities - Burlington, Oakville, and Oshawa and explain Milton Hydro's evaluation of these responses (e.g., scores for each response).

b. Please explain why these responses did not satisfy Milton Hydro's investment needs and requirements identified in the updated SLA.

Response:

a. Milton Hydro received proposals from Oakville Hydro and Enerforge[21] in response to its RFP for control room services. Burlington Hydro chose not to participate on the basis that it could not deliver the full scope of the services required.

   To evaluate the RFP responses, Milton Hydro developed a weighted evaluation matrix that consists of the following criteria and weightings:

   - Bid Price (fixed) @15%
   - Dedicated Operators for MHDI @ 20%
   - Set-up Costs @ 5%

[21] Enerforge is an affiliate of Oshawa Power.

• Additional Staffing Fees	@ 5%
• Conformance to MHDI KPI and Metrics	@ 35%
• Conformance to After-hours Performance Metrics	@ 10%
• Experience delivering services in-house	@ 5%
• Experience delivering services externally	@ 5%
Total	**100%**

A pass criterion was established to be a minimum of 80% compliance with the above criteria.

Oakville Hydro did not score 80%, primarily due to inability to (i) commit to Milton Hydro's KPI metrics and (ii) provide dedicated operators to Milton Hydro service territory. Similarly, Oshawa Power was disqualified as it did not reach the passing score. Oshawa Power intends to share resources and will not offer dedicated operators as requested by MHDI. Also, Oshawa Power does not provide similar service to any other LDC, and does not have the required experience.

Based upon the aforementioned responses neither Oakville Hydro nor Enerforge achieved the minimum 80% compliance for the overall evaluation.

b. See response to part (a) above.

4-Staff-74

Control Room

Ref: Exhibit 4, Attachment 4-2, AESI Report, pages 6-7 of 41

Preamble:

AESI described utility's utilization of the SCADA system and a control room for small, medium and large utilities.

Question(s):

a. In accordance with AESI's classification, a 24/7 control room is required for a large utility, but not a medium one. Please discuss how Milton Hydro justifies its needs for a 24/7 in-house control room given its current customers of approximately 42,000.

Response:

AESI's classification are typical sizes, not absolute. Other similar sized LDC's with control rooms listed by AESI are Oakville and Oshawa Hydro. Other examples are Markham, Richmond Hill and Vaughan Hydro which are now Alectra, all had fully staffed control rooms in the 1990s.

The AESI report mentions that there is no set formula to determine when an LDC goes onto SCADA support, or control room staffed during business hours or from there to 24/7 staffed coverage. AESI went on to say that based on its experience, as the distribution system managed by the utility increased in size, complexity, and age that the electrical system managed by the utility increases, particularly in an area with a large population growth and ongoing construction and expansion. This description is in line with the experience of Milton Hydro and AESI mentions that a 24/7 control room increasingly improves the efficiency and accuracy of its response and provides benefits to its customers in terms of quicker resolution of outages and response to emergency calls.

Based on a comparison of the size, complexity, and age of MHD's electrical system to similar utilities in Ontario (e.g., Burlington Hydro, Oshawa Power, and Oakville Hydro), AESI is of the opinion that MHD is at the stage where a 24/7 control room will provide significant benefits to Milton Hydro customers. AESI notes that Milton Hydro operates a distribution system that has the same or greater size and complexity as those of the above utilities had when they implemented a 24/7 control room.

4-Staff-75

Resource Plan

Ref: Exhibit 4, Attachment 4-3, Resource Optimization Review Report, pages 2 and 53

Question(s):

a. Please explain why the report did not include a validation through an internal audit process.

b. Please explain why this review did not include executive level.

c. Please explain the difference between the 51 FTEs reported in the 2020 yearbook and the 55.3 FTEs presented in Appendix 2-K.

Response:

a. When Milton Hydro met to discuss the engagement with the consultant, it was agreed that the project would be conducted through a staff interview process. Milton Hydro's position was that if the results of the interviews with senior staff and others did not provide the consultant sufficient insight and the ability to develop a Report, an audit (e.g. more detailed review) could be undertaken to validate information received. Upon completing the interview process, the consultant and Milton Hydro agreed that considering the fulsome and candid feedback and information provided, the consultant had sufficient detail and information to complete the Report.

b. The review was structured based on the results and feedback of an extensive interview process with senior staff and others with specific & expert knowledge. The focus of the review was on staffing and resourcing in operational areas. Decisions related to executive level positions were made by the CEO .

c. Milton Hydro has changed how FTE's are tracked between the OEB yearbook and Appendix 2-K. The changes Milton Hydro has made to the reporting of Appendix 2-K are as follows:

    i. Students are not included in the reporting of the 2020 Yearbook (1.9 FTE);

    ii. Contractors who backfilled vacant roles were not included in the 2020 Yearbook (1.6 FTE); and

    iii. Succession planning and overlap for both the Chief Executive Officer and Director, Regulatory Affairs (0.75 FTE).

4-Staff-76

Lost Revenue Adjustment Mechanism

Ref: LRAMVA Workform, Tab 5

Preamble:

OEB staff has identified what are believed to be several minor errors in the 2023 LRAMVA Workform related to Milton Hydro's modification of the form to cover the 2021 and 2022 years. The errors identified are as follows:

- Cell AM1335: Does not include the amount of $682.99 in cell AM1334
- Cell AM1361: Does not include the amount of $702.02 in cell AM1360
- Cell D1346 and Cell O1346: Table 5-h should only include columns for the years 2022 onwards, and all savings values in the "Actual CDM Savings in 2022" should be zero.

Question(s):

a. Please update and file a revised version of the LRAMVA Workform as necessary, or provide a response if Milton Hydro believes any of the errors identified by OEB staff are incorrect.

Response:

The workform has been updated to address these errors. Actual results claimed come from Y1324:AF1324 and Y1354:Y1360 which were not affected by those changes.

Since the LRAMVA workform was filed, the OEB has published interest rates for Q2 and Q3 2022. Milton Hydro files the updated LRAMVA workform which incorporates these more recent values. There is a small impact to USoA Account 1568. Milton Hydro updates the balance of the account in the DVA continuity model, and bill impact model as per 1-Staff-001.

4-Staff-77

Taxes/PILS

Ref: Exhibit 4, page 153

Preamble:

Milton Hydro indicated the impact of a Tax/PILS audit for the tax years 2015 & 2016 was due to timing differences resulting from improper asset classification.

Question(s):

a. Please explain how these issues impact the UCC and CCA in the test year.

b. Please quantify the impact to the test year PILs, if any.

Response:

a. There is no impact to the test year. Since the PILS audit identified improper asset classification, UCC and CCA balances were updated to reflect the PILS audit findings. As a result, the opening balances for 2020 tax year and forward have been corrected.

b. No impact to Test year, as UCC and CCA balances have been trued up.

4-Staff-78

CCA Calculation

Ref: Exhibit 4, page 156

Preamble:

Milton Hydro provided table 4-78 for the accelerated CCA smoothing adjustment of $773,420.

Question(s):

a. Please provide the schedule 8 CCA calculation for the "Accelerated CCA – no phase out" of $3,149,998.

b. Please provide the schedule 8 CCA calculations for "Accelerated CCA – phased out 2024 to 2027".

Response:

a. The "Accelerated CCA - no phase out" scenario uses the 2023 CCA for each year of the rebasing period (2023 to 2027). See Table 4-7.

Table 4-7 2023 CCA

2023

CCA Class	CCA Rate	Beginning UCC	Cost of acquisitions in that are (AIIP)	Net capital cost of additions of AIIP	AIIP adjustment	Adjusted UCC for CCA Purposes	CCA Claimed	Ending UCC
Class 1	4 %	16,950,578	—	—	—	16,950,578	678,023	16,272,555
Class 1b	6 %	7,429,856	519,000	519,000	259,500	8,208,356	492,501	7,456,355
Class 8	20 %	1,840,582	472,393	472,393	236,196	2,549,172	509,834	1,803,141
Class 10	30 %	701,370	451,000	451,000	225,500	1,377,870	413,361	739,009
Class 12	100 %	—	551,440	551,440	—	551,440	551,440	—
Class 45	45 %	13	—	—	—	13	6	7
Class 47	8 %	50,745,198	7,056,256	7,056,256	3,528,128	61,329,582	4,906,367	52,895,088
Class 50	55 %	39,011	94,500	94,500	47,250	180,761	99,418	34,092
Class 95	— %	4,918,925	721,593	721,593	360,797	6,001,315	—	5,640,518
Class 14.1	5 %	1,543,134	—	—	—	Calculate Manually	77,157	1,465,977
Total		**84,168,667**	**9,866,182**	**9,866,182**	**4,657,371**	**97,149,087**	**7,728,107**	**86,306,742**

b. Tables 4-8 to 4-11 below provide the schedule 8 CCA calculations for "Accelerated CCA – phased out 2024 to 2027.

Table 4-8 2024 CCA

2024

CCA Class	CCA Rate	Beginning UCC	Cost of acquisitions in that are (AIIP)	Net capital cost of additions of AIIP	AIIP adjustment	Adjusted UCC for CCA Purposes	CCA Claimed	Ending UCC
Class 1	4 %	16,272,555	—	—	—	16,272,555	650,902	15,621,652
Class 1b	6 %	7,456,355	460,000	460,000	—	7,916,355	474,981	7,441,374
Class 8	20 %	1,803,141	587,117	587,117	—	2,390,258	478,052	1,912,206
Class 10	30 %	739,009	706,000	706,000	—	1,445,009	433,503	1,011,506
Class 12	100 %	—	1,416,260	1,416,260	—	1,416,260	1,416,260	—
Class 45	45 %	7	—	—	—	7	3	4
Class 47	8 %	52,895,088	6,698,390	6,698,390	—	59,593,478	4,767,478	54,825,999
Class 50	55 %	34,092	94,500	94,500	—	128,592	70,726	57,867
Class 95	— %	5,640,518	(991,408)	—	—	4,649,110	—	4,649,110
Class 14.1	5 %	1,465,977	—	—	—	Calculate Manually	73,299	1,392,678
Total		**86,306,742**	**8,970,859**	**9,962,267**	**—**	**93,811,624**	**8,365,204**	**86,912,396**

Table 4-9 2025 CCA

2025

CCA Class	CCA Rate	Beginning UCC	Cost of acquisitions in that are (AIIP)	Net capital cost of additions of AIIP	AIIP adjustment	Adjusted UCC for CCA Purposes	CCA Claimed	Ending UCC
Class 1	4 %	15,621,652	—	—	—	15,621,652	624,866	14,996,786
Class 1b	6 %	7,441,374	460,000	460,000	—	7,901,374	474,082	7,427,291
Class 8	20 %	1,912,206	559,117	559,117	—	2,471,323	494,265	1,977,058
Class 10	30 %	1,011,506	654,000	654,000	—	1,665,506	499,652	1,165,854
Class 12	100 %	—	336,000	336,000	—	336,000	336,000	—
Class 45	45 %	4	—	—	—	4	2	2
Class 47	8 %	54,825,999	6,054,331	6,054,331	—	60,880,331	4,870,426	56,009,904
Class 50	55 %	57,867	94,500	94,500	—	152,367	83,802	68,565
Class 95	— %	4,649,110	—	—	—	4,649,110	—	4,649,110
Class 14.1	5 %	1,392,678	—	—	—	Calculate Manually	69,634	1,323,044
Total		**86,912,396**	**8,157,948**	**8,157,948**	**—**	**93,677,667**	**7,452,729**	**87,617,614**

Table 4-10 2026 CCA

2026

CCA Class	CCA Rate	Beginning UCC	Cost of acquisitions in that are (AIIP)	Net capital cost of additions of AIIP	AIIP adjustment	Adjusted UCC for CCA Purposes	CCA Claimed	Ending UCC
Class 1	4 %	14,996,786	—	—	—	14,996,786	599,871	14,396,915
Class 1b	6 %	7,427,291	460,000	460,000	—	7,887,291	473,237	7,414,054
Class 8	20 %	1,977,058	531,557	531,557	—	2,508,615	501,723	2,006,892
Class 10	30 %	1,165,854	135,000	135,000	—	1,300,854	390,256	910,598
Class 12	100 %	—	336,000	336,000	—	336,000	336,000	—
Class 45	45 %	2	—	—	—	2	1	1
Class 47	8 %	56,009,904	7,654,747	7,654,747	—	63,664,651	5,093,172	58,571,479
Class 50	55 %	68,565	94,500	94,500	—	163,065	89,686	73,379
Class 95	— %	4,649,110	—	—	—	4,649,110	—	4,649,110
Class 14.1	5 %	1,323,044	—	—	—	Calculate Manually	66,152	1,256,892
Total		**87,617,614**	**9,211,804**	**9,211,804**	**—**	**95,506,374**	**7,550,098**	**89,279,320**

Table 4-11 2027 CCA

2027

CCA Class	CCA Rate	Beginning UCC	Cost of acquisitions in that are (AIIP)	Net capital cost of additions of AIIP	AIIP adjustment	Adjusted UCC for CCA Purposes	CCA Claimed	Ending UCC
Class 1	4 %	14,396,915	—	—	—	14,396,915	575,877	13,821,038
Class 1b	6 %	7,414,054	461,200	461,200	—	7,875,254	472,515	7,402,738
Class 8	20 %	2,006,892	535,038	535,038	—	2,541,930	508,386	2,033,544
Class 10	30 %	910,598	749,000	749,000	—	1,659,598	497,879	1,161,719
Class 12	100 %	—	400,000	400,000	—	400,000	400,000	—
Class 45	45 %	1	—	—	—	1	1	1
Class 47	8 %	58,571,479	7,001,986	7,001,986	—	65,573,465	5,245,877	60,327,588
Class 50	55 %	73,379	94,500	94,500	—	167,879	92,334	75,546
Class 95	— %	4,649,110	—	—	—	4,649,110	—	4,649,110
Class 14.1	5 %	1,256,892	—	—	—	Calculate Manually	62,845	1,194,047
Total		**89,279,320**	**9,241,724**	**9,241,724**	**—**	**97,264,152**	**7,855,714**	**90,665,331**

SCHOOL ENERGY COALITION

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?

Response:

a. Based on the 2016 OEB decision and the envelope adjustment received in 2016, the figures referenced in Appendix 2-K represent filed employee costs. Milton Hydro accordingly made reductions to its staffing to align to the approved revenue requirement received. In addition, Milton Hydro contracted out some of its Powerline Technician positions corresponding to an internal decision to outsource capital work to third parties during the period from 2018 to 2021..

b. The 2016 Actual results are aligned and more representative to the headcount required to deliver Milton Hydro's operating and capital programs. The resulting Return of Equity (ROE) in 2016 was 9.87% was aligned to the 2016 deemed return on equity of 9.19%.

   Additionally, as noted in a. above, operations and maintenance expenditures were lower for Powerline Technicians corresponding to an internal decision to outsource capital work to third parties. The 2023 Test Year expenditures include the insourcing of this work to align to the headcount approved in the 2016 Board approved figures.

c. An external benchmark is referenced in Exhibit 4, Table 4-40, page 82, where Milton Hydro has historically been operating as a lean organization as compared to a high value for money distributor. When comparing Milton Hydro to its peer utilities. Milton Hydro operates a higher-than-average number of Customers per FTE (808:1) compared to the represented LDC's in Table 4-40. Further, based on the 2020 OEB Year Book of Electricity Distributors, Milton Hydro operates with the 6th 'highest' ratio of Customers to FTE for all Distributors included in the OEB Year Book statistics.

Also from an external perspective, as referenced in Exhibit 4, page 86 and the consultants Resource Optimization Review (Attachment 4-3) the Review concurred that Milton Hydro has maintained a workforce well-below the average of its large-sized LDC peers. The Review identified where increased staffing levels would benefit Milton Hydro in: meeting the rapid and sustained growth of the Town of Milton and its increasing customer base; augment organizational expertise & capacity; enhance internal controls and processes; and, sustain an efficient workforce with the right tools and skills now and into the future.

Exhibit 4, - 4.4.2.4, pages 101 to 102 provide operational reasons to increase FTE's in the Network Control Room Operations, supported by an external third-party expert, AESI (refer to Attachment 4-2 AESI Report – Control Room Cost Benefit Analysis) who undertook a feasibility study of costs and benefits of in-house operations compared to outsourcing and hybrid models.

Exhibit 4, - 4.4.2.6 page 104 provides an overview of the operational efficiencies by hiring a Process Improvement Officer with further detail provided in Exhibit 1, subsection 1.9 Facilitating Innovation.

Exhibit 4, - 4.2.7, pages 104 to 105 provide operational reasons to increase FTE's related to Milton Hydro's Information Technology & Infrastructure Security. Exhibit 4, page 114 and page 119 provide the rationale for hiring new IT roles and how each will enhance operational efficiencies and bring new IT disciplines and expertise.

Exhibit 4, pages 111 through 120 provides Milton Hydro's reasons/rationale for hiring new positions and how each will focus on improving operational efficiencies.

CONSUMERS COUNCIL OF CANADA

4-CCC-14

Ex. 4/p. 18

Please recast Table 4-7 – Capitalized OM&A to include 2016-2019.

Response:

Table 4-12 Capitalized OM&A

Capitalized OM&A	2016	2017	2018	2019	2020	2021	2022	2023
	Historical Year	Historical Year	Historical Year	Historical Year	Historical Year	Historical Year	Bridge Year	Test Year
Employee Labour and Benefits	$ 1,586,606	$ 1,853,725	$ 1,661,052	$ 1,587,586	$ 1,596,323	$ 1,253,050	$ 2,025,750	$ 2,073,366
Fleet /Truck Time	$ 248,523	$ 287,789	$ 211,464	$ 236,417	$ 277,926	$ 185,740	$ 349,273	$ 356,258
Total Capitalized OM&A	$ 1,835,129	$ 2,141,514	$ 1,872,516	$ 1,824,003	$ 1,874,248	$ 1,438,790	$ 2,375,023	$ 2,429,625

4-CCC-15

Ex. 4/p. 21

Please recast Table 4-8 – OM&A Programs Table and include year to date actuals for 2022 and provide the most updated budget amounts for 2022. Are there any COVID related expenditures included in the 2023-2027 budget amounts? If so, what are those amounts?

Response:

Table 4-13 OM&A Programs 2-JC

Programs	Last Rebasing Year (2016 OEB-Approved)	Last Rebasing Year (2016 Actuals)	2017 Actuals	2018 Actuals	2019 Actuals	2020 Actuals	2021 Actuals	2022 Bridge Year	2023 Test Year	Variance (Test Year vs. 2021 Actuals)	Variance (Test Year vs. Last Rebasing Year (2016 OEB-Approved)	May 2022 Actuals	June- Dec 2022 Forecast	2022 Forecast
Reporting Basis	**MIFRS**	**MIFRS**	**MIFRS**	**MIFRS**	**MIFRS**	**MIFRS**	**MIFRS**	**MIFRS**	**MIFRS**	**MIFRS**	**MIFRS**	**MIFRS**	**MIFRS**	**MIFRS**
Operations														
Underground Locates	380,000	358,200	378,024	373,373	383,562	338,981	379,451	437,230	443,788	64,338	63,788	191,204	246,026	437,230
Transformer Station	48,528	42,097	59,666	37,960	42,166	93,846	302,383	74,681	75,536	(226,847)	27,008	26,630	48,051	74,681
Engineering Administration	758,285	820,851	634,983	682,566	744,927	730,575	792,439	959,438	979,899	187,460	221,613	383,445	575,993	959,438
Stores Administration	260,418	368,816	235,779	241,891	295,126	262,309	458,839	332,446	409,692	(49,147)	149,274	251,291	81,155	332,446
Control Room Services	168,600	124,646	185,550	138,600	145,025	184,650	213,159	247,100	1,155,897	942,738	987,297	103,699	143,401	247,100
Customer Premise	258,653	271,661	302,193	382,742	359,653	418,959	513,419	400,418	576,600	63,181	317,947	204,140	196,278	400,418
Sub-Total	**1,874,484**	**1,986,272**	**1,796,194**	**1,857,132**	**1,970,458**	**2,029,321**	**2,659,690**	**2,451,314**	**3,641,413**	**981,723**	**1,766,929**	**1,160,411**	**1,290,903**	**2,451,314**
Maintenance														
Meter Maintenance	392,437	437,655	369,993	412,303	389,427	396,814	445,148	399,934	407,808	(37,340)	15,371	128,198	271,736	399,934
Overhead Lines	266,754	303,099	297,263	349,235	440,735	378,090	591,491	379,311	314,936	(276,555)	48,182	205,304	174,006	379,311
Pole Maintenance	177,726	473,535	161,499	389,879	333,646	157,965	273,722	157,495	142,644	(131,078)	(35,082)	107,096	50,400	157,495
Maintenance of Line Transformers	225,972	150,213	176,479	178,194	278,315	161,041	209,203	215,682	183,345	(25,858)	(42,627)	109,996	105,686	215,682
Underground Lines	39,714	118,052	148,734	67,439	103,220	121,306	170,264	143,081	129,133	(41,130)	89,419	37,614	105,467	143,081
Tree Trimming	445,522	245,358	259,508	373,691	325,314	473,379	213,394	381,227	378,981	165,587	(66,541)	153,428	227,799	381,227
Sub-Total	**1,548,125**	**1,727,913**	**1,413,476**	**1,770,741**	**1,870,657**	**1,688,594**	**1,903,222**	**1,676,731**	**1,556,847**	**(346,374)**	**8,722**	**741,637**	**935,094**	**1,676,731**
Customer Service														
Meter Reading	131,100	161,517	150,027	133,303	110,791	154,100	120,183	189,958	193,319	73,136	62,219	14,771	175,187	189,958
Billing	947,646	897,098	969,237	897,603	860,954	953,020	879,801	1,034,713	1,051,995	172,194	104,349	348,420	686,293	1,034,713
Customer Service	791,063	742,767	763,916	692,133	700,513	712,320	749,739	768,121	841,356	91,617	50,293	338,442	429,679	768,121
Community Relations	20,071	8,680	14,094	10,120	9,650	17,500	8,094	94,100	115,837	107,743	95,766	25,475	68,625	94,100
Bad Debt	89,600	42,244	65,846	96,170	130,122	94,675	157,444	111,512	117,087	(40,357)	27,487	25,000	86,512	111,512
Sub-Total	**1,979,480**	**1,852,306**	**1,963,121**	**1,829,328**	**1,812,029**	**1,931,615**	**1,915,261**	**2,198,404**	**2,319,594**	**404,333**	**340,114**	**752,108**	**1,446,296**	**2,198,404**
Administration														
General Administration	2,143,949	2,207,004	2,093,305	2,302,022	2,582,337	2,859,440	3,533,049	3,473,283	3,958,082	425,033	1,814,133	1,498,695	1,974,588	3,473,283
Software Maintenance	498,477	324,397	452,274	491,752	524,156	575,582	646,736	729,966	832,135	185,400	333,658	255,189	474,777	729,966
Regulatory	444,060	560,450	326,658	325,025	339,094	411,331	469,548	503,518	750,664	281,116	306,604	208,834	294,685	503,518
Executive and Board Expenses	1,083,873	995,254	896,219	912,240	983,228	1,080,824	982,433	1,821,452	2,074,802	1,092,369	990,929	564,112	1,257,340	1,821,452
Sub-Total	**4,170,359**	**4,087,105**	**3,768,456**	**4,031,039**	**4,428,814**	**4,927,177**	**5,631,766**	**6,528,220**	**7,615,683**	**1,983,918**	**3,445,324**	**2,526,830**	**4,001,390**	**6,528,220**
Total	**9,572,448**	**9,653,596**	**8,941,246**	**9,488,240**	**10,081,95**	**10,576,70**	**12,109,93**	**12,854,668**	**15,133,537**	**3,023,599**	**5,561,089**	**5,180,985**	**7,673,683**	**12,854,668**

Milton Hydro has recast Table 4-8 OM&A Programs 2-JC to include May 2022 Actuals to date and its 2022 Forecast. Milton Hydro does not anticipate any changes to the 2022 Bridge year submitted.

There are no COVID related expenditures included in the 2023-2027 budget amounts.

4-CCC-16

Ex. 4/p. 54

Milton Hydro expects to have 30,450 customers receiving e-bills by 2023. What is the expectation by 2027?

Response:

Milton Hydro has not forecast the number of customers expected to be on e-billing in 2027. However, efforts will continue to promote e-billing for new and existing customers, with the objective to increase the overall percentage of customers on e-billing.

4-CCC-17

Ex. 4/p. 78

Please provide a detailed breakdown of the $766,415 of One-Time Regulatory Costs. Please include all assumptions. Please indicate if the legal and consulting services were subject to an RFP process. If they were not, please explain why. Does Milton Hydro benchmark its regulatory costs? If yes please provide the results of any benchmarking analysis. If not, please explain why not.

Response:

a. Table 4-14 below provides a detailed breakdown and assumptions related to the One-Time Regulatory Costs.

Table 4-14 One-Time Regulatory Costs for 2023 Cost of Service Rate Application Costs

Vendor/Payee	Description of Service/Fee	Category of Service	Amount
Elenchus Research Associates Inc.	Rate Application Preparation Support	Consulting	$ 150,000
Tory's LLB	Legal support of rate Application	Legal	$ 100,000
Verve Consulting Services	Technical writing and support with business cases	Consulting	$ 110,000
IndEco Stratigic Consulting	LRAMVA Models, Report, and other support	Consulting	$ 13,450
Lannick Finance and Accounting	Rate Application Models and Preparation Support	Other Costs	$ 110,338
Marjorie Richards & Associates Ltd.	Workforce Plan	Consulting	$ 27,500

Decision Partners	Customer Engagement Support, and other support	Consulting	$ 67,969
CDW Canada	Awards for customer engagement survey participation	Other Costs	$ 1,194
Commerce Copy	Printing Service	Other Costs	$ 965
Kinectrics	Rate Application Preparation Support	Consulting	$ 5,000
Intervenors	Intervenor Fees for 5 Intervenors @ $33,000	Intervenor Fees	$ 165,000
OEB	OEB Fees associated with 2023 COS Rate Application	OEB Fees	$ 15,000
			$ 766,415

a. Legal and consulting costs were not the subject of an RFP. Milton Hydro obtained quotes from up to three vendors for legal and consulting fees if a sufficient number of vendors were available to provide the needed service to support the 2023 Cost of Service rate application.

b. Milton Hydro does not benchmark one-time regulatory costs. One-time regulatory costs can vary significantly from distributor to distributor depending on the level of effort required to prepare a cost of service rate application and the level of internal resourcing distributors have available to prepare a cost of service rate application.

4-CCC-18

Ex. 4/p. 108

Please explain the extent to which Milton Hydro has benchmarked its Salary and Wages and Total Compensation. Please provide any benchmarking studies undertaken related to total compensation and employee count.

Response:

Milton Hydro has participated in the MEARIE Management Salary Survey. Milton Hydro plans to provide a copy of the MEARIE Management Salary Survey to parties as soon as it resolves disclosure issues with MEARIE. Milton Hydro is working to resolve disclosure issues with MEARIE as quickly as possicle, and will file the report as soon as Milton Hydro hears from MEARIE. At this time, Milton Hydro only provides a placeholder for this report in Attachment 4-1 MEARIE Management Salary Survey.

As referenced in Exhibit 4, page 124, Milton Hydro stated it intended to engage third-party expertise to undertake a Job Evaluation (JE) review of each management and non-union role,

against the Korn Ferry (formerly Hay Group) JE methodology and update and/or develop a Job Description for each role.

As further referenced on page 124, Milton Hydro intends to engage a consultant to make recommendations on a redesign of MHDI's current Salary Structure and once completed, undertake a total compensation market-competitive review, utilizing the new Structure and JE points for each role.

Milton Hydro has completed the first phase and the consultant has developed JE points for each of Milton Hydro's management and non-union roles and developed a set of consistent Job Descriptions for each role.

Milton Hydro anticipates re-engaging the consultant at the end of 2022 or early 2023 to undertake the second phase of redesigning its Salary Structure and completing a total compensation review.

As referenced in Exhibit 4, page 124 phase two will include benchmarking total compensation against a variety of market comparators, including against peer LDCs with similarly matched roles.

4-CCC-19

Ex. 4/p. 110

Milton Hydro plans to add 10 new roles in 2022 relative to 2021. How many of these roles have been filled so far? If they have not been filled when does Milton Hydro expect to fill them?

Response:

Please see response to 4-Staff-63.

4-CCC-20

Ex. 4/p. 126

In 2011 Milton Hydro's Board of Directors approved a two-phase incentive plan. Please provide a copy of that plan.

Response:

Description of the incentive plan provided in Attachment 4-2 Incentive Plan - Management Members.

4-CCC-21

i. Ex. 4/p. 134

Please explain how the $856,155 charge by Milton Hydro to Milton Hydro Generation Services for Water Billing was derived. Does Milton Hydro benchmark these charges? If so, please provide that analysis. If not, why not?

Response:

The question reference is corrected, the amount referenced is on page 140 of Exhibit 4. The water billing service costs are comprised of:

i. direct labour charges from primarily the Customer Call Centre;

ii. direct labour charges to support billing services;

iii. allocation of facilities and building maintenance costs;

iv. allocation of Information Technology operating expenditures to support water billing services which include technical support, recurring reporting development, meetings to attend Region of Halton meetings, and a proportion of enterprise maintenance expenditures;

v. allocation of Finance support costs to process and manage water billing receivables; and

vi. a proportional share of depreciation on capital assets used to deliver water billing services such as the Customer Information System, building at 200 Chisholm road, furniture and fixtures; and the Financial Management System.

Based on these costs, a rate per bill is established. The 2023 charge by Milton Hydro to Milton Energy Generation Solutions was then derived as shown in the following, Table 4-15.

Table 4-15 MHDI Water Billing Charge to MEGS

	January to May (# of bills)	June to December (# of bills)	Total # of bills
Residential	84,336	123,562	207,898
Commercial	6,805	9,569	16,374
Total # Bills	**91,141**	**133,131**	**224,272**
Rate from MHDI	$ 3.77	$ 3.85	$ 3.85
Total Costs	**343,601**	**512,554**	**856,155**

Milton Hydro has not benchmarked these charges. Each distribution utility offers varying levels of services to their townships or municipalities (i.e. collection services). Additionally, the organizational structures, maturation of processes and procedures, information systems sophistication of processes, collective bargaining agreements, and accounting practices (i.e. capitalization processes) create differences across each utility.

VULNERABLE ENERGY CONSUMERS COALITION

4-VECC-32

Reference: Exhibit 4, page 24

Table 4-9 Underground Locates

		Historical Year							Bridge Year	Test Year
Description	2016 OEB Approved	2016 Actual	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual	6 Year Average	2022 Forecast	2023 Forecast
Underground Locates	$380,000	$358,200	$378,024	$373,373	$383,562	$338,981	$379,451	$368,598	$437,230	$443,788

a. Please explain how the costs of locates is calculated for historical periods and the basis of the estimates for the Bridge and Test years.

b. What is the current cost of locates in 2022 (please specify up to what date)?

Response:

a. The historical cost of locates are the actual costs that Milton Hydro paid to One Call and Milton Hydro's locate service provider to provide timely information of its underground infrastructure as requested by excavators proposing to perform work within the Milton Hydro service territory. The estimates for the Bridge and Test years include an increase in demand for locates.

b. Underground locate costs as of May 31, 2022 are $191,204.

4-VECC-33

Reference: Exhibit 4, pages

Table 4-14 Customer Premise

		Historical Year							Bridge Year	Test Year
Description	2016 OEB Approved	2016 Actual	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual	6 Year Average	2022 Forecast	2023 Forecast
Customer Premise	$258,653	$271,661	$302,193	$382,742	$359,653	$418,959	$513,419	$374,771	$400,418	$576,600

a. Please explain how the cost of customer premise services was calculated for the historical years 2016-2021.

b. Please provide the number of service requests for each year 2016 to 2021 and the forecast calls for 2021 and 2022

c. Please provide the actual cost of customer premise service calls to date in 2022.

Response:

a. Customer premise service costs for the historical years 2016 - 2022 are based on actual dollars spent on crew visits to accommodate customer requested service disconnections and reconnections as well as to resolve no power calls.

b. Please refer to Table 4-16 below for a summary of the number of service requests for each year 2016 to 2021 and the forecast calls for 2022 and 2023.

Table 4-16 Number of Service Requests 2016 - 2021

2016	2017	2018	2019	2020	2021	2022*	2023**
730	661	714	650	690	901	689	723

* estimated using 5 year average actual number of calls from 2016-2020
** estimated using 5 year average actual number of calls from 2017-2021

c. The actual cost of customer premise service calls to date (May 2022) is $204,140.

4-VECC-34

Reference: Exhibit 4, page 57

a. MHDI is proposing to increase its community relations budget by about 10x the past average amount. Please describe how the expansion of this program (and the cost) was included in the customer engagement exercise.

Response:

a. Milton Hydro is on a quest to maximize the use of technology to improve service and reduce cost. With every change in technology/service, there is a need to educate customers. Investing in community relations will improve communications as Milton Hydro evolves and help strengthen customers' trust in Milton Hydro to efficiently deliver safe, reliable services.

The 2023 Test Year community relations program includes internal allocations of salaries and associated payroll burdens for those employees who are directly engaged in providing services to the community. This represents a change in planning methodology relative to the 2016 Board Approved figures which allocated those employees to other programs. Milton Hydro is focused on modestly increasing its presence in the community and thereby developing programs that encourage employees to show presence in the community through social events, milestone events for businesses, promotional/ sponsorship partnerships, and social media tools.

Milton Hydro notes that its customer engagement activities were based on a materiality threshold described in Exhibit 1, subsection 1.4.7 of the application of $125,000. A significant portion of these costs are offset from other programs as a result of a change in allocation of salaries and associated payroll burdens to operating programs.

This increase, albeit modest, can be connected to the customer engagement survey through the following: improve communications with customers and enhancing the customer experience; and by being a more customer-centric organization by building loyalty and trust through our community relations programs.

4-VECC-35

Reference: Exhibit 4, Appendix 2-JA / page 78

a. Are any costs of this application recorded in Appendix 2-JA or 2-JC for any period prior to 2023? Specifically, is the $218,142 shown for 2021 actuals in Table 4-38 also included in either or both Appendices?

Response:

a. Milton Hydro has not recorded any “One Time Costs” shown in Exhibit 4 Table 4-38 for any period prior to 2023, specifically the 2021 cost of $218,142 was not recorded in 2021 as an operating expense in Appendices 2-JA and 2-JC.

4-VECC-36

Reference: Exhibit 4, page 63

a. Was the CDM specialist whose role was eliminated offered a new position within MHDI?

Response:

a. Yes. The employee opted to retire and move to a third party provider of conservation services.

4-VECC-37

Reference: Exhibit 4, page 67

Table 4-32 Management Consulting and Professional Fees

		Historical Year							Bridge Year	Test Year
Description	2016 OEB Approved	2016 Actual	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual	6 Year Average	2022 Forecast	2023 Forecast
Management Consulting & Prof. Fees	$304,857	$305,643	$288,754	$364,376	$540,105	$572,212	$916,575	$497,944	$531,984	$600,043

a. MHDI proposes to increase its employee compliment by about 28% as compared to that in 2016. The increase in FTEs which has a significant impact on ratepayers' costs, includes an enhanced IT department (Director, IT & Client Services) and enhanced Corporate Finance department, and enhanced and Executive and Board expenses that will increase from approximately $1 million in 2016 to $2 million in 2023 and include 2 new Vice-President roles. Given all of these (costly) resource additions in administrative and executive functions please explain the rationale for the continuation of Management Consulting and Professional Fees.

b. Please provide the fee invoices for all services provided by Milton Hydro Holdings in 2016 through 2021.

c. Please provide the contracts for services for fees charged by Milton Hydro Holdings for the 2016-2021 period.

Response:

a. The variance explanations for the 2023 Test Year expenditure relative to the 2016 Board approved were incorrectly represented. Management Consulting and Professional expenditures increased by $295,186 due to: (i) $105,000 for cyber security audits and monitoring to support the OEB cyber security framework; (ii) $66,000 to support labour relations, arbitrations and grievances which were not included in the 2016 Board approved figures; (iii) $60,000 for strategic consulting and business continuity planning not included in the 2016 Board approved figures; and (iv) $50,094 related to general inflation.

The additional employee compliment were not hired to perform the roles and responsibilities to complete cyber security audits and monitoring to support OEB security audits. The costs to support labour relations, strategic consulting and business continuity development require either legal expertise and/ or experience that are not possessed by the proposed new employee compliment.

b. Milton Hydro does not issue invoices for intercompany charges. The charges are processed via intercompany journal entries. Table 4-17 below provides the fees charged to Milton Hydro Holdings for the period 2016-2021.

Table 4-17 Fees Charged to Holdings

Description	2016 Actual	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual
Fees	21,480	22,833	20,434	112,224	97,280	81,554

c. The services received from Holdings are based on the service level agreement from Milton Hydro Holdings to Milton Hydro Distribution, see Attachment 4-3 Services Agreement - MHHI and MHDI.

4-VECC-38

Reference: Exhibit 4, page 68

a. If MHDI is a member of the EDA please provide the annual fees for each year 2016 through 2023 (forecast).

Response:

Table 4-18 provides the annual EDA membership costs for the period 2016 Actual to 2023 Test Year.

Table 4-18 Annual EDA Membership Costs

Description	2016 Actual	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual	Bridge Year	2023 Test Year
EDA fees	70,964	71,642	73,111	74,580	76,049	76,840	76,840	71,725

4-VECC-39

Reference: Exhibit 4, page 70

"2023 Test Year expenditures are $333,658 higher than 2016 OEB Approved, primarily due to: (i) cost increases of $81,910 associated with annual inflation; (ii) $54,000 for annual software maintenance expenditures to support technology investments during the rebasing period (omni channel platform, process automation tools, HRIS and payroll systems); (iii) $50,000 for the acquisition of a cloud based compliance reporting and management solution to deliver statutory, management and regulatory more productively; (iv) $38,000 for higher software maintenance costs on the Customer Information System ("CIS"); (v) $37,000 for increased software maintenance costs related to the legacy Financial Management System; (vi) $34,000 for higher license costs for Engineering systems and maintenance; (vii) increases in licenses related to office products and cyber corresponding to increased headcount and rates; (viii) $32,000 for increased in server support application expenditures; and (ix) $30,000 for services supporting network and communication technology for delivering Advanced Metering Infrastructure ("AMI")."

a. For each of (i) to (ix) please provide the vendor notification of the maintenance cost increase for 2022 and 2023.

Response:

a. Milton Hydro, as with all organizations with long term vendor relationships for enterprise software, sees regular increases in software licensing and maintenance costs. To account for the software changes, here are the three main drivers for the increases:

   i. Virtually all of Milton Hydro software contracts see annual increases to account for inflation and other vendor costs. Even in multi-year contracts, there is an annual increase. Milton Hydro sees an annual increase from 2% to 5% a year for maintenance and support. Increases are simply reflected in annual invoices vs. being official communicated in a vendor notification letter. Milton Hydro has completed a comprehensive search for specific, annual rate change notification letters from vendors and has not received any. All annual (or other frequency) increases, as stated were simply included in annual invoices. See answers ii and iii for other reasons for software cost increases.

ii. Software increases are also accounted for by new software coming on board at this time. These include the following software:

1. HRIS/payroll,
2. Cloud based compliance reporting and management solution
3. Omni Channel
4. Process automation tools

iii. Some software maintenance expenditures increased as a result of the growing customer base and increased employee count. These include:

1. AMI licensing as it is indexed to the number of meters and therefore increased in costs as the number of meters increased.
2. Engineering Systems licensing as it is based on headcount.
3. MS Office and Cyber related licensing as they are based on headcount.

4-VECC-40

Reference: Exhibit 4, Appendix 2-M

a. Appendix 2-M shows the Board Annual Assessment cost in years 2016 through 2022 as $93,000. What were the actual annual assessment charges from the Board for each of those years?

Response:

Milton Hydro's Actual OEB Annual Assessment costs from 2016 - 2022 are listed below. The Annual Assessment fees for 2022 are a forecast, and will not be known until its 2022 Financial Statements have been audited.

Year	OEB Actual Assessment Charges
2016	$ 116,027
2017	$ 159,764
2018	$ 152,764
2019	$ 156,832
2020	$ 161,713
2021	$ 155,591
2022 Forecast	$ 179,432

4-VECC-41

Reference: Exhibit 4, page 94

"Milton Hydro experienced a 100% turnover of its entire Senior 1 Management Team (SMT) between August 2020 and January 2022. A new CEO was hired in August 2020, a new Director, Regulatory Affairs hired in September 2020, a new CFO hired in February 2021, and a new VP Distribution Services was hired in January 2022.

Milton Hydro engaged a 3rd party consultant in 13 2021 to undertake a Resource Optimization Review (Attachment 4-3)."

a. Were any of the executives or senior managers who left the Utility (terminated or retired on own volition) interviewed by the workforce consultant?

Response:

a. Yes- the consultant interviewed the former Director of Engineering and Operations.

4-VECC-42

Reference: Exhibit 4, pages 95-

a. Please provide a list of all vacant positions at MHDI. Please include how long the position has been vacant and the current status of recruitment.

Response:

a. Table 4-19 below includes permanent positions (excluding students) as of July 5, 2022.

4-19 List of Permanent Positions

Job Description	Length of Vacancy (in months)	Status
Procurement Specialist	Vacant since April 2022	Recruitment will begin in September 2022.
Metering and Protection & Control Supervisor	Vacant since September 2021	Actively being recruited.
Lead Hand	Vacant since May 2022	Employee promoted to Operations Supervisor. Position is actively being recruited.
Manager, Health and Safety		Hired. Start date is July 18, 2022
IT Infrastructure & Security Specialist	Position not budgeted until 2023	Recruitment will begin in November 2022.
Control Room Operator	Position not budgeted until 2023	Recruitment will begin in October 2022
Control Room Operator	Position not budgeted until 2023	Recruitment will begin in October 2022
Control Room Operator	Position not budgeted until 2023	Recruitment will begin in October 2022
Control Room Operator	Position not budgeted until 2023	Recruitment will begin in October 2022
VP #1		Recruitment will begin in September 2022.
VP #2		Recruitment will begin in September 2022.
Control Room Operator	Position not budgeted until 2023	Recruitment will begin in October 2022
Control Room Operator	Position not budgeted until 2023	Recruitment will begin in October 2022

4-VECC-43

Reference: Exhibit 4, Appendix 2-K

a. Please amend Table 4-47 (Appendix 2-K) to show the total amount of capitalized and expensed compensation for each year.

Response:

a. The following Table 4-20 provides the breakdown of Appendix 2-K compensation between Operating and capital programs.

Table 4-20 Capitalized and Expensed Compensation

	2016 Test Approved	2016 Actual	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Historical	2022 Bridge Year	2023 Test Year
Capital/ Operating Splits									
Capital	803,089	835,505	1,096,740	996,471	958,919	1,596,638	1,249,254	2,025,750	2,066,265
Operating	6,273,121	5,701,834	5,802,148	5,620,200	5,719,882	5,572,022	6,390,461	7,438,393	9,211,424
Total	**7,076,210**	**6,537,339**	**6,898,889**	**6,616,671**	**6,678,801**	**7,168,660**	**7,639,716**	**9,464,142**	**11,277,689**

4-VECC-44

Reference: Exhibit 4, Appendix 2-K3

"In 2021, Milton Hydro eliminated its Director Engineering position and replaced it as a VP Distribution Services position. This was accomplished with no impact to salaries and/or benefits."

a. Please provide the salary bands for the former Director position and the new VP Distribution position.

b. Is the VP position eligible for performance incentives? If so what is the maximum performance benefit attainable?

c. Was the former Director position eligible for performance incentives?

Response:

a. The salary band for the Director position and VP, Distribution Services remain the same. Table 4-21 details the forecasted 2023 salary band for the position.

Table 4-21 Grade 6 Forecasted Salary Band

Grade	Base Salary Minimum	Base Salary Midpoint	Base Salary Maximum	STI
6	150,169	168,948	187,728	20.0 %

b. The VP, Distribution Services is eligible for an annual performance incentive. The maximum performance incentive that can be attained is 20% based on the delivery of goals and objectives set out each year.

c. Yes. The Director, Engineering was eligible for an annual maximum 20% performance incentive.

4-VECC-45

Reference: Exhibit 4, pages 101-

a. Please provide the job descriptions/responsibilities for (1) VP Customer Experience; (2) Process Improvement Officer and (3) Manager People & Culture.

Response:

The job description for the VP Customer Experience is provided (Attachment 4-4 JD VP Customer Experience), the Process Improvement Officer is provided (Attachment 4-5 JD Process Improvement Officer), and the Manager People & Culture is provided (Attachment 4-6 JD Manager, People & Culture).

4-VECC-46

Reference: Exhibit 4, pages 116 / Appendix 2-JC

"In 2022, Milton Hydro will hire its first dedicated in-house Manager H&S, eliminating the cost of contracting out, resulting in a slight net savings to Milton Hydro Customers."

a. Please identify the programs in Appendix 2-JC where savings occur in 2023 as a result of bringing in-house the Manager of H&S.

Response:

a. The program is under 'General Administration' under the subprogram 'Human Resources'.

4-VECC-47

Reference: Exhibit 4, pages 116 / Appendix 2-JC

a. A number of the new positions are replacing formerly outsourced roles (e.g., Manager of H&S, Engineering Technologist etc.). Please identify all new positions since 2016 which are replacing previously outsourced roles.

b. Please identify the amount of the reduction due to the removal of these outsourced roles in each of 2022 and 2023 and identify the Appendix 2-JC program where the savings occur.

Response:

a. The following list of positions in the 2023 Test Year are replacing previously outsourced roles:

    i. Manager, Health and Safety;

ii. Engineering Technologist; and

iii. Control Room Operators.

Control Room Operations are currently outsourced to Burlington for daytime operations only. Milton Hydro incurs charges for after hour support are contracted with a third party provider as well as with Burlington Hydro for extreme weather events.

b. Milton Hydro incurred $138,852 in operating expenditures for the Manager, Health and Safety in the 2021 Actuals. The 2023 Test Year expenditures include expenditures of $134,723 resulting in modest annual savings of $4,129.

Prior to the 2022 Bridge Year, Milton Hydro engaged third parties to manage the capital design work that was in excess of its internal resourcing capacity. The increased population and customer growth in Milton has resulted in increased volumes of work for the Engineering team, specifically the Engineering Technicians. The in-sourcing of the Engineering Technician position would not result in operating savings found in Appendix 2-JC.

The Control Room Operators are categorized in the 'Control Room Service' program within Appendix 2-JC. The reductions of in-sourcing a 24/7 Control Room result in savings of $247,100.

4-VECC-48

Reference: Exhibit 4, pages 123-

"…in 2022 Milton Hydro will review each management and non-union role, against the Korn Ferry (formerly Hay Group) Job Evaluation ("JE") methodology."

a. Does the 2023 compensation forecast anticipate any changes to compensation that might result from the compensation review that Milton Hydro is undertaking?

Response:

Milton Hydro does not have a preconceived notion on whether any changes to compensation are anticipated. Milton Hydro has engaged a third-party provider to complete the compensation

review with the anticipation that a recommendation will be provided by Q4 2022. To confirm, the 2023 Test Year wages and salaries are based on the existing compensation structure.

4-VECC-49

Reference: Exhibit 4, pages 126-

a. Please explain how employee incentives are related to outage and outage durations and specifically outages due to defective equipment.

Response:

Management or non union employees are eligible for a target incentive based on their position. The incentive is based on two components: a corporate (organization based) and individual targets. Corporate objectives are established at the beginning of each fiscal year. Within the corporate objectives, there is an operational category that measures the reliability, outage and outage durations. These audited achieved outcomes are measured against the objectives to determine the incentive based on a weighted percentage of all objectives. This measure is based on a 5 year sliding window average of reliability.

Measures that fall outside the five year average will not have any incentive paid against them, while achieving an annual reliability performance above the 5 year average will drive a larger payout. As this is achieved on an annualized basis, the result over the long term is that the 5 year average for reliability should increase year over year. Using this mechanism, management is incented to continually improve on its 5 year reliability numbers in order to achieve maximum incentive and benefiting the customers. Annual performance that does not improve the 5 year average results in a reduction or loss of incentive.

Defective equipment are included in the operational results should they contribute to outages and outage durations.

4-VECC-50

Reference: Exhibit 4, pages 126-

a. MHDI cost-benefit analysis for an in-house SCADA control system relies significantly on improvements in reliability. Please explain how system reliability changes will be used to calculate actual benefits once the control centre is in operation.

Response:

Reliability improvements are one aspect of the cost-benefit analysis.The improvements to reliability help customers primarily by shortening outages and reducing the losses that customers would otherwise realize, primarily commercial and industrial customers.

The Interruption Cost Estimate (ICE) Calculator (whose development was sponsored by the US Department of Energy) was used to estimate the benefits to customers based on defining improvements in reliability of past years.

Once the control room is operational, Milton Hydro can calculate the SAIDI/SAIFI numbers using OMS data and then apply this information to the ICE calculator to compute savings. The differential of customer savings from previous data and new data will demonstrate the actual benefits received.

Subjectively, Milton Hydro staff will look at historical outage data comparing new response quality and that experience previously with the outsourced contracts, as well as surveying field staff as to their experience and interactions.

4-VECC-51

Reference: Exhibit 4 Attachment 4-1, page 4, Attachment 4-2, page13

a. For each of the Utilities shown in Table 1 with in-house control rooms please provide the annual operating costs for the centre (as found for example in a prior Board cost of service application).

b. For each Utility shown in Table 1 as having an in-house SCADA centre what was the number of centre operators and supervisors employed by that Utility?

c. Which of the Utilities shown in Table 1 with an in-house control room operate their facility 24/7?

d. Please identify any of the Utilities in Table 1 with an in-house control room that share those facilities with another utility.

Response:

The information requested for items a, b and c is included in Table 4-22.

Table 4-22 Distributor Control Room Comparison

Distributor	2020 Customer Count	In-house Control Room Y/N	Operating hours	Control room operating hours and total staff including supervisors as applicable	Control Room Costs where available based on Cost of Service (COS) applications, Exhibit 4, Appendix 2-JC
Essex Powerlines Corporation	30,661	No	N/A	N/A	N/A
Sault Ste. Marie PUC Distribution Inc.	33,751	Yes	7-4 Monday to Friday, On-call service evenings and weekends	1 Operator weekday business hours and one supervisor who can fill in	2018 COS: 2016 Actuals: $232,038 2018 test year $214,485
Bluewater Power Distribution Corporation	36,916	Yes	7-4 Monday to Friday, On-call service evenings and weekends to confirm	2 full time Operators with an on-call Operator plus supervisor	2013 COS: 2011 Actuals: $212,873 2013 test year $221,350
Brantford Power Inc.	40,662	No	N/A	N/A	N/A
Newmarket-Tay Power Distribution Ltd.	44,187	Yes	7-4 Monday to Friday, On-call service evenings and weekends	2 trained operators & 1 apprentice with another staff who is a trained operator and can fill in	2010 COS: control room costs are not available
Greater Sudbury Hydro Inc.	47,865	Yes	24/7 Monday to Friday On-call service weekends	4 operators on 24 hours during week days. On-call operator on weekends. Supervisor also a trained operator	2020 COS: control room costs are not available
Synergy North Corporation	56,887	Yes	24/7	1 Supervisor & 7 operators	2017 COS 2015 Actuals: $944,180 2017 test year $1,051,541
Niagara Peninsula Energy Inc.	56,973	No	N/A	N/A	N/A

Waterloo North Hydro Inc.	58,438	Yes	24/7	24/7: 1 Supervisor 8 operators including a rotation for operations planning	2021 COS 2019 Actuals: $1,143,723 2021 test year $1,141,437
Oshawa PUC Networks Inc.	59,486	Yes	24/7	24/7: 1 Supervisor and at least 5 operators, probably 6	2021 COS: control room costs are not available
Entegrus Powerlines Inc.	60,587	Yes	7-3:30 Monday to Friday, On-call service evenings and weekends	2 operators on weekday business hours and one on call for after hours	2016 COS: control room costs are not available
Energy+ Inc.	67,303	Yes	24/7	1 Supervisor, 5 Journeyperson SCOs, 3 Apprentice SCOs	2019 COS: control room costs are not available

For item d, in Table 4-11 above, there are no utilities that share a control room. Utilities have either merged into one utility, or utilities have outsourced their control room services to others.

4-VECC-52

Reference: Exhibit 4, Attachment 4-1, Table 6, Attachment 2 Section 3.2

Table 6: Comparison of Cumulative Costs and Savings

	Option 1: 24/7 in house	Option 2: In-House Day, Outsourced After Hours	Option 3 Outsourced 24-7 coverage
One Time Costs	$512,000.00	$555,500.00	$117,500.00
Annual Costs	$1,532,975.00	$774,000.00	$1,633,100.00
Potential Annual Customer Benefit	$1,235,064.39	$0	$1,235,064.39
Net Year 1	**($809,910.61)**	**($1,329,500.00)**	**($515,535.61)**
Cumulative Cost 5 Years	$8,176,875.00	$4,425,500.00	$8,283,000.00
Cumulative Savings 5 Years	$6,175,321.95	$0	$6,175,321.95
Net Year 5	**($2,001,553.05)**	**($4,425,500.00)**	**($2,107,678.05)**
Cumulative Cost 10 Years	$15,841,750.00	$8,295,500.00	$16,448,500.00

Cumulative Savings 10 Years	$12,350,643.90	$0	$12,350,643.90
Net Year 10	**($3,491,106.10)**	**($8,295,500.00)**	**($4,097,856.10)**

a. Please show numerically how the amount of "Potential Annual Customer Benefit" of $1,235,064.39 is derived by explaining the assumption for each variable - specifically:

   i. how the "Without" and "With Improvement" values in Attachment 4-2 Table 17 are derived;

   ii. showing the value assigned to reduction in outages and outage restoration for each customer class;

   iii. showing the basis for assuming any improvement in outage or outage duration in moving from outsourced (existing) to in-source SCADA control centre

b. Please provide all the variable inputted into the ICE model to perform the calculation supporting $1,235,064.39 in benefits

Response:

a.

   i. The "Without improvement" values are the estimates of the total customer interruption costs based on the actual 2011-2021 SAIDI/SAIFI number for Milton Hydro. The "With Improvement" values are the estimates of the total customer interruption costs with SAIDI/SAIFI improved by 20% averaged over 2011-2021.

   ii. The ICE tool provides the ability to apply the improvement only on the total annual SAIDI/SAIFI numbers. It does not have a feature to change the SAIDI/ SAIFI numbers per customer class.

   iii. Attachment 2, Section 3.2.3, page 211, describes multiple scenarios and typical correlating operator response times. The assumptions for response times and any improvements is based upon the AESI's experience and expertise. These reaction times are then input into the ICE model to calculate the differential and improvement.

b. The basic variables for Milton/Halton in the "Lookup Table" of ICE are extracted in Table 4-23 below arranged vertically.

Table 4-23 ICE Model Basic Variables Lookup

Place		Milton
Number of Accounts by Rate Class	Residential	38063
	Small C&I	2781
	Medium and Large C&I	377
Annual Usage per Customer (MWh)	Residential	9.34
	Small C&I	28.75
	Medium and Large C&I	1251.28
Median HH Income		104730
Number of Residents Per Household of Age	0-6 Years Old	0.30
	7-18 Years Old	0.60
	19-24 Years Old	0.31
	25-49 Years Old	1.29
	50-64 Years Old	0.78
	65+ Years Old	0.39
Type of Housing	Detached	60.0%
	Attached	20.0%
	Apartment / Condo	18.0%
	Mobile homes	2.0%
	Manufactured Housing	0.0%
	Other or Unknown	0.0%
Industry Percentages - Small C&I	Agriculture, Forestry and	1.1%
	Mining	0.0%
	Construction	9.9%
	Manufacturing	3.5%
	Transportation,	4.3%
	Wholesale & Retail Trade	20.7%
	Finance, Insurance & Real	11.2%
	Services	49.2%
	Public Administration	0.0%
	Unknown Industry	0.1%

Industry Percentages - Medium and Large C&I	Agriculture, Forestry and Fishing	0.0%
	Mining	0.0%
	Construction	2.1%
	Manufacturing	32.0%
	Transportation, Communication & Utilities	7.8%
	Wholesale & Retail Trade	17.7%
	Finance, Insurance & Real Estate	4.2%
	Services	33.0%
	Public Administration	2.3%
	Unknown Industry	0.1%
Regional Characteristics - Medium and Large C&I	2016 GDP ($ Millions)	2,945
	2016 Non-residential Usage (MWh)	556,798
Power Interruption Timing	Morning	25.0%
	Afternoon	20.8%
	Evening	20.8%
	Night	33.3%
	Summer	33.3%
	Weekday	71.4%
	Advanced Warning	0.0%

The following Table 4-24 is from the first page of the ICE tool from the Main page. Note that the ICE tool uses minutes for CAIDI and SAIDI rather than hours. The improvement table is for 20%.

Table 4-24 Forecast of Reliability

Forecast of Reliability *without* Improvement:

Year	SAIFI	CAIDI	SAIDI
2011	1.120	56.3	63.0
2012	1.050	46.3	48.6
2013	0.990	481.2	476.4
2014	1.060	69.1	73.2
2015	0.230	80.9	18.6
2016	0.590	75.3	44.4
2017	0.490	74.7	36.6
2018	1.180	125.6	148.2
2019	0.580	34.1	19.8
2020	1.150	79.3	91.2
2021	0.564	79.0	44.6

Forecast of Reliability *with* Improvement:

SAIFI	CAIDI	SAIDI
1.120	45.0	50.4
1.050	37.0	38.9
0.990	385.0	381.1
1.060	55.2	58.6
0.230	64.7	14.9
0.590	60.2	35.5
0.490	59.8	29.3
1.180	100.5	118.6
0.580	27.3	15.8
1.150	63.4	73.0
0.564	63.2	35.7

The above two sets of tables are the input variables that are specific to Milton Hydro and which were used for the savings estimates.

4-VECC-53

Reference: Exhibit 4, Attachment 4-1, Table 3, Appendix 2-JC

a. Please reconcile the total annual operating costs of $1,586,275 shown in Table 3 with the Control Room Services costs of $1,155,897 shown for 2023 in Appendix 2-JC (OM&A Programs Table).

Response:

As previously discussed in 4-Staff-72, the annual operating costs of the Control Room Business Case was derived from the AESI Report - Control Room Exhibit 4 Attachment 4-2. Milton Hydro will introduce Six Sigma process flows to deliver efficient process within Control Room Operations leading cost savings relative to the AESI report. The supervision of the Control Room will be initially carried out by the existing Manager, System Planning and Reliability. As a result, the 2023 Test Year budget ($1,155,897) does not include supervisory costs; the Control Room Business Case budget value ($1,586,275) includes this cost.

The difference between the proposed 2023 Test Year budget and Table 3 Control Room Business case budget is summarized in Table 4-25 below. Although the Business case justified $1,586,275, Milton Hydro budgeted less, $1,155,897 incorporating efficiencies.

Table 4-25 Control Room Business Case Budget vs. 2023 Test Year Budget

Control Room Business Case budget value ($)	$ 1,586,275
2023 Test Year budget	$ 1,155,897
Difference	***$ 430,378***
Fully Burdened Supervisor	$ 181,000
Differences in the benefit burden assumptions fringe and statutory benefits	$ 165,000
Lower Non Labour Expenditures for subscriptions and memberships, software license and maintenance costs, and other miscellaneous expenditures to support operations	$ 84,000

INDEPENDENT PARTICIPANT

4-JOL Shewchun-4

Human Resources

References:Resource Optimization Review Report, Exhibit 4,Attachment 4-3 Executive and Board, Exhibit 4, 4.3.4.4

Customer Engagement Survey,Exhibit 2,Attachment 2-2,DSP Appendix J OEB 2020/21 Year Book Of Electricity Distributors

In the Resource Optimization Review Report, it states: "Milton Hydro has maintained a workforce well below the average of its large-size LDC". Throughout the application Milton Hydro refers to itself as a large-size LDC and comparisons are continually made to large-size LDC's as justification for this increase. In contrast, In The Customer Engagement survey, which was conducted among Milton Hydro Customers, it states: Milton Hydro has been operating as a small sized electricity distributor...the community has grown to the point that we must now operate as a medium sized electricity distributor."

a. Please explain this contradiction.

b. Why didn't Milton Hydro make comparisons to mid-sized LDC's through out the application?

   Milton Hydro states that it has maintained a workforce well below the average of its large-sized LDCs. Milton Hydro with a customer base of 41 221 is compared to LDCs with a customer base of over 50 000 customers:

Waterloo North	58,432
NPEI	56,973
Energy+	67,303
Oshawa Power	59,496

c. Milton Hydro adds approx. 1 000 customers per year, would you agree that it would take 26 years for Milton Hydro to match the customer base which currently exists at Energy+?

d. At a rate of Milton Hydro adding approx.1 000 customers per year, would you agree that in 2027, Milton Hydro will have a customer base of 47 227, still well below the large-sized LDCs used for comparison purposes?

e. Please provide a comparison to mid-sized LDCs where the customer base is more closely aligned with Milton Hydro: e.g. Brantford Power, Newmarket Power, Greater Sudbury, Peterborough Utilities.

There were 11 Line People in 2016 and this was downsized to 8 in 2021. Milton Hydro was or is seeking to hire 2 Line People.

f. Have the 2 Line People been hired? If not, what timeline exists for their hiring.

g. Would you agree that line people are critical to the operations of Milton Hydro, especially during power outages?

h. Why would Milton Hydro only be replacing 2 Line People?

i. What specific actions did Milton Hydro use to attract and maintain its Line People?

Milton Hydro has been outsourcing Line People, and there are plans to increase oursourcing/ contracting out of its trades personnel from 20% to 60%.

j. What is the rationale for increasing outsourcing/contracting out?

Milton Hydro states that an in-house Control Room is superior to outsourcing the Control Room.

k. Wouldn't this apply to Line People positions? Please explain your answer.

The executive Board and expenses in 2016 were 1 083 873, In 2023 they are 2 074 802, an increase of $990 929.

l. Please provide the rationale and details for this increase including positions, the need for these positions and total remuneration.

m. Has most of the hiring, since 2019, been for executive positions?

Response:

a. The customer engagement survey was completed in the fall of 2021. This was early in the rate application process and prior to the OEB establishing classifications related to utility size. Subsequent to Milton Hydro conducting its customer engagement survey, in a letter from the OEB dated February 22, 2022[22] the OEB indicated that there were two classifications related to utility size, small distributors with less than 30,000 customers and large distributors, those exceeding 30,000 customers. Further, in a letter from the OEB dated April 18, 2022[23] the OEB defined small electricity distributors as those with fewer than 30,000 customers, and large distributors as those with 30,000 customers or more. Milton Hydro conducted its customer engagement prior to the OEB defining these two distinct sizes of distributors. Once the OEB defined the two size classifications of electricity distributors, Milton Hydro correctly referred to itself as a large distributor within its rate application.

b. The comparators utilized in Exhibit 4, Table 4-40, page 82 were provided to highlight that Milton Hydro has maintained a workforce well below the average of its LDC peers. At the time of writing Exhibit 4, as referenced in response a) above, the criteria for categorizing the size of LDC's had not been established by the OEB. Table 4-40 provided a benchmark comparison against a mix of utilities with both larger and smaller numbers of Customers. As referenced in Exhibit 4, page 82 Milton Hydro's Customer to FTE ratio (808:1) is far above its comparators.

c. Milton Hydro has added 21,363 customers from 2005 to 2020[24]; it plans to add approximately 1,000 new customers in 2023; based on the GSAI report it is projected that 9,200 new residential customers would be added in 6 years[25]; and as per Exhibit 1 Table 1-2 Halton Region Utilities - Customer Base Growth, it is projected that 17,197 customers would be added from 2020 to 2031. If Milton Hydro's customer base grew by approximately 1,000 customers per year from 2020, its customer base would grow from 41,221 to 67,221 in 26 years.

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[22] OEB letter dated February 22, 2022, EB-2022-0096 Consultation on Updates to Filing Requirements for Electricity Distribution Cost of Service Rate Application.
[23] OEB letter dated April 18, 2022, 2023 Cost of Service Filing Requirements.
[24] 2005 OEB Yearbook, and 2020 OEB Yearbook
[25] Exhibit 2, Attachment 2-2 DSP, Appendix G, GSAI Projected Growth Analysis Study (2021) Table 4: 2022 to 2027 - Annualized Ground Related Housing Units Breakdown.

d. Assuming Milton Hydro's customer base grew by 1,000 customers per year Milton Hydro's customer base would be 48,221 by the end of 2027.

e. Table 4-26 below provides the comparison requested. As noted, two (2) of the comparators have a lower Customer to FTE ratio and two (2) have a higher ratio than MHDI.

Table 4-26 Customer Base to Employees Ratio Comparison

	Milton Hydro	Brantford Power	Newmarket Power	Greater Sudbury	Peterborough Utilities
# of customers	41,221	40,662	44,187	47,865	37,467
# of employees	51	63	58	59	35
Ratio	**808:1**	**645:1**	**762:1**	**811:1**	**1070:1**

Based on the 2020 OEB Year Book of Electricity Distributors, MHDI operates with the 6th 'highest' ratio of Customers to FTE's of all Distributors included in the OEB Year Book statistics. See Table 4-27 below. Of the 6 distributors with the highest customers per employee ratios, three are large distributors, including Milton Hydro. The other two large distributors are Greater Sudbury and Peterborough Utilities. Although Greater Sudbury has a slightly higher Customers per Employee ratio than Milton Hydro, it has a 28.3% higher OM&A costs per customer ratio of $329.10 as compared to Milton Hydro's OM&A per customer ratio of $256.59. Milton Hydro's Customers per Employee ratio may not be reasonably compared to Greater Sudbury as it is unknown if the work that is contracted out, is like for like. In addition, Peterborough Utilities may not be reasonably compared with Milton Hydro either, as Peterborough Utilities merged with Hydro One in 2020 and it is unknown what the impact of the merger on Peterborough Utilities cost structure, employee counts, and contracted work is.

In addition, when comparing Milton Hydro's customer base growth to that of other distributors, it is by far, the fastest growing utility in the province and has been so for years. See 1-SEC-020 Table 1-8, which compares the growth, from 2005 to 2020, of all licensed distributors in the province as of December 31, 2020. Milton Hydro has organic growth of 107.58%; more than doubling its customer base since 2005[26]. Greater Sudbury's customer base grew by 4.25% during the same period and Peterborough

[26] Organic growth is being referred to in the context of natural growth from customer expansions and connections, growth excluding MAADs impacts.

Utilities customer base grew by 11.74% for the same period. Milton Hydro has not been a steady state utility like Greater Sudbury and Peterborough Utilities, who have had years to mature their operations and establish productive business process without the affects of constant growth in customer base as Milton Hydro. Low growth utilities simply do not need to be as concerned about adequately scaling their business processes and digital systems to the same degree as a high growth distributor, since they are not growing much. Milton Hydro on the other hand has historically had such rapid growth, that its processes have not had the opportunity to mature, and the digital systems used are not adequately accommodating the growth over time.

Table 4-27 Statistics by Utility For the Year Ended December, 31, 2020

Distributor	Utility Size	Number of Metered Customers	OM&A Per customer	FTE Employees	Customers per Employee
Northern Ontario Wires Inc.	Small	5,929	466.09	3.5	1,694.00
Hydro Hawkesbury Inc.	Small	5,474	210.59	5.0	1,094.80
Peterborough Distribution Incorporated	Large	37,467	254.91	35.0	1,070.49
E.L.K. Energy Inc.	Small	12,611	195.62	14.0	900.79
Greater Sudbury Hydro Inc.	Large	47,865	329.10	59.0	811.68
Milton Hydro Distribution Inc.	Large	41,221	256.59	51.0	808.25
Grimsby Power Incorporated	Small	11,684	307.15	14.7	794.29
Oshawa PUC Networks Inc.	Large	59,486	236.28	75.9	783.74
Essex Powerlines Corporation	Large	30,661	259.80	40.0	767.10
Newmarket-Tay Power Distribution Ltd.	Large	44,187	284.12	58.0	761.84
Lakeland Power Distribution Ltd.	Small	13,936	389.56	19.2	726.59
Alectra Utilities Corporation	Large	1,062,040	260.94	1,463.8	725.54
Oakville Hydro Electricity Distribution Inc.	Large	74,001	258.73	102.0	725.50
Burlington Hydro Inc.	Large	68,568	297.31	97.0	706.89
Elexicon Energy Inc.	Large	169,489	257.53	246.5	687.72
Welland Hydro-Electric System Corp.	Small	24,054	284.35	35.9	670.21
Westario Power Inc.	Small	23,953	253.85	35.8	668.52
Wasaga Distribution Inc.	Small	14,238	248.22	21.4	664.40
Brantford Power Inc.	Large	40,662	303.11	63.2	643.79
Orangeville Hydro Limited	Small	12,697	255.49	19.9	636.76
EPCOR Electricity Distribution Ontario Inc.	Small	18,203	339.18	29.5	616.22
Lakefront Utilities Inc.	Small	10,639	258.28	17.4	611.09
Hydro Ottawa Limited	Large	346,347	241.99	580.6	596.53
Niagara-on-the-Lake Hydro Inc.	Small	9,632	312.01	16.4	586.24
Entegrus Powerlines Inc.	Large	60,587	235.28	108.0	560.99
Energy+ Inc.	Large	67,303	283.82	121.0	556.22
North Bay Hydro Distribution Limited	Small	24,290	283.76	43.8	554.06
ENWIN Utilities Ltd.	Large	90,104	299.16	165.0	546.08

Toronto Hydro-Electric System Limited	Large	779,176	369.87	1,431.6	544.28
Festival Hydro Inc.	Small	21,654	285.30	40.0	541.35
Kitchener-Wilmot Hydro Inc.	Large	99,026	219.43	183.8	538.83
Centre Wellington Hydro Ltd.	Small	7,283	337.17	13.5	538.68
ERTH Power Corporation	Small	23,547	315.41	44.0	535.16
London Hydro Inc.	Large	162,140	250.58	303.0	535.12
Waterloo North Hydro Inc.	Large	58,438	247.32	119.0	491.08
Espanola Regional Hydro Distribution Corporation	Small	3,328	457.31	7.0	475.43
Halton Hills Hydro Inc.	Small	22,564	297.91	49.0	460.49
Synergy North Corporation	Large	56,887	289.23	129.0	440.98
PUC Distribution Inc.	Large	33,751	339.87	78.3	430.88
Renfrew Hydro Inc.	Small	4,345	324.13	10.7	406.45
Rideau St. Lawrence Distribution Inc.	Small	5,899	388.00	14.9	395.64
Tillsonburg Hydro Inc.	Small	7,719	368.29	20.2	381.56
Hearst Power Distribution Company Limited	Small	2,659	409.28	7.0	379.86
Innpower Corporation	Small	19,281	332.21	51.0	378.06
Orillia Power Distribution Corporation	Small	14,552	430.05	39.0	373.13
Sioux Lookout Hydro Inc.	Small	2,841	525.50	8.0	355.13
Canadian Niagara Power Inc.	Small	29,718	323.46	87.0	341.59
Wellington North Power Inc.	Small	3,859	487.90	12.0	321.58
Bluewater Power Distribution Corporation	Large	36,916	356.51	116.5	316.85
Hydro One Networks Inc.	Large	1,361,102	416.84	4,451.0	305.80
Fort Frances Power Corporation	Small	3,761	451.29	12.6	297.78
Chapleau Public Utilities Corporation	Small	1,223	686.31	5.0	244.60
Atikokan Hydro Inc.	Small	1,627	699.72	7.0	232.43
Algoma Power Inc.	Small	12,124	1,113.41	59.0	205.49

1 - Source 2020 OEB Yearbook. Note the following distributors not included as there were no FTE's in the 2020 Year Book.
Niagara Peninsula Energy Inc.
Kingston Hydro Corporation
Ottawa River Power Corporation
Cooperative Hydro Embrun Inc.
Hydro 2000 Inc.

f. Yes, the 2 Power Line Technicians roles were hired in November 2021, and a Power Line Technician - Apprentice was hired in 2022.

g. Yes, Power Line Technicians are critical to the day-to-day operations of Milton Hydro, along with progressing capital projects and providing support during power outages.

h. Milton Hydro found it challenging to hire PLT's due to availability and market conditions. The hiring of 2 PLTs is the start of bringing resources "in-house". In the meantime, Milton Hydro will need to continue to rely on contract resources for a portion of this work.

i. The attraction process for these roles included job postings internally at Milton Hydro and through MEARIE. Milton Hydro provided details on the total compensation package available for this role, which included the newly added opportunity to bank 40 hours of overtime versus the previous 24 hours. The Milton 2.0 organizational approach and new management team was also highlighted.

j. As per Exhibit 4 page 103 of 166. Milton Hydro's historic ratio of contracting out was (80%) vs in-house work (20%). Milton Hydro has started repatriating these positions and is undertaking to make a shift to more in-sourcing of work so the ratio of in-house vs contracting out increases in favour of in-house.

k. Yes it does apply to Power Line Technicians, and Milton Hydro is increasing the number of in-house Power Line Technicians, noted in j) above.

l. Please refer to Milton Hydro's response to the question in 1-CCC-9 and 4-VECC-45.

m. Please refer to Exhibit 4, Table 4-48, page 109. In 2019 Milton Hydro employed three (3) executive roles and it plans to increase executive level roles by two (2) over the term of the rate plan. As documented in Exhibit 4, Table 4-49 page 110, the majority of the hiring since 2019 is for non-executive roles.

4-JOL Shewchun-6

Information Technology: Exhibit 4

In the absence of the complete PWC It Strategy and Roadmap report, a suitable analysis is not possible and this is troublesome, since the expenditures for IT are very high, over a million dollars.

a. Please provide the rationale, suitability, total costs and cost benefits for the Omni Channel Engagement.

b. Please provide complete information in regard to the legacy Financial Management System.

c. Please provide more information in regard to the hiring of a Director of Information Technology and Client Services and specifically what kind of oversight will be provided in executing Milton Hydro's IT strategy.

d. Please provide detailed information on the hiring of a IT Security and infrastructure Specialist and how the security and ongoing protection of Milton assets and data will be impacted.

e. Some information technology requirements mentioned are: Open Data, Shared First, Agile. Please provide a complete listing of software that Milton Hydro is purchasing or is planning to purchase, complete costs and explain the importance of this software to the daily operations of Milton Hydro.

Response:

a. The primary benefit of the OMNI Channel platform is to enable cost effective communication with customers on their channel of choice. This will reduce repeat calls, reduce the number of voice calls which are traditionally the highest cost channel, increase customer satisfaction and improve the efficiency and effectiveness of call centre agents and the communication team. This will be most evident in major storms. The system will also have the potential to improve restoration times with quicker and more accurate customer outage information. As per the PWC Report (Name: Milton Hydro PwC IT Strategy & Roadmap Final Report Summary) that is referenced in Evidence in the following location: (Letter to Request to Amend Application and Evidence Filed May 25, 2022), the following elements help to further justify the need for the OMNI Channel system;

- P15 (in the summary report); … an enterprise wide system to submit service requests that will help to prioritize and manage support services and…will ideally integrate with modern omnichannel solution

- P21 (in the summary report) Costs for the OMNI channel system as articulated in the PWC summary report includes implementation and licensing costs for 10 users but excludes project management, data migration and custom configuration costs.

- P5 and P8. (in the summary report) Highlights the need for Milton Hydro to create, manage and maintain a 360 degree view of the customer to maintain efficient operations. It was important enough to be classified as a guiding principle "Customer-Centric. Place customer at the heart of our decision-making process and enable a 360 degree view of customers to standardize and provide seamless omni-channel customer experience."

- P11 (in the summary report) Highlights how the OMNI channel software is key to creating a unified customer experience and how it will streamline customer interactions and consolidate key information (e.g. customer feedback, issues, complaints) for the customer service representatives. This is key to driving efficiencies in the call centre by reducing the incidence of costly repeat calls.

b. Milton Hydro has used the legacy Financial Management System (Cayenta) for over 13 years. It contains modules for General Ledger, Purchasing, Accounts Payable, Accounts Receivable, Fixed Assets, Inventory, and Work Orders. Since 2016 Cayenta has stopped making enhancements and modifications to the production environment. It is expected that this version will eventually not be supported at all. Cayenta lacks efficiency, capability, and functionality to deliver the necessary operational and reporting needs of the organization. The inefficiencies of the ERP and current workarounds will not sustainably support Milton Hydro as a growing utility. Cayenta also lacks the ability to effectively integrate with modern systems.

c. Please reference Exhibit 4, Page 114 of 166, of the application.

d. Please reference Exhibit 4, Pages 104 to 105 and 119 of 166, of the application.

e. Shared first authorship is about multiple authors contributing to a single document. In the case of Milton Hydro, Shared first it is a concept of shared enterprise planning to minimize cost and maximize efficiency. Shared first for Milton Hydro is not about 2 authors sharing credit for a particular document or response. For Milton Hydro, planning for all technology investments is about all employees in the organization sharing ideas and requirements to implement the best solutions.

   In reference to the key, strategic software Milton Hydro has purchased or is purchasing, see also answers A i,ii and iii in response to question 4-VECC-39. The reasons for all

the strategic software being purchased by Milton Hydro has also been articulated throughout the entire response to many other questions as well as the strategic software forms the basis of the digital transformation required to modernize Milton Hydro and support various business process and efficiency improvement initiatives.

EXHIBIT 5 - COST OF CAPITAL AND CAPITAL STRUCTURE INTERROGATORIES

OEB STAFF INTERROGATORIES

5-Staff-79

Long-term Debt

Ref: Exhibit 5, page 7 of 17

Preamble:

In 2022, Milton Hydro retired the promissory note with the Town of Milton and will engage TD Bank to finance the promissory note with a long-term debt facility in 2022. At the time of Application, the lending rates from TD Bank were not available. Milton Hydro has used the OEB's current long-term debt rate of 3.49% as an estimate of the interest rate.

Question(s):

a. Please provide an update of this – have Milton Hydro secured lending rates from the TD Bank for the two long-term debt instruments. If so, please specify the lending rates.

b. If agreements with TD Bank won't be finalized before the Decision stage of this proceeding, does Milton Hydro plan to update the rates per OEB's deemed long-term debt rate for 2023 rates?

Response:

a. Milton Hydro has engaged CIBC to provide financial advisory services to support a long-term financing strategy. At this time, Milton Hydro has not secured lending rates from any financial institution. It is anticipated that the rates will be secured in late Q3 subsequent to Board of Directors approval at the next meeting in August 2022.

b. Milton Hydro expects to secure lending rates by the middle of September 2022. Milton Hydro proposes to incorporate its new debt and debt rate into its deemed weighted average long term debt rate as part of its draft rate order. If Milton Hydro does not

finalize its 2022 long term debt issuance before the draft rate order stage of this proceeding then Milton Hydro plans to incorporate the OEB's 2023 deemed long-term debt rate into its deemed weighed average long term debt rate as part of its draft rate order.

VULNERABLE ENERGY CONSUMERS COALITION

5-VECC-54

Reference: Exhibit 5, page 7

"Milton Hydro is proposing the following new financing arrangements with TD:

- issuance of $8,000,000 in fixed committed reducing term loan in 2022 for financing incremental balance sheet growth and debt maturities in two tranches; and
- issuance of $14,934,210 in interest only bearing loans in 2022 to refinance promissory note with the Town of Milton."

a. Please identify which rows in Table 5-13 (Appendix 2-OB 2023) make up the $8 million TD loan discussed above.

b. Please identify any 2022 - 2023 loans which have not yet been negotiated.

c. Is it MHDI's proposal to utilize the 3.49% as the cost rate for any loan which has not been negotiated prior to the completion of this proceeding?

Response:

a. Rows 17 and 18

b. The loans on Rows 1, 17 and 18 have not been renegotiated yet.

c. No. It is Milton Hydro's proposal to update its weighted average long-term debt rate for 2023 debt rates once it has negotiated the loans. See response to 5-Staff-79.b.

5-VECC-55

Reference: Exhibit 5, page 7

"In 2022, Milton Hydro retired the promissory note with the Town of Milton with a short-term revolving facility."

a. Please provide the promissory note referred to above.

b. Please explain the timing of the retirement of this note and specifically the ability of MHDI to retire the note earlier.

Response:

a. Please refer to Attachment 5-1 Town of Milton Promissory Note.

b. When preparing for the 2023 Test Year application (EB-2022-0049), Milton Hydro identified to the Board of Directors that a material difference in interest costs was related to the difference in the deemed debt rate on the promissory note and the rate paid to the Town of Milton. This difference has contributed to lower net income per Milton Hydro's audited financial statements which management identified would be a persisting driver unless the financing of this debt aligned to current market rates[27]. Members of the Board of Directors, the Chief Financial Officer and the Town of Milton met in Q4 2021 to discuss the opportunity to retire this debt. An agreement to retire the debt was made in November 2021.

[27] Milton Hydro's regulatory ROE filed with the RRR 2.1.5.6 does not reflect the actual interest on long term debt, the Regulatory ROE is adjusted eliminating actual interest on long term debt with deemed interest on long term debt.

EXHIBIT 7 - COST ALLOCATION INTERROGATORIES

OEB STAFF INTERROGATORIES

7-Staff-80

Services Weighting Factor

Ref: Exhibit 7, page 4

Preamble:

Milton Hydro states that all customer classes > 50 kW install and pay for their own services. It also states that all customer classes other than Residential and General Service < 50 kW have a weighting factor of zero.

Question(s):

a. Please confirm that all unmetered rate classes (Street Light, Sentinel, and Unmetered and Scattered Load) also provide their own connections, or explain why these shouldn't have a weighting factor above zero.

Response:

a. Confirmed that Street Lights, Unmetered and Scattered Load, and Sentinel Lights customers provide their own connections.

7-Staff-81

Meter Cost

Ref: Exhibit 7, page 5

Cost Allocation Model, Sheet I7.1 Meter Capital

Preamble:

Demand meters, with and without IT are used for a total of 2,284 connections.

Three different types of smart meters are used, general smart meters, as well as specific types for central metered and network.

Question(s):

a. Do the demand meters used have the capability of Metering Inside the Settlement Timeframe (MIST), or some similar interval capability?

    i. If not, how is Milton Hydro positioned to know hourly usage of its customers?

b. Are the various types of smart meters deployed meet connected customer needs (i.e., the characteristic of the metered customer necessitates the specific meter used) or are the types of smart meters deployed to meet system needs.

c. What factors dictate which type of smart meter is used for a given customer?

Response:

a. All meters are “MIST” compliant and are considered interval meters, capable of measuring consumption in various intervals.

b. The meters deployed meet both the customer’s and the system’s needs.

c. Service application and load size determines which type of meter is installed for the customer. For the residential class meters, a standard residential meter is used for services up to 200A. A central meter type is typically used for services greater than 200A. Network meter types are used for residential network services up to 200A. Commercial meters (NO IT’S) are used for commercial polyphase services up to 200A. Commercial meters (IT’S) are used for commercial polyphase services greater than 200A. Primary Metering meters are for High Voltage commercial polyphase services greater than 600V.

7-Staff-82

Load Profiles

Ref: Exhibit 7, page 7

Load Forecast Model, Sheet Demand Data

Cost Allocation Model, Sheet I8 Demand Data

Preamble:

The Demand allocators used in the cost allocation model were scaled by the change in energy forecast from 2016 to 2023 for each rate class.

Milton Hydro confirms that it plans to update its load profiles the next time a cost allocation model is filed.

Question(s):

a. Does Milton Hydro have the 2004 load profiles prepared by Hydro One for the 2006 Cost Allocation Informational Filing, or any more recent load profiles underpinning the demand allocators used in the 2016 cost allocation model?

b. If load profiles are available, please explain why the demand allocators were scaled rather than the load profiles.

c. If load profiles are available, please provide a scenario where the load profiles are scaled based on the forecasted energy use by class, and demand allocators are derived from those load profiles.

d. Has Milton Hydro verified that it has or will have the required data available to perform the load profiles at that time?

e. If part a) cannot be confirmed, will Milton Hydro commit that at the conclusion of this proceeding it will:

    i. Verify that the required data is available or

    ii. Take measures to ensure that it is available.

Response:

a. No, and more recent load profiles underpinning the demand allocators used in the 2016 cost allocation model, were not available.

b. N/A.

c. N/A.

d. Yes, Milton Hydro has verified that it will have the required data to prepare load profiles in its next Cost of Service application.

e.

i. N/A

ii. Confirmed

7-Staff-83

Load Profiles

Ref: Exhibit 7, page 10

Exhibit 8, page 16

Preamble:

Milton Hydro states that it proposes to implement the Sentinel Light rate class change over two years. The Sentinel Light rate class has a 76.93% status quo revenue to cost ratio, the proposal reflects a reduction to 73.48% in 2023 followed by an increase to 80% in 2024. This results in a 9.7% total bill increase in 2023.

Question(s):

a. As scenarios, please provide the total bill increases that would result from

i. leaving the revenue to cost ratio at the status quo level in 2023

ii. increasing the revenue to cost ratio to 80% in 2023

b. Has Milton Hydro considered other options for mitigating the bill impact other than reducing the revenue-to-cost ratio further below bottom of the policy range in 2023? Please describe any approaches considered and why they were rejected.

Response:

a. Total bill impacts for the requested scenarios are:

   i. 13.7% at the 76.93% status quo ratio.

   ii. 17.3% at the 80% revenue-to-cost ratio.

b. Milton Hydro considered further extending the recovery period of rate riders, however, high bill impacts are only present for the Sentinel Light rate class so this option was not selected. The Sentinel Light rate class is Milton Hydro's smallest class by share of revenue so decreasing the revenue-to-cost ratio in 2023 does not materially impact other classes.

VULNERABLE ENERGY CONSUMERS COALITION

7-VECC-56

Reference: Exhibit 7, page 3

Preamble: The Application states:

"Milton Hydro has used the 2016 COS version of the Model and submitted the revised Model to reflect 2016 Test Year costs, customer numbers and demand values. The 2016 demand values are based on the weather normalized load forecast used to design rates. Milton Hydro has developed weighting factors as outlined below based on discussions with staff experienced in the subject area"

a. The paragraph referenced in the Preamble makes a number of references to 2016. In each case, please confirm whether 2016 is the correct year to be referenced.

Response:

a. Each reference to 2016 should be 2023:

"Milton Hydro has used the 2023 COS version of the Model and submitted the revised Model to reflect 2023 Test Year costs, customer numbers and demand values. The 2023 demand values are based on the weather normalized load forecast used to design rates. Milton Hydro has developed weighting factors as outlined below based on discussions with staff experienced in the subject area"

7-VECC-57

Reference: Exhibit 7, page 3

Preamble: The Application states:

"The analysis for the Services weighting factor included a review of Milton Hydro's installation and cost recovery for Services as set out in Milton Hydro's Conditions of Service Section 3.3 General Service (Above 50 to 1000 kW) and Section 3.4 General Service (Above 1,000 KW). Milton Hydro has costs in USoA 1855 – Services for Residential and General Service <50 kW customers only. Milton Hydro has calculated the costs to provide a secondary service to either a Residential customer or a General Service <50 kW customer to be the same. All customer classes >50 kW install and pay for their own services. Milton Hydro does not collect capital contributions on these services and does not own or perform any maintenance work on the customer owned services"

a. The referenced paragraph explains that all customer classes >50 kW install and pay for their own services. However, there is no explanation as to why no Services costs are allocated to the Streetlighting, Sentinel or Unmetered Load classes where connected loads are below 50 kW. For each of these three classes please explain who pays for the Services assets required to connect to MHDI's system and where in the Conditions of Service these requirements are set out.

Response:

a. Please see the response to 7-Staff-80. Unmetered customers are required to "install, operate, and maintain its secondary conductor from the Milton Hydro designated

connection point to the intended load" (Milton Hydro Conditions of Service, Section 3.8.2.).

7-VECC-58

Reference: Exhibit 7, pages 4-5

Preamble: The Application states (page 4):

"Billing and collecting costs comprise billing software, Canada post charges, and effort from Milton Hydro's Billing, Collections, and Customer Service departments. In determining the weighting factors for Milton Hydro staff, supervisors were asked to consider their staff efforts required for the Billing, Collecting, and Customer Service departments. In general, equal weight was given to each customer/bill with the exception of Olameter cost, Collections Department costs, and Customer Service Department costs."

a. Are any of MHDI's customers subject to e-billing?

   i. If yes, please provide the number of customers in each class that are currently subject to e-billing (i.e., use the last month for which actual customer counts for each class are available).

   ii. If yes. how has the use of e-billing been reflected in the bill printing cost and Canada post costs allocated to the customer classes?

b. Please provide a schedule that sets out the derivation of the billing and collecting weights set out in Table 7-2.

Response:

a. MHDI customers are subject to e-billing.

   i. See Table 7-1 below for number of Customers on e-Billing.

Table 7-1 Number of Actual/Projected Customers on e-billing

2016 Actual	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Bridge Year	2023 Test Year
11,556	13,799	17,490	18,919	28,925	29,850	30,149	30,450

The number of customers on e-billing at the end of June 2022 is 29,878, see Table 7-2 below.

Table 7-2 Number of Customers on e-billing by Class

Rate Class	June 2022 e-Billing Customers
GS < 50	1,226
GS < 50 - 999	155
GS > 1000	9
Large Use	2
Residential	28,472
Unmetered & Scattered	14
Total	**29,878**

ii. The share of customers on e-Billing by rate class was not considered in the derivation of billing and collecting weighting factors.

b. See Table 7-3 for derivation of the billing & collecting weights.

Table 7-3 Derivation of the Billing and Collecting Weights

Customers, 2023 Forecast							
Res	GS<50	GS 50 - 999	GS 1,000 - 4,999	LU	Strt Lgt	Sent Lgt	USL
40,505	2,957	383	15	3	3	242	175

Expense Description	2023 Budget	Relative Cost (weight) Per Customer								Total Weighted Customers	Allocated Cost							
											Res	GS<50	GS 50 - 999	GS 1,000 - 4,999	LU	Strt Lgt	Sent Lgt	USL
Olameter Inc.	20,300	1.0	1.0	—			—	—	—	43,462	0.47	0.47	—	—	—	—	—	—
Canada Post Corp	197,412	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	44,283	4.46	4.46	4.46	4.46	4.46	4.46	4.46	4.46
Software Maintenance	240,814	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	44,283	5.44	5.44	5.44	5.44	5.44	5.44	5.44	5.44
										—	—	—	—	—	—	—	—	—
Billing Department	786,285	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	44,283	17.76	17.76	17.76	17.76	17.76	17.76	17.76	17.76
Collections Department	277,169	1.0	1.0	1.0	1.0	1.0				43,863	6.32	6.32	6.32	6.32	6.32	—	—	—
Customer Service Department	388,799	1.0	2.0	3.0	4.0	5.0	1.0	1.0	1.0	48,062	8.09	16.18	24.27	32.36	40.45	8.09	8.09	8.09
Totals	1,910,779									Identified Cost per Customer	42.53	50.62	58.24	66.33	74.42	35.74	35.74	35.74
WEIGHTING FACTORS for Cost Allocation Model											1.00	1.19	1.37	1.56	1.75	0.84	0.84	0.84

7-VECC-59

Reference: Exhibit 7, Cost Allocation Model, Tabs I6.1, I6.2 and I8

a. In Tab I6.1 a portion of the billing demand for the GS 50-999 class is shown as receiving the line transformer allowance. Similarly, in Tab I6.2 the GS 50-999 customer counts for Line Transformer and Secondary are less than the count for Primary. However, in Tab I8 the GS 50-999 class' 4NCP values for Primary, Line Transformer and Secondary are all the same. Please reconcile.

Response:

a. The 'I8 Demand Data' tab should include a reduction in Line Transformer and Secondary demand proportional to the share of customers that receive the TOA and the line transformer and secondary customer bases. Line Transformer and Secondary demand of the GS 50-999 kW class have been reduced in the cost allocation model filed with interrogatory responses.

7-VECC-60

Reference: Exhibit 7, page 10

Preamble: The Application states:

"As described in section 8.13 of Exhibit 8, the Sentinel Light rate change will be implemented over two years to avoid total bill impacts that exceed 10%. Milton Hydro proposes to increase the Sentinel Lights Revenue to Cost Ratio to 80% in 2024, with a corresponding decrease to the GS 1,000 to 4,999 kW from 118.97% to 118.30%."

a. For 2023 MHDI is proposing to move the R/C ratio for the Sentinel class further away from 1.0. What would be the 2023 total bill impact for the Sentinel class if the R/C ratio was held at the status quo value of 76.93%?

b. For 2023 MHDI is proposing to move the R/C ratio for the Sentinel class further away from 1.0. What would be the 2023 total bill impact for the Sentinel class if the R/C ratio was increased to 80%?

Response:

a. and b) Please see the response to 7-Staff-83 part a).

EXHIBIT 8 - RATE DESIGN INTERROGATORIES

OEB STAFF INTERROGATORIES

8-Staff-84

Fixed/Variable Charges

Ref: Exhibit 8, Pages 4-6

Cost Allocation Model Sheet O2 Fixed Charge | Floor | Ceiling

Preamble:

The proposed fixed and variable charges reflect maintaining the existing fixed to variable proportions. This results in fixed charges increasing for all rate classes, including the GS 50 – 999 kW, GS 1,000 – 4,999 kW, Large Use, and Street Lighting rate classes. The fixed charges for these rate classes are already above the Minimum System with Peak Load Carrying Capability Adjustment from the cost allocation model, commonly referred to as the ceiling.

Question(s):

a. Please explain why Milton Hydro is proposing to increase fixed charges for all rate classes, including those where the existing charges are above the ceiling.

b. As a scenario, please provide the variable charge that would result from maintaining the fixed charges at their current levels for these rate classes.

Response:

a. Milton Hydro is proposing to maintain current fixed/variable splits to avoid materially disparate bill impacts within rate classes. Milton Hydro notes other LDCs have increased fixed charges above the fixed charge ceilings as calculated in the cost allocation model. Milton Hydro notes other LDCs have increased fixed charges above Minimum System with PLCC or existing charges, including North Bay Hydro (EB-2020-0043), EnWin Utilities (EB-2019-0032), and Toronto Hydro (EB-2018-0165).

b. Charges resulting from the requested scenario are provided in Table 8-1 below.

Table 8-1 Charges with Requested Scenario (Maximum Fixed Charge)

	Current Charges		Scenario	
	Fixed	Variable	Fixed	Variable
Residential	$ 29.88	$ —	$ 36.25	$ —
GS <50	$ 18.38	$ 0.0194	$ 22.30	$ 0.0235
GS 50 to 999 kW	$ 86.74	$ 3.3568	$ 86.74	$ 4.1880
GS 1,000 to 4,999 kW	$ 682.42	$ 2.3534	$ 682.42	$ 2.8355
Large Use >5MW	$ 2,725.12	$ 1.6315	$ 2,725.12	$ 2.0594
Street Light	$ 2.68	$ 11.7399	$ 2.68	$ 15.6455
Sentinel	$ 5.63	$ 42.6426	$ 6.48	$ 49.0965
Unmetered Scattered Load	$ 8.76	$ 0.0186	$ 10.63	$ 0.0226

8-Staff-85

Minimum Distribution Charge

Ref: Exhibit 8, page 8

Preamble:

Milton Hydro has a Minimum Distribution charge.

Question(s):

a. Please indicate how much revenue has been collected from each rate class through this charge for each year from 2017 to 2021, and how much is forecasted for 2022 and 2023.

b. Please indicate which USoA account the revenue is tracked in.

c. What measures, if any, has Milton Hydro taken in the cost allocation model to ensure that the revenue collected from this charge is allocated to the rate classes paying this charge?

Response:

a. Please see the Table 8-2 below for revenue collected by class from 2017 to 2021. No minimum distribution revenue is forecast for each of 2022 and 2023.

Table 8-2 Minimum Distribution Charges (2017 - 2021)

Rate Class	2017	2018	2019	2020	2021
GS 50 - 999 kW	$ 6,638.81	$ 5,842.14	$ 5,167.22	$ 8,611.31	$ 3,413.26
GS 1000 - 4999 kW	$ 9,769.31	$ 11,712.97	$ 11,581.04	$ 10,498.73	$ 6,332.86
Large Use				$ 11,674.75	
Total	**$ 16,408.12**	**$ 17,555.11**	**$ 16,748.26**	**$ 30,784.79**	**$ 9,746.12**

b. Minimum Distribution Revenues are reported within Distribution Revenue (USoA# 4080) within the appropriate rate class as noted above.

c. As Milton Hydro did not include any Minimum Distribution Charge revenues in the 2023 COS Application, there are no adjustments made in the cost allocation model to account for these revenues.

8-Staff-86

Minimum Distribution Charge

Ref: RTSR Workform, sheet 4. UTRs and Sub-Transmission

EB-2021-0048, Decision and Order, Tariff of Rates and Charges

Preamble:

The Host RTSR Network Service Rate for Oakville Hydro is entered as $3.3469 / kW for 2022 and 2023. Oakville Hydro's 2022 tariff indicates $3.4869 / kW for this charge in the GS > 1,000 kW rate class.

Question(s):

a. Please provide the appropriate reference or derivation for the Oakville Hydro RTSR Network Service Rate applicable to Milton Hydro.

Response:

Milton Hydro acknowledges that the RTSR Network Service Rate for Oakville Hydro should be $3.4869 / kW, not $3.3469 /kW, for the charge in the GS > 1000 kW rate class and has corrected this in the updated models filed with interrogatory responses.

8-Staff-87

Low Voltage

Ref: Exhibit 8, pages 10-12

Preamble:

Milton Hydro notes that LV payments to Hydro One are forecast to decline as payments to Oakville Hydro are forecast to increase. A reason for the increased usage is given in Milton's regional growth plan.

The usage at Oakville Hydro is forecasted to increase to 250,303 kW in 2023, at a cost of $903,444 ($3.6094 / kW). At the same time, usage of Hydro One is decreasing to 195,690 kW at a cost of $536,661 ($2.7424 / kW).

Question(s):

a. Please provide the monthly usage for both Oakville Hydro and Hydro One from January 2021 until the most current available information in 2022.

b. Please explain why the usage is forecasted to decrease at Hydro One as it increases at Oakville Hydro.

Response:

a. Milton Hydro provides Table 8-3 below with the Monthly usage for Oakville Hydro and Hydro One Distribution.

Table 8-3 Monthly Volumes for Host Distributors from January 2021 to June 2022

Peak Demand	2021												2022					
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Hydro One	21,480	21,888	25,031	19,070	20,617	26,675	25,894	22,067	16,860	13,956	15,101	15,666	14,846	16,589	13,415	16,765	23,457	28,168
Palermo TS	18,616	18,782	22,202	16,836	18,719	24,711	23,913	19,959	15,250	12,105	12,714	13,100	11,641	13,411	10,562	14,470	21,621	26,256
Fergus TS	2,864	3,106	2,829	2,234	1,898	1,964	1,981	2,108	1,610	1,851	2,387	2,566	3,205	3,178	2,853	2,295	1,836	1,912
Oakville	7,450	4,917	3,170	6,066	7,928	20,800	10,169	-	7,770	6,196	6,282	7,471	8,473	8,287	7,808	6,726	10,272	24,303
Total	**28,930**	**26,805**	**28,201**	**25,136**	**28,545**	**47,475**	**36,063**	**22,067**	**24,630**	**20,152**	**21,383**	**23,137**	**23,319**	**24,876**	**21,223**	**23,491**	**33,729**	**52,471**

Please note the load shift from Halton TS (Hydro One Transmission) to Glenorchy MTS (Oakville Hydro) that will take place in 2022, as described in part c), is not yet reflected in the actual figures provided above. For clarity, Hydro One peak values are the sum of Palermo TS and Fergus TS monthly peaks and the Hydro One 2021 peak kW value provided in Table 8-11 reflects the sum of the summer peaks, the Palermo TS June peak (24,711 kW) and Fergus TS August peak (2,108 kW).

b. Milton Hydro will be moving load in 2022 from Hydro One's Palermo TS to to Oakville Hydro Glenorchy MTS to relieve heavily loaded feeders. Two automated switches are on order and and will be installed on the Glenorchy feeders which delivery is expected soon. The loads will be transferred soon after receipt of automated switches.

8-Staff-88

Loss Factor

Ref: Exhibit 8, page 13

EB-2021-0042, Decision and Rate Order

Preamble:

The proposed loss factor of 1.0385 reflects an increase from the current approved loss factor of 1.0375. As Milton Hydro notes, this is below the 5% threshold.

Question(s):

a. Does Milton Hydro have any insights into the cause of the increase in losses?

Response:

Milton Hydro has no insights into the reasons for the cause of the increase in losses. As a result of implementing the OEB's Accounting Guidance with respect to the commodity pass through accounts in 2021, it has better and more timely data that will enable it to monitor losses more frequently[28]. Milton Hydro will monitor, and manage as needed.

VULNERABLE ENERGY CONSUMERS COALITION

8.0-VECC-61

Reference: Exhibit 8, pages 5-6

Cost Allocation Model, Tab O2

Report of the Board – Application of Cost Allocation for

Electricity Distributors (EB-2007-0667), page 12

[28] OEB Accounting Guidance Related to Commodity Pass-Through Accounts 1588 & 1589, February 21, 2019.

a. With respect to Table 8-5, please confirm that the values in the last column (far right) represent the greater of: i) the class' current fixed rate and ii) the value from Tab O2 for the class' Customer Unit Cost per month – Minimum System with PLCC Adjustment.

b. Please confirm that for the GS 50-999, GS 1,000-4,999, Large Use and Streetlight classes the existing fixed charge is above the value for the class' Customer Unit Cost per month – Minimum System with PLCC Adjustment and MHDI is proposing to increase the fixed charge further in 2023.

    i. If yes, please explain how these proposed increases are consistent with the OEB's policy with respect to monthly fixed charges as set out in its EB-2007-0667 Report.

Response:

a. Confirmed.

b. Confirmed. Please see the response to 8-Staff-84.

8-VECC-62

Reference: Exhibit 8, page 8

Exhibit 3, page 26

Preamble: The Application states (Exhibit 8, page 8):
"Milton Hydro has a Minimum Distribution Charge - per kW of maximum billing demand in the previous 11 months. This rate is a $/kW charge applicable to the GS 50 to 999 kW, GS 1,000 to 4,999 kW, and Large Use rate classes."

a. For the period 2016-2021 did MHDI collect any revenue based on the application of its Minimum Distribution Charge?

    i. If yes, please provide a schedule setting out the amounts collected in each year by customer class.

    ii. If yes, where in Table 3-17 (Exhibit 3) are these revenues reported?

iii. If yes, is there any revenue from the Minimum Distribution Charge included in the 2023 COS Application and, if so, where is it accounted for?

Response:

i. Yes, Milton Hydro collected revenue from Minimum Distribution Charges for the period 2016-2021 as noted in Table 8-4 below.

Table 8-4 Minimum Distribution Charges (2016 - 2021)

Rate Class	2016	2017	2018	2019	2020	2021
GS 50 - 999 kW	$ 5,418.97	$ 6,638.81	$ 5,842.14	$ 5,167.22	$ 8,611.31	$ 3,413.26
GS 1000 - 4999 kW	$ 7,433.82	$ 9,769.31	$ 11,712.97	$ 11,581.04	$ 10,498.73	$ 6,332.86
Large Use					$ 11,674.75	
Total	$ 12,852.79	$ 16,408.12	$ 17,555.11	$ 16,748.26	$ 30,784.79	$ 9,746.12

ii. Revenues reported in Table 3-17 (Exhibit 3) are reported in Distribution Revenue within the appropriate Rate Class noted above. Milton Hydro did not include any Minimum Distribution Charge revenues in the 2023 COS Application.

8-VECC-63

Reference: Exhibit 8, pages 8-9

RTSR Workform, Tab 3 (RRR Data) and Tab 5 (Historical Wholesale)

a. Is the usage data set out in Tab 3 and Tab 5 all based on the same historical period?

Response:

In reference to RTSR Workform, Tab 3 (RRR Data) and Tab 5 (Historical Wholesale), Tab 3 (RRR Data) uses the 2023 Load Forecast billing determinants whereas Tab 5 (Historical Wholesale) is based on 2021 Actual quantities.

8.0-VECC-64

Reference: Exhibit 8, page 10

Exhibit 3, page 8

Preamble: The Application states (Exhibit 8, page 12):

"Peak demands are forecast by Milton Hydro's Engineering group based on planned projects and Milton's regional load growth plan."

a. Please provide the 2023 peak demand forecast for MHDI as prepared by Milton Hydro's Engineering group broken down in sufficient detail to show the peak demands for Hydro One and Oakville Hydro per Table 8-11.

b. Is the peak demand forecast prepared by Milton Hydro's Engineering group derived so as to be consistent with the 2023 load forecast set out in Exhibit 3?

    i. If yes, please explain how this done.

    ii. If not, please provide more details regarding how the forecast is prepared.

c. It is noted (Exhibit 8, page 10) that the forecast 2023 Total Host Billed Demand (445,993 kW) is greater than in any of the historical years 2018-2021. However, the total forecast kWhs for 2023 (903,810,994 kWh) is less than that in any of the historical years 2018-2021 (per Exhibit 3, page 8). Please explain why this is the case?

Response:

a. Please see Table 8-5 below.

Table 8-5 Peak Demands

Station	2023 Peak kW
Palermo TS	22,540
Fergus TS	2,000
Hydro One	**24,540**
Glenorchy TS	43,370
Oakville	**43,370**

b. No. ii. The system load forecast projects growth year by year. Planned new customer projects were then added to the forecast by regions. After the regional growth was added, the system as a whole was re-examined for future constraints. Part of the review was to see if any of the Halton TS feeder loads could be shifted to Glenorchy TS since Milton Hydro planned to renew the contract in 2022 for 40 MW with Oakville Hydro for the next ten years. This exercise lead Milton Hydro to a plan to move load in the southern part of town from Halton TS to Glenorchy TS feeders in late 2022 and in 2023. This is the reason Glenorchy TS is planned to be loaded to 40-plus MW. The Palermo TS load will be kept to the assigned capacity of 22.4 MW.

c. For ratemaking purposes, the 2023 kWh forecast includes a CDM adjustment which accounts for CDM activities from 2023 to 2027. Absent this adjustment, the kWh forecast in 2023 is greater than all but one historic year. Additionally, the figures provided in Exhibit 8, page 10 include only demand from host distributors. The demand from host distributors as a share of total supply has increased since the 2018-2021 time frame.

8.0-VECC-65

Reference: Exhibit 8, pages 10 and 13-14

a. At page 10 MHDI indicates that it pays LV charges to Hydro One and Oakville Hydro. However, at pages 13-14 MHDI indicates that it only purchases power from the IESO, Oakville Hydro and embedded generators. Please explain the circumstances that give rise to MHDI paying Hydro One LV charges but not purchasing power from Hydro One.

Response:

a. For the energy received by Milton Hydro, as an embedded distributor, from Hydro One, the host distributor; the energy delivery points are registered with the Independent Electricity System Operator (IESO) and Milton Hydro settles all kWh energy related charges directly with the IESO. Hydro One bills Milton Hydro for all kW demand based charges including Transmission Network, Transmission Connection, and Low Voltage Charges. This is the standard approach for settlement used between Hydro One and many embedded distributors in Ontario.

8.0-VECC-66

Reference: Exhibit 8, page 16

Tariff Schedule and Bill Impact Model, Tab 6 – Bill Impacts

a. In Table 8-15, please confirm that the Distribution Bill Impacts shown for Streetlighting and Sentinel are reversed.

Response:

a. Confirmed. This is correct in the updated Tariff Schedule and Bill Impact model filed in response to 1-Staff-1.

EXHIBIT 9 - DEFERRAL & VARIANCE ACCOUNTS INTERROGATORIES

OEB STAFF INTERROGATORIES

9-Staff-89

Account 1525 Miscellaneous Deferred Debits

Ref: Exhibit 9, page 4

DVA Continuity Schedule, Tab 2b. Continuity Schedule

Preamble:

Milton Hydro stated that:

As per Group 2 DVA continuity schedule of the DVA Continuity Schedule model, Milton Hydro is not requesting to dispose of the balance in Account 1525 - Miscellaneous Deferred Debits in this Application. This account is being used to record the one-time rate application preparation costs incurred in 2021, 2022, and 2023. The balance of this account will be amortized over 5 years commencing in 2023 consistent with how Milton Hydro is recovering the one-time costs to prepare this rate application.

Milton Hydro also recorded $218,142 transaction debit during 2021.

Question(s):

a. Please clarify whether the cost of $218,142 is incurred over one year or three years.

b. Please confirm that this account is used to track the regulatory costs.

Response:

a. The cost of $218,142 was incurred during 2021 and is not recurring, it was recorded in Account 1525 - Miscellaneous in 2021.

b. This account is used only to track the one-time rate application preparation costs. As per Exhibit 4 Page 78 of 166, Table 4-38 One Time Costs, Milton Hydro incurred $218,142 of one time costs in 2021, expects to incur one time costs of $368,273 in 2022, and

expects to incur one time costs of $180,000 in 2023 for a total of $766,415 which are all being recorded in Account 1525 - Miscellaneous Deferred Debits.

9-Staff-90

RRR Balances

Ref: Exhibit 9, page 5, 7,10

Preamble:

On page 5 of Exhibit 9, Milton Hydro stated that:

Milton Hydro Distribution has not filed its RRR balances with the OEB at the time of filing this rate application, so it has used the Audited Account Balances under Modified IFRS as the OEB RRR 2.1.7 Trial Balance amounts.

On page 7 of Exhibit 9, Milton Hydro provided a reconciliation between DVA Balances and Audited Account Balances in Table 9-2.

On page 10 of Exhibit 9, Milton Hydro stated that:

Milton Hydro has adopted the standard OEB model and has not made any edits or changes to the model, except that it has used its Trial Balance amounts that underpin its audited Financial Statements in place of the RRR 2.1.7 Trial Balance amounts as Milton Hydro is filing its Application before the RRR filing deadline.

Question(s):

a. Given that RRR 2.1.7 trial balance has been filed, please provide an updated Table 9-2 for a reconciliation between DVA Balances and RRR 2.1.7.

b. Please also provide an updated DVA continuity schedule by updating the Column BV on Tab 2a and Tab 2b using the 2021 RRR 2.1.7 balances.

Response:

a. No updates are required, as the amounts presented in Table 9-2, column 'G/L Balance Dec. 31/21' - audited account balances under modified IFRS, are consistent with the account balances reported in the 2021 RRR 2.1.7 Trial Balance.

b. No updates are required, as the amounts presented in the DVA continuity schedule Column BV on Tab 2a and Tab 2b, are consistent with the account balances reported in the 2021 RRR 2.1.7 Trial Balance.

9-Staff-91

Account 1508 Sub-account Pole Attachment Revenue Variance

Ref: Exhibit 9, page 14

Preamble:

Regarding Account 1508 - Other Regulatory Assets, Sub-account Pole Attachment Revenue Variance, Milton Hydro stated that:

Milton Hydro is forecasting activity in this account in 2022 of $153,615 for the variance between forecast pole attachment other revenue billed of $353,399 vs pole attachment other revenue at the approved pole rental rate of $199,784.

Question(s):

a. Please provide a detailed calculation showing the pole attachment rates multiplied by number of forecasted poles in 2022 to support the $353,399 and $199,784.

b. Please provide the assumption of the forecasted numbers of poles in 2022.

Response:

a. Milton Hydro originally calculated the forecasted activity of this account for 2022 earlier in the rate application preparation process; before the OEB updated the Pole Rental

Charge for 2022 to $34.76[29]. Milton Hydro revisits this calculation, and updates the calculation with the current Pole Rental Charge. See Table 9-1 below providing the updated calculation based on current information. The forecasted activity for this account for 2022 is reduced to $97,009. Milton Hydro will update the balance of Account 1508 - Other Regulatory Assets, Sub Account Pole Attachment Revenue, in its evidence and update the Group 2 Deferral and Variance Account Rate Rider accordingly. As indicated in Exhibit 9 Page 12 and 13 of 24, Milton Hydro is proposing to dispose of the forecasted balance to the end of 2022 with the understanding that once actual costs, based on actual poles, are known, it will come forward with an application in its 2024 IRM rate proceeding to dispose of any differences between the forecasted amount and the actual cost.

Table 9-1 2022 Forecast for Pole Attachment Revenue

	# Poles - Forecast	Rate Charged per Pole effective Dec 16, 2021	Pole Attachment Revenue Forecast	Other Income Rate	Other Income - USofA 4210	USofA Account 1508
Cogeco	1,921	$ 34.76	$ 66,774	$ 22.35	$ 42,934	$ 23,840
Rogers	2,516	34.76	87,456	22.35	56,233	31,224
Bell	3,371	34.76	117,176	22.35	75,342	41,834
Mage	9	34.76	313	22.35	201	112
Total	**7,817**		**$ 271,719**		**$ 174,710**	**$ 97,009**

b. The number of poles forecast are based on the 2021 year-end number of poles.

9-Staff-92

Account 1592 Sub-account CCA Changes

Ref: Exhibit 9, page 20

Question(s):

a. Please provide the calculation for the Account 1592 annual entries on both of the following bases:

[29] Per OEB Decision dated December 16, 2021 regarding the 2022 Pole Rental Charge which was reduced from $44.50 to $34.76.

i. The difference in CCA between the calculations embedded in Milton Hydro's rates and what that calculation would have been had the Accelerated Investment Incentive Program (AIIP) rules been applied in its last rebasing application (i.e. based on approved capital additions)
ii. The difference in CCA between the annual amounts claimed and what the claims would have been had the AIIP program not been introduced (i.e. based on actual capital additions in the year).

b. Please confirm that the balance requested for disposition is 100% of the impact from accelerated CCA. If not confirmed, please explain why Milton Hydro is proposing to share the impact from accelerated CCA with ratepayers.

Response:

a. Calculations provided as follows:

i. The difference in CCA between the calculations embedded in Milton Hydro's rates and what that calculation would have been had the Accelerated Investment Incentive Program (AIIP) rules been applied in its last rebasing application can be found in '9-Staff-92 Difference in CCA Calculation 1'.

ii. The difference in CCA between the annual amounts claimed and what the claims would have been had the AIIP program not been introduced can be found in '9-Staff-92 Difference in CCA Calculation 2'.

b. Confirmed.

9-Staff-93

Account 1592 Sub-account CCA Changes

Ref: Exhibit 9, page 20

Preamble:

Milton Hydro indicated:

Milton Hydro is proposing to dispose of the forecasted balance to the end of 2022 with the understanding that once actual costs are known, it will come forward with an application in its 2024 IRM rate proceeding to dispose of any differences between the forecasted amount and the actual cost.

Question(s):

a. Please explain how the 2022 forecast amount were determined and how the actuals to date compare to the forecast.

b. Please confirm Milton Hydro will only bring forward for disposition differences between the forecasted amounts and the actual cost based if they exceed the materiality threshold.

Response:

a. The 2022 forecast amount was determined by taking the 2016 Test Year additions and calculating the difference between the balance with Accelerated Investment Initiative (AII) and without AII. Milton Hydro expects the actual amount to be the same as the forecast amount by end of year.

b. Milton Hydro confirms that the actuals to end of 2022 will not change from what was originally forecast to the end of 2022. Milton Hydro does not expect a difference between the forecasted amount and the actual amount, therefore it does not expect to bring forward a disposition difference to be settled at a later date.

VULNERABLE ENERGY CONSUMERS COALITION

9-VECC-67

Reference: Exhibit 9, page 15

a. For the OEB Cost Assessment Variance sub-account (1508) please show how the annual amount of variance calculated. Specifically explain how the variance calculation adjusts for the annual IRM increase in rates.

Response:

a. The OEB established the sub-account of Account 1508 - OEB Cost Assessment Variance - for LDCs to record any material differences between the OEB Annual Assessment currently built into rates, and Annual Assessments that resulted from the application of the new cost assessment model effective April 1, 2016. There was no

requirement for distributors to adjust the variance calculation for the annual IRM increase in rates, and Milton Hydro did not make such adjustments when calculating the annual transactions booked to Account 1508 - Sub-account - OEB Cost Assessment Variance. Milton Hydro calculated the variance based on the difference between the OEB Annual Assessment built into rates, as approved by the OEB in its 2016 Cost of Service rate application, and the annual assessments billed by the OEB since April 1, 2016.

Attachment 1-1
2020 Budget

Changes to the 2019 Forecast & 2020 -2023

Milton Hydro Distribution

1. 2019 Forecast
    a. The draft budget presented on November 19, 2019 included an estimate of the Ministry of Finance Notice of Reassessment for tax years 2015 & 2016. The final budget includes an estimate of the 2017/18 Tax Impact and Interest Charge as confirmed by KPMG. Changed the $690,000 tax impact to $933,065 and changed the interest from $147,000 to $176,000.

	adj. proposed	*adj. proposed*	*est. of adj*	*est. of adj*	
Chart 2 – Cash Outflow	**2015**	**2016**	**2017**	**2018**	**Total**
Tax Owing / Est. of Tax	238,840	431,225	156,000	107,000	933,065
Est. of Interest at 12/31	66,000	85,000	19,000	6,000	176,000
Total	**304,840**	**516,225**	**175,000**	**113,000**	**1,109,065**

2. 2020 Budget
    a. Remove Utilismart ($501,686) from Software Capital Budget
    b. Remove Software Maintance for Utilismart ($60,000)
    c. Added Elster Software Maintenance ($16,000)
    d. Remove $650,000 for the Hydro One Halton TS2 (design/deposit) from Capital Budget
    e. Changed depreciation accordingly
    f. Administration (Board) – changed the Board structure back to the existing board structure with 8 board members; allocation of MHHI expenses to MHDI changed from 50% to 75%

[redacted]

5. Management Fee – the allocation of MHHI expenses changed to 75% for MHDI [redacted]
6. [redacted]

Milton Hydro

Budget 2020 and LRF for 2021-2023

Milton Hydro Distribution Inc.

Board Meeting - revised

December, 2019

Key Budget Assumptions – con't

2019 Projected and 2020 Budget

	2017 Actual	2018 Actual	2019 Budget	2019 Projected	2020 Budget
Net Distribution Revenue	$ 16,615,170	$ 17,651,774	$ 18,118,944	$ 18,172,943	$ 18,932,283
Other Income (incl Finance Income)	$ 2,093,477	$ 2,607,092	$ 2,220,667	$ 2,322,788	$ 2,287,011
Controllable Expenses	$ 8,941,247	$ 9,488,241	$ 10,398,073	$ 9,757,659	$ 10,612,469
Depreciation	$ 3,482,059	$ 3,761,991	$ 4,010,333	$ 4,093,445	$ 4,440,409
Interest	$ 2,570,940	$ 2,606,634	$ 2,700,333	$ 2,849,671	$ 2,787,353
Removals	$ 359,103	$ 25,965	$ 350,000	$ 650,000	$ 650,000
Net Income Before Tax & Reg Movement	$ 1,458,806	$ 3,318,028	$ 2,874,079	$ 3,144,956	$ 2,729,062
Total PILs	$ 888,791	$ 1,270,930	$ 761,600	$ 880,041	$ 723,200
Regulatory Movement/Taxes	$ (2,495,167)	$ (2,255,898)	$ -	$ -	$ -
Other Comprehensive loss	$ 101,797				
Net Income After Tax & Regulatory Movement	**2,963,385**	**4,302,996**	**2,112,479**	**2,264,915**	**2,005,862**
% increase (decrease)	0.4%	45.2%	-32.4%	7.2%	-11.4%

2019 Projected net earnings after tax of $2,264,915 is estimated to be $152,436 higher than 2019 Budget.

- higher Other Income - $102,121
- lower Controllable Expenses - $640,414
- higher Distribution Revenue - $53,999

Offset by:

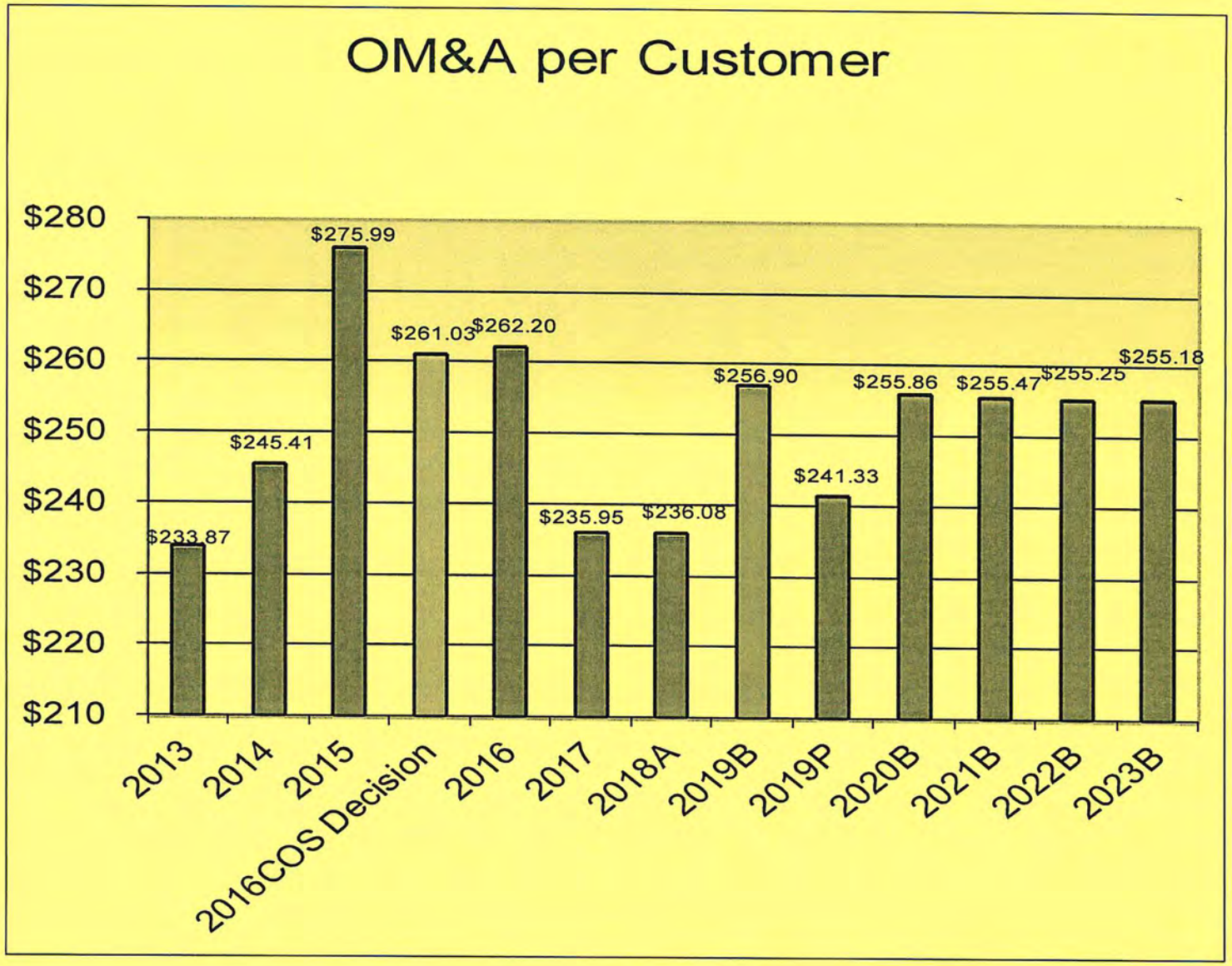
- higher Depreciation - $83,112
- higher Interest Expenses - $149,338 (includes interest on Ministry of Finance Tax Assessment 2015/2016/2017/2018 - $176K)
- higher PILS- $118,441 (includes Ministry of Finance Tax interest Assessment for 2015/2016/2017/2018 - $176K)
- higher Removals of PPE - $300,000

2020 Budgeted net earnings after tax of $2,005,862 is forecast to be $259,053 lower than 2019 Projected.

- higher Controllable Expenses - $854,810
- lower Other Income - $35,777
- higher Depreciation Expense - $346,964

Offset by:

- higher Distribution Revenue - $759,340
- lower Interest Expense - $33,318
- lower PILS - $156,841


OM&A per Customer
$280
$270
$260
$250
$240
$230
$220
$210
$233.87
$245.41
$275.99
$261.03
$262.20
$235.95
$236.08
$256.90
$241.33
$255.86
$255.47
$255.25
$255.18
2013
2014
2015
2016COS Decision
2016
2017
2018A
2019B
2019P
2020B
2021B
2022B
2023B

Key Budget Assumptions – con't

Milton Hydro/Peer Group – OM&A per Customer:

Mid-Size GTA Medium-High & High Undergrounding (as per the OEB Year Book Statistics)	OM&A per Customer 2011	OM&A per Customer 2012	OM&A per Customer 2013	OM&A per Customer 2014	OM&A per Customer 2015	OM&A per Customer 2016	OM&A per Customer 2017	OM&A per Customer 2018	OM&A per Customer 2019P	OM&A per Customer 2020B
Kitchener-Wilmot Hydro Inc.	154.69	189.02	186.18	186.70	178.78	186.10	191.43	204.76		
Oshawa PUC Networks Inc.	191.13	210.65	207.71	204.78	211.45	220.83	227.05	234.08		
Milton Hydro Distribution Inc.	**209.83**	**209.19**	**247.59**	**243.34**	**275.99**	**262.20**	**235.96**	**239.73**	**241.33**	**255.86**
Oakville Hydro Electricity Distribution Inc.	206.45	223.21	270.31	263.02	269.33	261.30	260.79	260.55		
Waterloo North Hydro Inc.	181.61	219.96	244.24	259.20	239.32	236.41	246.42	261.50		
Whitby Hydro Electric Corporation	213.50	219.49	266.29	255.33	272.90	281.21	287.75	265.04		
Newmarket - Tay Power Distribution Ltd.	198.21	240.26	214.87	231.48	214.43	218.43	263.16	266.34		
Brantford Power Inc.	176.40	198.95	229.54	235.71	232.85	264.39	255.13	270.64		
Halton Hills Hydro Inc.	226.82	283.20	240.83	246.30	268.77	277.18	274.60	274.40		
Cambridge and North Dumfries Hydro Inc./Energy + Inc.	208.64	266.21	274.72	274.29	270.45	270.80	273.11	274.66		
Burlington Hydro Inc.	225.24	252.49	260.13	263.52	267.05	272.59	271.52	278.61		
Guelph Hydro Electric Systems Inc.	250.75	266.86	298.11	271.51	281.14	265.81	274.87	300.73		
Peer Group Average of Distributors that Reported	**203.61**	**231.62**	**245.04**	**244.60**	**248.54**	**251.44**	**255.15**	**260.92**		
Peer Group Average Excluding Milton Hydro	**208.05**	**235.50**	**250.39**	**249.86**	**254.88**	**257.38**	**260.94**	**266.03**		

Source: OEB Yearbooks of Electricity Distributors

MHDI 2016 COS - $261.03 OM&A per customer

MHDI Status - Budget/LRP Financial Summary

Milton Hydro Distribution Inc.
Statement of Comprehensive Income

	Actual 2016	2017 Actual	2018 Actual	2019 Projected	2020 Budget	2021 Budget	2022 Budget	2023 Budget
Revenue								
Sale of energy	$ $ 115,176,130	$ 100,966,319	$ 101,379,746	$ 105,749,878	$ 108,257,451	$ 110,415,970	$ 112,574,490	$ 114,733,009
Distribution revenue	16,327,905	16,615,170	17,651,774	18,172,943	18,932,283	19,655,269	20,374,404	21,111,928
Other	1,927,891	1,951,744	2,607,092	2,154,069	2,147,011	2,270,231	2,377,372	2,486,786
	133,431,926	119,533,233	121,638,612	126,076,890	129,336,744	132,341,470	135,326,267	138,331,723
Operating expenses								
Cost of power purchased	114,269,832	102,862,812	102,620,246	105,749,878	108,257,451	110,415,970	112,574,490	114,733,009
Operations & Maintenance	9,802,077	3,334,905	3,772,972	3,848,365	3,922,810	4,020,880	4,121,402	4,224,437
Administration		5,606,342	5,715,269	5,909,294	6,689,660	6,842,572	6,999,306	7,159,959
Operations, Maintenance & Administration	9,802,077	8,941,247	9,488,241	9,757,659	10,612,469	10,863,452	11,120,708	11,384,397
Depreciation and amortization	3,301,469	3,482,059	3,761,991	4,093,445	4,440,409	4,730,697	5,029,141	5,327,943
Removals of property, plant and equipment		359,103	25,965	650,000	650,000	450,000	450,000	450,000
	127,373,378	115,645,221	115,896,443	120,250,982	123,960,330	126,460,119	129,174,339	131,895,349
Income from operating activities	6,058,548	3,888,012	5,742,169	5,825,908	5,376,415	5,881,352	6,151,927	6,436,375
Finance income	(97,715)	(141,734)	(182,493)	(168,719)	(140,000)	(140,000)	(140,000)	(140,000)
Finance costs	2,517,804	2,570,940	2,606,634	2,849,671	2,787,353	2,883,951	2,975,212	3,060,919
Income before income taxes	3,638,459	1,458,806	3,318,028	3,144,956	2,729,062	3,137,401	3,316,716	3,515,456
Income tax expense	762,962	888,791	1,270,930	880,041	723,200	831,400	878,900	931,600
Net income before net movement in Reg balances	2,875,497	570,015	2,047,098	2,264,915	2,005,862	2,306,001	2,437,816	2,583,856
Net movement in regulatory balances	77,516	1,896,493	1,240,500	-	-	-	-	-
Income Tax on Regulatory Balances		598,674	1,015,398					
Net income after net movement in Reg balances	2,953,013	3,065,182	4,302,996	2,264,915	2,005,862	2,306,001	2,437,816	2,583,856
Other comprehensive income								
Items that will not be reclassified to profit or loss:								
Remeasurements of post-employment benefits		(138,500)						
Tax on remeasurements		36,703						
Net movement in regulatory balances, net of tax								
Other comprehensive income for the year	$	(101,797)	-	-	-	-	-	-
Total Net Income	$ 2,953,013	$ 2,963,385	$ 4,302,996	$ 2,264,915	$ 2,005,862	$ 2,306,001	$ 2,437,816	$ 2,583,856

Key Budget Assumptions – con't

Capital Expenditures:

MHDI System Access Projects

- 2019P $4.80 million
- 2020B $8.67 million
- 2021B $4.40 million

MHDI System Renewal Projects

- 2019P $1.91 million
- 2020B $1.44 million
- 2021B $1.54 million

MHDI System Service Projects

- 2019P $ 2.29 million
- 2020B $ 790 thousand
- 2021B $ 3.35 million

Key Budget Assumptions – con't

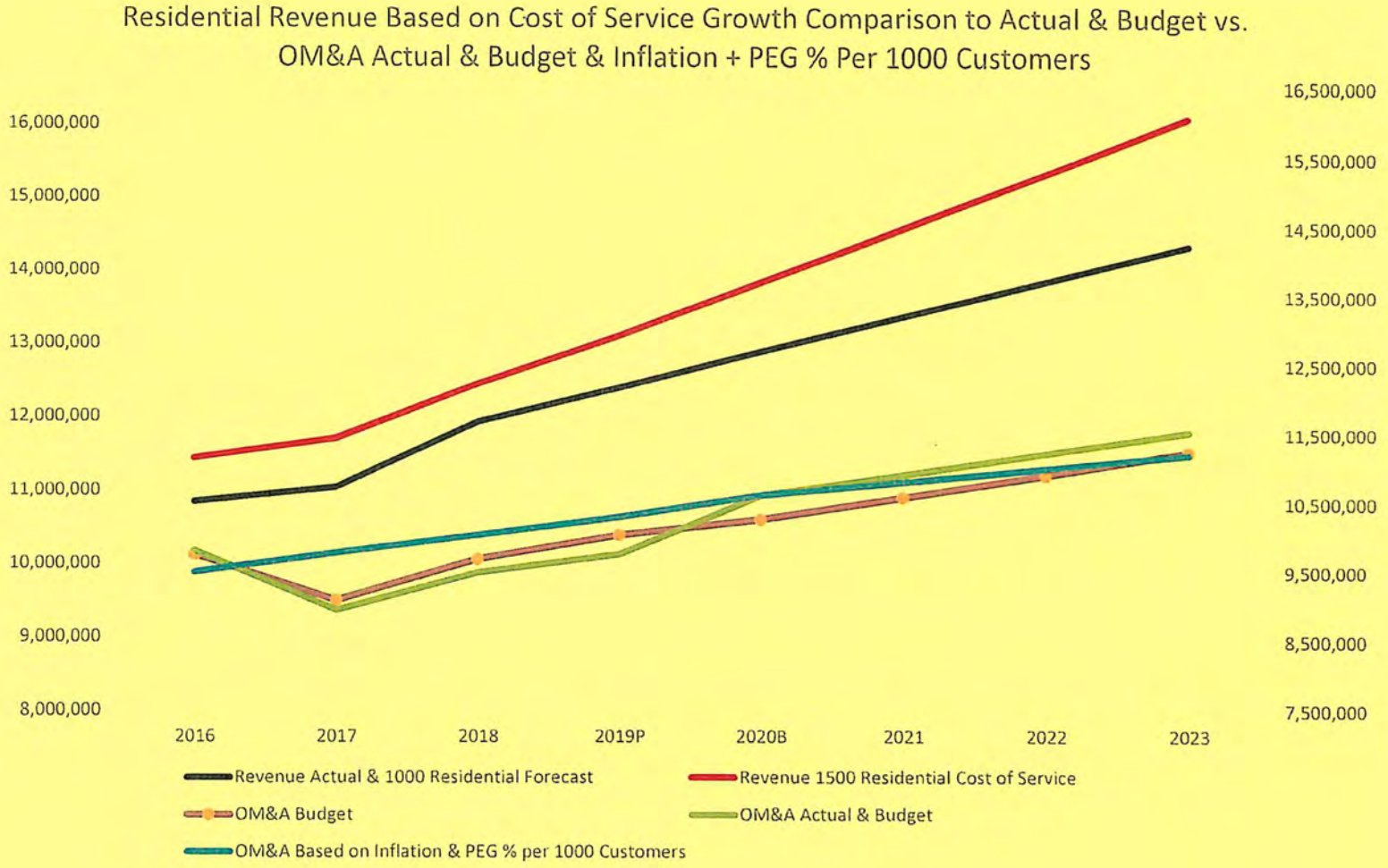
MHDI One-Time Expenditures:

- 2019 Projected
  - Tremaine TS
    - Breakers (2) - $1,000,000 – final payment
    - Feeder Egress - $1,500,000
  - Software
    - ArcGIS Maps $40,000
    - Licenses - $42,000
  - Server/Desktops - $71,000
  - Pickup trucks/Electric Vehicle- $128,000
  - Building – Warehouse Floor- $170,000
    - Boiler - $105,000
    - Geothermal $20,000

- 2020 Budget
  - Server/Firewall/Desktops- $82,500
  - Building – Elevator retrofit - $130,000

Covenants

Covenent Test Ratios	Target	2015 A	2016 A	2017 A	2018 A	2019 B	2019 P	2020 B	2021 B	2022 B	2023 B
Current Ratio	Minimum 1.1:1	1.83	1.66	1.45	1.41	1.67	1.49	1.63	1.64	1.66	1.69
Debt Service Coverage Ratio	Minimum 1.15:1	2.16	1.33	1.47	1.71	1.53	1.59	1.56	1.63	1.66	1.69
Debt to Capital Ratio	not greater than 60%	57.2%	57.2%	55.7%	55.3%	56.8%	56.0%	56.8%	57.3%	57.6%	57.8%


Residential Revenue Based on Cost of Service Growth Comparison to Actual & Budget vs. OM&A Actual & Budget & Inflation + PEG % Per 1000 Customers
16,000,000
15,000,000
14,000,000
13,000,000
12,000,000
11,000,000
10,000,000
9,000,000
8,000,000
16,500,000
15,500,000
14,500,000
13,500,000
12,500,000
11,500,000
10,500,000
9,500,000
8,500,000
7,500,000
2016
2017
2018
2019P
2020B
2021
2022
2023
Revenue Actual & 1000 Residential Forecast
Revenue 1500 Residential Cost of Service
OM&A Budget
OM&A Actual & Budget
OM&A Based on Inflation & PEG % per 1000 Customers

Milton Hydro Distribution Inc.
Statements of Financial Position

	2017 Actual	2018 Actual	2019 Budget	2019 Projected	2020 Budget	2021 Budget	2022 Budget	2023 Budget
Assets								
Current assets								
Cash and cash equivalents	$ 10,059,224	$ 8,374,579	$ 10,979,258	$ 7,330,328	$ 10,317,638	$ 10,708,983	$ 11,289,328	$ 12,106,063
Accounts receivable	$ 10,344,174	$ 10,369,910	$ 11,960,797	$ 11,883,010	$ 12,196,276	$ 12,472,585	$ 12,748,524	$ 13,026,227
Due from related parties	10,063,177	11,172,503	10,505,873	10,505,874	10,782,835	11,027,122	11,271,082	11,516,602
Unbilled revenue	768,369	180,633	-		-	-	-	-
Income taxes receivable	1,325,720	1,368,320	1,325,720	1,368,320	1,368,320	1,368,320	1,368,320	1,368,320
Materials and supplies	977,824	1,004,949	769,412	900,743	900,743	900,743	900,743	900,743
Prepaid expenses	33,538,488	32,470,894	35,541,060	31,988,275	35,565,812	36,477,753	37,577,998	38,917,955
Total current assets								
Non-current assets	95,512,331	102,204,990	104,985,649	108,129,994	113,942,412	118,412,886	122,584,915	126,458,142
Property, plant and equipment	926,566	1,171,266	926,566	908,214	908,214	908,214	908,214	908,214
Intangible assets	96,438,897	103,376,256	105,912,215	109,038,208	114,850,626	119,321,100	123,493,129	127,366,356
Total non-current assets	129,977,385	135,847,150	141,453,275	141,026,483	150,416,438	155,798,853	161,071,126	166,284,311
Total assets	5,521,412	8,283,379	3,060,586	6,197,097	3,565,319	3,592,962	3,662,962	3,732,962
Regulatory balances	**$ 135,498,797**	**$ 144,130,529**	**$ 144,513,861**	**$ 147,223,580**	**$ 153,981,757**	**$ 159,391,815**	**$ 164,734,089**	**$ 170,017,274**
Total assets and regulatory balances								
Liabilities								
Current liabilities								
Accounts payable and accrued Liabilities	$ 18,198,125	$ 17,051,667	$ 17,969,654	$ 17,821,855	$ 18,253,940	$ 18,624,645	$ 18,994,471	$ 19,363,385
Long-term debt due within one year								
Customer deposits	3,375,448	3,610,992	3,375,448	3,610,992	3,610,992	3,610,992	3,610,992	3,610,992
Total current liabilities	21,573,573	20,662,659	21,345,102	21,432,847	21,864,932	22,235,637	22,605,463	22,974,377
Non-current liabilities								
Long-term debt	52,632,529	55,330,111	57,868,124	57,902,052	60,320,957	62,607,898	64,757,561	66,764,418
Post-employment benefits	482,392	496,556	521,755	516,418	537,075	558,558	580,900	604,136
Deferred revenue	12,184,686	14,736,029	15,820,134	17,047,083	20,427,751	22,352,681	24,215,307	26,015,628
Other liabilities	2,037,890	2,019,831	2,037,890	2,019,831	2,019,831	2,019,831	2,019,831	2,019,831
Deferred tax liabilities	2,840,383	3,828,933	2,840,383	2,895,838	2,895,838	2,895,838	2,895,838	2,895,838
Total non-current liabilities	70,177,880	76,411,460	79,088,286	80,381,222	86,201,453	90,434,806	94,469,436	98,299,851
Total liabilities	91,751,453	97,074,119	100,433,388	101,814,069	108,066,385	112,670,442	117,074,900	121,274,229
Equity								
Share capital	17,008,908	17,008,908	17,008,908	17,008,908	17,008,908	17,008,908	17,008,908	17,008,908
Contributed surplus								
Retained earnings	21,869,310	23,332,694	24,959,087	26,135,688	26,900,603	27,406,465	28,212,466	29,150,282
Distribution Income - current year	2,963,385	4,302,996	2,112,479	2,264,915	2,005,862	2,306,001	2,437,816	2,583,856
Accumulated other comprehensive income/(loss)								
Total equity	41,841,603	44,644,597	44,080,474	45,409,511	45,915,373	46,721,374	47,659,190	48,743,046
Total liabilities and equity	133,593,056	141,718,717	144,513,862	147,223,580	153,981,758	159,391,816	164,734,089	170,017,274
Regulatory balances	1,905,743	2,411,812						
Total liabilities, equity and regulatory balances	**$ 135,498,799**	**$ 144,130,529**	**$ 144,513,862**	**$ 147,223,580**	**$ 153,981,758**	**$ 159,391,816**	**$ 164,734,089**	**$ 170,017,274**

Milton Hydro Distribution Inc.
Statement of Comprehensive Income

	Actual 2016	2017 Actual	2018 Actual	2019 Projected	2020 Budget	2021 Budget	2022 Budget	2023 Budget
Revenue								
Sale of energy	$ 115,176,130	$ 100,966,319	$ 101,379,746	$ 105,749,878	$ 108,257,451	$ 110,415,970	$ 112,574,490	$ 114,733,009
Distribution revenue	16,327,905	16,615,170	17,651,774	18,172,943	18,932,283	19,655,269	20,374,404	21,111,928
Other	1,927,891	1,951,744	2,607,092	2,154,069	2,147,011	2,270,231	2,377,372	2,486,786
	133,431,926	119,533,233	121,638,612	126,076,890	129,336,744	132,341,470	135,326,267	138,331,723
Operating expenses								
Cost of power purchased	114,269,832	102,862,812	102,620,246	105,749,878	108,257,451	110,415,970	112,574,490	114,733,009
Operations & Maintenance	9,802,077	3,334,905	3,772,972	3,848,365	3,922,810	4,020,880	4,121,402	4,224,437
Administration		5,606,342	5,715,269	5,909,294	6,689,660	6,842,572	6,999,306	7,159,959
Operations, Maintenance & Administration	9,802,077	8,941,247	9,488,241	9,757,659	10,612,469	10,863,452	11,120,708	11,384,397
Depreciation and amortization	3,301,469	3,482,059	3,761,991	4,093,445	4,440,409	4,730,697	5,029,141	5,327,943
Removals of property, plant and equipment		359,103	25,965	650,000	650,000	450,000	450,000	450,000
	127,373,378	115,645,221	115,896,443	120,250,982	123,960,330	126,460,119	129,174,339	131,895,349
Income from operating activities	6,058,548	3,888,012	5,742,169	5,825,908	5,376,415	5,881,352	6,151,927	6,436,375
Finance income	(97,715)	(141,734)	(182,493)	(168,719)	(140,000)	(140,000)	(140,000)	(140,000)
Finance costs	2,517,804	2,570,940	2,606,634	2,849,671	2,787,353	2,883,951	2,975,212	3,060,919
Income before income taxes	**3,638,459**	**1,458,806**	**3,318,028**	**3,144,956**	**2,729,062**	**3,137,401**	**3,316,716**	**3,515,456**
Income tax expense	762,962	888,791	1,270,930	880,041	723,200	831,400	878,900	931,600
Net income before net movement in Reg balances	**2,875,497**	**570,015**	**2,047,098**	**2,264,915**	**2,005,862**	**2,306,001**	**2,437,816**	**2,583,856**
Net movement in regulatory balances	77,516	1,896,493	1,240,500	-	-	-	-	-
Income Tax on Regulatory Balances		598,674	1,015,398					
Net income after net movement in Reg balances	**2,953,013**	**3,065,182**	**4,302,996**	**2,264,915**	**2,005,862**	**2,306,001**	**2,437,816**	**2,583,856**
Other comprehensive income								
Items that will not be reclassified to profit or loss:								
Remeasurements of post-employment benefits		(138,500)						
Tax on remeasurements		36,703						
Net movement in regulatory balances, net of tax								
Other comprehensive income for the year	$	(101,797)	-	-	-	-	-	-
Total Net Income	$ 2,953,013	$ 2,963,385	$ 4,302,996	$ 2,264,915	$ 2,005,862	$ 2,306,001	$ 2,437,816	$ 2,583,856

Milton Hydro Distribution Inc.
Statement of Cash Flows

	2017 Actual	2018 Actual	2019 Budget	2019 Projected	2020 Budget	2021 Budget	2022 Budget	2023 Budget
Operating activities								
Net Income and net movement in regulatory balances	3,065,182	4,302,996	2,112,479	2,264,915	2,005,862	2,306,001	2,437,816	2,583,856
Adjustments for:								
Depreciation and amortization	3,733,714	4,047,776	4,329,206	4,412,318	4,769,291	5,059,579	5,358,023	5,656,825
Amortization of deferred revenue	(295,202)	(368,975)	(405,479)	(433,656)	(515,750)	(595,070)	(657,374)	(719,678)
Post-employment benefits	24,071	14,164	20,068	19,862	20,657	21,483	22,342	23,236
Loss/(Gain) on Removals of property, plant and equipr	359,103	25,965	350,000	650,000	650,000	450,000	450,000	450,000
Contributions received from customers	2,370,326	2,902,259	2,304,793	2,744,710	3,896,419	2,520,000	2,520,000	2,520,000
Net finance costs	2,429,206	2,424,141	2,560,333	2,680,952	2,647,353	2,743,951	2,835,212	2,920,919
Income tax expense	888,791	1,270,930	-		-	-	-	-
Change in non-cash operating working capital:								
Accounts receivable	(353,116)	324,264	(254,175)	(1,513,100)	(313,266)	(276,309)	(275,939)	(277,703)
Due to/from related parties	-	-	-	-	-	-	-	-
Unbilled revenue	2,607,226	(1,109,326)	(223,256)	666,629	(276,961)	(244,287)	(243,961)	(245,519)
Materials and supplies	227,548	(42,600)	-	-	-	-	-	-
Prepaid expenses	(609,139)	(27,125)	104,206	104,206	-	-	-	-
Other assets								
Accounts payable and accrued liabilities	1,422,438	(1,146,458)	357,030	770,188	432,085	370,704	369,827	368,914
Customer deposits	126,699	235,544	-	-	-	-	-	-
Other liabilities	1,101,763	-		(933,095)	-	-	-	-
	17,098,610	12,853,556	11,255,204	11,433,928	13,315,689	12,356,051	12,815,946	13,280,849
Regulatory balances	(3,596,930)	(2,255,898)	(211,186)	(325,530)	2,631,778	(27,644)	(70,000)	(70,000)
Income tax paid	(274,452)	(301,386)						
Income tax received	403,572	606,742	-	180,633	-	-	-	-
Interest paid	(2,570,043)	(2,606,634)	(2,700,333)	(2,849,671)	(2,787,353)	(2,883,951)	(2,975,212)	(3,060,919)
Interest received	141,734	182,493	140,000	168,719	140,000	140,000	140,000	140,000
Net cash from operating activities	11,202,491	8,478,873	8,483,686	8,608,080	13,300,114	9,584,457	9,910,734	10,289,930
Investing activities								
Purchase of property, plant and equipment	(8,848,614)	(11,011,099)	(10,419,770)	(10,724,271)	(11,231,710)	(9,980,052)	(9,980,052)	(9,980,052)
Proceeds on disposal of property, plant and equipment								
Purchase of Intangibles								
Loan to associated company	(350,000)	(350,000)						
Net cash used by investing activities	(9,198,614)	(11,361,099)	(10,419,770)	(10,724,271)	(11,231,710)	(9,980,052)	(9,980,052)	(9,980,052)
Financing activities								
Dividends paid	(1,500,000)	(1,500,000)	(1,500,000)	(1,500,000)	(1,500,000)	(1,500,000)	(1,500,000)	(1,500,000)
Proceeds from long-term debt	(1,224,934)	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
Repayment of long-term debt	-	(1,302,418)	(1,443,663)	(1,428,059)	(1,581,095)	(1,713,059)	(1,850,337)	(1,993,143)
Net cash from financing activities	(2,724,934)	1,197,582	1,056,337	1,071,941	918,905	786,941	649,663	506,857
Change in cash and cash equivalents	(721,057)	(1,684,645)	(879,747)	(1,044,251)	2,987,310	391,345	580,345	816,735
Cash and cash equivalents, beginning of year	10,780,281	10,059,224	11,859,005	8,374,579	7,330,328	10,317,638	10,708,983	11,289,328
Cash and cash equivalents, end of year	10,059,224	8,374,579	10,979,258	7,330,328	10,317,638	10,708,983	11,289,328	12,106,063

Milton Hydro Distribution Inc.
Administration Summary

	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2019 Budget	2019 Projected	2020 Budget	$ Variance 2019P - 2019B	$ Variance 2020B - 2019P
Community Relations	$ 21,420	$ 8,680	$ 14,094	$ 10,120	$ 23,040	$ 11,100	$ 17,500	$ (11,940)	$ 6,400
Meter Reading	$ 302,929	$ 210,720	$ 285,646	$ 267,407	$ 297,931	$ 227,924	$ 312,833	$ (70,008)	$ 84,910
Billing	$ 1,136,031	$ 1,086,549	$ 1,174,950	$ 1,139,585	$ 1,173,538	$ 1,110,444	$ 1,203,864	$ (63,094)	$ 93,420
Finals	$ 368,281	$ 414,685	$ 439,686	$ 426,116	$ 453,479	$ 404,413	$ 467,891	$ (49,066)	$ 63,478
Collections	$ 340,142	$ 325,561	$ 324,231	$ 266,016	$ 320,651	$ 292,893	$ 291,696	$ (27,757)	$ (1,197)
Board Expenses	$ 100,540	$ 98,634	$ 104,617	$ 86,818	$ 100,705	$ 99,109	$ 63,817	$ (1,596)	$ (35,292)
Executive Expenses	$ 1,152,477	$ 1,097,471	$ 998,342	$ 1,038,503	$ 1,359,861	$ 1,054,223	$ 1,262,660	$ (305,638)	$ 208,437
General Administration	$ 2,370,303	$ 2,172,887	$ 1,808,389	$ 1,935,331	$ 2,075,034	$ 2,109,756	$ 2,435,140	$ 34,722	$ 325,384
Building Expense	$ 395,909	$ 441,062	$ 456,252	$ 545,373	$ 598,265	$ 599,433	$ 634,259	$ 1,167	$ 34,827
Total Administration	**$ 6,188,032**	**$ 5,856,248**	**$ 5,606,207**	**$ 5,715,269**	**$ 6,402,504**	**$ 5,909,294**	**$ 6,689,660**	**$ (493,210)**	**$ 780,365**

Milton Hydro Distribution Inc.
Capital Expenditures

Capital Expenditures

	2017 Actual	2018 Actual	2019 Budget	2019 Projected	2020 Budget	2021 Budget	2022 Budget	2023 Budget
	2017 Actual	2018 Actual	2019 Budget	2019 Projected	2020 Budget	2021 Budget	2022 Budget	2023 Budget
System Access	1,344,514		1,719,914	2,225,064	6,153,621	1,880,000	1,880,000	1,880,000
System Renewal	2,251,090		2,357,548	1,911,528	1,436,270	1,539,052	1,539,052	1,539,052
System Access	1,360,039		2,596,708	2,292,294	790,720	3,345,000	3,345,000	3,345,000
Subdivision Costs	3,078,183		2,520,000	2,570,492	2,520,000	2,520,000	2,520,000	2,520,000
Total Distribution Expenses	8,033,825	9,874,760	9,194,170	8,999,378	10,900,610	9,284,052	9,284,052	9,284,052
NBV Removals	(770,626)	(404,135)	(350,000)	(650,000)	(650,000)	(450,000)	(450,000)	(450,000)
Building for New Headquarters	74,555	55,832		307,160	130,000			
Building - work in progress								
WIP	336,388	164,901						
Other Capex - Replacement & Refurbishment/Tremaine TS			1,000,000	1,000,000				
Non-Growth Related Capex	(359,683)	(183,402)	650,000	657,160	(520,000)	(450,000)	(450,000)	(450,000)
Total Transmission and Distribution Capital Expenditures	**7,674,142**	**9,691,358**	**9,844,170**	**9,656,538**	**10,380,610**	**8,834,052**	**8,834,052**	**8,834,052**
Total Other Capital Expenditures (office eqmt, tools)	815,735	1,293,776	225,600	417,733	201,100	696,000	696,000	696,000
Total Land Capital Expenditures								
GROSS CAPITAL EXPENDITURES	**8,489,877**	**10,985,134**	**10,069,770**	**10,074,271**	**10,581,710**	**9,530,052**	**9,530,052**	**9,530,052**
Less: Contributed Capital Portion of CAPEX								
Refunds to Developers			0	0	0	0		
Capital Contributions Received - Growth-Related	-2,879,515	-2,920,318	-2,304,793	-2,744,710	-3,896,419	-2,520,000	-2,520,000	-2,520,000
Capital Contributions Received - Non-Growth Related			0	0	0	0		
Total Capital Contributions - net	-2,879,515	-2,920,318	-2,304,793	-2,744,710	-3,896,419	-2,520,000	-2,520,000	-2,520,000
Net Capital Expenditures - Net Impact on Cash Flow	**5,610,362**	**8,064,816**	**7,764,977**	**7,329,561**	**6,685,292**	**7,010,052**	**7,010,052**	**7,010,052**

Other Income

Milton Energy & Generation Solutions Inc. (MEGS) [redacted]

- MEGS has contracted with MHDI to provide the billing and customer service/collection services.
- Effective June 1, 2019 MHDI billed MEGS based on a fully allocated cost plus return of $3.56 per bill. MHDI has assumed the following rates and percent increases effective June 1st in each year of the forecast.

	June 1, 2018 to May 31, 2019	June 1, 2019 to May 31, 2020	June 1, 2020 to May 31, 2021	June 1, 2021 to May 31, 2022
MHDI Bill Fee charged to MEGS	$ 3.49	$ 3.56	$ 3.63	$ 3.70
Percent Increase	2.05%	2.01%	1.97%	1.93%

Controllable Expenses

- For 2020, compensation reflects an increase of 2.2% for bargaining unit staff in line with the Collective Agreement effective January 1, 2017 expiring December 31, 2020 and an estimate for total compensation relating to management staff (inflation adjusted 2.2% plus progression, if applicable).

- In 2019, the Pay Equity Maintenance Agreement was finalized. A Pay Equity adjustment was identified for one female job class, Senior Clerk. Based on the Pay Equity Commission's Regression Line Calculator Proportional Value Method, a retroactive adjustment was calculated from January 1, 2017 to June 30, 2019 and paid out in August 2019 ($17K).

- Staff levels are monitored regularly against other utilities of similar size. Headcount at the end of 2019 is forecast to be 52 FTE (full time equivalents). Headcount is forecast as follows:
  - 2019P - One (1) SCADA Technician (new)
  - 2020 - Two (2) additions -Director of Operations (vacant); Purchasing Manager (new)
  - 2021- One (1) headcount addition
  - 2022- One (1) headcount addition
  - 2023 - One (1) headcount addition

- Controllable expenses are assumed to increase by 2.5% for each of 2021 through to 2023.

PILs

- Milton Hydro is subject to Payments in Lieu of Tax ("PILs"); tax rates assumed as follows:
  - 2019P - 26.5%
  - 2020 - 26.5%
  - 2021- 26.5%
  - 2022 - 26.5%
  - 2023 - 26.5%

In September 2019, Milton Hydro underwent a Ministry of Finance PILS Audit for tax years 2015 & 2016. The Ministry of Finance proposed a tax adjustment of $690,000 with interest estimated at $147,000 (non-deductible for tax); MH is reviewing the tax adjustment with its tax consultants, KPMG. The $690,000 tax adjustment is a timing difference, with the exception of minor permanent exclusions (less than $10,000).

Milton Hydro has also reviewed it's 2017/2018 tax years with KPMG and made a provision for all four (4) years in it's 2019P budget. The 2019P budget assumes that MH will pay the tax assessment ($933K) and interest ($176K) for 2015/2016/2017/2018 in 2019. It is estimated that the tax impact of the adjustment would be $1.109 million less CCA adjustments plus interest.

Interest

- Interest of 7.25% payable on the debt to the Town commenced on October 1, 2001. Payments are made to the Town on a quarterly basis. No principal payments of this promissory note have been made during the forecast period. The budget assumes that Milton Hydro will continue to pay the Town at a rate of 7.25%, however the OEB-approved deemed interest rate pursuant to the 2016 Cost of Service Rate filing on this demand facility is 3.85% which means that approximately $508,000 of interest is being paid annually to the Shareholder in excess of what has been approved by the OEB to be recovered in distribution rates.

- Milton Hydro has signed financing agreements with Infrastructure Ontario and TD to fund its multi-year capital program:
  - November 12, 2009 – Infrastructure Ontario ($15.752M)
  - March 27, 2013 – Infrastructure Ontario ($20.044M)
  - December 15, 2015 – TD ($12.0M)
  - December 15, 2015 – Infrasturuce Ontario ($4.0)

  In October 2019, Milton Hydro borrowed $3.0 M with an interest rate of 3.146%. MH is expecting to borrow an additional $1.0 M in December 2019. During the forecast period, Milton Hydro is planning to borrow as follows:

  July 2020 - $4.0M – Interest rate – 4.0%
  July 2021 - $4.0M – Interest rate – 4.0%
  July 2022 - $4.0M – Interest rate – 4.0%
  July 2023 - $4.0M – Interest rate – 4.0%

Capital

- **Capital expenditures – Growth Related**
  - New Residential connections
    - 2019P – 1,000 new residential connections (budgeted 1,000)
    - 2020 to 2023 – 1,000 new residential connections in each year
    - cost per residential unit of $2,520 which includes all capital costs, incremental overhead charges, external costs, secondary buses and meters.
    - Developers continue to pay for growth-related capital expenditures and Milton Hydro rebates the developer based on the number of connections to the distribution system. Refunds to the developer are made based on actual residential connections/load over the 5 year connection horizon allowed under the Distribution System Code; over the last 5 years, MHDI's contribution has been approximately 36-40% of total capital costs of completed subdivisions.
  - New General Service connections
    - 2019P – 38, 2020B – 48 new underground/overhead (traffic/streetlight) services.
  - Contributed Capital Policy (now captured in Deferred Revenue)
    - 100% contributed capital on new General Class services
    - New Residential services not associated with growth are funded through rates
    - New Residential services related to growth – MHDI contributes to developers of residential subdivisions based on an economic evaluation.

- **Capital expenditures**

  - MHDI System Access Projects (incl Subdivisions)
    - 2019P - $4.80 million
    - 2020- $8.67 million
    - 2021 - 2023 $4.40 million
  - MHDI System Renewal Projects
    - 2019P - $1.91 million
    - 2020 - $1.44 million
    - 2021 - 2023 $1.54 million
  - MHDI System Service Projects
    - 2019P - $2.29 million
    - 2020 - $790 thousand
    - 2021 - 2023 $3.35 million

  - One Time & General Plant Expenditures
    - 2019P
      - Tremaine TS
        - Breakers (2) - $1 M – final installment,
        - Feeder Egress $1.5 M
      - Rolling Stock (2 Pick-ups, 1 Electric Vehicle) - $128,000
      - IT Security - $28,000
      - ArcGIS Maps - $40,000
      - Server/Desktops - $71,000
      - Building
        - Warehouse Floor - $170,000,
        - Boiler - $105,000
        - Geothermal - $20,000
    - 2020B
      - Server/Firewall/Desktops - $82,500
      - Building
        - Elevator retrofit - $130,000

Milton Hydro Distribution Inc.
Variance Analysis

FINANCIAL SUMMARY

Results of Operations

	2017 Actual	2018 Actual	2019 Budget	2019 Projected	2020 Budget
Net Distribution Revenue	$ 16,615,170	$ 17,651,774	$ 18,118,944	$ 18,172,943	$ 18,932,283
Other Income (incl Finance Income)	$ 2,093,477	$ 2,607,092	$ 2,220,667	$ 2,322,788	$ 2,287,011
Controllable Expenses	$ 8,941,247	$ 9,488,241	$ 10,398,073	$ 9,757,659	$ 10,612,469
Depreciation	$ 3,482,059	$ 3,761,991	$ 4,010,333	$ 4,093,445	$ 4,440,409
Interest	$ 2,570,940	$ 2,606,634	$ 2,700,333	$ 2,849,671	$ 2,787,353
Removals	$ 359,103	$ 25,965	$ 350,000	$ 650,000	$ 650,000
Net Income Before Tax & Reg Movement	$ 1,458,806	$ 3,318,028	$ 2,874,079	$ 3,144,956	$ 2,729,062
Total PILs	$ 888,791	$ 1,270,930	$ 761,600	$ 880,041	$ 723,200
Regulatory Movement/Taxes	$ (2,495,167)	$ (2,255,898)	$ -	$ -	$ -
Other Comprehensive loss	$ 101,797				
Net Income After Tax & Regulatory Movement	2,963,385	4,302,996	2,112,479	2,264,915	2,005,862
% increase (decrease)	0.4%	45.2%	-32.4%	7.2%	-11.4%

2019 Projected net earnings after tax of $2,264,915 is estimated to be $152,436 higher than 2019 Budget.

- higher Other Income - $102,121
- lower Controllable Expenses - $640,414
- higher Distribution Revenue - $53,999

Offset by:

- higher Deprecication - $83,112
- higher Interest Expenses - $149,338
- higher PILS- $118,441
- higher PP&E disposals - $350,000

2020 Budgeted Net earnings after tax of $2,005,862 is forecast to be $259,053 lower than 2019 Projected.

- lower Other Income - $35,777
- higher Controllable Expenses - $854,810
- higher Depreciation Expense - $346,964

Offset by:

- higher Distribution Revenue - $759,340
- lower Interest Expense - $ 33,318
- lower PILS - $156,841

- **Capital Expenditures –**
  As required by the OEB, distributors are now required to report investment projects and activities into one of four investment categories; System Access, System Renewal, System Service and General Plant. Milton Hydro, starting in 2015 has revised its budgeting of Capital to reflect these new categories.
    - Milton Hydro is projected to spend $9.8 million on net capital expenditures during 2019 compared to plan of $9.6 million. 2019B envisioned 1,000 new subdivisons connections and is expected to reach this target. A number of Municipal/Region projects were delayed to

2020 and the 2 new feeder positions at Tremaine TS purchased from Hydro One will be used & useful by end of year 2019 –the initial deposit of $1 million was paid in 2018 with the balance of $1 million paid in 2019, along with the Feeder Egress costs of $1.5 million incurred in 2019.

- Net Capital expenditures in 2020 are forecasted to be $7.83 million including a number of Municipal/Region projects ($5.7M gross capex). Milton Hydro is projecting 1,000 new Subdivsion connections.

- The 2019 Budget envisioned a Net Cash outflow of ($0.9M) which included obtaining net third party financing in 2019 of $4.0 million; it is projected for 2019 that there will be a Net Cash outflow of ($1.04M) with $4 million in third party borrowings in 2019. 2019 includes a $1,109,000 payment for its MOF 2015/2016/2017/2018 PILS Assement & Interest penalty. It is projected that 2020 will have a Net Cash inflow of $2.99 million with $7.8 million in capex spending anticipated.

Administration Expense

Administration Expenses are comprised of the following:

	2017 Actual	2018 Actual	2019 Budget	2019 Projected	2020 Budget
Promotion/Community Relations	$ 14,094	$ 10,120	$ 23,040	$ 11,100	$ 17,500
Billing/Meter Reading	$ 1,460,596	$ 1,406,992	$ 1,471,469	$ 1,338,367	$ 1,516,697
Finals/Collections	$ 763,916	$ 692,133	$ 774,130	$ 697,306	$ 759,587
General Administration	$ 2,806,732	$ 2,973,834	$ 3,434,895	$ 3,163,979	$ 3,697,800
Board	$ 104,752	$ 86,818	$ 100,705	$ 99,109	$ 63,817
Building	$ 456,252	$ 545,373	$ 598,265	$ 599,433	$ 634,259
TOTAL ADMINISTRATION	$ 5,606,342	$ 5,715,269	$ 6,402,504	$ 5,909,294	$ 6,689,660
% increase (decrease)		1.9%	12.0%	-7.7%	13.2%

Total Administration Expense for 2019 is expected to be ($493,210) or (-7.7%) lower than plan due to:

- **Promotions/Community Relations** – overall ($11,940) lower than plan - Community School Safety programs performed on a rotational 3 year program.

- **Billing/Meter Reading/Finals/Collections** - overall ($209,926) lower than plan
  - Direct Labour – IT Settlement Specialist on maternity leave ($163,000)
  - Postage/ Customer bills ($22,000)
  - Computer Consulting ($6,000)
  - Training/conferences (Harris Training delayed) ($8,000)
  - Credit Insurance ($14,000)
  - Bad Debt increase $20,000
  - Subcontract Meter reading/Olameter Probing ($8,000)

- **General Administration** – overall ($270,916) lower than plan due to:
  - Direct Labour - Director of Ops (vacant); partial reallocation of CEO's time to MEGS/MHHI & comp adjust. ($361,000)
  - Incentive Plan/Employee Future Benefits $6,000
  - Audit & Legal costs ($9,000)
  - Consulting/Regulatory
    - Safety Consulting $27,450
    - Harris/Northstar support $4,500
    - Pay Equity consulting $8,000
    - Privacy Audit $32,000
    - Respect in the Workplace/Intervention $29,000
    - Portal support/consulting $20,000
    - Disaster Recovery ($5,000)
    - Cyber Security - Esentire ($20,000)
    - HR Consulting ($34,000)
    - Customer Survey ($9,000)
  - PL & PD Insurance $2,000

Total Administration Expense for 2020 is budgeted to be $780,366 higher than 2019P, representing a 13.2% increase due to:

- Direct Labour - $540,000
  - Compensation for bargaining unit staff reflects current collective agreement (2.2%) and an estimate for total compensation relating to management staff.
  - Two additional hires in 2019 – Director of Operations (vacant) and Purchasing/Stores/Facilities Manager (new)
  - Return of IT Settlement Supervisor from maternity leave
- Consulting - $16,000
  - Safety Consulting - $20,000
  - Post Employment Benefit Actuarial Valuation - $8,000
  - Labour Negotiation Assistance - $10.000
  - Security Audit – DBG - $25,000
  - Business Continuity - $30,000
  - Disaster Recovery $20,000
  - Privacy Audit – ($32,000)
  - Respect in Workplace Investigation ($11,000)
  - Workplace Facilitation ($18,000)
  - Pay Equity Assistance – ($13,000)
  - Customer Portal Support –($10,000)
- Software Maintenance - $30,000
- Management Fees - $47,000
- Audit/Legal - $15,000
- Regulatory - $202,000 (Distributon System Plan consulting; Customer Engagement consulting)
- Postage/Billing - $11,000
- Community/promotion programs – $6,400
- Board Expenses - ($36,000)
- Hand-delivered charges ($25,000) – OEB mandated no collection fees from July 1, 2019
- Building Expenses – ($60,000)

Interest Expense

	2017 Actual	2018 Actual	2019 Budget	2019 Projected	2020 Budget
Interest (2016T - Deemed)	$ 2,570,940	$ 2,606,634	$ 2,700,333	$ 2,849,671	$ 2,787,353
% increase (decrease)		1.4%	3.6%	5.5%	-2.2%

Effective October 1, 2001, MHDI began paying interest of 7.25% on the promissory note ($14,934,210) to the Shareholder in line with the deemed interest rate included in distribution rates. Effective May 1, 2016, MHDI filed its 2016 Cost of Service and the deemed interest rate included in distribution rates was adjusted to 3.85%; however, it was agreed that Milton Hydro would continue to pay interest on the promissory note to the Town at 7.25% (representing annually $508,000 of interest in excess of what Milton Hydro is collecting in distribution rates).

Milton Hydro pays interest of 75 bps on the Letter of Credit ($3.0 million) that is required to be posted with the Independent Electricity Market Operator (IESO) at the time of market opening as well as interest paid out on customer deposits.

Milton Hydro has signed financing agreements with Infrastructure Ontario and TD to fund its multi-year capital program:

- November 12, 2009 – Infrastructure Ontario ($15.752M)
- March 27, 2013 – Infrastructure Ontario ($20.044M)
- December 15, 2015 – Infrasturuce Ontario ($4.0)
- December 15, 2015 – TD ($12.0M)

In September 2019, Milton Hydro underwent a Ministry of Finance PILS Audit for tax years 2015 & 2016. The Ministry of Finance proposed a tax adjustment of $690,000 with interest estimated at $147,000 (non-deductible for tax); MH is reviewing the tax adjustment with its tax consultants, KPMG. Milton Hydro has also reviewed it's 2017/2018 tax years with KPMG and made a provision for all four (4) years in it's 2019P budget. The 2019P budget assumes that MH will interest ($176K) for 2015/2016/2017/2018 in 2019.

Infrastructure Ontario:

To-date, Milton Hydro has drawn down the entire $15,752,257 under the existing Financing Agreement No. 09Mil930079055FA with Infrastructure Ontario dated November 12, 2009.

	Debenture #1	Debenture #2	Debenture #3	Debenture #4	Debenture #5	Debenture #6	Total
Principal Amount	$285,000	$2,880,057	$4,000,000	$3,487,200	$2,550,000	$2,550,000	$15,752,257
Closing Date	01-Apr-10	01-Apr-10	15-Jul-10	15-Sep-11	15-Feb-12	17-Sep-12	
Maturity Date	01-Apr-16	01-Apr-25	16-Jul-35	15-Sep-36	16-Feb-37	17-Sep-37	
Annual Interest Rate -fixed	3.02%	4.49%	4.84%	4.33%	3.92%	3.87%	
Loan Term	5 years	15 years	25 years	25 years	25 years	25 years	
Payment Frequency	Semi Annual	Semi Annual	Semi Annual	Semi Annual	Semi Annual	Semi Annual	
Loan Type	Amortizing	Amortizing	Amortizing	Amortizing	Amortizing	Amortizing	

To-date, Milton Hydro has drawn down the entire $20,044,000 under the Financing Agreement No. 12Mil9300712059FA with Infrastructure Ontario dated March 27, 2013.

Depreciation

	2017 Actual	2018 Actual	2019 Budget	2019 Projected	2020 Budget
Depreciation	$ 3,482,059	$ 3,761,991	$ 4,017,126	$ 4,093,445	$ 4,440,409
% increase (decrease)	5.5%	8.0%	6.8%	1.9%	8.5%

MHDI is projected to spend $10.7 million on gross capital expenditures during 2019P. Costs include the following:

- Tremaine TS
  - $1.0M final payment ($1.0M deposit paid in 2018 and included in WIP)
  - $1.55M feeder egress costs
- Town/Region projects – $570,000
- Building – resurface warehouse floor - $170,000
- Building - Boiler - $ 105,000
- Building – GEO Thermal - $20,000
- System Automation - $740,000
- Rolling Stock – 2 pickup trucks; 1 electric vehicle - $128,000

Gross Capital Expenditures in 2020B are expected to be $11.2 million (net $7.83 million). Included in 2020B net expenditures are costs relating to the following:

- Town/Region projects - $2.82 million
- System Automation - $790,000
- Building – retrofit elevator - $130,000

Income Taxes (PILS)

	2017 Actual	2018 Actual	2019 Budget	2019 Projected	2020 Budget
Total PILs	$ 888,791	$ 1,270,930	$ 761,600	$ 880,041	$ 723,200
Effective tax rate		26.5%	26.5%	26.5%	26.5%

The Corporation is required to make payments in lieu of income taxes and remit such amounts to the Ministry of Finance. The amount of payments in lieu of tax will be approximately equivalent to the income and capital taxes that would have to be paid if the Company was a taxable corporation under the Income Tax Act (Canada).

Milton Hydro accounts for all significant timing differences as Deferred PILs on the balance sheet.

In September 2019, Milton Hydro underwent a Ministry of Finance PILS Audit for tax years 2015 & 2016. The Ministry of Finance proposed a tax adjustment of $690,000 with interest estimated at $147,000 (non-deductible for tax); MH is reviewing the tax adjustment with its tax consultants, KPMG. The $690,000 tax adjustment is a timing difference, with the exception of minor permanent exclusions (less than $10,000). Milton Hydro has also reviewed it's 2017/2018 tax years with KPMG and made a provision for all four (4) years in it's 2019P budget. The 2019P budget assumes that MH will pay the tax assessment ($933K) and interest ($176K) for 2015/2016/2017/2018 in 2019.

CAPITAL RESOURCES AND LIQUIDITY

[redacted]

Dividends

The budget anticipates dividend payments by MHDI to Milton Hydro Holdings Inc. (MHHI) as follows:

- 2019P - $1.50 million
- 2020 - $1.50 million
- 2021 - $1.50 million
- 2022 - $1.50 million
- 2023 - $1.50 million

External Credit Facilities

MHDI has arranged bank credit consisting of a $4.0 million operating line to address working capital requirements and a $3.0 million Letter of Credit that have been posted with the Independent Electricity Supply Operator ("IESO").

Third party borrowings (net of principle payments) totaling $42.9 million are projected by the end of 2019 to fund capital expenditures. Borrowings of $4.0 million in each of 2020-2022 will be required during the forecast period to fund the capital program. Interest is assumed to be 4.0% during 2020 through to 2022.

Liquidity

The Cash balance at the end of 2019 is projected to be $7.3 million and $10.3 million at the end of 2020.

The Corporation continues to follow an aggressive capital spending plan in line with the significant residential development in the Town of Milton. The Corporation expects to spend $10.7 million in gross capital ($9.8 million net capex) expenditures in 2019 and $11.2 million in 2020 ($7.83 million net capex).

KEY PERFORMANCE INDICATORS	Explanation	2016 Actual	2017 Actual	2018 Budget	2018 Projected	2018 Actual	2019 Budget	2019 Projected	2020 Budget	2021 Budget	2022 budget	2023 budget
Current Ratio	Current Assets divided by Current Liabilities	2.09	1.55	1.56	1.72	1.57	1.67	1.49	1.63	1.64	1.66	1.69
Debt Ratio	Total Liabilities divided by Total Assets	0.68	0.68	0.68	0.69	0.67	0.69	0.69	0.70	0.71	0.71	0.71
	Long Term Debt divided by Rate Base	61.5%	58.3%	55.7%	57.9%	59.1%	59.4%	59.2%	61.0%	60.3%	60.8%	#DIV/0!
	Long Term Debt divided by LTD + Equity	57.2%	55.7%	56.6%	56.0%	55.3%	56.8%	56.0%	56.8%	57.3%	57.6%	57.8%
Operating Surplus as a percentage of Total Revenues from Energy Sale	Net Income divided by Total Revenues from Energy Sale	2.3%	2.9%	1.5%	2.2%	4.2%	1.7%	2.1%	1.9%	2.1%	2.2%	2.3%
Working Capital to Net Expenses	Working Capital divided by the sum of Cost of Power and Controllable Expenses	14%	10%	8%	10%	10%	10%	9%	11%	11%	12%	12%
Accounting Return on Equity (Net Income/Total Equity per B/S - end)	Net Return divided by Equity	7.3%	7.1%	5.0%	7.2%	9.6%	4.8%	5.0%	4.4%	4.9%	5.1%	5.3%
NET EARNINGS		$ 2,953,013	$ 2,963,385	$ 2,112,492	$ 3,126,392	$ 4,302,996	$ 2,112,479	$ 2,264,915	$ 2,005,862	$ 2,306,001	$ 2,437,816	$ 2,583,856
EBT		$ 2,732,161	$ 1,458,806	$ 1,979,163	$ 4,843,265	$ 3,318,028	$ 2,874,079	$ 3,144,956	$ 2,729,062	$ 3,137,401	$ 3,316,716	$ 3,515,456
Equity		$ 40,378,218	$ 41,841,603	$ 42,441,639	$ 43,467,995	$ 44,644,597	$ 44,080,474	$ 45,409,511	$ 45,915,373	$ 46,721,374	$ 47,659,190	$ 48,743,046
LTD + Equity		$ 94,235,681	$ 94,474,132	$ 97,773,536	$ 98,779,782	$ 99,974,708	$ 101,948,598	$ 103,311,562	$ 106,236,330	$ 109,329,271	$ 112,416,750	$ 115,507,464

5.1

Rate Base Calculation

Rate of Return Analysis	2014 Actual	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2019 Budget	2019 Projected	2020 Budget	2021 Budget	2022 Budget	2023 Budget
Deemed Debt ratio	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%
Deemed CER	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%
Rate Base (Avg. Net Fixed Assets plus WC):											
Net Fixed Assets (avg begin and end)	66,522,799	71,705,635	78,290,113	81,876,311	85,171,547	87,221,799	89,160,149	89,953,669	94,733,182	97,191,808	99,414,114
Working Capital Allowance:											
COP & Controllable Expenses	14,957,873	16,718,268	9,294,257	8,385,304	8,408,137	10,134,907	8,663,065	8,915,244	9,095,957	9,277,140	9,458,805
*Less: Depr and Sent Lgt Exp incl in O&M ***	99,719,150	111,455,120	123,923,428	111,804,059	112,108,487	135,132,094	115,507,537	118,869,920	121,279,422	123,695,198	126,117,406
	99,719,150	111,455,120	123,923,428	111,804,059	112,108,487	135,132,094	115,507,537	118,869,920	121,279,422	123,695,198	126,117,406
7.5% of COP & Controllable Expenses	14,957,873	16,718,268	9,294,257	8,385,304	8,408,137	10,134,907	8,663,065	8,915,244	9,095,957	9,277,140	9,458,805
Effective (May 1, 2016- Working Capital 7.5%)											
Total Deemed Rate Base	81,480,672	88,423,903	87,584,371	90,261,615	93,579,684	97,356,706	97,823,214	98,868,913	103,829,139	106,468,948	108,872,920

5.2

SALES	2017 Actual	2018 Actual	2019 Budget	2019 Projected	2020 Budget	2021 Budget	2022 Budget	2023 Budget
Net Service Revenue	119,477,982	120,272,020	124,734,021	123,922,821	127,189,734	130,071,239	132,948,894	135,844,937
		1%	-10%	3%	3%	2%	2%	2%
Volume Sold	893,809,130	943,143,950	969,227,973	964,283,730	983,901,508	1,003,519,286	1,023,137,063	1,042,754,841
% Increase (Decrease) in Consumption	-1%	6%	3158.322433	0.022414161	0.020344404	2%	2%	2%
Rates per kWh	0.13367	0.12752	0.12869	0.12851	0.12927	0.12962	0.12994	0.13028
	-0.044255901	-0.046010643	-0.999716024	0.007766296	0.005898082	0.3%	0.3%	0.3%
Average # of Customers	37,349	38,735	39,893	40,077	40,893	41,893	42,893	43,893
RATE OF RETURN	**2017 Actual**	**2018 Actual**	**2019 Budget**	**2019 Projected**	**2020 Budget**	**2021 Budget**	**2022 Budget**	**2023 Budget**
BASE Revenue/Sales Requirement								
Made up of:								
Prior Years Revenue Requirement								
Growth in Demand - Power								
Growth in Demand - Distribution								
Revenue Requirement using 1999 rates								
PBR Adjustments								
Year 1 (2000):								
Market Based Rate of Return								
Deduct Prior Years Profit (adjusted for financ								
Entry Transition Costs								
MBRR Increment (2001,2002 &2003)								
Base Distribution Revenue - PBR Adjusted	**16,615,170**	**17,651,774**	**18,118,944**	**18,172,943**	**18,932,283**	**19,655,269**	**20,374,404**	**21,111,928**
Revenue Including PBR Adj'mt to Calculate Rates	**119,477,981**	**120,272,021**	**124,734,021**	**123,922,821**	**127,189,734**	**130,071,239**	**132,948,894**	**135,844,937**
Made up of:								
Cost of Power	**102,862,811**	**102,620,247**	**124,734,021**	**105,749,878**	**108,257,451**	**110,415,970**	**112,574,490**	**114,733,009**
Base Distribution Revenue - PBR Adjusted	**16,615,170**	**17,651,774**	**18,118,944**	**18,172,943**	**18,932,283**	**19,655,269**	**20,374,404**	**21,111,928**
Forecast kWh's Purchased (with losses)	893,809,130	943,143,950	969,227,973	964,283,730	983,901,508	1,003,519,286	1,023,137,063	1,042,754,841
Forecast kWh's sold (no losses)	863,490,402	903,526,260	935,520,904	930,840,168	949,748,869	968,657,570	987,566,272	1,006,474,973
GS>5000 kwh sold (no losses)	136,200,949	137,135,098	133,491,760	142,033,383	142,033,383	142,033,383	142,033,383	142,033,383
Estimated Tariff Rate (cents per kWh)	0.13367	0.12752	0.15270	0.12851	0.12927	0.12962	0.12994	0.13028
Power cost/kwh Sold	0.11508	0.10881	0.13333	0.10967	0.11003	0.11003	0.11003	0.11003
Distribution Rate/kWh Sold	0.01859	0.01872	0.01937	0.01885	0.01924	0.01959	0.01991	0.02025
% Inc/(Dec) in Overall Rate	-4.4%	-4.6%	-2.0%	-100.0%	0.005898082	0.3%	0.3%	0.3%
COST OF SALES	**2017 Actual**	**2018 Actual**	**2019 Budget**	**2019 Projected**	**2020 Budget**	**2021 Budget**	**2022 Budget**	**2023 Budget**

SALES	2017 Actual	2018 Actual	2019 Budget	2019 Projected	2020 Budget	2021 Budget	2022 Budget	2023 Budget
COST OF SALES	102,862,811	102,620,247	124,734,021	105,749,878	108,257,451	110,415,970	112,574,490	114,733,009
	-0.059276628	-0.2%	2.7%	3.0%	2.4%	2.0%	2.0%	1.9%
- Volume Sold	893,809,130	943,143,950	969,227,973	964,283,730	983,901,508	1,003,519,286	1,023,137,063	1,042,754,841
- Line Loss (%)	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%
Total Volume Purchased	924,316,931	975,481,162	1,002,623,854	997,305,432	1,017,658,877	1,038,012,321	1,058,365,765	1,078,719,210
Line Loss Cost per kWh/Sold	0.0034	0.0034	0.0034	-	0.0034	0.0034	-	-
Calculation of Tariff Rate (Retail COP)	0.11508	0.10881	0.12869	0.10967	0.11003	0.11003	0.11003	0.11003
OPERATING & MAINTENANCE, ADMIN. EXPENSES (based on headcounts)	**2017 Actual**	**2018 Actual**	**2019 Budget**	**2019 Projected**	**2020 Budget**	**2021 Budget**	**2022 Budget**	**2023 Budget**
O&M Cost per Customer	$ 88.01	$ 95.33	$ 98.37	$ 95.18	$ 94.58	$ 94.56	$ 94.60	$ 94.69
Admin Cost per Customer	$ 147.95	$ 144.41	$ 157.62	$ 146.15	$ 161.28	$ 160.91	$ 160.65	$ 160.49
Total - O&M and Admin Cost per Customer	$ 235.95	$ 239.74	$ 255.99	$ 241.33	$ 255.86	$ 255.47	$ 255.25	$ 255.18
Number of customers - end	37,893	39,577	40,619	40,433	41,478	42,523	43,568	44,613
- Operating Maintenance Expense	3,334,905	3,772,972	3,995,569	3,848,365	3,922,810	4,020,880	4,121,402	4,224,437
- General & Administration	5,583,509	5,694,836	6,377,504	5,819,317	6,578,119	6,731,031	6,887,765	7,048,418
	8,918,414	9,467,808	10,373,073	9,667,682	10,500,928	10,751,911	11,009,167	11,272,856
Total HeadCount	59.0	53.0	57.0	52.0	54.0	55.0	56.0	57.0
						100000.0	100000.0	100000.0
Check	9,921,079	9,185,966	9,565,756	9,751,842	9,957,712	10,915,956	11,174,468	11,439,442
O&M and Admin Expense / Employee	151,547	179,023	182,422	187,647	196,527	197,517	198,584	199,726
Rent for Milton Hydro Building								
Lease Payments - Hydro One								
Management Fee Payable to MHHI	22,833	20,433	25,000	89,977	111,541	111,541	111,541	111,541
Load Transfer Reconciliation								
Misc								
CDM - 2006 Monies								
Total O&M and Admin Expense	**8,941,247**	**9,488,241**	**10,398,073**	**9,757,659**	**10,612,469**	**10,863,452**	**11,120,708**	**11,384,397**
Z-FACTOR ALLOWANCE (ONE TIME)								
OTHER OPERATING REVENUES	**2017 Actual**	**2018 Actual**	**2019 Budget**	**2019 Projected**	**2020 Budget**	**2021 Budget**	**2022 Budget**	**2023 Budget**
- Water Billing & Collecting	636,101	670,225	710,577	717,743	752,366	785,801	819,954	856,155
-Gain/(Loss)Loss on removals of FA			-					
- Miscellaneous	1,020,441	1,567,893	964,612	1,002,671	878,895	889,360	900,044	910,953
- Interest Earned	141,734	182,493	140,000	168,719	140,000	140,000	140,000	140,000

SALES	2017 Actual	2018 Actual	2019 Budget	2019 Projected	2020 Budget	2021 Budget	2022 Budget	2023 Budget
- Regulatory Variance			-					
Deferred Revenue (new)	295,202	368,974	405,479	433,656	515,750	595,070	657,374	719,678
Total Other Revenues	**2,093,478**	**2,789,585**	**2,220,667**	**2,322,788**	**2,287,011**	**2,410,231**	**2,517,372**	**2,626,786**

INTEREST EXPENSE	2017 Actual	2018 Actual	2019 Budget	2019 Projected	2020 Budget	2021 Budget	2022 Budget	2023 Budget
Interest Expense								
Total Amount of Interest on Existing Obligations (deposits)	**45,915**	**68,902**	**50,000**	**68,856**	**68,856**	**68,856**	**68,856**	**68,856**
Amount of New Debt Outstanding Beyond 2000:	(1,224,934)	2,697,582	2,556,337	2,571,941	2,418,905	2,286,941	2,149,663	2,006,857
Amount of Total Equity at Beginning of Year	53,857,463	52,632,529	55,311,786	55,330,111	57,902,052	60,320,957	62,607,898	64,757,561
Beginning Balance	53,857,463	52,632,529	55,311,786	55,330,111	57,902,052	60,320,957	62,607,898	64,757,561
Restructuring Debt to Issue								
New Debt to Issue	-	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
Repayment of debt	(1,224,934)	(1,302,418)	(1,443,663)	(1,428,059)	(1,581,095)	(1,713,059)	(1,850,337)	(1,993,143)
Ending Balance	52,632,529	55,330,111	57,868,124	57,902,052	60,320,957	62,607,898	64,757,561	66,764,418
Interest Rate - Town of Milton note	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%
Interest Rate - new debt	3.76%	3.76%	3.76%	3.76%	3.76%	3.76%	3.76%	3.76%
Balance of Holdco loan								
Current Portion of New Long-Term Debt								
Total New Long-Term Debt	**52,632,529**	**55,330,111**	**57,868,124**	**57,902,052**	**60,320,957**	**62,607,898**	**64,757,561**	**66,764,418**
Interest Expense - Town Promissary Note	1,082,730	1,082,730	1,082,730	1,082,730	1,082,730	1,082,730	1,082,730	1,082,730
Interest Expense - New Debt	1,442,295	1,455,002	1,552,666	1,507,148	1,620,831	1,717,428	1,808,689	1,894,397
Total Amount of Interest	**2,525,025**	**2,537,732**	**2,635,397**	**2,589,879**	**2,703,561**	**2,800,159**	**2,891,420**	**2,977,127**
	4.8%	4.6%	4.6%		4.5%	4.5%	4.5%	4.5%
Total Current Portion of Long Term Debt								
Total Non-Current Portion of Long Term Debt	**52,632,529**	**55,330,111**	**57,868,124**	**57,902,052**	**60,320,957**	**62,607,898**	**64,757,561**	**66,764,418**
Interest Expense on Existing Debt	30,979	53,966	50,000	68,856	68,856	68,856	68,856	68,856
Interest Penalty MOF 2019 assessment				176,000				
Interest on Prudential Letter of Credit (75 bps)	14,936	14,936	14,936	14,936	14,936	14,936	14,936	14,936
Interest Expense on Long Term Debt	2,525,025	2,537,732	2,635,397	2,589,879	2,703,561	2,800,159	2,891,420	2,977,127
Total Interest Expense	**2,570,940**	**2,606,634**	**2,700,333**	**2,849,671**	**2,787,353**	**2,883,951**	**2,975,212**	**3,060,919**

SALES	2017 Actual	2018 Actual	2019 Budget	2019 Projected	2020 Budget	2021 Budget	2022 Budget	2023 Budget
ACCOUNTS RECEIVABLE	**2017 Actual**	**2018 Actual**	**2019 Budget**	**2019 Projected**	**2020 Budget**	**2021 Budget**	**2022 Budget**	**2023 Budget**
Accounts Receivable Balance	10,344,174	10,369,910	11,960,797	11,883,010	12,196,276	12,472,585	12,748,524	13,026,227
Sales	119,477,982	120,272,020	124,734,021	123,922,821	127,189,734	130,071,239	132,948,894	135,844,937
Accounts Receivable Turnover (Days)	31.6	31.5	35.0	35.0	35.0	35.0	35.0	35.0
Average No. of Days to Collect								
Turnover Ratio								
PILs Receivable	768,369	180,633						
Current Year Receivables	**11,112,543**	**10,550,543**	**11,960,797**	**11,883,010**	**12,196,276**	**12,472,585**	**12,748,524**	**13,026,227**
DIVIDEND PAY-OUT CALCULATION	**2017 Actual**	**2018 Actual**	**2019 Budget**	**2019 Projected**	**2020 Budget**	**2021 Budget**	**2022 Budget**	**2023 Budget**
Total Dividend Pay-Out for the Year	**1,500,000**	**1,500,000**	**1,500,000**	**1,500,000**	**1,500,000**	**1,500,000**	**1,500,000**	**1,500,000**
UNBILLED REVENUE	**2017 Actual**	**2018 Actual**	**2019 Budget**	**2019 Projected**	**2020 Budget**	**2021 Budget**	**2022 Budget**	**2023 Budget**
Unbilled Revenue Balance	10,063,177	11,172,503	10,505,873	10,505,874	10,782,835	11,027,122	11,271,082	11,516,602
Sales	119,477,982	120,272,020	124,734,021	123,922,821	127,189,734	130,071,239	132,948,894	135,844,937
Unbilled Revenue Turnover (Days)	31	34	31	31	31	31	31	31
Average No. of Days to Bill								
Turnover Ratio	0.084226205	0.092893617	0.084226203	0.084777557	0.084777557	0.084777557	0.084777557	0.084777557
Current Year Unbilled Revenue	**10,063,177**	**11,172,503**	**10,505,873**	**10,505,874**	**10,782,835**	**11,027,122**	**11,271,082**	**11,516,602**
DEVELOP CHARGES	**2017 Actual**	**2018 Actual**	**2019 Budget**	**2019 Projected**	**2020 Budget**	**2021 Budget**	**2022 Budget**	**2023 Budget**
Opening Balance								
Ending Balance								
Change (CF)								
INVENTORY	**2017 Actual**	**2018 Actual**	**2019 Budget**	**2019 Projected**	**2020 Budget**	**2021 Budget**	**2022 Budget**	**2023 Budget**
Inventory	1,325,720	1,368,320	1,325,720	1,368,320	1,368,320	1,368,320	1,368,320	1,368,320
(Increase)/Decrease from Prior Year Balance								
PREPAID EXPENSES	**2017 Actual**	**2018 Actual**	**2019 Budget**	**2019 Projected**	**2020 Budget**	**2021 Budget**	**2022 Budget**	**2023 Budget**
Prepaid Expenses	977,824	1,994,949	769,412	900,743	900,743	900,743	900,743	900,743

SALES	2017 Actual	2018 Actual	2019 Budget	2019 Projected	2020 Budget	2021 Budget	2022 Budget	2023 Budget
OTHER ASSETS	**2017 Actual**	**2018 Actual**	**2019 Budget**	**2019 Projected**	**2020 Budget**	**2021 Budget**	**2022 Budget**	**2023 Budget**
Other Regulatory Assets			188,779		-	-	-	-
IFRS			(23,369)		-	-	-	-
Less: Allowance			-		-	-	-	-
Pre Market Variance Acc'ts			-		-	-	-	-
Post Market Variance Acc'ts	2,959,146	4,705,715	(939,224)		-	-	-	-
LV Recovery	(1,905,743)	(2,411,812)	932,489		-	-	-	-
Variance re PPE changes (acct 1576 - 4305/4310)			348,207		-	-	-	-
Smart Meter Capital			-		-	-	-	-
Smart Meter OM&A			-		-	-	-	-
LRAM			140,536		-	-	-	-
IFRS - 1575 - loss on disposal			-		-	-	-	-
Deferred PILS (new 2012)			-		-	-	-	-
Ice Storm 2013			-		-	-	-	-
Smart Meter Entity Charge			(56,518)		-	-	-	-
Special Purpose Charge/Deferred PILS			-		-	-	-	-
Recovery of Regulatory Assets			(127,171)		-	-	-	-
Total Regulatory Assets	1,053,403	2,293,903	463,729	2,619,433	920,750	948,393	1,018,393	1,088,393
Deferred Charges								
Future Income Taxes	2,562,266	3,577,664	2,596,857	2,644,569	2,644,569	2,644,569	2,644,569	2,644,569
Other Deferred Credits	278,117	251,269	278,117	251,269	251,269	251,269	251,269	251,269
Total Deferred Charges	2,840,383	3,828,933	2,874,974	2,895,838	2,895,838	2,895,838	2,895,838	2,895,838
Ending Balance	**3,893,786**	**6,122,836**	**3,338,703**	**5,515,271**	**3,816,588**	**3,844,231**	**3,914,231**	**3,984,231**
	3,615,669	5,871,567	3,060,586	6,197,097	3,565,319	3,592,962	3,662,962	3,732,962
Fixed Assets	**2017 Actual**	**2018 Actual**	**2019 Budget**	**2019 Projected**	**2020 Budget**	**2020 Budget**	**2022 Budget**	**2023 Budget**
Building,Transmission & Distribution System								
- Original Costs	**190,783,621**	**198,457,764**	**204,250,366**	**208,149,122**	**216,805,660**	**227,186,270**	**236,020,322**	**244,854,374**
Contributed Capital not recorded (1999 F/S adjustment)								
Eliminate Building (transfer to Town)								
- Beginning NBV	115,326,980	118,960,915	120,569,165	124,407,866	128,595,715	134,241,970	138,067,172	141,639,972
- Adjustment - Removals	(770,625)	(404,135)	(350,000)	(550,000)	(650,000)	(450,000)	(450,000)	(450,000)
- Additions - Class 47	8,033,825	9,874,760	9,194,170	8,999,378	10,900,610	9,284,052	9,284,052	9,284,052
- Class 1 Building	74,555	55,832		307,160	130,000			
-Building/Tremaine TS (WIP)	336,388	161,991						

SALES	2017 Actual	2018 Actual	2019 Budget	2019 Projected	2020 Budget	2021 Budget	2022 Budget	2023 Budget
-Class 8 (meters)								
- Total Additions	7,674,143	9,691,358	8,844,170	8,656,538	10,380,610	8,834,052	8,834,052	8,834,052
- Disposals: smart meter pre 2007								
- Disposals: smart meter: re 2007								
- Adjustment - smart meters/stranded meters								
- Closing Cost	198,457,764	208,149,122	213,094,536	216,805,660	227,186,270	236,020,322	244,854,374	253,688,426
- Beginning Accumulated Depreciation	75,456,641	79,496,849	83,681,201	83,741,256	88,209,945	92,944,300	97,953,151	103,214,402
Eliminate Building & Fibre& Sent Lgt. Acc. Depn (transfer to Town, Affiliate)								
- Depreciation Removals								
- Depreciation Expense	4,040,207	4,244,408	4,400,123.13	4,468,688.54	4,734,355.20	5,008,850.37	5,261,251.86	5,513,653.34
- Add-Back: deprec on smart meters/stranded meters			0		0	0		
- Closing Accumulated Depreciation	**79,496,849**	**83,741,256**	**88,081,324**	**88,209,945**	**92,944,300**	**97,953,151**	**103,214,402**	**108,728,056**
- Closing NBV	**118,960,915**	**124,407,866**	**125,013,212**	**128,595,715**	**134,241,970**	**138,067,172**	**141,639,972**	**144,960,371**
Office Equipment, Tools & Rental Units								
- Original Costs	**10,452,927**	**11,268,662**	**12,204,276**	**12,562,438**	**12,980,171**	**13,181,271**	**13,877,271**	**14,573,271**
- Adjustment - allocation								
- Beginning NBV	**3,867,156**	**3,901,430**	**3,936,963**	**4,304,129**	**3,715,631**	**2,844,194**	**2,437,753**	**1,984,912**
- Transition Costs to be readjusted in 2002								
Additions - rolling stk	117,645	459,485		128,000	-			
- hardware after Mar 04	70,635	81,671		114,741	82,500			
- software	375,894	550,748		100,563	46,000			
- other	251,562	201,871		74,430	72,600			
- Additions	**815,735**	**1,293,776**	**225,600**	**417,733**	**201,100**	**696,000**	**696,000**	**696,000**
- Disposals								
- Closing Cost	**11,268,662**	**12,562,438**	**12,429,876**	**12,980,171**	**13,181,271**	**13,877,271**	**14,573,271**	**15,269,271**
- Opening Accumulated Depreciation	6,585,771	7,367,232	8,267,313	8,258,309	9,264,540	10,337,078	11,439,519	12,588,360
- Eliminate Fibre&Sent Light Acc Dep								
- Depreciation Rate								
- Depreciation Expense	781,461	891,077	993,054	1,006,231	1,072,538	1,102,441	1,148,841	1,195,241
- Add-Back								
- Adjustment - allocation								
- Closing Accumulated Depreciation	7,367,232	8,258,309	9,260,367	9,264,540	10,337,078	11,439,519	12,588,360	13,783,601
- Closing NBV	**3,901,430**	**4,304,129**	**3,169,509**	**3,715,631**	**2,844,194**	**2,437,753**	**1,984,912**	**1,485,671**
Growth Related Capex								

SALES	2017 Actual	2018 Actual	2019 Budget	2019 Projected	2020 Budget	2021 Budget	2022 Budget	2023 Budget
System Access, Renewal, Service	8,033,825	9,874,760	9,194,170	8,999,378	10,900,610	9,284,052	9,284,052	9,284,052
Growth Contributed Capital								
TOTAL GROWTH RELATED CAPEX	8,033,825	9,874,760	9,194,170	8,999,378	10,900,610	9,284,052	9,284,052	9,284,052
SPARE ITEM								
- Original Costs								
- Beginning NBV								
- Additions								
- Disposals								
- Closing Cost								
- Opening Accumulated Depreciation								
- Depreciation Rate								
- Depreciation Expense								
- Add-Back								
- Closing Accumulated Depreciation								
- Closing NBV								
Non Growth Related Capex - per Mary-								
Building Costs	74,555	55,832		307,160	130,000			
TS Costs								
TOTAL TRANS & DIST CAPEX	8,033,825	9,874,760	9,194,170	8,999,378	10,900,610	9,284,052	9,284,052	9,284,052
TOTAL REMOVALS	(770,625)	(404,135)	(350,000)	(650,000)	(650,000)	(450,000)	(450,000)	(450,000)
TOTAL OFFICE EQUIPMENT, TOOLS,								
ETC ADDITIONS	815,735	1,293,776	225,600	417,733	201,100	696,000	696,000	696,000
TOTAL LAND								
Building/Tremaine (WIP)								
GRAND TOTAL OF CAPEX	$ 8,153,490	$ 10,820,233	$ 9,069,770	$ 9,074,271	$ 10,581,710	$ 9,530,052	$ 9,530,052	$ 9,530,052
		$ (164,901)						
Accumulated New Contributed Capital	$ 59,498,554	$ 62,049,535	$ 63,134,002	$ 64,360,589	$ 67,741,257	$ 69,666,187	$ 71,528,812	$ 73,329,134
Amortization Of New Contributed Capital	1,105,481	1,105,235	1,106,498	1,105,129	1,105,129	1,105,129	1,105,129	1,105,129
Removals CC								
Accumulated Amortization Of New								
Contributed Capital	$ 16,628,187	$ 17,733,422	$ 18,841,183	$ 18,838,551	$ 19,943,679	$ 21,048,808	$ 22,153,936	$ 23,259,065
Net Contributed Capital	$ 42,870,368	$ 44,316,113	$ 44,292,819	$ 45,522,038	$ 47,797,578	$ 48,617,379	$ 49,374,876	$ 50,070,069

Deferred Revenue	2017 Actual	2018 Actual	2019 Budget	2019 Projected	2020 Budget	2021 Budget	2022 Budget	2023 Budget
Opening balance	$ 9,600,373	$ 12,184,686	$ 13,920,820	$ 14,736,029	$ 17,047,083	$ 20,427,751	$ 22,352,681	$ 24,215,307
Additions	$ 2,879,515	$ 2,920,318	$ 2,304,793	$ 2,744,710	$ 3,896,419	$ 2,520,000	$ 2,520,000	$ 2,520,000
Amortization of Deferred Revenue	$ 295,202	$ 368,975	$ 405,479	$ 433,656	$ 515,750	$ 595,070	$ 657,374	$ 719,678
Ending Balance	$ 12,184,686	$ 14,736,029	$ 15,820,134	$ 17,047,083	$ 20,427,751	$ 22,352,681	$ 24,215,307	$ 26,015,628

Fixed Assets	2017 Actual	2018 Actual	2019 Budget	2019 Projected	2020 Budget	2021 Budget	2022 Budget	2023 Budget
Leasehold Improvements (1910)								

SALES	2017 Actual	2018 Actual	2019 Budget	2019 Projected	2020 Budget	2021 Budget	2022 Budget	2023 Budget
- Original Costs	**377,009**	**377,009**	**377,009**	**377,009**	**377,009**	**377,009**	**377,009**	**377,009**
- Beginning NBV			0	0	0	0	0	0
- Additions								
- Disposals								
- Closing Cost	**377,009**	**377,009**	**377,009**	**377,009**	**377,009**	**377,009**	**377,009**	**377,009**
- Opening Accumulated Depreciation	377,009	377,009	377,009	377,009	377,009	377,009	377,009	377,009
- Depreciation Rate								
- Depreciation Expense	0	0	0	0	0	0	0	0
- Add-Back								
- Closing Accumulated Depreciation	**377,009**	**377,009**	**377,009**	**377,009**	**377,009**	**377,009**	**377,009**	**377,009**
- Closing NBV	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Other Intangible Assets (1609)	2017 Actual	2018 Actual	2019 Budget	2019 Projected	2020 Budget	2021 Budget	2022 Budget	2023 Budget
- Original Costs	**122,349**	**122,349**	**1,122,349**	**122,349**	**1,122,349**	**1,122,349**	**1,122,349**	**1,122,349**
- Beginning NBV	111,648	108,589	1,105,530	105,530	1,077,472	1,024,413	971,354	918,295
- Additions			1,000,000	1,000,000				
- Disposals								
- Closing Cost	**122,349**	**122,349**	**2,122,349**	**1,122,349**	**1,122,349**	**1,122,349**	**1,122,349**	**1,122,349**
- Opening Accumulated Depreciation	10,701	13,760	16,818	16,818	44,877	97,936	150,995	204,054
- Depreciation Rate								
- Depreciation Expense	3,059	3,059	28,059	28,059	53,059	53,059	53,059	53,059
- Add-Back								
- Closing Accumulated Depreciation	**13,760**	**16,818**	**44,877**	**44,877**	**97,936**	**150,995**	**204,054**	**257,112**
- Closing NBV	**108,589**	**105,530**	**2,077,472**	**1,077,472**	**1,024,413**	**971,354**	**918,295**	**865,236**

Other Tangible Assets (1990)	2017 Actual	2018 Actual	2019 Budget	2019 Projected	2020 Budget	2021 Budget	2022 Budget	2023 Budget
- Original Costs	**133,004**	**133,004**	**133,004**	**133,004**	**133,004**	**133,004**	**133,004**	**133,004**
- Beginning NBV	58,229	43,761	29,293	29,293	14,825	357	(0)	(0)
- Additions								
- Disposals								
- Closing Cost	**133,004**	**133,004**	**133,004**	**133,004**	**133,004**	**133,004**	**133,004**	**133,004**
- Opening Accumulated Depreciation	74,775	89,243	103,711	103,711	118,179	132,647	133,005	133,005
- Depreciation Rate								
- Depreciation Expense	14,468	14,468	14,468	14,468	14,468	357	-	-
- Add-Back								
- Closing Accumulated Depreciation	**89,243**	**103,711**	**118,179**	**118,179**	**132,647**	**133,005**	**133,005**	**133,005**
- Closing NBV	**43,761**	**29,293**	**14,825**	**14,825**	**357**	**(0)**	**(0)**	**(0)**

SALES	2017 Actual	2018 Actual	2019 Budget	2019 Projected	2020 Budget	2021 Budget	2022 Budget	2023 Budget
	2017 Actual	2018 Actual	2019 Budget	2019 Projected	2020 Budget	2021 Budget	2022 Budget	2023 Budget
Land (1805/1905)								
- Original Costs	4,109,883	4,109,883	4,109,883	4,109,883	4,109,883	4,109,883	4,109,883	4,109,883
Eliminate Land (transfer to Town)								
- Beginning NBV								
- Additions			-	-	-			
- Disposals								
- Closing Cost	4,109,883	4,109,883	4,109,883	4,109,883	4,109,883	4,109,883	4,109,883	4,109,883
- Opening Accumulated Depreciation			-	-	-	-	-	-
- Depreciation Rate			-	-	-	-	-	-
- Depreciation Expense			-	-	-	-	-	-
- Add-Back			-	-	-	-	-	-
- Closing Accumulated Depreciation			-	-	-	-	-	-
- Closing NBV	4,109,883	4,109,883	4,109,883	4,109,883	4,109,883	4,109,883	4,109,883	4,109,883
TOTAL COSTS	214,468,671	225,453,806	232,266,657	235,528,077	246,109,787	255,639,839	265,169,891	274,699,943
ACCUMULATED DEPRECIATION	87,344,092	92,497,104	97,881,757	98,014,551	103,888,970	110,053,678	116,516,829	123,278,782
TOTAL NBV (excl contr cap)	**127,124,579**	**132,956,702**	**134,384,900**	**137,513,527**	**142,220,817**	**145,586,161**	**148,653,062**	**151,421,161**
TOTAL CAPITAL EXPENDITURE	**8,489,878**	**10,985,134**	**10,069,770**	**10,074,271**	**10,581,710**	**9,530,052**	**9,530,052**	**9,530,052**
Total Depreciation for the Year (CF)	4,839,195	5,153,012	5,435,704	5,517,446	5,874,420	6,164,707	6,463,152	6,761,953
Less: Amort. Of Capital Contributions	1,105,481	1,105,235	1,106,498	1,105,129	1,105,129	1,105,129	1,105,129	1,105,129
Less: Smart Meter recpature of deprec	-		-	-	-	-	-	-
TOTAL - per St. of Cash Flow	3,733,714	4,047,776	4,329,206	4,412,318	4,769,291	5,059,579	5,358,023	5,656,825
Amount Alloc Charged to Other Acct.	251,655	285,785	312,080	318,873	328,882	328,882	328,882	328,882
P&L Depreciation	**3,482,059**	**3,761,991**	**4,017,126**	**4,093,445**	**4,440,409**	**4,730,697**	**5,029,141**	**5,327,943**

ACCOUNTS PAYABLE & ACCRUED CHARGES	2017 Actual	2018 Actual	2019 Budget	2019 Projected	2020 Budget	2021 Budget	2022 Budget	2023 Budget
Accounts Payable Balance	18,198,125	17,051,667	17,969,655	17,821,855	18,253,940	18,624,645	18,994,471	19,363,385
Expenses (COS & Finance Expense)	105,433,751	105,226,881	127,434,354	108,599,549	111,044,804	113,299,921	115,549,701	117,793,928
Accounts Payable Turnover (Days)	63	59	51	60	60	60	60	60
Average No. of Days to Pay	60	61	60	61	60	60	60	60
Turnover Ratio	0.164383562	0.167123288	0.164383562	0.167123288	0.164383562	0.164383562	0.164383562	0.164383562
Payments in Lieu of taxes payable								
Current Year Payables	**18,198,125**	**17,051,667**	**17,969,655**	**17,821,855**	**18,253,940**	**18,624,645**	**18,994,471**	**19,363,385**

SALES	2017 Actual	2018 Actual	2019 Budget	2019 Projected	2020 Budget	2021 Budget	2022 Budget	2023 Budget
CUSTOMER DEPOSITS	**2017 Actual**	**2018 Actual**	**2019 Budget**	**2019 Projected**	**2020 Budget**	**2021 Budget**	**2022 Budget**	**2023 Budget**
Current Portion of Customer Deposits	313,000	313,000	313,000	313,000	313,000	313,000	313,000	313,000
Non-Current Portion of Customer Deposits	3,062,448	3,297,992	3,062,448	3,297,992	3,297,992	3,297,992	3,297,992	3,297,992
Capital Deposits	2,072,243	2,054,184	2,072,243	2,054,184	2,054,184	2,054,184	2,054,184	2,054,184
Other liabilities (Hydro One)	(34,353)	(34,353)	(34,353)	(34,353)	(34,353)	(34,353)	(34,353)	(34,353)
Total Customer Deposits	5,413,338	5,630,823	5,413,338	5,630,823	5,630,823	5,630,823	5,630,823	5,630,823
Increase/(Decrease) from Prior Year Balance	(382,488)		-	-	-	-	-	-
Hydro One Liability								
VESTED SICK LEAVE &LIABILITY FOR FUTURE BENEFITS	**2017 Actual**	**2018 Actual**	**2019 Budget**	**2019 Projected**	**2020 Budget**	**2021 Budget**	**2022 Budget**	**2023 Budget**
Liability for Future Benefits	482,392	496,556	521,755	516,418	537,075	558,558	580,900	604,136
Total	482,392	496,556	521,755	516,418	537,075	558,558	580,900	604,136
Increase/(Decrease) from Prior Year Balance	162,571	14,164	20,068	19,862	20,657	21,483	22,342	23,236
Future Benefits	138500							
Taxes on Future Benefits	-36703							
EQUITY	**2017 Actual**	**2018 Actual**	**2019 Budget**	**2019 Projected**	**2020 Budget**	**2021 Budget**	**2022 Budget**	**2023 Budget**
Ending Balance of Contributed Capital-TOTAL								
Capital stock	17,008,908	17,008,908	17,008,908	17,008,908	17,008,908	17,008,908	17,008,908	17,008,908
Accumulated Operating Surplus, Beginning	23,369,310	24,832,694	26,459,087	27,635,688	28,400,603	28,906,465	29,712,466	30,650,282
Transfer Contributed Capital to Affiliate								
Current Year Net Income	2,963,386	4,302,995	2,112,479	2,264,915	2,005,862	2,306,001	2,437,816	2,583,856
Dividends Paid	(1,500,000)	(1,500,000)	(1,500,000)	(1,500,000)	(1,500,000)	(1,500,000)	(1,500,000)	(1,500,000)
New Equity			-	-	-	-	-	-
Accumulated Operating Surplus, Ending	**24,832,696**	**27,635,688**	**27,071,566**	**28,400,603**	**28,906,465**	**29,712,466**	**30,650,282**	**31,734,138**
TOTAL EQUITY	**41,841,604**	**44,644,596**	**44,080,474**	**45,409,511**	**45,915,373**	**46,721,374**	**47,659,190**	**48,743,046**

	E	F	BF	BJ	BK	BL	BM	BN
	Account #	Description	2017 Actual	2018 Actual	2019 Budget	2019 A to date (Aug 19)	2019 Projected	2020 Budget
2								
3	5410.7010.001.001	DIRECT LABOUR						
4	5410.7010.001.002	DIRECT LABOUR						
5	..0.0	**TOTAL LABOUR**	-	-	-	-	-	-
6	..0.0							
7	5410.7010.002.005	MATERIAL						
8	..0.0	**TOTAL MATERIAL**	-	-	-	-	-	-
9	..0.0							
10	5410.7010.004.072	OUTSIDE CONTRACTS	13,405	9,670	14,640	6,460	9,900	12,000
11	..0.0	**TOTAL SUBCONTRACT**	**13,405**	**9,670**	**14,640**	**6,460**	**9,900**	**12,000**
12	..0.0							
13	5410.7010.005.087	PROMOTION COSTS	689		1,000		1,200	1,500
14	5410.7010.005.088	GIFTS & DONATIONS		450		1,200		
15	5410.7010.005.089	SUBSCRIPTIONS/ADVERTISING			3,000			2,000
16	5420.0000.000.000	COMMUNITY SAFETY PROGRAM			4,400			2,000
17	5410.7010.005.092	CONVENTIONS & MEETINGS						
18	..0.0	**TOTAL OTHER**	**689**	**450**	**8,400**	**1,200**	**1,200**	**5,500**
19		Reallocated to O&M per FS						
20	..0.0	**TOTAL PROMOTION**	**14,094**	**10,120**	**23,040**	**7,660**	**11,100**	**17,500**
21	..0.0							
22	..0.0							
23	5315.7020.001.001	DIRECT LABOUR	556,333	528,623	526,347	328,094	477,863	543,793
24	5315.7020.001.002	PLANNED OVERTIME		491				
25	..0.0	**TOTAL LABOUR**	**556,333**	**529,113**	**526,347**	**328,094**	**477,863**	**543,793**
28	5315.7020.004.032	SOFTWARE MTCE CONTRACT	160,046	178,888	195,474	133,702	200,342	204,734
29	5315.7020.004.033	COLLECTION AGENCY COMM	2,949	4,670	5,412	3,713	5,500	5,500
30	5315.7020.004.034	COURIER SERVICE						
31	5315.7020.004.035	MAILING MACHINE MTCE	10,783	11,861	14,461	8,316	12,474	13,722
32	5315.7020.004.054	CLERICAL SERVICES						
33	5315.7020.004.055	COMPUTER/CONSULTING SERVICES	114,323	78,472	74,653	44,334	68,713	65,560
34	5315.7020.004.076	EBT HUB SERVICES	8,226	7,520	7,628	4,700	7,027	7,378
35	..0.0	**TOTAL SUBCONTRACT**	**296,327**	**281,412**	**297,627**	**194,765**	**294,056**	**296,894**
36	..0.0							
37	5315.7020.002.005	MATERIAL						
38	5315.7020.005.089	Advertising	350			917	1,000	1,000
39	5315.7020.005.091	MILEAGE & PARKING	105	141	2,700	92	92	2,700
40	5315.7020.005.092	CONFERENCES	1,169	35	2,000		500	3,000
41	5315.7020.005.093	TRAINING,SEMINARS,SCHOOL	295	1,945	4,900		4,650	7,550
42	5315.7020.005.094	FREIGHT	16					
43	5315.7020.007.019	RATE CARDS						
44	5315.7020.007.020	CUSTOMER BILLS	10,123	3,273	6,546	5,237	8,978	8,000
45	5315.7020.007.021	CUSTOMER NOTICES	5,747	1,644				
46		CUSTOMER NOTICES						
47	5315.7020.007.022	METER READING SHEETS/CARD						
48	5315.7020.007.025	MAILING ENVELOPES	10,643	12,730	12,945	5,870	12,000	12,000
49	5315.7020.007.026	RETURN ENVELOPES	715	1,654	2,073	2,626	2,626	2,000
50	5315.7020.007.027	SUNDRY FORMS & LETTERS						
51	5315.7020.007.028	SUNDRY OFFICE SUPPLIES	2,444	3,050	5,000	1,943	3,331	4,000
52	5315.7020.007.029	SUNDRY OFFICE EQUIPMENT	53		1,000			
53	5315.7020.008.000	POSTAGE	224,971	222,184	239,975	143,547	215,320	226,086
54	5315.7020.009.000	TELEPHONE	15,908	15,628	16,780	10,133	15,086	18,840
55	5335.7020.013.000	BAD DEBT EXPENSE	45,667	63,094	50,000		70,000	73,500
56	5315.7020.015.057	BLDG & CONTENT INSURANCE	4,084	3,682	5,644	2,883	4,942	4,500
57	5315.7020.900.900	TRANSITION COSTS						
58	..0.0	**TOTAL OTHER**	**322,289**	**329,060**	**349,564**	**173,248**	**338,524**	**363,177**
59	5315.0000.000.000							

	E	F	BF	BJ	BK	BL	BM	BN
	ccount #	Description	2017 Actual	2018 Actual	2019 Budget	2019 A to date (Aug 19)	2019 Projected	2020 Budget
60	..0.0	**TOTAL BILLING**	**1,174,950**	**1,139,585**	**1,173,538**	**696,107**	**1,110,444**	**1,203,864**
61	..0.0							
62	5310.7030.001.000	DIRECT LABOUR						
63	5310.7030.001.001	DIRECT LABOUR	112,121	93,896	116,354	44,212	57,475	119,128
64	5310.7031.001.001	DIRECT LABOUR						
65	..0.0	**TOTAL LABOUR**	**112,121**	**93,896**	**116,354**	**44,212**	**57,475**	**119,128**
70	5310.7030.004.030	OLAMETER - Probing	21,124	28,959	30,775	16,318	22,893	22,907
71	5310.7030.004.031	TRILLIANT - INTERVAL METER READING-i						
72	5310.7030.004.032	SOFTWARE MTCE CONTRACT	135,618	134,104	140,305	90,204	135,305	157,798
73	5310.7030.004.047	Savage Data - Mixed Mode support						
74	5310.7030.004.072	Subcontract	16,783	10,448	10,497	7,146	12,250	13,000
75	..0.0	**TOTAL SUBCONTRACT**	**173,525**	**173,511**	**181,577**	**113,668**	**170,448**	**193,705**
76	..0.0							
77	5310.7030.007.027	SUNDRY FORMS & LETTERS						
78	..0.0	**TOTAL OTHER**	**-**	**-**	**-**	**-**	**-**	**-**
79	5310.0000.000.000							
80	..0.0	**TOTAL METER READING**	**285,646**	**267,407**	**297,931**	**157,879**	**227,924**	**312,833**
81	..0.0							
82	..0.0							
83	..0.0							
84	5310.7031.001.001	DIRECT LABOUR	330					
85	5315.7031.001.001	DIRECT LABOUR	434,119	425,268	446,679	278,572	402,813	461,091
86	5315.7031.001.004	DIRECT LABOUR BURDEN						
87	5310.7031.001.002	PLANNED OVERTIME						
88	5315.7031.001.002	PLANNED OVERTIME	150					
89	..0.0	**TOTAL LABOUR**	**434,599**	**425,268**	**446,679**	**278,572**	**402,813**	**461,091**
	310.7031.004.030	OLAMTER-FINAL READS						
96	5315.7031.004.054	CLERICAL SERVICES			1,000		1,000	1,000
97		EQUIFAX (SUBCONTRACT)						
98	5315.7031.004.072	EQUIFAX (SUBCONTRACT)						
99	5315.7031.004.072	OUTSIDE CONTRACTS						
100	..0.0	**TOTAL SUBCONTRACT**	**-**	**-**	**1,000**	**-**	**1,000**	**1,000**
101	..0.0							
102	5315.7031.005.091	MILEAGE, PARKING			800		0	800
103	5315.7031.005.092	CONFERENCES	400	35	1,000	400	400	1,000
104	5315.7031.005.920	TRAINING,SEMINARS,SCHOOL						
105	5315.7031.005.093	TRAINING,SEMINARS,SCHOOL	4,439	814	3,800		0	3,800
106	5310.7031.007.027	SUNDRY FORMS & LETTERS						
107	5315.7031.007.027	SUNDRY FORMS & LETTERS	184		200		200	200
108	5310.7031.007.028	SUNDRY OFFICE SUPPLIES						
109	5315.7031.007.028	SUNDRY OFFICE SUPPLIES	64					
110	..0.0	**TOTAL OTHER**	**5,087**	**849**	**5,800**	**400**	**600**	**5,800**
111	..0.0							
112	..0.0	**TOTAL FINALS**	**439,686**	**426,116**	**453,479**	**278,972**	**404,413**	**467,891**
113	..0.0							
114	..0.0							
115	5320.7040.001.001	DIRECT LABOUR	122,095	103,320	123,067	76,361	111,008	128,193
116	5320.7040.001.002	PLANNED OVERTIME	84					
117	5320.7040.001.006	DIRECT LABOUR-EMERGENCY						
118	5320.7040.001.007	EMERGENCY-OVERTIME	181	43				
119	..0.0	**TOTAL LABOUR**	**122,361**	**103,363**	**123,067**	**76,361**	**111,008**	**128,193**
124	5320.7040.002.005	MATERIAL		14				
125	5320.7040.004.030	OLAMETER- HAND DELIVER	53,192	50,330	50,375	31,607	47,982	22,817
	320.7040.004.054	CLERICAL SERVICES						
	320.7040.004.055	EQUIFAX (SUBCONTRACT)						
128	5320.7040.015.059	CREDIT INSURANCE	100,886	66,870	100,000	50,328	86,277	90,000
129	5320.7040.004.072	SUBCONTRACT COLLECTIONS	41,195	40,320	42,336	26,880	40,320	42,336

	E	F	BF	BJ	BK	BL	BM	BN
	ccount #	Description	2017 Actual	2018 Actual	2019 Budget	2019 A to date (Aug 19)	2019 Projected	2020 Budget
130	..0.0	**TOTAL SUBCONTRACT**	**195,273**	**157,534**	**192,711**	**108,815**	**174,579**	**155,153**
131	..0.0							
132	5320.7040.005.091	MILEAGE & PARKING	796	180	1,000		112	1,000
133	5320.7040.005.092	CONVENTIONS & MEETINGS		151	0		200	200
134	5320.7040.005.093	TRAINING,SEMINARS,SCHOOL		150	150	195	195	150
135	5320.7040.007.021	CUSTOMER NOTICES (NEW 2009)	1,211	1,287		222	1,300	1,500
136	5320.7040.007.028	SUNDRY OFFICE SUPPLIES	3,084	3,216	3,368	845	3,200	3,200
137	5320.7040.007.029	SUNDRY OFFICE EQUIPMENT	1,316			1,596	2,000	2,000
138	5320.7040.009.000	TELEPHONE	263	236	255	153	250	250
139	5325.7040.014.000	CASH OVER/SHORT	-72	-102	100	32	50	50
140	5320.7040.016.000	MASTERCARD/VISA DISCOUNTS						
141	..0.0	**TOTAL OTHER**	**6,597**	**5,119**	**4,873**	**3,042**	**7,307**	**8,350**
142								
143	..0.0	**TOTAL COLLECTIONS**	**324,231**	**266,016**	**320,651**	**188,218**	**292,893**	**291,696**
144	..0.0							
145	5610.8010.005.095	Meals and Entertainment				1,833	4,000	5,000
146	5610.8010.001.001	DIRECT LABOUR	960,445	993,212	1,297,131	691,736	979,239	1,220,360
147	5610.8010.001.084	CAR ALLOWANCE	9,420	10,530	13,500	7,269	13,500	13,500
148	5610.8010.005.091	MILEAGE,PARKING,AIRFARE	2,663	369	5,600	1,052	1,697	5,100
149	5610.8010.005.092	CONVENTIONS & MEETINGS	25,711	25,653	29,500	22,620	34,133	12,700
150	5610.8010.005.093	TRAINING,SEMINAR,SCHOOL	104	8,740	14,130	15,207	21,654	6,000
151		**TOTAL EXECUTIVE EXPENSES**	**998,342**	**1,038,503**	**1,359,861**	**739,716**	**1,054,223**	**1,262,660**
152	5615.8010.001.001	DIRECT LABOUR	791,596	827,171	902,885	595,776	876,608	959,185
153	5625.8010.001.001	ADMIN EXPENSES TRANSFERED	-100,200	-109,176	-135,984	-101,667	-152,501	-156,923
154	5615.8010.001.002	PLANNED OVERTIME	376					
155	5615.8010.001.084	CAR ALLOWANCE						
156	5615.8010.001.085	not in use						
	.0	**TOTAL LABOUR**	**691,772**	**717,995**	**766,901**	**494,109**	**724,108**	**802,262**
158	..0.0							
159	5630.8010.004.031	COMPUTER MTCE HDWR CONTRACT		4,246		2,757	4,726	4,800
160	5630.8010.004.032	SOFTWARE MTCE CONTRACT	51,553	62,491	73,527	44,499	67,149	72,175
161	5630.8010.004.034	COURIER SERVICE	851	285	525	226	388	400
162	5630.8010.004.035	MAIL MACHINE	1,211	1,322	1,612	927	1,590	1,500
163	5630.8010.004.036	PHOTOCOPIER MTCE	6,159	5,262	5,262	3,947	6,000	6,000
164	5630.8010.004.051	AUDIT, LEGAL FEES	32,211	79,262	74,724	46,388	65,500	80,300
165	5630.8010.004.054	CLERICAL SERVICES	50					
166	5630.8010.004.055	CONSULTING FEES	232,499	263,358	266,945	194,389	315,059	331,273
167	5655.8010.004.050	CUSTOMER CONSULTING - REG						
168	5655.8010.004.051	LEGAL REGULATORY EXPENSES						
169	5655.8010.004.055	REGULATORY EXPENSES (OEB)	114,200	108,350	119,000	62,000	105,450	307,500
170	5630.8010.004.056	TRANSITION COSTS						
171	5630.8010.004.057	OPA PROGRAM CONSULTING						
172	5630.8010.004.072	SUBCONTRACT	2,292	2,423	2,657	960	2,500	2,500
173	5630.8010.004.081	not in use						
174	5630.0000.000.000	OUTSIDE CONTRACTS						
175	..0.0	**TOTAL SUBCONTRACT**	**441,025**	**527,000**	**544,252**	**356,092**	**568,361**	**806,448**
176	..0.0							
178	5610.8010.005.093	TRAINING,SEMINAR,SCHOOL						
179	5620.8010.002.005	MATERIAL	54	14	500	284	400	400
180	5620.8010.005.080	MEMBERSHIPS & DUES	90,359	86,650	91,041	48,750	89,675	93,211
181	5620.8010.005.085	COFFEE SUPPLIES	4,599	4,413	4,831	3,656	5,303	5,568
182	5620.8010.005.088	GIFTS & DONATIONS	51,941	40,757	44,700	22,705	45,350	46,400
183	5620.8010.005.091	MILEAGE,PARKING,AIRFARE	1,994	1,084	3,250	586	793	3,750
184	20.8010.005.092	CONVENTIONS & MEETINGS	13,863	15,122	23,350	3,058	17,909	26,950
185	20.8010.005.093	TRAINING,SEMINAR,SCHOOL	6,048	9,337	5,000	7,065	7,065	8,150
186	5620.8010.005.094	FREIGHT	16	8	500		50	50
187	5620.8010.007.025	ENVELOPES & LETTERHEAD	2,108	1,383	1,500	2,224	2,500	2,500

	E	F	BF	BJ	BK	BL	BM	BN
	Account #	Description	2017 Actual	2018 Actual	2019 Budget	2019 A to date (Aug 19)	2019 Projected	2020 Budget
188	5620.8010.007.027	SUNDRY FORMS & LETTERS	1,159	3,101	3,072	677	2,000	2,000
189	5620.8010.007.028	SUNDRY OFFICE SUPPLIES	13,617	15,989	16,869	6,506	13,973	14,671
190	5620.8010.007.029	SUNDRY OFFICE EQUIPMENT	5,043	4,187	5,250	2,982	5,112	5,368
191	5620.8010.008.000	POSTAGE	5,045	6,050	7,393	2,018	3,459	3,632
192	5620.8010.009.000	TELEPHONE	53,649	55,655	58,662	36,122	53,212	58,873
193	5620.8010.012.000	BANK CHARGES	25,547	27,016	28,493	18,068	30,973	32,522
194	5635.8010.015.056	PL & PD INSURANCE	96,205	101,700	106,785	63,503	108,862	114,305
195	5635.8010.015.057	BLDG & CONTENT INSURANCE	4,465	4,000	6,238	3,154	5,407	5,677
196	5635.8010.015.058	BOND INSURANCE						
197	5635.8011.015.059	LEGAL & ACCIDENT INS	16,840	18,116	18,459	11,361	19,476	20,450
198	5635.8015.015.057	PROP INSURANCE						
199	5640.8010.015.056	not in use						
200	5645.8010.004.000	VACATION PAY ACCRUAL						
201	5645.8010.005.096	PENSION						
202	5645.8010.018.000	EMPLOYEE FUTURE BENEFITS	25,702	17,757	28,944		18,391	18,924
203	5655.8010.004.300	HYDRO ONE LOAD TRANSFER						
204	5655.8010.005.089	SUBSCRIPTIONS/ADVERTISING	799					
205	5655.8010.210.200	OEB LICENSE FEE	800	800	800	800	800	800
206	5655.8010.211.203	OEB COST AWARD	3,984	2,793	5,000	805	2,500	2,500
207	5660.8010.005.089	SUBSCRIPTIONS/ADVERTISING	1,393	3,155	2,978	1,047	2,606	2,736
208	5665.8010.003.000	PAY EQUITY ADJUSTMENT						
209	5665.8010.004.300	LOAD TRANSFER RECONCILATION						
210	5665.8010.005.080	MEMBERSHIPS & DUES			0	2,134	0	0
211	5665.8010.016.000	INCENTIVE PLAN	227,530	250,816	275,267	193,394	291,494	245,453
212	5665.8010.017.000	LUMP SUM PAYMENT						
213	5665.8010.019.000	MANAGEMENT FEE	22,833	20,434	25,000	38,671	89,977	111,541
	5665.8010.020.000	MOVING EXPENSES						
	5670.8010.020.000	RENT ON 8069 LAWSON						
216	5685.8010.002.002	IMO LICENSE FEE						
217	..0.0	**TOTAL OTHER**	**675,592**	**690,336**	**763,882**	**469,569**	**817,287**	**826,431**
223	..0.0	**TOTAL GENERAL ADMIN**	**1,808,389**	**1,935,331**	**2,075,034**	**1,319,770**	**2,109,756**	**2,435,140**
224	..0.0							
225	..0.0							
226	5605.8011.001.001	STIPENDS	56,242	55,656	58,439	26,415	56,608	37,250
227	5605.8011.001.090	PER DIEM	39,075	27,829	29,766	15,961	33,157	13,567
228	..0.0	**TOTAL LABOUR**	**95,317**	**83,485**	**88,205**	**42,376**	**89,765**	**50,817**
229	..0.0							
230	5605.8011.005.091	MILEAGE & PARKING	1,252	2,591	2,500	874	874	2,500
231	5605.8011.005.092	CONVENTIONS	8,048	742	10,000	2,564	5,232	7,000
232	5605.8011.005.095	MEALS AND ENTERTAINMENT				2,159	3,238	3,500
233	5605.8011.015.059	LEGAL & ACCIDENT INS						
234	..0.0	**TOTAL OTHER**	**9,300**	**3,333**	**12,500**	**5,597**	**9,344**	**13,000**
235	5605.0000.000.000							
236	..0.0	**TOTAL BOARD**	**104,617**	**86,818**	**100,705**	**47,973**	**99,109**	**63,817**
237	..0.0							
238	5675.8015.001.007	DIRECT LABOUR - OT		503	-			
239	5675.8015.001.001	DIRECT LABOUR	67,115	69,392	148,854	45,742	61,853	145,183
240	..0.0	**TOTAL LABOUR**	**67,115**	**69,895**	**148,854**	**45,742**	**61,853**	**145,183**
241	..0.0							
242	5675.8015.002.005	MATERIAL	28,790	26,042	26,421	20,474	35,098	35,000
243	..0.0	**TOTAL MATERIAL**	**28,790**	**26,042**	**26,421**	**20,474**	**35,098**	**35,000**
244	..0.0							
245	5675.8015.004.038	SNOW REMOVAL	24,350	24,550	29,925	17,100	28,500	28,500
	675.8015.004.039	LAWN MTCE		94				
	675.8015.004.040	JANITORIAL SERVICE	48,975	48,234	53,463	33,628	50,442	51,956
248	5675.8015.004.043	HEATING,A/C,FIRE,SEPTIC	9,864	21,422	17,406	12,445	16,801	19,112
249	5675.8015.004.052	MUSIC CONTRACT						

	E	F	BF	BJ	BK	BL	BM	BN
	Account #	Description	2017 Actual	2018 Actual	2019 Budget	2019 A to date (Aug 19)	2019 Projected	2020 Budget
250	5675.8015.004.072	O/S CONTRACT-MAINTENANCE	38,666	95,841	60,000	55,473	135,355	75,000
251	5675.8015.004.079	SECURITY SYSTEM MTCE	1,939	640				
252	5675.8015.007.028	SUNDRY OFFICE SUPPLIES		554	750	496	500	500
253	..0.0	**TOTAL SUBCONTRACT**	**123,794**	**191,335**	**161,543**	**119,143**	**231,599**	**175,068**
254	..0.0							
257	5675.8015.010.000	TAXES	132,167	144,775	149,113	103,289	159,581	164,369
258	5675.8015.011.000	HYDRO, WATER, SEWAGE	104,386	113,326	112,333	65,418	111,301	114,640
259	5675.8015.020.000	ALLOCATION TO MHTI						
260		**TOTAL OTHER**	**236,553**	**258,101**	**261,446**	**168,707**	**270,883**	**279,009**
261	5675.0000.000.000	**Maintenance General Plant**						
262								
263		**TOTAL BUILDING**	**456,252**	**545,373**	**598,265**	**354,066**	**599,433**	**634,259**
269		**GRAND TOTAL**	**5,606,207**	**5,715,269**	**6,402,504**	**3,790,360**	**5,909,294**	**6,689,660**
282			-4.3%	1.9%	- 0	-	3.4%	13.2%
283			**2017 Actual to Projected**	**2018 Actual to Projected**	**2019 Budget to 2018 Projected**		**2019 Projected to 2019 Budget**	**2020 Budget to 2019 Projected**
284		Direct Labour	54,165	(20,551)	89,162		(206,080)	281,199
285		Direct Labour - executives/car allow	9,330	28,335	335,224		(317,892)	241,120
286		Incentive Plan	(12,678)	(8,630)	15,820		16,227	[illegible]
287		Employee Future Benefits	(1,016)	(2,207)	-		(2,500)	-
288		Rent	-	-	-		-	-
289		Management Fee	(1,000)	264	87		(372)	130
290		Total Board	#N/A	(520)	13,367		(1,596)	(35,292)
291		Total Building	6,478	(3,008)	45,542		(9,301)	30,039
292		Regulatory Costs	(8,000)	(50)	10,600		(13,550)	202,050
		General Admin Consulting Fees	(8,113)	24,726	28,313		48,114	16,213
294		General Admin Misc	16,218	(4,929)	32,458		(15,626)	26,107
295		Billing Consulting Fees	1,848	1,566	(2,253)		(5,940)	(3,153)
296		All Other Billing Costs	(9,178)	(791)	8,748		(2,032)	2,379
297		Postage	(6,363)	1,497	19,288		(24,655)	10,766
298		Olameter Probing /Hand deliver	4,621	2,004	4,819		(8,522)	(24,401)
299		Trilliant Meter Reading	-	-	-		-	-
300		EBT HUB Services	(159)	(107)	-		(601)	351
301		Insurance	-	-	-		-	-
302		Audit & Legal	(34,855)	4,538	-		(9,224)	14,800
303		Credit Insurance	-	(33,130)	-		(13,723)	3,723
304		Clerical	-	-	-		-	-
305		Software Mtnce + SM Metering	7,906	498	23,284		(132)	26,885
306		Mailing machine	(82)	(1,286)	1,315		(1,987)	1,247
307		Training Costs - others	(8,862)	6,154	23,554		(13,026)	24,176
308		Training/Conference - exec	(203)	7,072	21,541		8,253	(33,683)
309		Bad Debt Expense	(9,081)	21,263	8,170		20,000	3,500
310		Membership and Dues	(104)	-	-		-	-
311		Taxes	-	5	4,343		10,468	4,787
312		Total Promotion	(1,695)	(5,520)	7,400		(11,940)	6,400
313		Subcontract Collectins /Credit Agency	750	(250)	2,508		(1,928)	2,016
314		Collections Other misc	936	1,187	253		3,082	200
315		Moving Expenses	-	-	-		-	-
316		Misc Diff						
317			**#N/A**	**18,130**	**693,543**		**(554,481)**	**755,521**
318								
319								
322								
323		Regulatory Inflationary Increases	1.90%	1.20%			1.50%	1.50%
324		2016 OEB Decision	6,109,962	6,183,281			6,276,031	6,370,171

Milton Hydro Distribution Inc.
Capital Expenditures

Capital Expenditures

	2017 Actual	2018 Actual	2019 Budget	2019 Projected	2020 Budget	2021 Budget	2022 Budget	2023 Budget
	2017 Actual	2018 Actual	2019 Budget	2019 Projected	2020 Budget	2021 Budget	2022 Budget	2023 Budget
System Access	1,344,514		1,719,914	2,225,064	6,153,621	1,880,000	1,880,000	1,880,000
System Renewal	2,251,090		2,357,548	1,911,528	1,436,270	1,539,052	1,539,052	1,539,052
System Access	1,360,039		2,596,708	2,292,294	790,720	3,345,000	3,345,000	3,345,000
Subdivision Costs	3,078,183		2,520,000	2,570,492	2,520,000	2,520,000	2,520,000	2,520,000
Total Distribution Expenses	8,033,825	9,874,760	9,194,170	8,999,378	10,900,610	9,284,052	9,284,052	9,284,052
NBV Removals	(770,626)	(404,135)	(350,000)	(650,000)	(650,000)	(450,000)	(450,000)	(450,000)
Building for New Headquarters	74,555	55,832		307,160	130,000			
Building - work in progress								
WIP	336,388	164,901						
Other Capex - Replacement & Refurbishment/Tremaine TS			1,000,000	1,000,000				
Non-Growth Related Capex	(359,683)	(183,402)	650,000	657,160	(520,000)	(450,000)	(450,000)	(450,000)
Total Transmission and Distribution Capital Expenditures	**7,674,142**	**9,691,358**	**9,844,170**	**9,656,538**	**10,380,610**	**8,834,052**	**8,834,052**	**8,834,052**
Total Other Capital Expenditures (office eqmt, tools)	815,735	1,293,776	225,600	417,733	201,100	696,000	696,000	696,000
Total Land Capital Expenditures								
GROSS CAPITAL EXPENDITURES	**8,489,877**	**10,985,134**	**10,069,770**	**10,074,271**	**10,581,710**	**9,530,052**	**9,530,052**	**9,530,052**
Less: Contributed Capital Portion of CAPEX								
Refunds to Developers			0	0	0	0		
Capital Contributions Received - Growth-Related	-2,879,515	-2,920,318	-2,304,793	-2,744,710	-3,896,419	-2,520,000	-2,520,000	-2,520,000
Capital Contributions Received - Non-Growth Related			0	0	0	0		
Total Capital Contributions - net	-2,879,515	-2,920,318	-2,304,793	-2,744,710	-3,896,419	-2,520,000	-2,520,000	-2,520,000
Net Capital Expenditures - Net Impact on Cash Flow	**5,610,362**	**8,064,816**	**7,764,977**	**7,329,561**	**6,685,292**	**7,010,052**	**7,010,052**	**7,010,052**

Tab Ref #	Category	Job Type	Work Order Number	Job Name	2020 Total Budget		
					Job Total (Gross)	Capital Contribution	Job Net
System Access							
	SA-Roads			**Capital Road Projects**	$5,741,501	$2,919,524	$2,821,977
100	SA-Roads	Planned	HCP50415	ROH: Britannia Rd Reconstruction, RR25 to JSP (deferred to 2021)	$0	$0	$0
101	SA-Roads	Planned	HCP50392	TOM: Main St, JSP to 5th Line	$314,204	$66,112	$248,092
103	SA-Roads	Planned	HCP50855	TOM: Bronte St. Main to Steeles - Reconstruction	$2,855,702	$2,110,455	$745,247
102	SA-Roads	Planned	HCP50885	ROH: Britannia Rd Reconstruction JSP to 407	$2,085,864	$607,882	$1,477,982
105	SA-Roads	Planned	HCP50147	ROH: Tremaine Rd, Steeles to 3 Side Road	$485,731	$135,075	$350,656
	SA-Services			**General Service & Metering Connections**	$1,432,120	$476,895	$955,225
110	SA-Services	Planned	Various	Customer Connections - General Service & Others	$533,520	$476,895	$56,625
111	SA-Services	Planned	Various	Meter Reverification Program	$654,900	$0	$654,900
111	SA-Services	Planned	Various	Condo - New Installs	$0	$0	$0
111	SA-Services	Planned	Various	Commercial/Industrial Meter Installs < 200kVA	$133,000	$0	$133,000
111	SA-Services	Planned	Various	Commercial/Industrial Meter Installs > 200kVA	$110,700	$0	$110,700
112	SA-Subdivisions			**New Residential Subdivisions**	$1,500,000	$0	$1,500,000
				Total System Access	$8,673,621	$3,396,419	$5,277,202
System Renewal							
	SR-Overhead			**Overhead Distribution Replacement Program**	$501,649	$0	$501,649
200	SR-Overhead	Planned	Various	Pole Replacement Program	$329,098	$0	$329,098
201	SR-Overhead	Planned	HCP50913	Porcelain to Poly replacement program	$86,832	$0	$86,832
206	SR-Overhead	Reactive	Various	Reactive OH Replacement of defective/damaged equipment	$85,719	$0	$85,719
202	SR-Overhead	Planned	Various	Overhead Transformer Replacement Program	$0	$0	$0
	SR-Underground			**Underground Distribution Replacement Program**	$433,652	$0	$433,652
202	SR-Underground	Planned	Various	Padmounted Transformer Replacement Program	$0	$0	$0
203	SR-Underground	Planned	Various	Switchgear Replacement Program	$120,392	$0	$120,392
206	SR-Underground	Reactive	Various	Reactive UG Replacement of defective/damaged equipment	$48,135	$0	$48,135
204	SR-Underground	Planned	Various	Derry Rd Conversion + Mushroom regulator	$265,125	$0	$265,125
204	SR-Underground	Planned	Various	3 Phase Regulator Replacement	$0	$0	$0
	SR-Meters			**Meter Replacement Program**	$500,969	$0	$500,969
205	SR-Meters	Planned	Various	Proactive Meter Replacements	$337,984	$0	$337,984
205	SR-Meters	Reactive	Various	Reactive Meter Replacements	$70,415	$0	$70,415
205	SR-Meters	Planned	Various	Meter Room Upgrades - Cell Modems	$92,570	$0	$92,570
				Total System Renewal	$1,436,270	$0	$1,436,270
System Service							
	SS-Automation			**System Automation Program**	$790,720	$0	$790,720
300	SS-Automation	Planned		Automated Switches - Vipers	$221,952	$0	$221,952
300	SS-Automation	Planned		Automated Fault Indicators - Overhead	$39,488	$0	$39,488
300	SS-Automation	Planned		Automated Switchgear Upgrade Program	$237,856	$0	$237,856
300	SS-Automation	Planned		Automated Fault Indicators - Underground	$0	$0	$0
300	SS-Automation	Planned		WiMax Deployment for SCADA Devices	$71,424	$0	$71,424
300	SS-Automation	Planned		Survalent SCADA System	$80,000	$0	$80,000
300	SS-Automation	Planned		Survalent OMS	$140,000	$0	$140,000
	SS-System Expansion			**System Expansion**	$0	$0	$0
307	SS-System Expansion	Planned		Halton TS II - CCEA Downpayment	$0	$0	$0
307	SS-System Expansion	Planned		Halton TS II - Transformers	$0	$0	$0
				Total System Service	$790,720	$0	$790,720
General Plant							
401	GP-Building & Office Equipment	Planned		**Building - Elevator**	$130,000	$0	$130,000
401	GP-Rolling Stock	Planned		**Vehicle Replacement Program**	$0	$0	$0
402	GP-Stores & Major Tools	Planned		**Stores Equipment & Major Tools**	$72,600	$0	$72,600
402	GP-Stores & Major Tools	Planned		Stores Equipment - 1935 Totals:	$27,300	$0	$27,300
402	GP-Stores & Major Tools	Planned		Tools, Shop and Garage Equipment - 1940 Totals:	$45,300	$0	$45,300
411	GP-Hardware	Planned		**Computer Hardware**	$82,500	$0	$82,500
411	GP-Software	Planned		**Computer Software**	$46,000	$0	$46,000
				Total General Plant	$331,100	$0	$331,100
				Total Capital	$11,231,710	$3,396,419	$7,835,292

Milton Hydro Distribution Inc.
2019P 2020B Hardware & Software Budget

A/C 1920 & 1611

Hardware

		2018 Actual	2019 Budget	2019 Projection	2020 Budget
	iPads for inspectors (2)		$ 1,000		
	Bar Code Readers			$ 5,000	$ 5,000
	Protector		$ 3,500		
	Mobile Inspection		$ 5,000		
	Control Room				$ 30,000
	Desktops / PC / Laptops		$ 8,600	$ 19,000	$ 16,000
	FieldSense Hardware		$ 4,500		$ 4,500
	Servers		$ 50,000	$ 52,383	$ 25,000
	Monitors		$ 5,000	$ 1,500	
	Toughbook Metering		$ 3,000	$ 2,171	
	Dell Systems			$ 6,856	
	Beyond Trust Remote Access HW				$ 2,000
	Fortinet & Fortcare 5yr (Firewall)		$ 15,000	$ 27,831	
		$ 81,671.45	$ 95,600.00	$ 114,740.65	$ 82,500.00
				20%	

Software

HCP50934, 50570, 50377	SCADA Implementation (Survalent)	$ 244,125.53			
	CYME Gateway SW	$ 136,755.39		$ 8,348	
	StarWind VSAN	$ 5,664.50			
	Elster Solutions project services	$ 63,565.00			
	MS RDS License	$ 1,895.40			
ESRI	ArcGIS User License	$ 12,915.00		$ 4,745	
HCP50249	ARCGIS online Maps	$ 31,715.68		$ 40,000	
CDW	SmartVu User License Unlimited	$ 19,712.33		$ 12,000	
	Kentico Software Website License	$ 13,391.66			
	MS Server Licenses		$ 18,000	$ 29,806	$ 10,000
	Starwind		$ 6,000		
	Mobile Inspection		$ 5,000		
	FieldSense		$ 4,000		
CDW	Microsoft Win Server pro Loc			$ 5,665	$ 6,000
	MS Security Center		$ 43,000		
	MS SQL Server for MV90				$ 10,000
	OMS Customer email				
	Survalent FLSIR - Auto Switch				
	Beyond Trust Remote Access SW				$ 20,000
New Capital WO	Utilismart - SW License 5 year				
	Utilismart - One Time				
		$ 550,748.19	$ 76,000.00	$ 100,562.70	$ 46,000.00
		$ 632,419.64 $ -	$ 171,600.00	$ 215,303.35	$ 128,500.00

Attachment 1-2
2021 Budget

Milton Hydro Distribution Inc.

Financial Forecast
2020 – 2024

Strictly Confidential

November 17, 2020

Milton Hydro Holdings Inc.
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Milton Hydro Distribution Inc.

Key Assumptions

Revenue

- Utilized the Town of Milton's growth projections for residential development adjusted for confirmations from major builders. These figures reflect the general slowdown in the housing market, the effect of new mortgage regulations, the uncertainty regarding development fees and the impact of the pandemic.

    - 2020P- 700 residential units (budgeted 1,000)
    - 2021- 1,000 residential units
    - 2022 - 1,000 residential units
    - 2023 - 1,000 residential units
    - 2024 - 1,000 residential units

- Distribution rates for the 2021 Budget are based on the OEB approved rates for May 1, 2020 for January to April 2021, and the OEB approved rates for May 1, 2020 adjusted for the 2021 price cap adjustment factor of 2.04% for May to December 2021. The price cap adjustment factor is based on the OEB's formula which considers the inflation factor and adjusts it for an X-factor.

  The inflation factor of 2.19% is computed based on the OEB's methodology using the annual growth in the 2-factor Implicit Price Index (IPI) based on the National GDP-IPI (FDD) and the average weekly earnings (AWE) Labour index for all employees in Ontario.

  The X-factor is based on two parts, the provincial wide utility productivity factor, which is currently set at zero, and a distributor specific stretch factor which has been currently set at 0.15% for Milton Hydro.

  Rates effective for each year from May 1, 2022 to May 1, 2025 are calculated using on a price cap adjustment factor of 1.10% based on an inflation factor of 1.25% less approved stretch factor of 0.15%. Since the start of the COVID-19 pandemic, inflation has dropped significantly.

- In 2019, Milton Hydro fully transitioned to a 100% fixed rate for the Residential Class. Although average consumption for the Residential Class has increased notably (by 7.9% for 2020P vs the 2018/2019 average of 733 kWh) during the COVID-19 pandemic, Distribution Revenue for the Residential Class has remained fixed based on the number of customers that Milton Hydro provides electricity distribution services to. Fluctuations in consumption due to weather, conservation and demand side management, technology or other reasons are not currently impacting the Distribution Revenue from the Residential Class of customers.

- The 2020P growth for the Residential Customer Class is based on 700 projected new customers being added to the class and the 2021B growth for the Residential Customer Class is based on 1,000 budgeted new customers being connected. Average monthly consumption for residential customers is forecast to be 791 kWh/month for 2020 and an average of 766 kWh/month in 2021B. As mentioned above, the impacts of the COVID-19 pandemic caused increases in consumption for the Residential Class of customers; however, there was no impact to the distribution revenue, due to the 100% fixed distribution rate for this class.

- 2021B Growth for the GS < 50 kW customer class is based on 105 net new customers in the year with average monthly consumption of 2,434 kWh (2020P, 88 customers, 2,456 kWh). 80 of the new customers in 2021 relate to the conversion of streetlight connections to metered connections. The average monthly consumption for 2020P dropped significantly by 6.7% from the 2018/2019 average of 2,633 kWh due to the impacts of the COVID-19 pandemic when many small commercial businesses were shuttered. The reduced consumption for the GS < 50 kW class is expected to continue into 2021 during the COVID-19 pandemic. Distribution revenue for the GS < 50 kW class is based on a volumetric consumption (kWh) rate and a fixed monthly service charge.

- 2021B growth for the GS > 50 – 999 kW customer class is based on 2 new customers per year with average monthly demand of 137 kW (2020P - 4 new customers with average monthly demand of 136 kW). The average monthly demand for 2020P dropped significantly by 8.2% from the 2018/2019 average of 148 kW due to the impacts of the COVID-19 pandemic when many commercial businesses were closed for a period of time especially during the period from March 2020 to June 2020. The reduced demand for the GS > 50 – 999 kW class is expected to continue into 2021 during the COVID-19 pandemic. Distribution revenue for the GS>50 – 999 kW customer class is based on a volumetric demand (kW) rate and a fixed monthly service charge.

- The 2020P for the GS > 1000 kW customer class is based on 15 existing customers with average monthly projected demand of 1,646 kW per customer. For 2021B average monthly demand is forecast at 1,681 kW for the 15 existing customers. The average monthly demand for 2020P dropped significantly by 5.0% from the 2018/2019 average of 1,733 kW due to the impacts of the COVID-19 pandemic when this class of customers was mainly impacted during the months of April and May 2020, although demand has mostly picked up back to normal levels, there are some continuing effects of the COVID-19 pandemic reducing kW demand for this customer class. The reduced demand for the GS > 1000 kW customer class is expected to continue to some degree into 2021 during the COVID-19 pandemic. Demand is assumed based on recent historical trends with a COVID-19 adjustment factor. Distribution revenue for the GS > 1000 kW class is based on a volumetric demand (kW) rate and a fixed monthly service charge.

- No growth is assumed in the Large Use customer class (Magna, Modatek, Roxul). The average monthly demand for 2020P dropped by 4.4% from the 2018/2019 average of 7,654 kW due to the impacts of the COVID-19 pandemic when this class of customers was mainly impacted during the months of April and May 2020. Since then the demand for this class has picked up and is back to normal levels. The 2021B average demand is based on a normal level of 7,650 kW, and there are no projected continuing impacts of the COVID-19 pandemic to the demand of the Large User customer class at this time. Demand is assumed based on historical trends of each of the three existing Large Use customers. Distribution revenue for the Large Use class is based on a volumetric demand (kW) rate and a fixed monthly service charge.

Other Income

Milton Energy & Generation Solutions Inc. (MEGS) [redacted]

- MEGS has contracted with MHDI to provide the billing and customer service/collection services.
- Effective June 1, 2020 MHDI billed MEGS based on a fully allocated cost plus return of $3.63 per bill. MHDI has assumed the following rates and percent increases effective June 1st in each year of the forecast.

	June 1, 2018 to May 31, 2019	June 1, 2019 to May 31, 2020	June 1, 2020 to May 31, 2021	June 1, 2021 to May 31, 2022
MHDI Bill Fee charged to MEGS	$ 3.49	$ 3.56	$ 3.63	$ 3.70
Percent Increase	2.05%	2.01%	1.97%	1.93%

Controllable Expenses

- For 2021, compensation reflects an increase of 2.0% for bargaining unit staff. The current Collective Agreement expires December 31, 2020. An estimate for total compensation relating to management staff (inflation adjusted plus progression, if applicable, of 2.5%).

- Staff levels are monitored regularly against other utilities of similar size. Headcount at the end of 2020 is forecast to be 52 FTE (full time equivalents). Headcount is forecast as follows:

    - 2020P - Two (2) additions -Financial Specialist (new); Purchasing Manager (new)
    - 2021B- Four (4) - 2 Apprentice Lineman, Operation Supervisor (vacant) and a Communications Officer
    - 2022 - One (1) headcount addition
    - 2023- One (1) headcount addition
    - 2024 - One (1) headcount addition

- Controllable expenses are assumed to increase by 2.5% for each of 2022 through to 2024.

PILs

- Milton Hydro is subject to Payments in Lieu of Tax ("PILs"); tax rates assumed as follows:
    - 2020P - 26.5%
    - 2021 - 26.5%
    - 2022- 26.5%
    - 2023 - 26.5%
    - 2024 - 26.5%

In late 2019, Milton Hydro underwent a Ministry of Finance PILS Audit for tax years 2015 & 2016. The Ministry of Finance assessed a tax adjustment of $678,890 with interest of $149,814 (non-deductible for tax). In consultation with KPMG, MH agreed not to appeal the Ministry assessment. The $678,890 tax adjustment is a timing difference, with the exception of minor permanent exclusions (less than $10,000). Milton Hydro also reviewed it's 2017/2018 tax years with KPMG and made a provision for all four (4) years in the 2019 financial statements which includes a total tax adjustment of ($933K) and interest ($176K) for 2015/2016/2017/2018. The actual tax assessment for 2015/2016/2017/2018 of $1.099 million, which includes interest of $179,000, was paid in 2020.

Mark to Market Adjustment - SWAPs

Since 2015, Milton Hydro has secured financing with three separate Interest Swap agreements as outlined below. A Mark to Market adjustment (MTM) is an accounting practice that involves adjusting the value of the security to reflect current market conditions. MTM refers to the settling of gains and losses due to changes in the market value of the security. Historically, Milton Hydro has not reflected a MTM as it has not been material. However, it is anticipated that the impact of the pandemic of reducing interest rates to historical lows will require Milton Hydro to record a MTM adjustment in 2020. **Please note** - the MTM has not yet been reflected in the budget.

Based on September 30, 2020, the MTM is expected to be a Loss of FV of approximately $1.6M. The MTM would be adjusted at least annually on a go-forward basis – assuming the interest rates increase over time, a positive variance would be reflected. The entry would be reflected as follows:

Entry - Entry to bring the swap to fairvalue and account for the appropriate loss attribtuable to FY20

Dr.	Loss of FV on Derivatives (IS)	1,689,223.63	
Cr.	Liability due to FV of Derivatives (BS)		1,689,223.63

	Interest Swap	Interest Swap	Interest Swap	Total
Principal Amount	$4,000,000	$4,000,000	$3,000,000	$11,000,000
Closing Date	22-Dec-15	20-Jul-18	04-10-19	
Maturity Date	22-Dec-45	20-Jul-48	04-10-49	
Annual Interest Rate	3.58%	3.90%	3.146%	
Loan Term	30 years	30 years	30 years	
Payment Frequency	Monthly	Monthly	Monthly	
Loan Type	Amortizing	Amortizing	Amortizing	

Interest

- Interest of 7.25% payable on the debt to the Town commenced on October 1, 2001. Payments are made to the Town on a quarterly basis. No principal payments of this promissory note have been made during the forecast period. The budget assumes that Milton Hydro will continue to pay the Town at a rate of 7.25%, however the OEB-approved deemed interest rate pursuant to the 2016 Cost of Service Rate filing on this demand facility is 3.85% which means that approximately $508,000 of interest is being paid annually to the Shareholder in excess of what has been approved by the OEB to be recovered in distribution rates.

- Milton Hydro has signed financing agreements with Infrastructure Ontario and TD to fund its multi-year capital program:
  - November 12, 2009 – Infrastructure Ontario ($15.752M)
  - March 27, 2013 – Infrastructure Ontario ($20.044M)
  - December 15, 2015 – TD ($12.0M)
  - December 15, 2015 – Infrasturuce Ontario ($4.0)
  - June 8, 2020 – TD ($12.0M)

  In July 2020, as envisioned in the 2020 budget, Milton Hydro borrowed $4.0 M with an interest rate of 2.35%. During the forecast period, Milton Hydro is planning to borrow as follows:

  July 2021 - $4.0M – Interest rate – 3.0%
  July 2022 - $4.0M – Interest rate – 3.0%
  July 2023 - $4.0M – Interest rate – 4.0%
  July 2024 - $4.0M – Interest rate – 4.0%

Capital

- **Capital expenditures – Growth Related**
  - New Residential connections
    - 2020P – 700 new residential connections (budgeted 1,000)
    - 2021 to 2024 – 1,000 new residential connections in each year
    - cost per residential unit of $2,520 which includes all capital costs, incremental overhead charges, external costs, secondary buses and meters.
    - Developers continue to pay for growth-related capital expenditures and Milton Hydro rebates the developer based on the number of connections to the distribution system. Refunds to the developer are made based on actual residential connections/load over the 5 year connection horizon allowed under the Distribution System Code; over the last 5 years, MHDI's contribution has been approximately 36-40% of total capital costs of completed subdivisions.
  - New General Service connections
    - 2020P – 93, 2021B – 107 new underground/overhead (traffic/streetlight) services.
  - Contributed Capital Policy (now captured in Deferred Revenue)
    - 100% contributed capital on new General Class services
    - New Residential services not associated with growth are funded through rates
    - New Residential services related to growth – MHDI contributes to developers of residential subdivisions based on an economic evaluation.

- **Capital expenditures**

  - MHDI System Access Projects (incl Subdivisions)
    - 2020P - $7.0 million
    - 2021B- $8.23 million
    - 2022B – 2024B $4.40 million
  - MHDI System Renewal Projects
    - 2020P - $1.77 million
    - 2021B - $3.66 million
    - 2022B – 2024B $1.54 million
  - MHDI System Service Projects
    - 2020P - $380,000
    - 2021B - $835,000
    - 2022B – 2024B $3.35 million

  - One Time & General Plant Expenditures
    - 2020P
      - Tremaine egress completion $190,000
      - Board Room Team HW - $20,000
      - MS Server Licenses - $30,000
      - Building – security cameras - $62,000

    - 2021B
      - Server/Firewall/Desktops - $88,000
      - Cayenta Financial upgrade - $250,000
      - Workforce automation - $100,000
      - Northstar Automation Platform - $45,000
      - Control Room Hardware -$50,000

- Website Update -$25,000
- Building – Drainage system - $40,000
- Squirt Boom Ariel Truck - $225,000

- **Capital Expenditures** –

As required by the OEB, distributors are now required to report investment projects and activities into one of four investment categories; System Access, System Renewal, System Service and General Plant. Milton Hydro, starting in 2015 has revised its budgeting of Capital to reflect these new categories.

  - Milton Hydro is projected be on budget to spend $6.7 M on net capital expenditures during 2020.
  - Net Capital expenditures in 2021 are forecasted to be $8.7 M including a number of Municipal/Region projects ($4.0M gross capex). Milton Hydro is projecting 1,000 new Subdivsion connections.

- The 2020 Budget envisioned a Net Cash inflow of $2.99M which included obtaining net third party financing in 2020 of $4.0 M; it is projected for 2020 that there will be a Net Cash outflow of ($4.25M). There is an increase of $3.42 M in the Regulatory asset accounts from 2019 to 2020P – this is due to timing – regulatory accounts are disposed of during the next COS. It is projected that 2021 will have a Net Cash outflow of ($1.9M) with $8.7 M in net capex spending anticipated.

The results of the Corporation's operations are outlined in the following section.

Milton Hydro Distribution Inc.
Variance Analysis

FINANCIAL SUMMARY

Results of Operations

	2018 Actual	2019 Actual	2020 Budget	2020 Projected	2021 Budget
Net Distribution Revenue	$ 17,651,774	$ 18,203,473	$ 18,932,283	$ 18,500,558	$ 19,221,012
Other Income (incl Finance Income)	$ 2,607,092	$ 2,071,882	$ 2,287,011	$ 2,154,280	$ 2,407,150
Controllable Expenses	$ 9,488,241	$ 10,081,958	$ 10,612,469	$ 10,008,042	$ 10,911,340
Depreciation	$ 3,761,991	$ 4,100,681	$ 4,440,409	$ 4,573,257	$ 4,971,490
Interest	$ 2,606,634	$ 2,866,800	$ 2,787,353	$ 2,761,067	$ 2,803,038
Removals	$ 25,965	$ 49,291	$ 650,000	$ 650,000	$ 350,000
Net Income Before Tax & Reg Movement	$ 3,318,028	$ 5,918,878	$ 2,729,062	$ 2,662,472	$ 2,592,294
Total PILs	$ 1,270,930	$ 721,235	$ 723,200	$ 705,616	$ 687,000
Regulatory Movement/Taxes	$ (2,255,898)	$ 3,199,674	$ -	$ -	$ -
Other Comprehensive loss					
Net Income After Tax & Regulatory Movement	**4,302,996**	**1,997,969**	**2,005,862**	**1,956,856**	**1,905,294**
% increase (decrease)	45.2%	-53.6%	0.4%	-2.4%	-2.6%

2020 Projected net earnings after tax of $1,956,856 is estimated to be $49,006 lower than 2020 Budget.

- lower Controllable Expenses - $604,427
- lower Interest Expenses - $26,286
- lower PILS - $17,584

Offset by:

- lower Other Income - $132,731
- lower Distribution Revenue - $431,725
- higher Deprecication - $132,848

2021 Budgeted Net earnings after tax of $1,905,294 is forecast to be $51,562 lower than 2020 Projected.

- higher Controllable Expenses - $903,298
- higher Depreciation Expense - $398,233
- higher Interest Expense- -$41,971

Offset by:

- higher Distribution Revenue - $720,454
- higher Other Income - $252,870
- lower PILS - $18,616
- lower Removal Costs - $300,000

Distribution Revenue

	2018 Actual	2019 Actual	2020 Budget	2020 Projected	2021 Budget
Net Distribution Revenue	$ 17,651,774	$ 18,203,473	$ 18,932,283	$ 18,500,558	$ 19,221,012
% increase (decrease)	6.2%	3.1%	4.0%	-2.3%	3.9%

Projected Net Distribution Revenue for 2020 is expected to be $18.50 million, $431,725 or -2.3% under plan. The variance is attributable mainly to the following factors:

- Rates - Distribution rates effective for May 1, 2020 are based on Milton Hydro's OEB-approved rate adjustment of 1.85% (inflation adjustment of 2.00% with stretch factor 0.15%);
- Connections – it is expected that there will be approximately 700 new residential connections for 2020 and the budget envisioned 1,000 new residential connections.
- Effective May 2019, Milton Hydro has transitioned to a 100% fixed rate for residential customers – residential customers comprise approximately 70% of Milton Hydro's customers. Historically, average consumption by residential customers has been significantly impacted by weather, conservation, technology, etc. (May 1, 2020 -$28.39 per month)
- Demand – Large Volume GS customers (>50KW) using demand as the determinant for variable distribution charges.

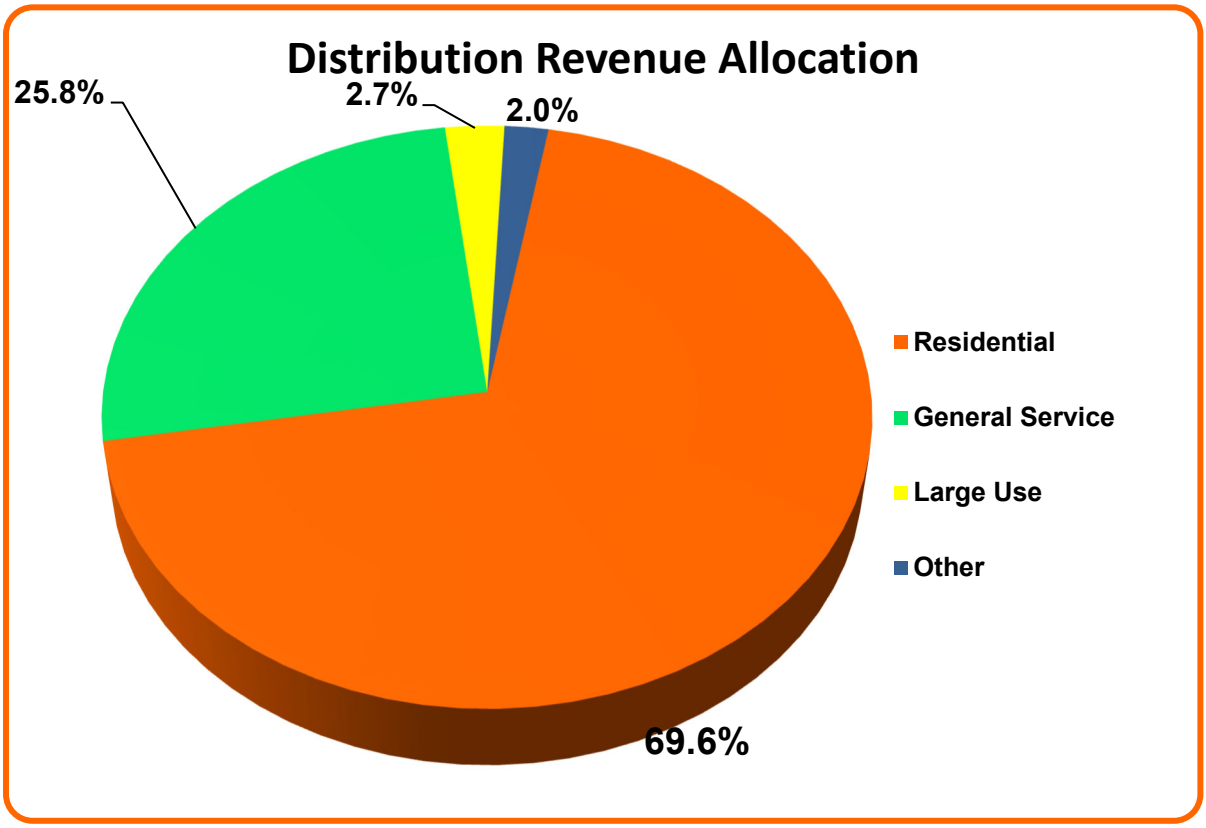
Net Distribution revenue for 2021 is expected to increase by $720,454 or 3.9% over 2020 Projected to $19.22 million. The increase is attributable to the following:

	# of Customers / Billing			Billing Determinants (kWh/kW)			Net Revenue		
	2020Proj	2021	Diff	2020Proj	2021	Diff	2020Proj	2021	Diff
Residential	38,021	39,021	1,000	357,798,435	354,493,550	-0.9%	$12,871,864	$13,428,551	$556,686
GS< 50kW	2,781	2,886	105	81,478,608	84,846,150	4.1%	2,088,303	2,222,617	$134,313
GS>50kW	355	357	2	573,364	583,674	1.8%	2,120,228	2,197,739	$77,511
GS>1000kW	15	15	0	288,102	302,606	5.0%	599,564	641,697	$42,133
Large Use	3	3	0	263,386	275,411	4.6%	498,733	527,166	$28,433
Streetlight	0		0	14,452	7,482	-48.2%	253,797	134,201	($119,596)
Sent Light	0		0	384	384	0.0%	30,559	31,163	$604
MicroFit	0		0	n/a	n/a	n/a	37,510	37,879	$369
	41,175	42,282	1,107				$18,500,558	$19,221,012	$720,454

- ***Distribution Volumes***
  - Overall electricity distributed on the system is expected to increase in 2021 due primarily to the continued growth from residential development in the Town of Milton. There are expected to be 1,000 new residential units connected in each of 2021 through 2024.
  - For the Residential customers, the impact of consumption will be marginalized since we moved to a 100% fixed distribution rates effective May 1, 2019.
  - In 2021, it is expected that GS<50kW will add 105 customers with an average consumption of 2,434 kWh.
  - For the larger volume industrial/commercial accounts, the forecast is for 2 new GS>50 customers in each of 2021 through 2024 with average monthly demand of 137 kW.

- There are 15 existing GS>1000 customers forecast in 2020. Demand is forecast at 1,681 kW.
- The Large Use customer class is forecast to remain stable at an average demand of 7,650 kW. There are no new customers in the forecast.
- The total customer count is expected to be 41,175 by the end of 2020 (excluding streetlight and sentinel light customers), and increase to 42,282 or 1,107 customers in 2021.

Total 2020P distribution revenue composition is marginally different from the prior year with approximately 69.6% of revenue from residential customers, 25.8% from general service customers . The composition is continuing to shift to residential class as this is where the largest customer growth has been. Milton Hydro's 3 largest customers account for 2.7% of Distribution Revenue.



Other Income

	2018 Actual	2019 Actual	2020 Budget	2020 Projected	2021 Budget
Other Income	$ 2,607,092	$ 2,071,882	$ 2,147,011	$ 2,054,357	$ 2,302,232
Finance Income	$ 182,493	$ 197,471	$ 140,000	$ 99,923	$ 104,919
Total Other Income	$ 2,789,585	$ 2,269,353	$ 2,287,011	$ 2,154,280	$ 2,407,150
% increase (decrease)	33.3%	-18.6%	0.8%	-5.8%	11.7%

In 2020, Other Income is projected to be $132,731 (-5.8%) lower than 2020 budget. The decrease is primarily attributable to:

- Lower Collection/Reconnection Charges -$6,000 – OEB mandated no collection charges effective July 1, 2019
- Lower Region /Water Revenue - $3,000
- Lower Interval Meter Reads - $9,000
- Lower Interest Income - $40,000
- Lower Occupancy Charges - $42,000
- Lower Pole Rental Fees - $14,000
- Lower Sale of Scrap- $8,500
- Lower Deferred Revenue- $39,000
- Lower Micellaneous Revenue -$7,000 (mainly due to recovery of writeoffs)

Offset by:

- Higher RSVA Charges - $23.500
- Higher Customer Interest Charges - $14,000

Other Income for 2021 is forecast to increase by $252,870 (11.7%) over 2020P. The increase is primarily attributable to:

- Increase in Region Water Charges - $32,000 in line with growth
- An increase in Deferred Revenue - $85,000
- An increase in Occupancy Charges -$27,000
- An increase in Interest Income $5,000
- An increase in Interest Charges/Pole Attachment fees - $10,000
- An increase in Miscellaneous Revenue - $112,000 - recoveries
- **Offset by:**
- A decrease in RSVA Charges - $18,000

Operations & Maintenance Expense

	2018 Actual	2019 Actual	2020 Budget	2020 Projected	2021 Budget
Maintenance	$ 2,643,166	$ 2,904,873	$ 2,819,738	$ 2,548,258	$ 2,831,226
Tree Trimming	$ 373,691	$ 325,314	$ 373,573	$ 380,120	$ 352,229
Underground Locates	$ 373,373	$ 383,562	$ 330,000	$ 404,513	$ 380,100
Customer Premises	$ 382,742	$ 359,653	$ 399,498	$ 354,909	$ 399,466
Total Operating Exp	**$ 3,772,972**	**$ 3,973,402**	**$ 3,922,810**	**$ 3,687,800**	**$ 3,963,022**
% increase (decrease)	13.1%	5.3%	1.9%	-6.0%	7.5%

Operations & Maintenance Expense for 2020 is projected to be $235,010 lower than 2020 budget (-6.0%). The decrease is attributed to the following:

- Lower Customer Premises – $45,000
- Lower Maintenance - $168,000
- Lower Engineering/Stores – $174,000 – did not hire Director of Operations, better allocation of management time between capital and maintenance projects & lower inventory adjustments

OFFSET BY

- Higher Bell & Cable - $17,000
- Higher Tree Trimming - $6,500
- Higher Locates - $75,000
- Higher Station Service - $17,000
- Higher Meter Maintenance - $37,000 – difference in allocation between capital & O&M

Operations & Maintenance Expense for 2021 is projected to be $275,222 higher than 2020 Projected (7.5%). The increase (decrease) is attributed to the following:

- Engineering/Stores Administration – $143,000 – includes a full year of a Purchasing Manager
- Control Room - $24,000
- Customer Premises – $45,000
- Maintenance/Substations – $143,000
- Bell & Cable Hits - $5,000
- Underground locates – ($24,000)
- Meter Maintenance – ($32,000)
- Tree Trimming – ($28,000) - in line with Milton Hydro's trimming schedule

Administration Expense

Administration Expenses are comprised of the following:

	2018 Actual	2019 Actual	2020 Budget	2020 Projected	2021 Budget
Promotion/Community Relations	$ 10,120	$ 9,651	$ 17,500	$ 22,000	$ 35,600
Billing/Meter Reading	$ 1,406,992	$ 1,420,356	$ 1,516,697	$ 1,465,278	$ 1,500,573
Finals/Collections	$ 692,133	$ 700,512	$ 759,587	$ 709,391	$ 753,826
General Administration	$ 2,973,834	$ 3,362,230	$ 3,697,800	$ 3,488,275	$ 3,916,877
Board	$ 86,818	$ 95,431	$ 63,817	$ 96,129	$ 98,782
Building	$ 545,373	$ 520,376	$ 634,259	$ 539,170	$ 642,660
TOTAL ADMINISTRATION	**$ 5,715,269**	**$ 6,108,556**	**$ 6,689,660**	**$ 6,320,242**	**$ 6,948,318**
% increase (decrease)	1.9%	6.9%	13.2%	-5.5%	9.9%

Total Administration Expense for 2020P is expected to be ($369,418) or (-5.5%) lower than 2020B plan due to:

- **Promotions/Community Relations** – overall $4,500 higher than plan due to increase in advertising - Community School Safety programs performed on a rotational 3 year program and consulting fees relating to social media

- **Billing/Meter Reading/Finals/Collections** - overall ($101,615) lower than plan
  - Direct Labour – ($12,000)
  - Postage/ Customer bills ($87,000)
  - Training/conferences (Harris Training delayed) ($19,000)
  - Credit Insurance ($15,000)
  - Subcontract Meter reading/Olameter Probing ($15,000)
  - Bad Debt increase $47,000

- **General Administration** – overall ($209,525) lower than plan due to:
  - Direct Labour - Director of Ops (vacant) ($59,000)
  - Audit & Legal costs ($ 7,000)
  - Incentive Plan/Employee Future Benefits $42,000
  - Consulting/Regulatory-($159,884)
    - Distribution System Plan (delayed) ($ 50,000)
    - Customer Workbook Survey - delayed ($100,000)
    - Business Continuity Plan – delayed ($ 30,000)
    - Telephone ($ 11,000)
    - Disaster Recovery ($ 20,000)
    - Safety Consulting ($ 22,000)
    - Conventions/Training – cancelled due to Covid19 ($ 42,000)
    - Security Audit ($ 5,500)
    - Cyber Security - Esentire $ 37,000
    - Motivational speaker $ 9,000
    - Harris/Northstar/File Nexus support $ 6,000
    - Head Hunter (CFO) $40,000
    - Portal support/consulting $10,000

- **Building** – overall ($95,090) lower than plan due to:
    - Direct Labour – ($86,000) Labourer position vacant for 6 months
    - Outside Maintenance contracts ($9,000) lower than anticipated – mainly related to lower heating repairs

Total Administration Expense for 2021 is budgeted to be $628,076 higher than 2020P, representing a 9.9% increase due to:

- Direct Labour - $287,000
    - Compensation for bargaining unit staff reflects estimated collective agreement (2.0%) and an estimate for total compensation relating to management staff.
    - Four (4) additional hires in 2021 – Communications Officer (new), Operation Supervisor (vacant), and two Apprentice Lineman (new)
- Consulting – ($70,000)
    - Safety Consulting – ($14,000)
    - Post Employment Benefit Actuarial Valuation – ($8,000)
    - General Consulting -$15,000
    - Labour Negotiation Assistance – ($15.000)
    - Business Continuity - $20,000
    - Customer Portal Support (Silverblaze) –($25,000)
    - CFO recruiting – ($40,000)
    - File Nexus Upgrade =($3,000)
- Software Maintenance - $44,000
- Management Fees/Admin Allocation – $20,000
- Audit/Legal - $8,500
- Regulatory - $237,000 (Distributon System Plan consulting; Customer Engagement consulting)
- Postage/Billing - $7,500
- Community/promotion programs – $14,000
- Board Expenses - $3,000
- Building Expenses – $104,000
- Bad Debt –($20,000)
- Misc Office Equipment –($7,000)

Interest Expense

	2018 Actual	2019 Actual	2020 Budget	2020 Projected	2021 Budget
Interest (2016T - Deemed)	$ 2,606,634	$ 2,866,800	$ 2,787,353	$ 2,761,067	$ 2,803,038
% increase (decrease)	1.4%	10.0%	-2.2%	-0.9%	1.5%

Effective October 1, 2001, MHDI began paying interest of 7.25% on the promissory note ($14,934,210) to the Shareholder in line with the deemed interest rate included in distribution rates. Effective May 1, 2016, MHDI filed its 2016 Cost of Service and the deemed interest rate included in distribution rates was adjusted to 3.85%; however, it was agreed that Milton Hydro would continue to pay interest on the promissory note to the Town at 7.25% (representing annually $508,000 of interest in excess of what Milton Hydro is collecting in distribution rates).

Milton Hydro pays interest of 75 bps on the Letter of Credit ($3.0 million) that is required to be posted with the Independent Electricity Market Operator (IESO) at the time of market opening as well as interest paid out on customer deposits.

Milton Hydro has signed financing agreements with Infrastructure Ontario and TD to fund its multi-year capital program:

- November 12, 2009 – Infrastructure Ontario ($15.752M)
- March 27, 2013 – Infrastructure Ontario ($20.044M)
- December 15, 2015 – Infrasturuce Ontario ($4.0)
- December 15, 2015 – TD ($12.0M)
- June 8, 2020 – TD ($12.0M)

In late 2019, Milton Hydro underwent a Ministry of Finance PILS Audit for tax years 2015 & 2016. The Ministry of Finance assessed a tax adjustment of $678,890 with interest of $149,814 (non-deductible for tax). In consultation with KPMG, MH agreed not to appeal the Ministry assessment. The $678,890 tax adjustment is a timing difference, with the exception of minor permanent exclusions (less than $10,000). Milton Hydro also reviewed it's 2017/2018 tax years with KPMG and made a provision for all four (4) years in the 2019 financial statements which includes a total tax adjustment of ($933K) and interest ($176K) for 2015/2016/2017/2018. The actual tax assessment for 2015/2016/2017/2018 of $1.099 million, which includes interest of $179,000, was paid in 2020. The 2020P budget assumes that MH will interest will be lower by ($26K) over 2020B.

Infrastructure Ontario:

To-date, Milton Hydro has drawn down the entire $15,752,257 under the existing Financing Agreement No. 09Mil930079055FA with Infrastructure Ontario dated November 12, 2009.

	Debenture #1	Debenture #2	Debenture #3	Debenture #4	Debenture #5	Debenture #6	Total
Principal Amount	$285,000	$2,880,057	$4,000,000	$3,487,200	$2,550,000	$2,550,000	$15,752,257
Closing Date	01-Apr-10	01-Apr-10	15-Jul-10	15-Sep-11	15-Feb-12	17-Sep-12	
Maturity Date	01-Apr-16	01-Apr-25	16-Jul-35	15-Sep-36	16-Feb-37	17-Sep-37	
Annual Interest Rate -fixed	3.02%	4.49%	4.84%	4.33%	3.92%	3.87%	
Loan Term	5 years	15 years	25 years	25 years	25 years	25 years	
Payment Frequency	Semi Annual	Semi Annual	Semi Annual	Semi Annual	Semi Annual	Semi Annual	
Loan Type	Amortizing	Amortizing	Amortizing	Amortizing	Amortizing	Amortizing	

To-date, Milton Hydro has drawn down the entire $20,044,000 under the Financing Agreement No. 12Mil9300712059FA with Infrastructure Ontario dated March 27, 2013.

	Promissory Note	Promissory Note	Promissory Note	Promissory Note	Promissory Note	Total
Principal Amount	$3,044,000	$3,900,000	$7,800,000	$4,000,000	$1,300,000	$20,044,000
Closing Date	01-May-13	15-Jul-14	15-Sep-14	01-Jul-15	01-Sep-15	
Maturity Date	01-May-38	15-Jul-39	15-Sep-39	01-Jul-40	01-Sep-40	
Annual Interest Rate (fixed)	3.74%	3.97%	3.04%	3.55%	3.31%	
Loan Term	25 years	25 years	25 years	25 years	25 years	
Payment Frequency	Semi Annual	Semi Annual	Semi Annual	Semi Annual	Semi Annual	
Loan Type	Amortizing	Amortizing	Amortizing	Amortizing	Amortizing	

In 2016, Milton Hydro drew $3.0M on December 15, 2016. On December 16, 2019, Milton Hydro drew down the remaining $1.0M.

	Promissory Note	Promissory Note	Total
Principal Amount	$3,000,000	$1,000,000	$4,000,000
Closing Date	15-Dec-16	16-Dec-19	
Maturity Date	15-Dec-46	16-Dec-49	
Annual Interest Rate	3.74%	3.10%	
Loan Term	30 years	30 years	
Payment Frequency	Semi Annual	Monthly	
Loan Type	Amortizing	Amortizing	

TD Bank:

On December 11, 2015, Milton Hydro signed a Pari Passu Agreement with TD and IO and a new TD bank agreement. The agreement includes an Operating Line ($4,000,000) and a Letter of Credit with the IESO of $3,000,000. The agreement includes $12 million in Long Term Facilities. On December 22, 2015 and July 20, 2018, Milton Hydro drew down $4 million and on October 4, 2019, Milton Hydro drew $3.0 million; and $1.0 million in December 2019. Milton Hydro drew $4.0 million in July 2020.

	TD Interest Swap Loan	TD Interest Swap Loan	TD Interest Swap Loan	Total
Principal Amount	$4,000,000	$4,000,000	$3,000,000	$11,000,000
Closing Date	15-Dec-15	01-Jul-18	04-Oct-19	
Maturity Date	15-Dec-45	01-Jul-48	04-Oct-49	
Annual Interest Rate (fixed)	3.58%	3.90%	3.146%	
Loan Term	30 years	30 years	30 years	
Payment Frequency	Monthly	Monthly	Monthly	
Loan Type	Amortizing	Amortizing	Amortizing	

On June 12, 2020, Milton Hydro signed an amending agreement to the Credit Facility agreement dated December 11, 2015. The amending agreement includes a temporary increase to the Operating Line to $8.0M until November 30, 2020 and $12.0M in Long Term Facilities in $4.0M increments.

	Fixed Rate Term Loan			Total
Principal Amount	$4,000,000			$12,000,000
Closing Date	06-Jul-20			
Maturity Date	06-Jul-50			
Annual Interest Rate	2.35%			
Loan Term	30 years			
Payment Frequency	Monthly			
Loan Type	Amortizing			

During the forecast period, Milton Hydro is planning to borrow as follows:

July 2021 - $4.0M – Interest rate – 3.0%
July 2022 - $4.0M – Interest rate – 3.0%
July 2023 - $4.0M – Interest rate – 4.0%
July 2024 - $4.0M – Interest rate – 4.0%

Depreciation

	2018 Actual	2019 Actual	2020 Budget	2020 Projected	2021 Budget
Depreciation	$ 3,761,991	$ 4,100,681	$ 4,440,409	$ 4,573,257	$ 4,971,490
% increase (decrease)	8.0%	9.0%	8.5%	3.0%	8.7%

MHDI is projected to spend $8.9 million on gross capital expenditures during 2020P. Costs include the following:

- Town/Region/subdivision projects – $5 miliion
- Building – cameras $62,000
- Customer Service/Meter reverification - $1.9 million
- System Renewal - $1.7 million
- System Automation - $380,000
- NBV Removals – ($650,000)

Gross Capital Expenditures in 2021B are expected to be $13.3 million (net $8.7 million). Included in 2021B net expenditures are costs relating to the following:

- Town/Region/subdivison projects - $8.2 million
- System Automation - $835,000
- Building – draining system - $40,000
- Financial/Billing System upgrade - $300,000
- Workforce automation - $100,000
- Squirt boom Aeriel Truck -$225,000
- NBV Removals ($350,000)

Income Taxes (PILS)

	2018 Actual	2019 Actual	2020 Budget	2020 Projected	2021 Budget
Total PILs	$ 1,270,930	$ 721,235	$ 723,200	$ 705,616	$ 687,000
Effective tax rate	26.5%	26.5%	26.5%	26.5%	26.5%

The Corporation is required to make payments in lieu of income taxes and remit such amounts to the Ministry of Finance. The amount of payments in lieu of tax will be approximately equivalent to the income and capital taxes that would have to be paid if the Company was a taxable corporation under the Income Tax Act (Canada).

Milton Hydro accounts for all significant timing differences as Deferred PILs on the balance sheet.

CAPITAL RESOURCES AND LIQUIDITY

Dividends

The budget anticipates dividend payments by MHDI to Milton Hydro Holdings Inc. (MHHI) as follows:

- 2020P - $1.50 million
- 2021 - $1.50 million
- 2022 - $1.50 million
- 2023 - $1.50 million
- 2024 - $1.50 million

External Credit Facilities

MHDI has arranged bank credit consisting of a $4.0 million operating line to address working capital requirements and a $3.0 million Letter of Credit that have been posted with the Independent Electricity Supply Operator ("IESO"). In April, 2020, TD approved a temporary increase to the operating line to $8.0M due to the pandemic; the temporary increase expires on November 30, 2020 at which time the operating line will reduce to $4.0M.

Third party borrowings (net of principle payments) totaling $47.9 million are projected by the end of 2020 to fund capital expenditures. Borrowings of $4.0 million in each of 2021-2023 will be required during the forecast period to fund the capital program. Interest is assumed to be 3.0% during 2021-2022 and 4.0% thereafter.

Liquidity

The Cash balance at the end of 2020 is projected to be $6.4 million and $4.5 million at the end of 2021.

The Corporation continues to follow an aggressive capital spending plan in line with the significant residential development in the Town of Milton. The Corporation expects to spend $8.9 million in gross capital ($6.7 million net capex) expenditures in 2020 and $13.3 million in 2021 ($8.7 million net capex).

Attachment 1-3
Budget 2021 and LRF 2022-2024

Milton Hydro

Budget 2021 and LRF for 2022-2024

Milton Hydro Distribution Inc.

Board Meeting -
November 17, 2020

Agenda for Board Meeting – November 2020

- Key Assumptions
- MHDI Status
- Risk Factors Impacting Financial Forecast

Key Budget Assumptions

Revenue Growth Assumptions - Residential:

- Utilized the Town of Milton's growth projections for residential development adjusted for confirmations from major builders of expected growth.

  - 2020P – 700 residential units (budgeted 1,000)
  - 2021 – 1,000 residential units
  - 2022 – 1,000 residential units
  - 2023 – 1,000 residential units
  - 2024 – 1,000 residential units

= Average monthly consumption for residential customers is forecast to be 791 kWh/month for 2020 and an average of 766 kWh/month for 2021B. Subsequent to April 30, 2019, there is no variable distribution rate for residential customers. Going forward the distribution revenue is based on 100% fixed distribution rate. (May 1, 2020 - $28.39 per month)

Revenue Assumptions – con't

Revenue Assumptions – GS<50 kWh:

- 2021B Growth is based on 105 net new customers per year with average monthly consumption of 2,434 kWh (2020P, 88 customers, 2,456 kWh). Distribution revenue for GS<50kW class is based on consumption (kWh) and a fixed service charge.

Revenue Assumptions – GS>50 kW to 999kW:

- 2020B Growth is based on 2 new customers per year with average monthly demand of 137 kW (2020P - 4 new customers with average monthly demand of 136 kW). Distribution revenue for GS>50kW class is based on demand (kW) and a fixed service charge.

Revenue Assumptions – con't

Revenue Assumptions – GS>1000 kW:

- For 2020P, 15 existing customers with average monthly projected demand of 1,646 kW per customer. For 2021B, average monthly demand is forecast at 1,681 kW with no new customers. Distribution revenue for GS>1000 kW class is based on demand (kW) and a fixed service charge.

Revenue Assumptions – Large Use (>5000kW):

- No growth is assumed in the Large Use rate classification. Demand assumed based on historical trends of each of the three existing Large Use customers. Distribution revenue for Large Use class is based on demand (kW) and a fixed service charge.

Key Budget Assumptions – con't

Rate Assumptions:

- Distribution rates for 2020P and 2021 have been adjusted based on Milton Hydro's 2016 Cost of Service decision effective September 1, 2016 and subsequent approved Incremental Rate Adjustments (IRM).

- Distribution rates
  - May 1, 2019 – based on approved IRM of 1.20% (1.5% inflation - .30% stretch);
  - May 1, 2020 based on approved IRM of 1.85% (2.0% inflation - .15% stretch);
  - May 1, 2021 based on approved IRM of 2.04% (2.19% inflation - .15% stretch);
  - May 1, 2022 to December 2024 – 1.10% (based on an estimated inflation factor of 1.25% less stretch factor of .15%); increase effective May 1, each May 1 thereafter during forecast period

Distribution Revenue by Class

	# of Customers / Billing			Billing Determinants (kWh/kW)			Net Revenue		
	2020Proj	2021	Diff	2020Proj	2021	Diff	2020Proj	2021	Diff
Residential	38,021	39,021	1,000	357,798,435	354,493,550	-0.9%	$12,871,864	$13,428,551	$556,686
GS< 50kW	2,781	2,886	105	81,478,608	84,846,150	4.1%	2,088,303	2,222,617	$134,313
GS>50kW	355	357	2	573,364	583,674	1.8%	2,120,228	2,197,739	$77,511
GS>1000kW	15	15	0	288,102	302,606	5.0%	599,564	641,697	$42,133
Large Use	3	3	0	263,386	275,411	4.6%	498,733	527,166	$28,433
Streetlight	0		0	14,452	7,482	-48.2%	253,797	134,201	($119,596)
Sent Light	0		0	384	384	0.0%	30,559	31,163	$604
MicroFit	0		0	n/a	n/a	n/a	37,510	37,879	$369
	41,175	42,282	1,107				$18,500,558	$19,221,012	$720,454

Key Budget Assumptions – con't

Other Income:

- Milton Energy & Generation Solutions Inc. (MEGS) [redacted]

  - MEGS has contracted with MHDI to provide the billing and customer service/collection services. (NOTE: 1.9% increase effective June 1, 2020 and 1.9% every June 1st thereafter during the for each year of the 5-year contract period)
  - Effective June 1, 2017 MHDI is billing MEGS based on a fully allocated cost plus return of $3.42 per bill. MHDI has assumed the following rates and percent increases effective June 1st in each year of the forecast.

	June 1, 2018 to May 31, 2019	June 1, 2019 to May 31, 2020	June 1, 2020 to May 31, 2021	June 1, 2021 to May 31, 2022
MHDI Bill Fee charged to MEGS	$ 3.49	$ 3.56	$ 3.63	$ 3.70
Percent Increase	2.05%	2.01%	1.97%	1.93%

Key Budget Assumptions – con't

- OM&A Assumptions:

  - Headcount – 53 (FTE) staff by end of 2020P; headcount increases have been budgeted as follows during the forecast period:
    - 2020 P– Financial Specialist (new) & Purchasing Manager (new)
    - 2021 – 4 additions: Communications Officer (new); Ops Supervisor (vacant); 2 New Apprentice Lineman (new)
    - 2022 - one (1) new addition
    - 2023 – one (1) new addition
    - 2024 - one (1) new addition

  - For 2021, compensation reflects an increase of 2.0% for bargaining unit staff based on the current Collective Agreement and an estimate for total compensation relating to management staff (inflation plus progression, if applicable – 2.5%). The 4-year collective agreement signed in 2017 expires on December 31, 2020.

  - Controllable expenses are assumed to increase by 2.5% for each of 2022 through to 2024.

Key Budget Assumptions – con't

2020 Projected and 2021 Budget

	2018 Actual	2019 Actual	2020 Budget	2020 Projected	2021 Budget
Net Distribution Revenue	$ 17,651,774	$ 18,203,473	$ 18,932,283	$ 18,500,558	$ 19,221,012
Other Income (incl Finance Income)	$ 2,607,092	$ 2,071,882	$ 2,287,011	$ 2,154,280	$ 2,389,924
Controllable Expenses	$ 9,488,241	$ 10,081,958	$ 10,612,469	$ 10,008,042	$ 10,911,340
Depreciation	$ 3,761,991	$ 4,100,681	$ 4,440,409	$ 4,573,257	$ 4,971,490
Interest	$ 2,606,634	$ 2,866,800	$ 2,787,353	$ 2,761,067	$ 2,803,038
Removals	$ 25,965	$ 49,291	$ 650,000	$ 650,000	$ 350,000
Net Income Before Tax & Reg Movement	$ 3,318,028	$ 5,918,878	$ 2,729,062	$ 2,662,472	$ 2,575,068
Total PILs	$ 1,270,930	$ 721,235	$ 723,200	$ 705,616	$ 682,400
Regulatory Movement/Taxes	$ (2,255,898)	$ 3,199,674	$ -	$ -	$ -
Other Comprehensive loss					
Net Income After Tax & Regulatory Movement	**4,302,996**	**1,997,969**	**2,005,862**	**1,956,856**	**1,892,668**
% increase (decrease)	45.2%	-53.6%	0.4%	-2.4%	-3.3%

2020 Projected net earnings after tax of $1,956,856 is estimated to be $49,006 lower than 2020 Budget.

- lower Controllable Expenses - $604,427
- lower Interest Expenses - $26,286
- lower PILS - $17,584

Offset by:

- lower Other Income - $132,731
- lower Distribution Revenue - $431,725
- higher Deprecication - $132,848

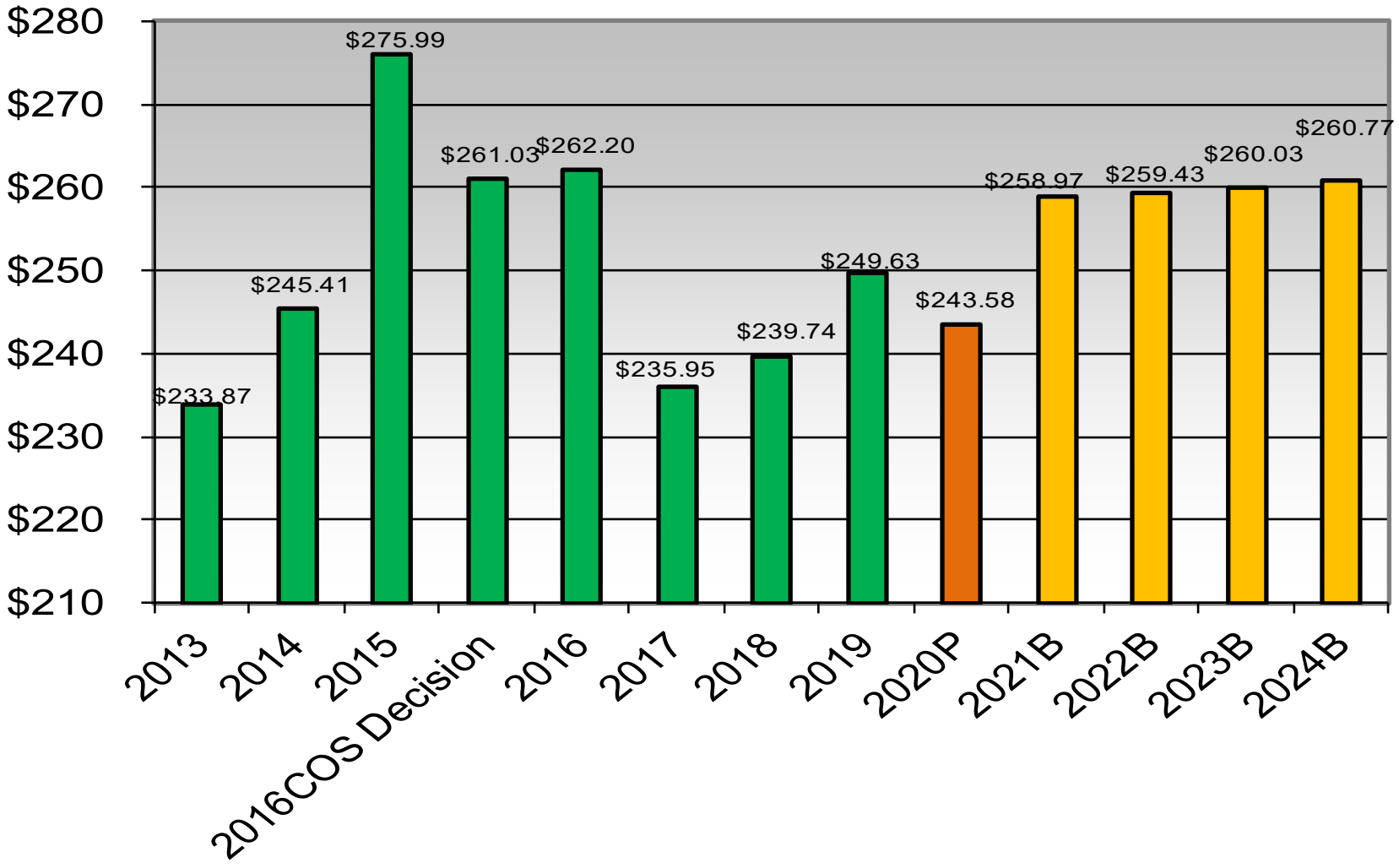
2021 Budgeted Net earnings after tax of $1,892,668 is forecast to be $64,188 lower than 2020 rojected.

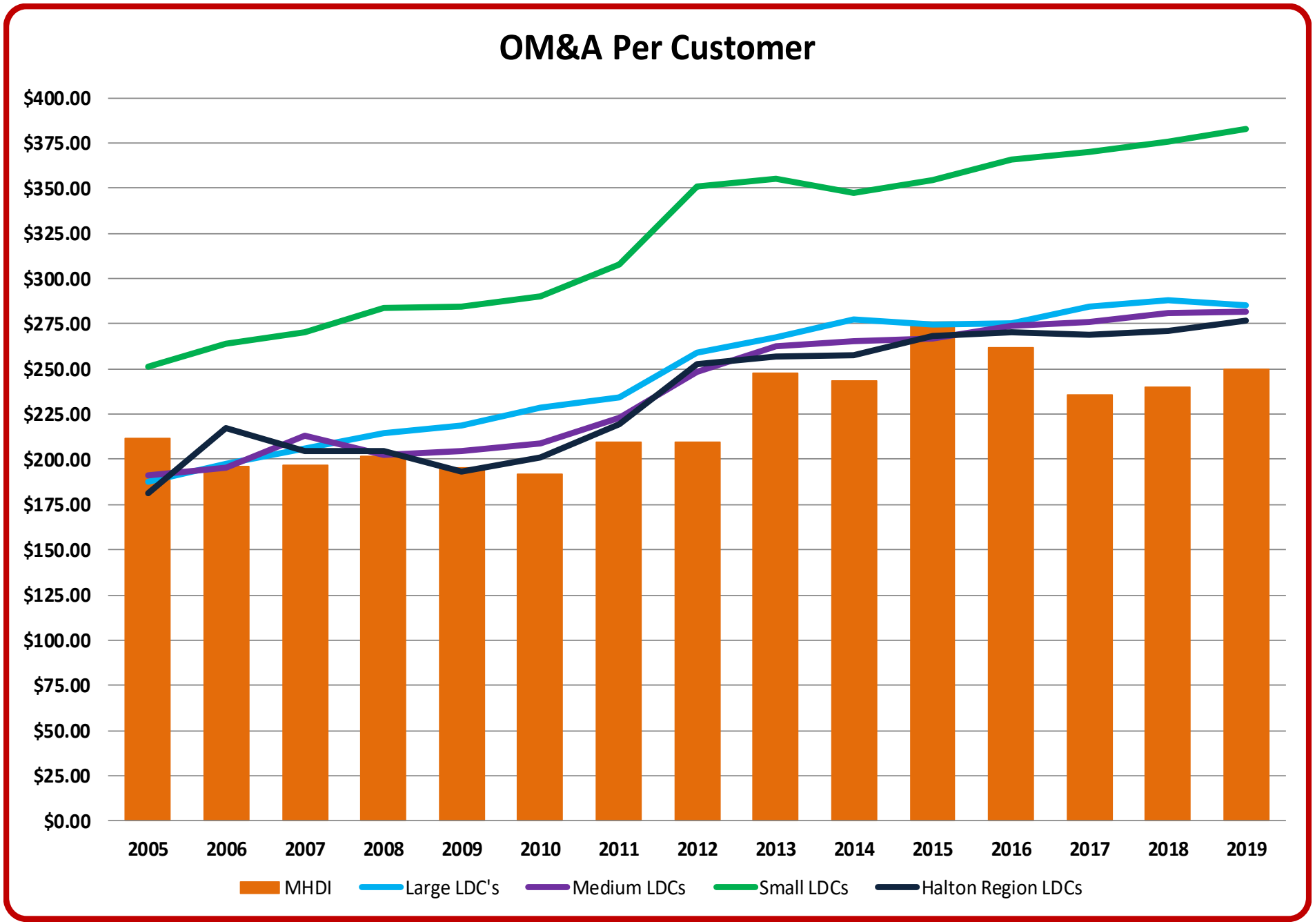
- higher Controllable Expenses - $903,298
- higher Depreciation Expense - $398,233
- higher Interest Expense- -$41,971

Offset by:

- higher Distribution Revenue - $720,454
- higher Other Income - $235,645
- lower PILS - $23,216
- lower Removal Costs - $300,000

OM&A per Customer




OM&A Per Customer
$400.00
$375.00
$350.00
$325.00
$300.00
$275.00
$250.00
$225.00
$200.00
$175.00
$150.00
$125.00
$100.00
$75.00
$50.00
$25.00
$0.00
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
MHDI
Large LDC's
Medium LDCs
Small LDCs
Halton Region LDCs

Key Budget Assumptions – con't

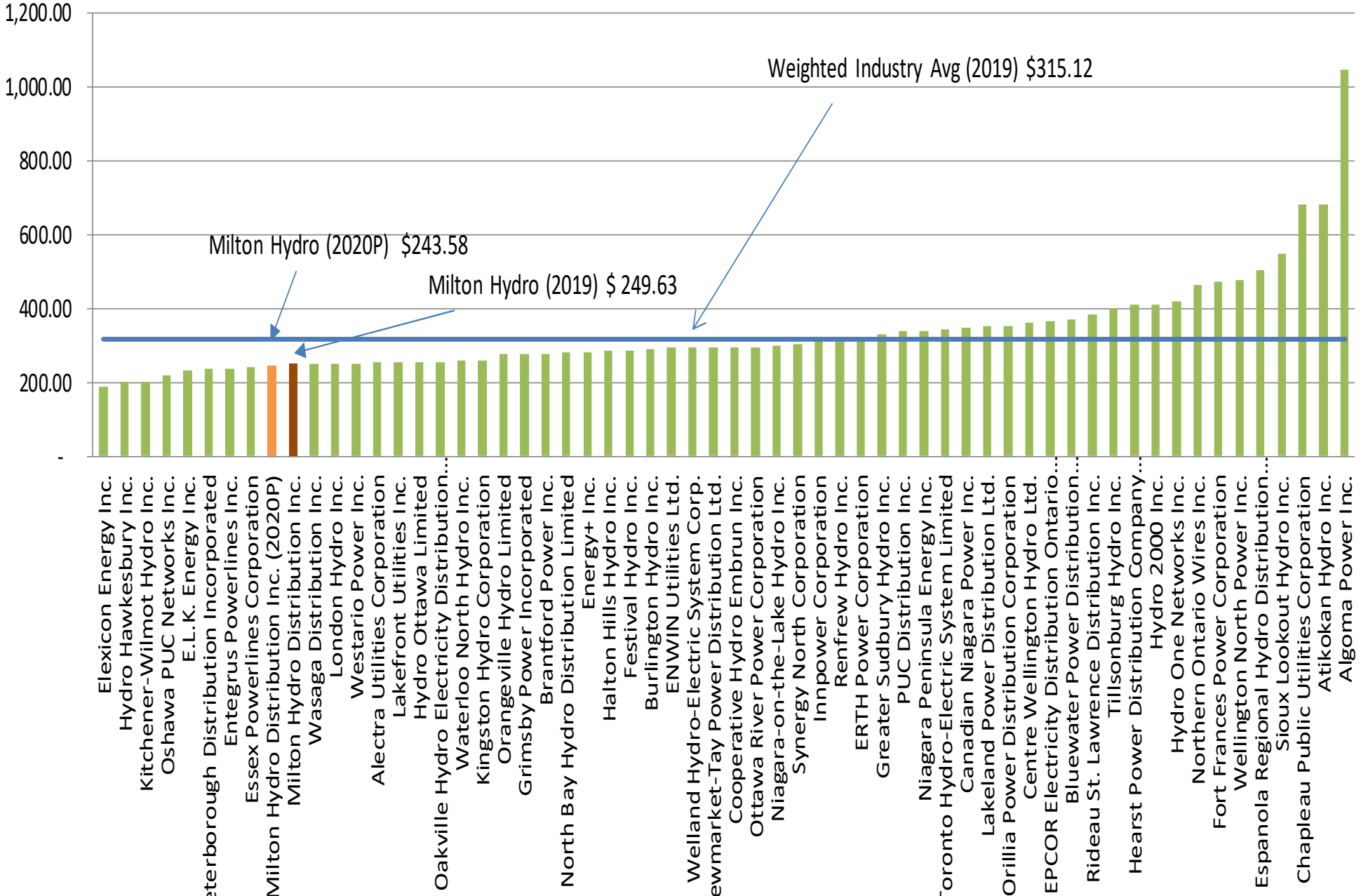
Milton Hydro/Peer Group – OM&A per Customer:

Mid-Size GTA Medium-High & High Undergrounding (as per the OEB Year Book Statistics)	OM&A per Customer 2011	OM&A per Customer 2012	OM&A per Customer 2013	OM&A per Customer 2014	OM&A per Customer 2015	OM&A per Customer 2016	OM&A per Customer 2017	OM&A per Customer 2018	OM&A per Customer 2019	OM&A per Customer 2020P	OM&A per Customer 2021B
Kitchener-Wilmot Hydro Inc.	154.69	189.02	186.18	186.70	178.78	186.10	191.43	204.76	202.23		
Oshawa PUC Networks Inc.	191.13	210.65	207.71	204.78	211.45	220.83	227.05	234.08	220.36		
Milton Hydro Distribution Inc.	**209.83**	**209.19**	**247.59**	**243.34**	**275.99**	**262.20**	**235.96**	**239.73**	**249.63**	**243.58**	**258.97**
Oakville Hydro Electricity Distribution Inc.	206.45	223.21	270.31	263.02	269.33	261.30	260.79	260.55	256.42		
Waterloo North Hydro Inc.	181.61	219.96	244.24	259.20	239.32	236.41	246.42	261.50	258.57		
Whitby Hydro Electric Corporation	213.50	219.49	266.29	255.33	272.90	281.21	287.75	265.04	n/a		
Newmarket - Tay Power Distribution Ltd.	198.21	240.26	214.87	231.48	214.43	218.43	263.16	266.34	294.57		
Brantford Power Inc.	176.40	198.95	229.54	235.71	232.85	264.39	255.13	270.64	278.30		
Halton Hills Hydro Inc.	226.82	283.20	240.83	246.30	268.77	277.18	274.60	274.40	284.79		
Cambridge and North Dumfries Hydro Inc./Energy + Inc.	208.64	266.21	274.72	274.29	270.45	270.80	273.11	274.66	281.45		
Burlington Hydro Inc.	225.24	252.49	260.13	263.52	267.05	272.59	271.52	278.61	288.18		
Guelph Hydro Electric Systems Inc.	250.75	266.86	298.11	271.51	281.14	265.81	274.87	300.73	n/a		
Peer Group Average of Distributors that Reported	**203.61**	**231.62**	**245.04**	**244.60**	**248.54**	**251.44**	**255.15**	**260.92**	**261.45**		
Peer Group Average Excluding Milton Hydro	**208.05**	**235.50**	**250.39**	**249.86**	**254.88**	**257.38**	**260.94**	**266.03**	**268.03**		

Source: OEB Yearbooks of Electricity Distributors

MHDI 2016 COS - $261.03 OM&A per customer

2019A & 2020P OM&A per Customer-smallest to largest



MHDI Status - Budget/LRP Financial Summary

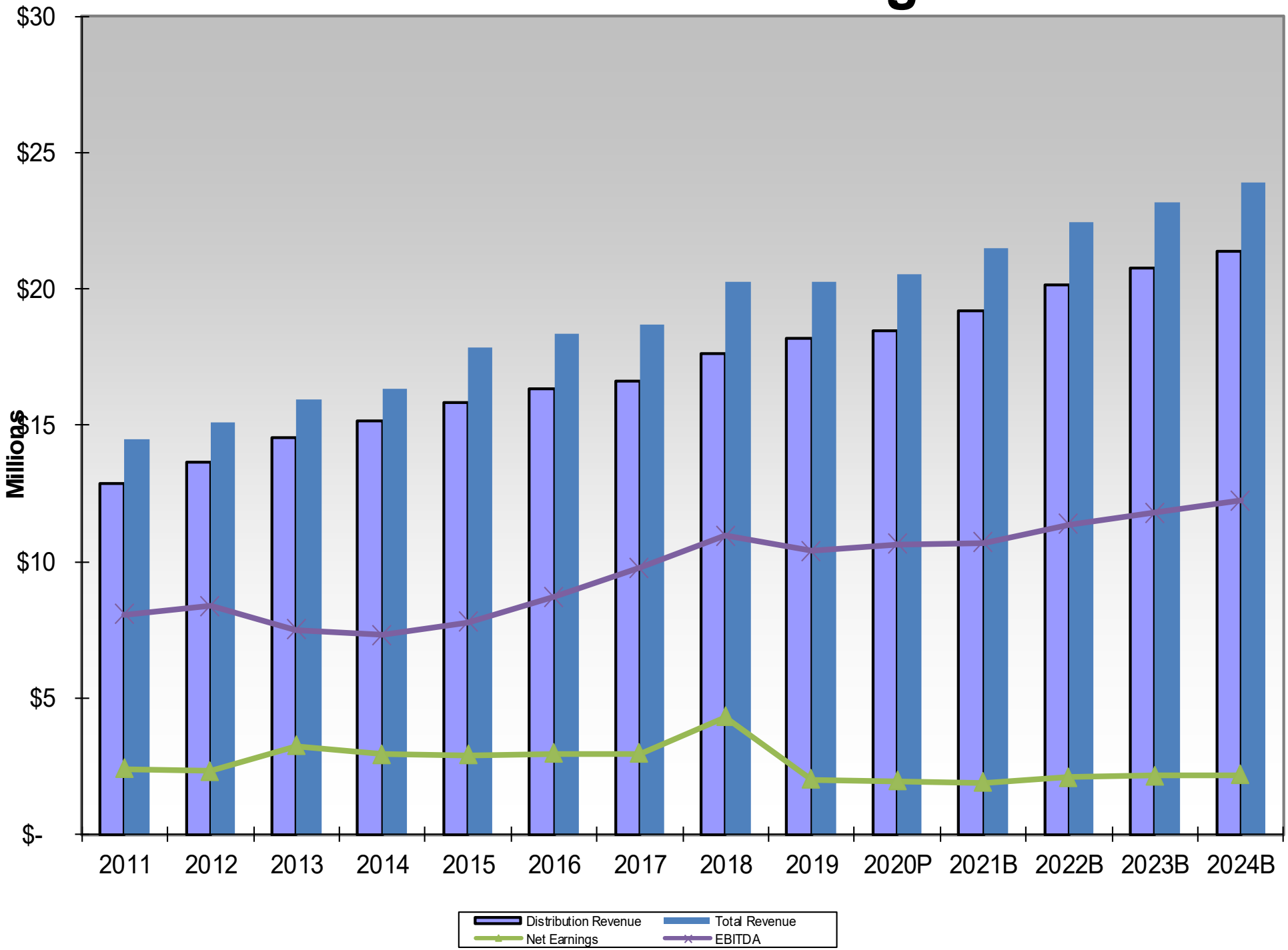
Milton Hydro Distribution Inc.
Statement of Comprehensive Income

	2018 Actual	2019 Actual	2020 Budget	2020 Projected	2021 Budget	2022 Budget	2023 Budget	2024 Budget
Revenue								
Sale of energy	$ 101,379,746	$ 109,210,947	$ 108,257,451	$ 121,085,785	$ 137,296,851	$ 140,865,947	$ 142,471,397	$ 144,078,033
Distribution revenue	17,651,774	18,203,473	18,932,283	18,500,558	19,221,012	20,175,164	20,789,054	21,412,663
Other	2,607,092	2,071,882	2,147,011	2,054,357	2,285,006	2,295,708	2,404,950	2,514,415
	121,638,612	129,486,302	129,336,744	141,640,700	158,802,868	163,336,819	165,665,401	168,005,111
Operating expenses								
Cost of power purchased	102,620,246	106,666,165	108,257,451	121,085,785	137,296,851	140,865,947	142,471,397	144,078,033
Operations & Maintenance	3,772,972	3,973,402	3,922,810	3,687,800	3,963,022	4,062,098	4,163,650	4,267,741
Administration	5,715,269	6,108,556	6,689,660	6,320,242	6,948,318	7,139,582	7,335,628	7,536,575
Operations, Maintenance & Administration	9,488,241	10,081,958	10,612,469	10,008,042	10,911,340	11,201,680	11,499,278	11,804,316
Depreciation and amortization	3,761,991	4,100,681	4,440,409	4,573,257	4,971,490	5,315,738	5,617,396	5,919,055
Removals of property, plant and equipment	25,965	49,291	650,000	650,000	350,000	350,000	350,000	350,000
	115,896,443	120,898,095	123,960,330	136,317,084	153,529,680	157,733,364	159,938,071	162,151,404
Income from operating activities	5,742,169	8,588,207	5,376,415	5,323,617	5,273,188	5,603,455	5,727,330	5,853,707
Finance income	(182,493)	(197,471)	(140,000)	(99,923)	(104,919)	(104,919)	(104,919)	(104,919)
Finance costs	2,606,634	2,866,800	2,787,353	2,761,067	2,803,038	2,855,269	2,919,005	3,000,500
Income before income taxes	**3,318,028**	**5,918,878**	**2,729,062**	**2,662,472**	**2,575,068**	**2,853,104**	**2,913,243**	**2,958,125**
Income tax expense	1,270,930	721,235	723,200	705,616	682,400	756,100	772,000	783,900
Net income before net movement in Reg balances	**2,047,098**	**5,197,643**	**2,005,862**	**1,956,856**	**1,892,668**	**2,097,005**	**2,141,242**	**2,174,225**
Net movement in regulatory balances	1,240,500	(2,787,426)	-		-	-	-	-
Income Tax on Regulatory Balances	1,015,398	(412,248)						
Net income after net movement in Reg balances	**4,302,996**	**1,997,969**	**2,005,862**	**1,956,856**	**1,892,668**	**2,097,005**	**2,141,242**	**2,174,225**

MHDI Status - Budget/LRP Financial Summary – Assumptions for 2022, 2023 and 2024

- Distribution Revenue
  - 1000 new residential customers;
  - 27 new GS customers
  - Inflationary increase of 1.25% annually
  - MH stretch factor 0.15%
- OM&A
  - 2.5% increase in OM&A
  - One NEW headcount increase per year
- Interest
  - New debt of $4.0M in July of 2022, 2023 & 2024 to fund capital projects;
  - Interest assumed at 4.0%
- Depreciation
  - Capex for 2022-2024 – $9.6M
- PILS
  - Tax rate is 26.5%

Revenue and Earnings



Key Budget Assumptions – con't

Customers per Employee:

Mid-Size GTA Medium-High & High Undergrounding (as per the Mearie & OEB Yearbook)	Customers per Employee Dec 31, 2017 (OEB Yearbook)	Customers per Employee Dec 31, 2018 (OEB Yearbook)	Customers per Employee Dec 31, 2019 (OEB Yearbook)	Customers per Employee 2020P Budget	Customers per Employee 2021 Budget	Customers per Employee 2022 Budget	Customers per Employee 2023 Budget	Customers per Employee 2024 Budget
Oshawa PUC Networks Inc.	686	653	658					
Burlington Hydro Inc.	746	738	758					
Brantford Power Inc.	672	633	658					
Milton Hydro Distribution Inc.	**677**	**747**	**777**	**790**	**752**	**756**	**760**	**764**
Newmarket - Tay Power Distribution Ltd.	714	777	676					
Oakville Hydro Electricity Distribution Inc.	641	693	717					
Kitchener-Wilmot Hydro Inc.	504	526	525					
Cambridge and North Dumfries Hydro Inc. /Energy+	514	523	559					
Guelph Hydro Electric Systems Inc.	438	464	n/a					
Waterloo North Hydro Inc.	449	463	474					
Halton Hills Hydro Inc.	419	449	442					
Whitby Hydro Electric Corporation	n/a	n/a	n/a					
Peer Group Average of Distributors that Reported	**587**	**606**	**624**					
Peer Group Average Excluding Milton Hydro	**578**	**592**	**607**					

Source: MEARIE 2009/2010,2010/2011 & 2011/2012/2013
Survey of Ontario's Local Distribution Companies

Key Budget Assumptions – con't

Capital Expenditures:

MHDI System Access Projects

- 2020P $7.0 million
- 2021B $8.23 million
- 2022B $4.40 million

MHDI System Renewal Projects

- 2020P $1.77 million
- 2021B $3.66 million
- 2022B $1.54 million

MHDI System Service Projects

- 2020P $ 380 thousand
- 2021B $ 835 thousand
- 2022B $ 3.35 million

Key Budget Assumptions – con't

MHDI One-Time Expenditures:

- 2020 Projected
  - Tremaine TS
    - Feeder Egress - $190,000 (final payment)
  - Software
    - Licenses - $30,000
  - Board room Team HW - $20,000
  - Building – Security Cameras $62,000

    -
- 2021 Budget
  - Server/Firewall/Desktops- $88,000
  - Cayenta Financial Upgrade - $250,000
  - Workflow automation - $100,000
  - Northstar Automation platform - $45,000
  - Control Room Hardware - $50,000
  - Website Update - $25,000
  - Building – Drainage System- $40,000
  - Squirt Boom Ariel Truck - $225,000

Key Budget Assumptions – con't

- Long Term Debt:

MHDI forecasts third party borrowings to fund capital projects. Interest on 2020 draw – 2.35%; assumed at 4.0% for 2021 to 2024. Borrowing as follows:

- 2020P - $ 4.0 million
- 2021 - $ 4.0 million
- 2022 - $ 4.0 million
- 2023 - $ 4.0 million
- 2024 - $ 4.0 million

Promissory Note to Town:

Interest of $1.082 million reflecting 7.25% payable on promissory note of $14.934 million; no principal payments assumed during forecast period. Deemed interest rate for MHDI's 2016 Cost of Service rate decision by the OEB is 3.85% . It is assumed that Milton Hydro will continue to pay interest to the Town at 7.25% ($508,000 annually in excess interest to what is being collected in distribution rates).

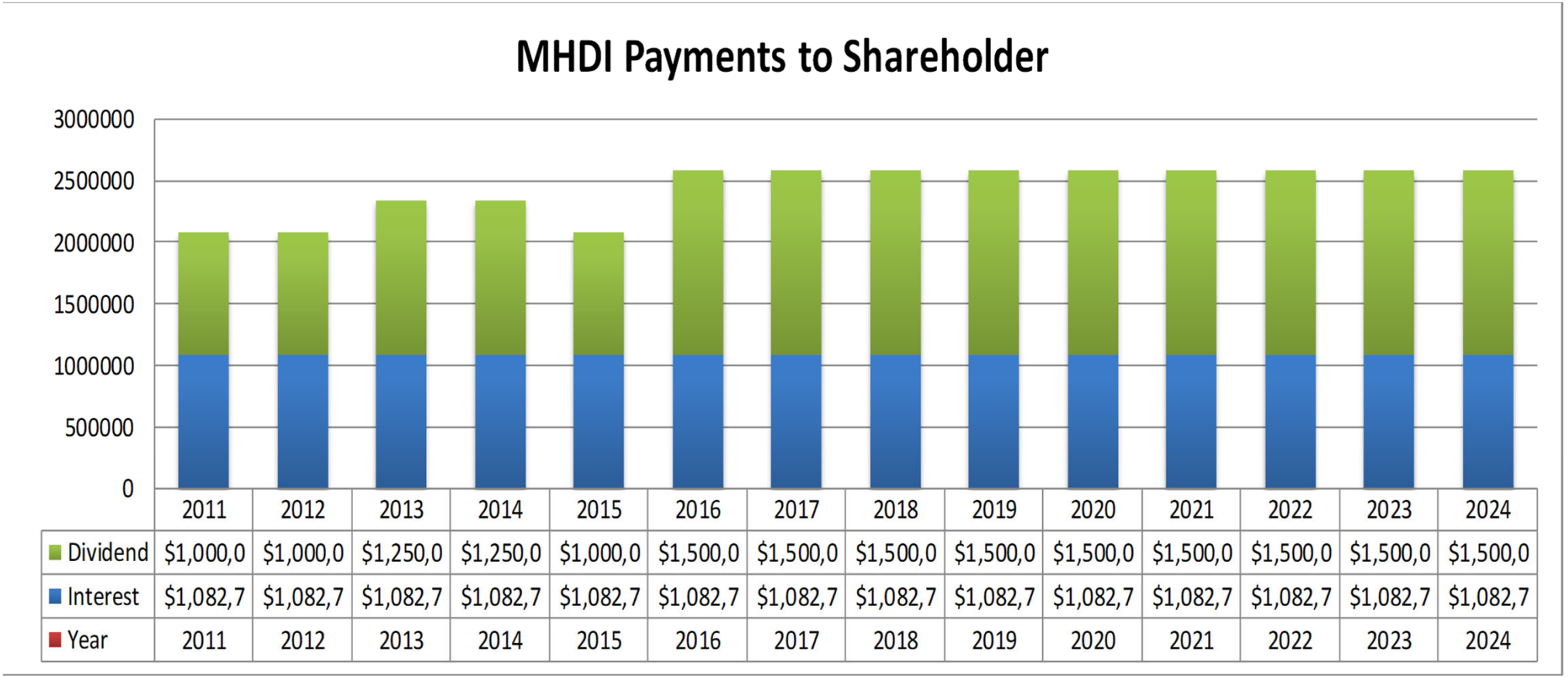
Mark to Market Adjustment (SWAPS)

- Since 2015, Milton Hydro has secured financing with three separate Interest Swap agreements. A Mark to Market adjustment (MTM) is an accounting practice that involves adjusting the value of the security to reflect current market conditions. MTM refers to the settling of gains and losses due to changes in the market value of the security. Historically, Milton Hydro has not reflected a MTM as it has not been material. However, it is anticipated that the impact of the pandemic of reducing interest rates to historical lows will require Milton Hydro to record a MTM adjustment in 2020. **Please note** - the MTM has not been reflected in the budget.

- Based on September 30, 2020, the MTM is expected to be a Loss of FV of approximately $1,689,223. The MTM would be adjusted at least annually on a go-forward basis – assuming the interest rates increase over time, a positive variance would be reflected. The entry would be reflected as follows:

Entry to bring the swap to fair value and account for the appropriate loss attributable to FY20

Dr.	Loss of FV on Derivatives (IS)	1,689,223	
Cr.	Liability due to FV of Derivatives (BS)		1,689,223



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Dividend	$1,000,0	$1,000,0	$1,250,0	$1,250,0	$1,000,0	$1,500,0	$1,500,0	$1,500,0	$1,500,0	$1,500,0	$1,500,0	$1,500,0	$1,500,0	$1,500,0
Interest	$1,082,7	$1,082,7	$1,082,7	$1,082,7	$1,082,7	$1,082,7	$1,082,7	$1,082,7	$1,082,7	$1,082,7	$1,082,7	$1,082,7	$1,082,7	$1,082,7
Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024

- Interest paid to Town by MHDI includes approximately $508,000 in excess of interest collected through distribution rates (difference between 3.85% OEB-approved rate versus 7.25% interest rate paid to Shareholder)
- In 2020, MHDI will pay $1.5M; MHDI is proposing a dividend of $1.50 million in each year of the forecast period of 2021-2024.

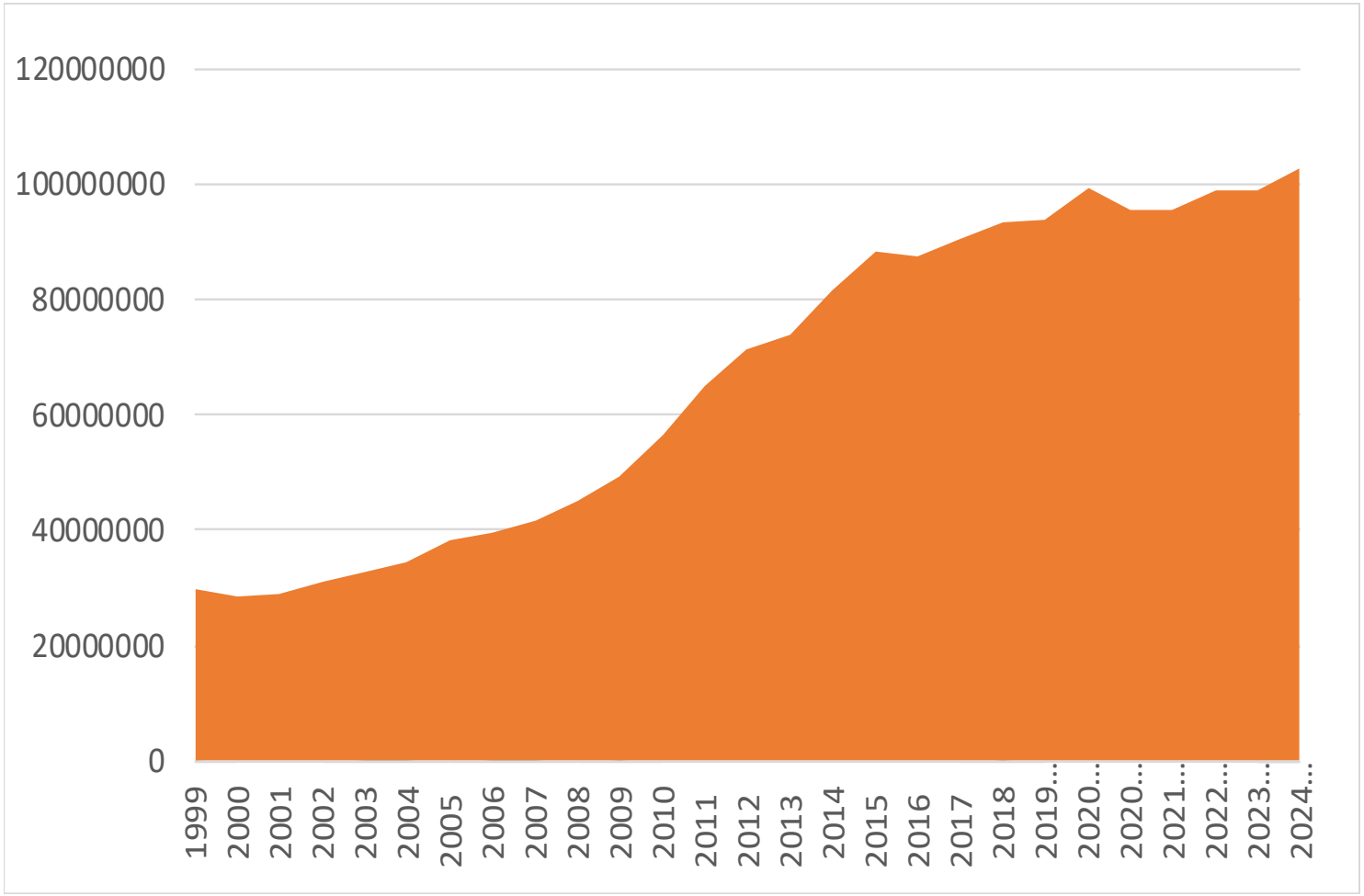
Milton Hydro Holdings Inc.
Total payments to Shareholder included forecast to 2024 [redacted]

- Interest paid to Town includes approximately $508,000 in excess of interest collected through distribution rates
- [redacted]

Rate Base

Currently Calculated as:

- Net Fixed Assets (Net of Contributed Capital/Deferred Revenue)
- Plus: Working Capital allowance defined as 7.5%* x (COP + Controllable Expenses)



* Changed from 15.0% to 7.5% effective May 1, 2016

Covenants

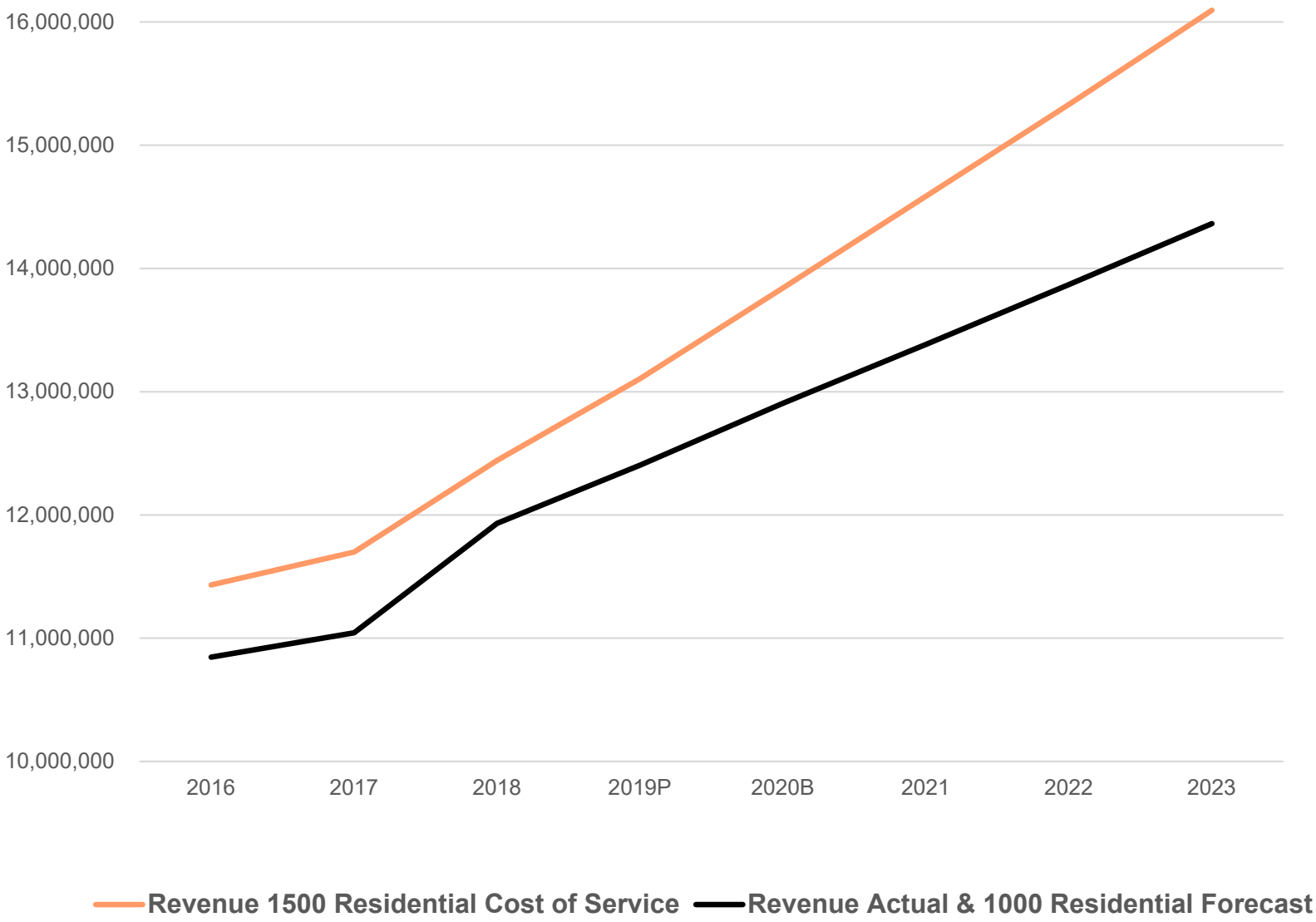
New Covenents per TD Bank

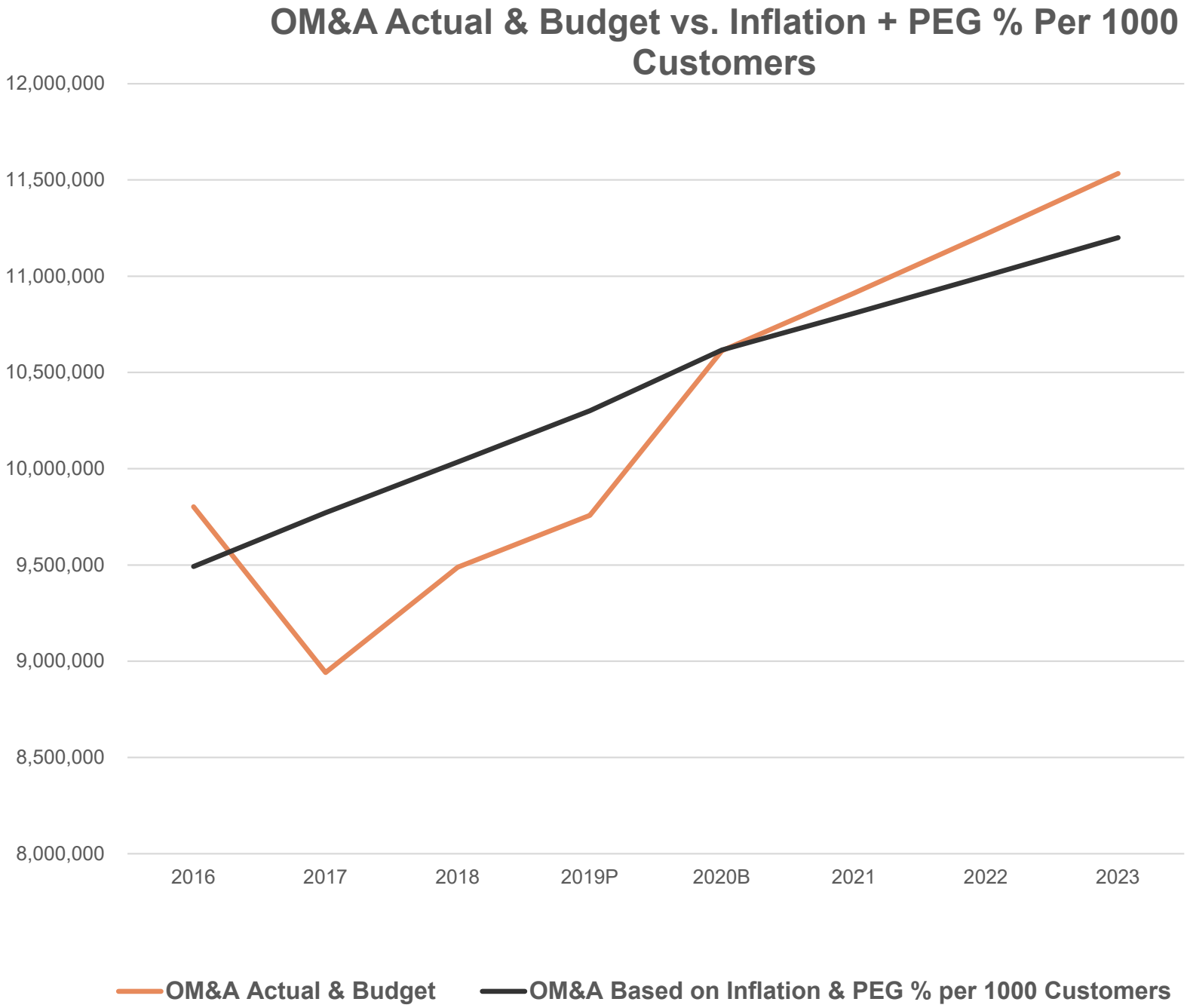
Covenent Test Ratios	Target	2015 A	2016 A	2017 A	2018 A	2019 A	2020 P	2021 B	2022 B	2023 B	2024 B
Current Ratio	Minimum 1.1:1	1.83	1.66	1.45	1.57	1.39	1.35	1.21	1.34	1.34	1.35
Debt Service Coverage Ratio	Minimum 1.15:1	2.16	1.33	1.47	1.71	2.00	1.59	1.63	1.32	1.64	1.64
Debt to Capital Ratio	not greater than 60%	57.2%	57.2%	55.7%	55.3%	56.2%	57.0%	57.6%	58.1%	58.5%	58.8%

Forecasting Risk Factors

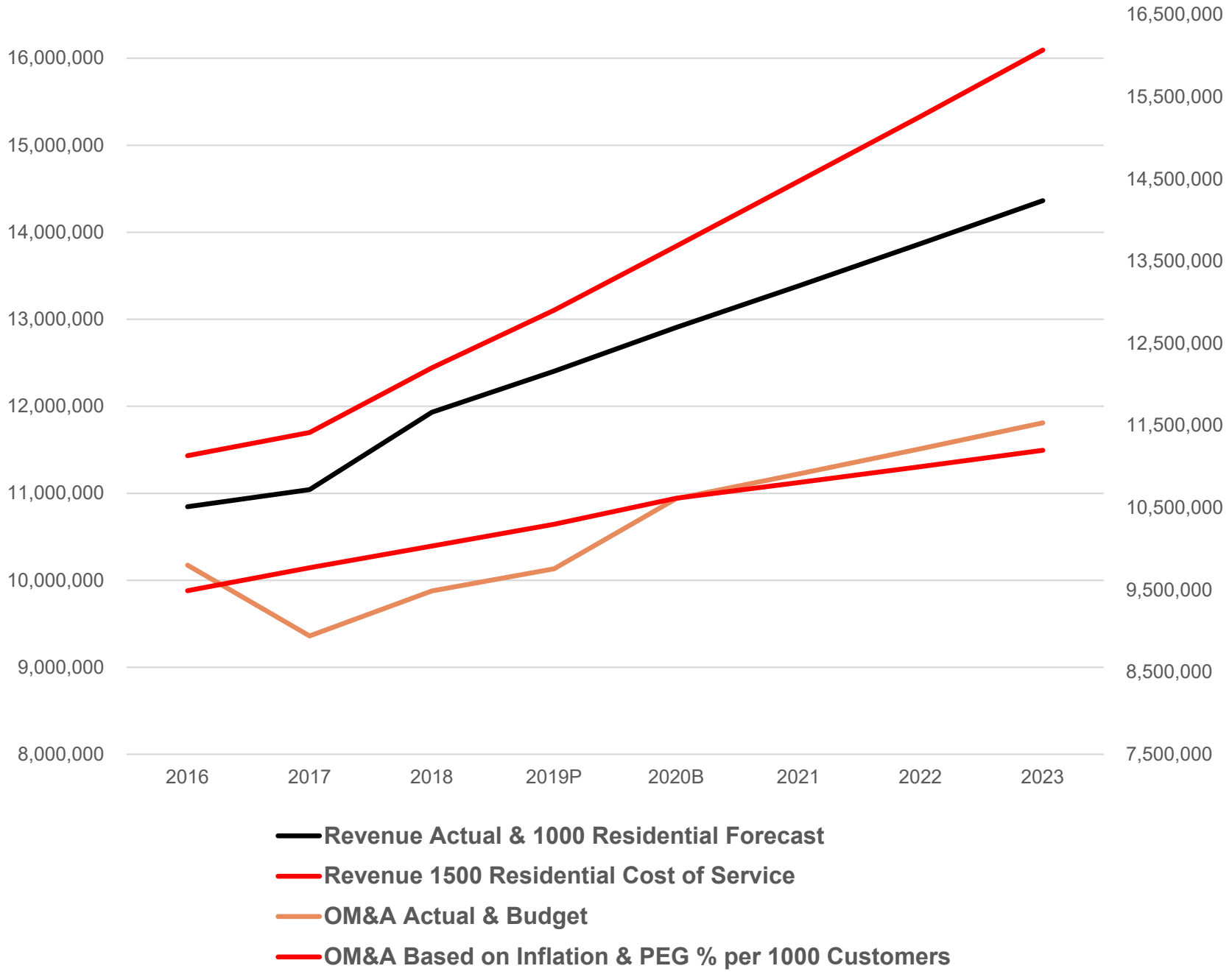
- **Rate Regulation and Regulatory Uncertainty**
  - 2021 IRM Inflationary factor & Stretch factor approval outstanding
  - Next COS for MHDI is May 1, 2022; MHDI is considering a request for a deferral; however due to the continued shortfall of residential development, MHDI may need to rebase – cost, resourcing and timing implications
- **Residential Development in Town of Milton**
  - Growth projections – assuming 1000 new residential connections but this may be optimistic
  - Growth in Unit Sub-metering may impact individual residential connections
- **Economic Uncertainty**
  - Pandemic Impact
  - Growth
  - Impact on GS customers
  - Credit Risk - Impact of OEB Amendments to Distribution System Code with respect to customer service policies may lead to higher bad debts
- **Timing & Cost Implications**
  - New Transformer Station & Feeder Lines to deal with continued growth

Residential Revenue Based on Cost of Service Growth Comparison to Actual & Budget




OM&A Actual & Budget vs. Inflation + PEG % Per 1000 Customers
12,000,000
11,500,000
11,000,000
10,500,000
10,000,000
9,500,000
9,000,000
8,500,000
8,000,000
2016
2017
2018
2019P
2020B
2021
2022
2023
OM&A Actual & Budget
OM&A Based on Inflation & PEG % per 1000 Customers

Residential Revenue Based on Cost of Service Growth Comparison to Actual & Budget vs. OM&A Actual & Budget & Inflation + PEG % Per 1000 Customers



Attachment 1-6
Budget Kick Off Documents

MILTON HYDRO

Memo

To: All Management

From: Igor Rusic, VP Finance and CFO

Date: May 14, 2021

Subject: **2022-2026 Financial Planning Process**

Background

The annual budget and financial planning process is now underway. The purpose of this memo is outline key dates and parameters culminating in the 2022-26 Financial Plan.

As the organization is entering into a Cost of Service application period, this planning cycle will be pivotal for Milton Hydro. The Financial Plan and budgeting process will underpin the application to help shape and support our future rates and ability to deliver on strategy.

The Cost of Service application has necessitated the need to accelerate the planning cycle in order to gather, process and approve a financial framework. The intent is to finalize the budget by the end of Q3 2021. Additionally, we will be adding four forecast years to the planning cycle to align our planning efforts to our Regulatory rate cycle.

Building on the success of last year's efforts, the starting point for the 2022-26 Budget is the approved prior year Milton Financial Plan ("Plan"). Additionally, the budgets have been constructed by functional division (i.e. business unit level) and require supporting details for all cost and revenue types.

Overview of the 2022-2026 Financial Planning Process

OM&A

1. The Corporate Finance team will facilitate the process with business unit owners and will work with the staff to populate the budget template.

2. Budgets have been pre-populated for each functional area based on the approved 2021 Financial Plan. General inflation has been provided for the four forecast years (2023 to 2026) based on spend type.

3. The 2023 Budget will form the basis for the budget and forecast for 2023 to 2027 in our Cost of Service application. Any incremental requests will need to be supported with a strong business case as well as a link to the organizations strategy. Please reach out to either Dan Gapic, Barb Tyers, or Igor Rusic to discuss.

4. The Corporate Finance team will prepare a ground up labour budget by position within each business unit, incorporating the new collective bargaining agreement. Business unit owners are required to review assumptions.

5. Draft Budget summary reports by Business Unit will be circulated to department heads/ budget owners for validation and revisions. Expected outputs from this exercise are to confirm costs and headcount, including timing.
6. The Business Units budgets will be consolidated and presented to the executives for approval. During this time, budget owners may be asked to compile and submit narrative for the Financial Plan.
7. The final Financial Plan will be presented to the Milton Board for approval.

Capital

1. The Engineering team will develop and submit a five year capital budget from distribution and non distribution activities. Please ensure you have submitted any requests for capital spend to this team prior to June 30, 2021.
2. Ensure that any capital spend required to be submitted as part of the 2023 Rate application (i.e. ERP upgrade, general software, etc.) will need to be requested through the Milton Engineering team (Cordelia) by June 30, 2021.

Revenue

1. Distribution revenue – Regulatory Affairs will be accountable for preparing the five year distribution revenue plan.
2. Other revenue – Various operating organizations will be accountable for providing the revenue plan.

Timelines

- **May and June** – virtual workshop sessions held for departmental budget owners. Please make every attempt to plan vacation time around these dates or promptly contact the Corporate Finance team so that an alternate date may be scheduled, as necessary.
- **June 30** – 2022-2026 business unit budgets completed based on *draft* budget figures.
- **Sept 17** – Corporate Finance team delivers first draft budget to CFO.
- **Sept 24** – CFO review of first draft 2022-2026 Financial Plan completed.
- **October 20** – Senior Management team review of final draft Financial Plan.
- **November 23** – Board review and approval of 2022-2026 Financial Plan.

Note: Budget owners responsible for budgeting certain revenue items will also receive customized reports on those items to facilitate their budget preparation.

Thank you in advance for your support. Please do not hesitate to contact me if you have any questions or comments.

2022-2026 Budget Workshop TIPS

Guiding Principles

1. Operating budget plans are due by June 30, 2021. This includes a final review of the budgets with Igor, Barb, and Henry.
2. Timing on all budget line items are to be completed by August 31, 2021.
3. Quantitative and/ or qualitative analysis to be developed to support the operating budgets where applicable (i.e. # of bills to support postage charges, IT contracts, etc.).
4. All comments need to be concise, free of spelling errors, standardize for entries on prepaid schedule (i.e. Vendor Name – function), etc.
5. No increases accepted in operating programs without supporting backup. In cases where increases are required, the business unit owner will need to provide offsetting reductions. **Note:** If additional operating spending is required, detailed support and business case to be provided to both the Finance and Regulatory teams for consideration in our 2023 Cost of Service application.
6. Headcount requests will need to be approved by the Executive team before provided for in the plan.

Labour

For labour, the objectives of the workshop are to:

- Review current list of employees to ensure it aligns to the org chart
- Validate the allocation of operating to capital
- Identify operating programs that employees will be working on
- Overtime assumptions (will be captured at the departmental level but cannot exceed the prior year plan)

Non Labour

Ensure that justification for all planned OM&A expenditures and revenues (if applicable) from a "ground up" approach is attained from the organizations (please ensure prior year actual comparisons and trends are reviewed). Clear and value-added expenditure justifications are required with explanations highlighting key drivers (root causes) of the incurrences of costs. Synergies are embedded into the budgets for every department.

- Drivers of each expense type should be provided that include the following information:
    - What is the reason for the expenditure?
    - What evidence do you have that this is the correct level of spending?
    - How does the O&M program compliment the capital programs?
- Budgeting of generic costs without an identified purpose (e.g. – consulting) will not be permitted. Justification of expenditures and explanation of major variances vs. prior year plan and/or Business Case is required. Evidence and support will be required for proposed cost increases.
- OM&A expenditures for any non-core initiatives should be identified with the appropriate initiative/program in the input template. Core programs represent regular expenses that occur year after year (e.g. – tree trimming, audit fees etc.). Non-core programs are programs that represent one-time activities that are not expected to continue year after year (i.e. project costs)
- Identify any challenges/issues/limitations in doing work (will you need additional resources to complete your work?)
- Identify opportunities to reduce operating expenses where possible.
- Identify what costs you would like to see added to the budget to support the next five years of spend.

After the session

- Review the budget that was prepared to ensure that no significant items are missed (i.e. review actuals to see if there are any expenditures that are not accounted for). Please review any significant items missed with your manager prior to engaging the VP/ Director/ Manager for a follow up.
- The Business partner will provide a summary of the budget workshop to the Business unit owner after the session is complete. It is imperative to receive authorization for the budget inputs from each of the leaders.

TIPS to preparing the budget for your organizations

1. **Operating Budgets**
   Every attempt should be made to ensure that the expenditures in the 2022 – 2026 Budget do not exceed what was approved in the prior year plan (not including inflation). In the event that an operating organization has increased expenditures, please ensure that you look for opportunities to reduce expenditures in other areas.

2. **Timing of Expenses**
   At Milton, we use Accrual Basis Accounting therefore the timing of your budget expense needs to reflect when you are actually incurring the expense (i.e. when you are using the service) not when you pay for the service.

   Definition: Accrual Basis Accounting
   The most commonly used accounting method, which reports income when earned and expenses when incurred, as opposed to cash basis accounting, which reports income when received and expenses when paid.

3. **Comment Fields**
   For each budget line, you are **REQUIRED** to enter comments for each budgeted line. It is important to provide as much detail as you can (ie. For consulting, what is the initiative or purpose; provide the potential supplier, etc.)

4. **Five Year Budget**
   You will need to complete a five-year budget plan so ensure that you have indicated the change by year for years 2023-2026

5. **Pre-paid Contracts**
   If you have any pre-paid contracts that you entered into in previous years, you must remember to include any cost you will incur in Year 1. We will be standardizing the budget comments for items that represent prepayments to provide to Accounting each year (i.e. Vendor Name – nature of the contract). The intent is to enhance the prepaid/ accrual processes.

   E.g. If in January 2022 a $120K two year maintenance contract was signed and $60K was expensed in 2021, you will still need to bring this amount forward. Equally as important, that this expense needs to be spread evenly across all the months to mirror how the expenses are recorded in the Actuals.

6. **IST Software and Hardware Maintenance Expenditures**
   All purchases related to maintenance for hardware and software must be budgeted and/ or vetted through the IT department.

7. **HST**
   Purchased items or services should **NOT** include HST.

8. **Spreading Budgeted Costs by Month**

Ensure that you spread the budgeted costs over the months that you expect the costs to be incurred. DO NOT just take the budgeted figure and spread it equally by month (unless that is how you expect it to be incurred).

9. **Temporary Employees (Contractors)**
   All Contractors are to be budgeted as Direct Labour expenditures (no exceptions).

10. **IST Technical Expertise (i.e Website enhancements, Report Development)**
    Business units should budget for these items as an Outside Service Provider expense and include a specific comment in the template, unless confirmation is obtained that the work is expected to be performed by in-house IST staff.

Attachment 1-7
Customer Satisfaction
Survey Report

Milton Hydro

UtilityPULSE

Milton Hydro

The purpose of this report is to profile the connection between Milton Hydro and its customers.

The primary objective of the Electric Utility Customer Satisfaction Survey is to provide information to support discussions about improving customer care at every level in your utility.

The UtilityPULSE Report Card® and survey analysis in this report are intended to capture the state of mind or perceptions about your customers' need and wants – the information in this report will help guide your discussions for making meaningful improvements.

This survey report is privileged and confidential material, and no part may be used outside of Milton Hydro without written permission from UtilityPULSE, the electric utility survey division of Simul Corporation.

All comments and questions should be addressed to:

UtilityPULSE division, Simul Corporation

Sid Ridgley
President
Email: sridgley@simulcorp.com

David Malesich
Chief Research Officer
Email: david@utilitypulse.com

Continued Satisfaction and Rise of Increased Digital Communication

Nearly two years ago, the world was caught off-guard by the COVID-19 pandemic. While it may not be over quite yet, there seems to be light at the end of the tunnel, and a “new normal” appears to be emerging. There was fallout in many industries, but the pandemic has also brought about new changes to how the world conducts its business. Face-to-face communications and even telephone have decreased as more and more people opt to serve themselves online. Comfort and willingness to make purchases online, conduct online banking, and find answers to frequently asked questions have grown across the board.

Although e-commerce growth might not be as sky-high in 2020/21, online activities will continue to expand and accelerate far more than they did before pandemic-driven shutdowns and social distancing. Businesses have been more cognizant of online growth and technologies are being improved to meet the rising demand. The surge in accelerated digital transformation is expected to continue throughout the recovery from COVID-19, and electricity customers are no exception to this overall trend. Compared to before the pandemic, more electricity customers than ever before want to communicate via electronic means (e.g., email, text) with their utility. For example, customer preference for an email or text notification for an unexpected outage has grown by over 50% from 2019.

The sped-up transition to a digital world was not expected and not without its challenges. Companies, including utilities, have been forced to make changes to their websites and ensure that they can meet customers' changing needs and demands. Pre-authorized automated payments and e-billing have also increased in importance. Many digital options that were once considered 'nice to have' options have become widely expected standards. "Inbound" methods of communication are very expensive, so although challenging, especially at an accelerated pace, ensuring an effective self-service strategy can help reduce costs and ensure customers are satisfied.

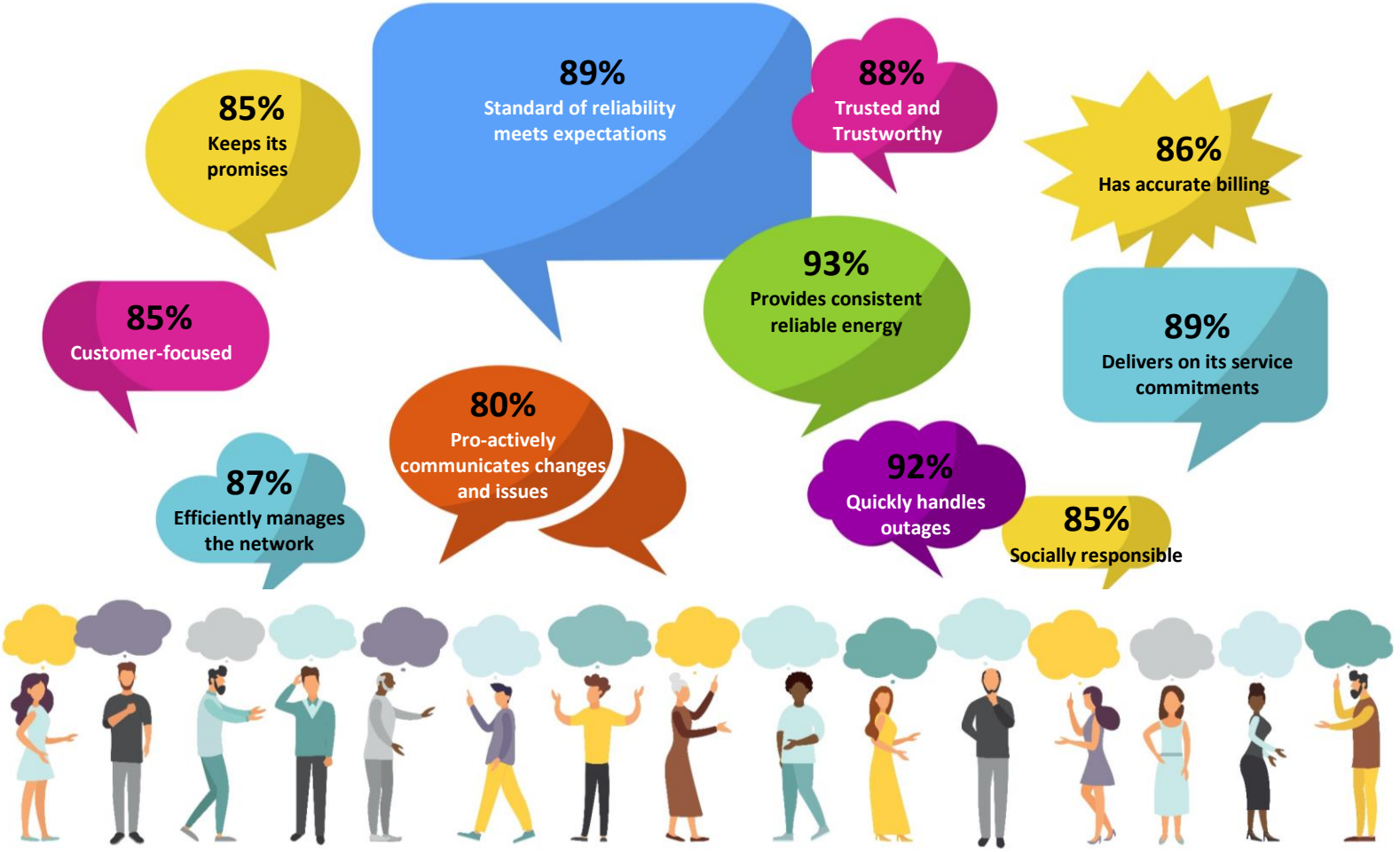
Customers are showing increased comfort levels with technology, but now they are not always knowledgeable about what they can do or get online from their LDC website. Any changes or enhancements should be consistently communicated as well as be easy to navigate and understand.

To better understand the self-service impact on utilities and track this metric going forward, a new question was added this year: "Before contacting your utility, did you visit the utility website to try to resolve your issue on your own, or to get more clarity on the issue before contacting the utility?" Prior to contacting the utility, 45% of Milton Hydro's customers visited the website first to try to resolve their issue on their own or get more clarity.

Visited website to try to resolve issue on own, or get more clarity, before contacting utility		
	Milton Hydro	**UP Database**
Yes	45%	41%
No	55%	58%

Base: total respondents; small data sample; total respondents from the 2021 UtilityPULSE Database

The “COVID halo” continues. Scores were high last year, and people's utilities were one less worry on their plates during a terrible year. Scores remain high, which is very encouraging; for example, Milton Hydro's satisfaction score is 93%, and ‘delivers on its service commitments to customers’ is 89%.



Base: total respondents with an opinion

Going forward, we recommend continuing your efforts toward improving online ease and contactless self-service strategies, which are necessary to maintain a positive customer experience. Despite an appetite for more self-service, this does not mean the death of traditional forms, such as telephone. What is continually changing— are the many ways in which utilities can engage with their customers. Therefore, utilities will have to offer a wide mix of options to satisfy a customer base that increasingly wants the flexibility to interact with their utility based upon their preferences and situation. The result of all of this technological advancement is that customers are more informed and connected than ever before. Customer engagement is no longer characterized by one-way, utility-initiated communication. It's now a dynamic, multi-channel, two-way communication stream.

Customer Centric Engagement Index (CCEI)

Customer engagement is the emotional connection achieved by the ongoing interactions between a customer and the organization. Highly engaged customers are far more likely to support the LDC as it responds to changes than customers with little-to-no engagement. Highly engaged customers are less likely to complain publicly about disappointing shopping experiences, choosing to resolve issues with the company directly.

Utility Customer Centric Engagement Index (CCEI)			
	Milton Hydro	**National**	**Ontario**
CCEI	85%	83%	82%

Base: total respondents

Milton Hydro has scored well on this index.

The Core Responsibilities

Survey respondents gave Milton Hydro excellent operational and representative scores.

Core Operational Attributes			
	Milton Hydro	**National**	**Ontario**
Provides consistent, reliable energy	93%	90%	90%
Quickly handles outages and restores power	92%	87%	87%
Has accurate billing	86%	87%	88%
Has a standard of reliability that meets expectations	89%	88%	88%
Makes electricity safety a top priority	90%	88%	89%

Base: total respondents with an opinion

Core Customer Service Quality Attributes			
	Milton Hydro	**National**	**Ontario**
Deals professionally with customers' problems	88%	84%	84%
Is 'easy to do business with'	86%	84%	84%
Customer-focused and treats customers as if they're valued	85%	79%	79%

Base: total respondents with an opinion

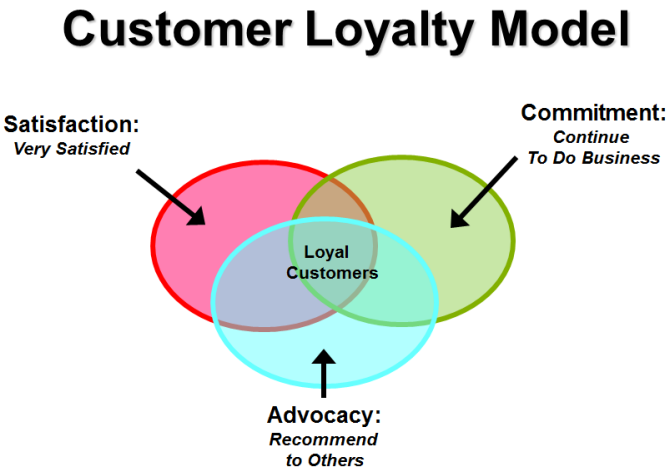
Customer Satisfaction

Measuring satisfaction is the bedrock, or starting point, for the creation of loyal customers. One must do the job as expected before there is an opportunity to emotionally connect in a positive way hence the need to focus on the overall customer experience. Customer satisfaction is an effectiveness measure (not an efficiency measure) on the historical relationship or delivery of services to customers.

SATISFACTION SCORES – Electricity customers' satisfaction			
Top 2 Boxes: 'very + fairly satisfied'	**Milton Hydro**	**National**	**Ontario**
PRE: Initial Satisfaction Scores	93%	94%	93%
POST: End of Interview	93%	93%	92%

Base: total respondents

When it comes to the question of satisfaction, UtilityPULSE has designed the survey so that customers are asked twice, once at the beginning – this is to garner first impressions and set the tone for the survey, and again at the end – because now the respondent has context of what is being asked and is more aptly ready to address it in an informed state of mind.



Loyalty Groups – Customer Affinity

Customer loyalty (affinity) is an intangible asset with positive consequences or outcomes associated with it, no matter the industry. Data shows that Secure customers have fewer outages and billing issues than At Risk customers, i.e., those that hate the utility. In private industry, Loyalty is a behavioural metric; in a monopoly, it is an attitudinal metric.

Customer Loyalty Groups				
	Secure	**Favorable**	**Indifferent**	**At Risk**
Milton Hydro	30%	18%	48%	5%
National	29%	17%	47%	7%
Ontario	28%	16%	48%	8%

Base: total respondents

What is the importance of Net Supporter Score™ [NSS] for LDC's?

The NSS is a metric which measures how likely customers could ***support*** policy changes, actions, programs, or service changes or enhancements the LDC wishes to make. The NSS is a metric developed to help the organization, and its people, continue on a path of improving customer experiences, whether those experiences are in-person, over the telephone, online, or a combination. In a nutshell, the NSS reflects the net number of customers who have confidence in the LDC to continue to serve in their best interests.

Net Promoter Score™ (NPS)

The Net Promoter Score™ (NPS) is a popular metric that measures how likely customers are to recommend a business's products and services. Your NPS score, when compared to the benchmarks, can provide some insight into the affinity level of survey respondents towards your brand image. The NPS metric was developed by and is a registered trademark of Fred Reichheld, Bain & Company, and Satmetrix in 2003.

Milton Hydro has a Net Supporter Score™ (NSS) of 25%**.** The Ontario benchmark is 20%, and the UtilityPULSE database average is 26%.

Net Supporter Score™ (NSS)			
	Opportunity Range <20%	**Good Range 20-40%**	**Very Good Range 40+%**
Milton Hydro	--	25%	--
Ontario Benchmark	--	20%	--

Base: total respondents; range bands represent 2021 data and can change year-to-year

Milton Hydro has a Net Promoter Score™ (NPS) of 35%**.** The Ontario benchmark is 24%, and the UtilityPULSE database average is 35%.

Net Promoter Score™ (NPS)			
	Opportunity Range <5%	**Good Range 5-25%**	**Very Good Range 25+%**
Milton Hydro	--	--	35%
Ontario Benchmark	--	24%	--

Base: total respondents; range bands represent 2021 data and can change year-to-year

Issues: Billing and Blackouts, the "Killer B's"

The reliable and efficient delivery of electricity to homeowners and businesses is an essential service – especially during the personal and professional challenges of the past couple of years. Customers are comforted by the fact that standards for keeping the lights on and getting them up and running quickly have not deteriorated.

Problems: Blackouts

Percentage of Respondents indicating that they had a Blackout or Outage problem in the last 12 months			
	Milton Hydro	National	Ontario
2021	28%	39%	36%

Base: total respondents

Inaccurate bills cause angst and, in some cases, anger, which is why accurate billing remains an important service imperative for all utilities. Milton Hydro performs billing well despite the number of changes in pricing, including the need to communicate about various financial support options.

Problems: Billing issues

Percentage of Respondents indicating that they had a Billing problem in the last 12 months			
	Milton Hydro	National	Ontario
2021	7%	4%	6%

Base: total respondents

Customer Service

Customers are more concerned about outcomes and want their issues, problems, or concerns to be dealt with in a professional, knowledgeable, and timely manner. Respondents were asked about six aspects of their more recent experience.

Satisfaction with Customer Service			
Top 2 Boxes: 'very + fairly satisfied'	**Milton Hydro**	**National**	**Ontario**
The time it took to contact someone	66%	71%	66%
The time it took someone to deal with your problem	79%	69%	69%
The helpfulness of the staff who dealt with you	86%	73%	75%
The knowledge of the staff who dealt with you	76%	76%	75%
The level of courtesy of the staff who dealt with you	86%	85%	88%
The quality of information provided by the staff who dealt with you	72%	79%	75%

Base: total respondents who contacted the utility; small data sample (n=29)

Communication channels preferred by customers to receive notice about Billing Issues (Other than payments owed)

UtilityPULSE database information tells us that the preferred channel for communications can change based on the type of issue, e.g., a billing issue versus an unplanned outage issue. Two things we believe LDCs must be mindful of:

1. The preferred communication channel is determined by the customer, not by the LDC.

2. There is a higher expectation that the LDC will become more “outbound” communications driven.

UtilityPULSE data from findings in the Fall 2021 survey show the degree to which email and text are customers’ preferred or primary method for their LDC to contact them about billing issues.

Preferred method of communication to receive notice of a Billing Issue (Other than payments owed)	
	Ontario LDCs
Telephone	45%
Voice Mail	1%
Text	10%
Email	41%
Don’t know	1%

Base: An aggregate of respondents from 2021 participating LDCs

LDCs, for the most part, are primarily set up as “inbound” problem solvers and communicators. The notion or idea that the LDC needs to become more “outbound” with personalized channel communication is a challenge from an organizational culture and operations perspective. Yet, if the LDC doesn’t become more outbound driven, it will have to invest more into inbound methods for solving problems – which is extremely expensive. As mentioned, increased focus on website design and self-service strategies will help alleviate potential future costs and is on trend to customer expectations.

Our data show “older” respondents have a heavier desire to communicate via the telephone, but youths, especially those in the 18-34 range, are far more comfortable getting and receiving information electronically. Preferences are changing and will continue to change as a result of previous pandemic-driven lockdowns and

increased social distancing. The UtilityPULSE database shows about 1 in 3 respondents in the 55+ age category prefer to receive notice about a billing issue via electronic means. In comparison, almost 2 in 3 respondents in the 18-34 age range prefer the electronic channels of email and text.

Communication during Unexpected Outages

In times of emergency, be they extreme weather events or major equipment failures that cause blackouts and unplanned outages, customer communication can help customers understand what to expect next and when disrupted electricity service might be restored. Early and effective communication helps increase confidence in and credibility of the electricity service provider.

Findings in the UtilityPULSE data show the importance of text and email, as preferred communication channels their LDC should use ***during an unexpected outage.*** Base: An aggregate of respondents from 2021 participating LDCs

Preferred communication channel LDC should use during an UNEXPECTED Outage	
	Ontario LDCs
Text message alert	49%
Email alert	38%
Recorded telephone message alert	29%
Outage map on utility's website	18%
Mobile APP alert	15%
Social media alert on Twitter or Facebook, etc.	14%
A toll-free outage line	12%
Outage map posted on mobile APP	2%
Smart assistant alert such as Alexa or Google	1%

UtilityPULSE data for 2019 shows that email was 26% and text was 31% as preferred channels. 2021 data shows a substantive change in just 2 years.

Communication during Planned Outages

UtilityPULSE data show the importance of email and text alerts as preferred communication channels their LDC should use ***during a planned outage;*** times when the utility needs to undertake work on their network (poles, wires, meters, transformers, substations, etc.) to maintain a safe and reliable supply.

Preferred communication channel LDC should use during a PLANNED Outage	
	Ontario LDCs
Email alert	47%
Text message alert	39%
Recorded telephone message	25%
Hand delivered notice	20%
Outage map on the utility's website	15%
Mobile APP alert	13%
A toll-free outage line	12%
Social media alert on Twitter, Facebook, etc.	12%
Outage map on mobile APP	11%
Other	1%
Email invite that syncs to your calendar with the outage duration	0%

Base: An aggregate of respondents from 2021 participating LDCs

Email and text alerts are very low effort methods for getting information. Both have grown as preferred channels in 2021 vs. 2019

Customers expect that the companies they deal with will be “pro-active” communicators. They know they don’t know everything, but they are hopeful that the companies they deal with will provide them with timely information. The reality is, Ontario LDCs have been pro-active communicators over the past couple of years.

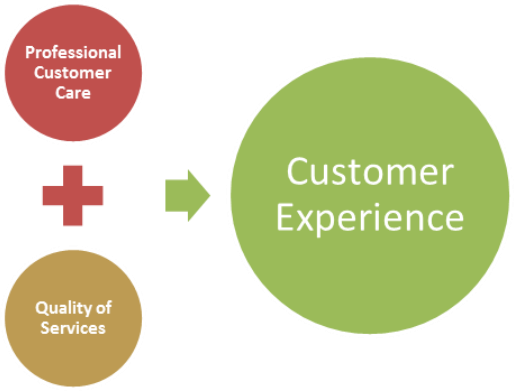
Milton Hydro received a respondent score of 80% for the attribute *“is pro-active in communicating changes and issues which may affect your electricity service.”*

We recommend that LDCs focus their investing on outbound communication channel technology and easy methods to look-up information or to get service because time-pressed customers appreciate when an organization is ‘easy to do business with’ – on this attribute, Milton Hydro received a respondent score of 86%.

Customer Experience Performance rating (CEPr)

Every touchpoint with customers on the phone, email, text, website, or in-person influences what customers think and feel about the organization. When an interaction with a customer meets their expectation, the opportunity to build loyalty (affinity) and support is strong. When the experience is a negative one, customers often conclude that the organization doesn’t care.

A positive experience today sets up the perception that future interactions will also be excellent.



Customer Experience Performance rating (CEPr)			
	Milton Hydro	National	Ontario
CEPr: all respondents	87%	84%	85%

Base: total respondents

The CEPr rating suggests that a very large majority of customers have a belief that they will have a good to excellent experience dealing with Milton Hydro professionals.

From an image point-of-view, Milton Hydro received very good scores for the attributes “keeps its promises to its customers and the community” and “overall the utility provides excellent quality services”.

Customer Effort & Experience Score™ (CEES)

Customers are time-pressed, and they want transactions related to getting questions answered or solving problems to be easy and fast. Customers dislike non-seamless handoffs when they have to deal with different people or departments to address their issues, and they dislike a slow response to their problem or concern. Customers also dislike “surprises,”; which is why they expect their utility to communicate with them pro-actively and, when needed, be ‘easy to do business with’.

The CEES as a metric is designed to help the organization remain focused on making things easy and fast for customers. The goal is to encourage improvements in all aspects of the customer’s journey from initial contact to completion of the issue. The central idea of CEES is about getting the most from your investments in people and technology.

Milton Hydro has rated a Customer Effort & Experience Score (CEES)™ of 35%**.** The Ontario benchmark is 25%, and the UtilityPULSE database average is 34%.

Customer Effort & Experience Score (CEES)			
	Opportunity Range <15%	Good Range 15-35%	Very Good Range 35+%
Milton Hydro	--	35%	--
Ontario Benchmark	--	25%	--

Base: total respondents; range bands represent 2021 data and can change year-to-year

The Customer Effort & Experience Score™ is about encouraging your people to figure out how to speed up and simplify interactions. It is designed to encourage dialogue with all areas of the business to reduce customer effort. Busy, time-pressed customers consider CEES a bonafide reflection of the business. Most importantly, it has a direct correlation to customer satisfaction, loyalty, and NSS.

Our experience suggests that low-effort experiences, i.e., “easy” and “fast,” are highly correlated to customer affinity (loyalty). In contrast, high-effort experiences are correlated to low overall satisfaction and low company image.

UtilityPULSE Report Card®

The purpose of the UtilityPULSE Report Card is to provide electric utilities with a snapshot of performance – on the criteria customers deem to be important.

Milton Hydro's UtilityPULSE Report Card®

Performance

	CATEGORY	Milton Hydro	National	Ontario
1	**Customer Care**	**B+**	**B+**	**B+**
	Price and Value	B	B+	B+
	Customer Service	A	B+	A
2	**Company Image**	**A**	**A**	**A**
	Company Leadership	A	A	A
	Corporate Stewardship	A	A	A
3	**Management Operations**	**A**	**A**	**A**
	Operational Effectiveness	A	A	A
	Power Quality and Reliability	A+	A	A
	OVERALL	**A**	**A**	**A**

Base: total respondents

Priority Planning

Looking at a time horizon spanning five years, customers were asked to weigh in on the priority of Milton Hydro undertaking various projects or initiatives.

Priority Planning within the next 5 years		
Top 2 Boxes: 'very high + high priority'	**Milton Hydro**	**Ontario LDCs**
Maintaining and upgrading equipment to ensure a safe and reliable electricity supply	94%	92%
Investing to ensure that more frequent and severe weather events will cause less damage to distribution system	88%	86%
Preventing data breaches and system disruptions due to cyberattack	88%	84%
Investing more in the electricity grid to reduce outages	86%	83%
Reducing response times to outages	86%	84%
Investing in projects to reduce the environmental impact of Milton Hydro's operations	77%	75%
Investing more in vegetation management (clearing trees and brush around powerlines for increased safety and reliability)	76%	75%
Educating customers about energy conservation	75%	69%
Educating the public as it relates to electricity safety	73%	69%
Increasing the use of e-billing and paper-free communication options to reduce environmental impact and improve cost-effectiveness	72%	65%
Burying overhead wires	68%	62%
Developing a SMART phone application to allow you to view your electricity use and pay your bill	58%	52%
Providing more self-serve services on the website	58%	45%
Providing sponsorships to local community causes	52%	52%
Increasing the use of social media (such as Twitter, Facebook, and others)	31%	27%

Base: total respondents / An aggregate of respondents from 2021 participating LDCs

Respondents for Milton Hydro identified the following projects/initiatives as top items which Milton Hydro should focus attention and resources:

1.	**Maintaining and upgrading equipment to ensure a safe and reliable electricity supply**	94%
2.	**Investing to ensure that more frequent and severe weather events will cause less damage to distribution system**	88%
3.	**Preventing data breaches and system disruptions due to cyberattack**	88%
4.	**Investing more in the electricity grid to reduce outages**	86%
5.	**Reducing response times to outages**	86%
6.	**Investing in projects to reduce the environmental impact of Milton Hydro's operations**	77%

Milton Hydro should take a look at their current strategic goals and assess whether any of the above contribute to said goals or what could be done to align any of the above mentioned programs/initiatives into Milton Hydro's operational plans. UtilityPULSE data shows from 2019 that developing a smart phone app has grown in priority from 46% to 52%. Providing more self-serve options has changed from 37% to 45%. More importantly, 84% said that preventing data breaches and system disruptions due to cyberattack was a priority.

Credibility & Trust Index

For most Ontario LDCs, over 40% of the customer base has been affected by the events of the past couple of years. As such, in a world with heightened unknowns, people will look for credible organizations that can be trusted. 88% of respondents agree strongly or somewhat that Milton Hydro is trusted and trustworthy. Your Credibility & Trust score is 86%, while the Ontario and National benchmarks sit at 84%.

Numbers at a Glance for 2021

	Milton Hydro	National	Ontario
Customer Satisfaction: Initial	93%	94%	93%
Customer Satisfaction: Post	93%	93%	92%
Would recommend	85%	83%	82%
Customer Experience Performance Rating (CEPr)	87%	84%	85%
Customer Centric Engagement Index (CCEI)	85%	83%	82%
Credibility & Trust Index	86%	84%	84%
UtilityPULSE Report Card©	A	A	A

As with the previous 23 years, the number one suggestion, by a wide margin, has been “better prices”. Price will always be top of mind for customers. For 2021, the second-highest suggestion was “better communications.” The third suggestion was “simplified billing.” Customers want increased ease, and we have

seen that many want the ability to self-serve. These results make sense in light of an increasing push toward and need for digitization.

People want to be recognized as individuals AND get what they perceive to be good value. By allowing customers to choose whether they want to receive communication notices via email, text, or snail mail, etc., The more specific you can be with your communications, the more likely you are to engage your customers and build an ongoing relationship with your brand.

We recommend that LDCs continue to work as fast as possible to digitize service. The goal is to provide options for customers to access help. As stated, customers who were previously resistant to doing things online are no longer resisting; they are adapting to using online methods with much more enthusiasm. This is the “new normal” and one that must be embraced and pro-actively addressed to meet the tastes and demands of customers better.

It is true the customer base still has lots of concerns and worries, such as getting ill or having a family member or friend get ill. Losing their job, or having a reduced pay cheque, or product shortages, etc. Fortunately, Milton Hydro is not at the top of the list of day-to-day concerns. 87% believe Milton Hydro ‘efficiently manages the electricity system’ - it continues to be a source of stability and reliability.

Your survey was conducted from August 16 - September 12, 2021, and is based on 402 one-on-one telephone interviews with residential and small commercial customers who pay or look after the electricity bill. In addition, survey findings for Milton Hydro are enhanced with the inclusion of data from our UtilityPULSE database and the independently produced Ontario and National Benchmarks.

The pandemic may not be fully over, but we are seeing some light. Your customers continue to be satisfied with the operations and image of Milton Hydro has done during this pandemic. One key for maintaining excellent scores resides in the next steps you take to ensure a continued positive customer experience in an increasingly digital world.

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November 2021

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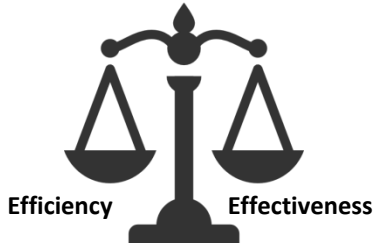
Satisfaction (pre & post)

As stated multiple times over many years, measuring satisfaction is an important starting point for creating loyal customers. However, it is a misnomer to conclude that highly satisfied customers are also customers with a high affinity or loyalty quotient. One can be satisfied but not necessarily loyal. But it is proper to conclude that the LDC (its people) must do the job as expected and required before there can be a positive emotional connection.

We've stated in the past, a focus on satisfaction prompts an organization to continue to evolve in ways that make sense to those who pay the bills. A focus on satisfaction is a focus on effectiveness in the delivery of service to the customer. Satisfied customers who trust their LDC may be more likely to seek advice, i.e., energy efficiency methods, and be more receptive to important messages, i.e. safety, new capital projects, etc.

About ratings/measures:

- Satisfaction is not a program; it is an outcome.
- ***Efficiency*** *is about achieving objectives with the minimum amount of people, time, money, and other resources; doing things right; resource usage*
- ***Effectiveness*** *ratings are measures keeping the organization and its people more future-focused than efficiency ratings; doing the right things; goal attainment*

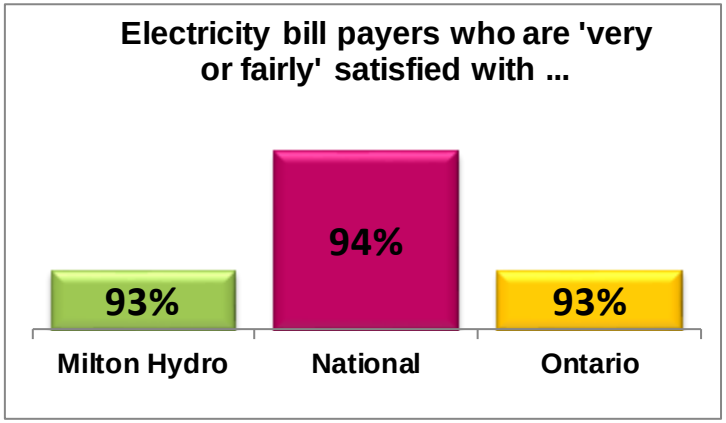


Finding the right balance between efficiency and effectiveness measures is difficult.

Efficiency ratings won't lead to satisfaction, but they can lead to dissatisfaction. Taking 90 seconds to answer the phone will create an agitated customer who, for the most part, starts off being dissatisfied with the service – before you've even had a chance to deal with or solve their problem. Answering the phone in 20 seconds but not solving the customer's problem will not ameliorate the customer's perception of the transaction.

Customer expectations of their electricity LDC have evolved past the "provide electricity reliably, safely, and billed both accurately with fair pricing." They do expect their LDC to be ethical, forward-thinking, competent, and trustworthy.

- **Satisfaction** happens when utility core services meet or exceed customers' needs, wants, or expectations.
- **Loyalty** occurs when a customer makes an emotional connection with their electric utility on a diverse range of expectations beyond core services.



Base: total respondents

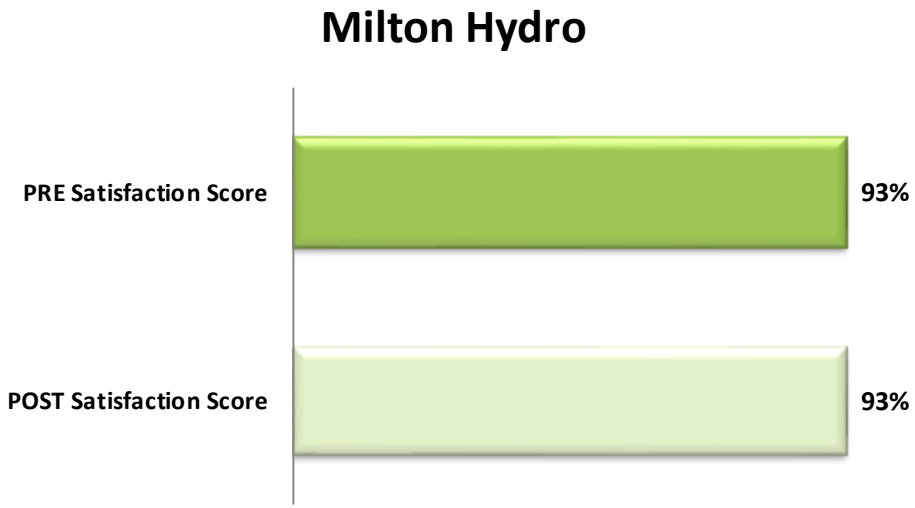
Satisfaction alone does not make a customer loyal; a willingness to commit and advocate for a company, along with satisfaction, identifies the three basic customer attitudes which underpin loyalty profiles. While satisfaction

is an important component of loyalty, the loyalty definition needs to incorporate more attitudinal and emotive components.

Electricity bill payers who are 'very or fairly' satisfied with…					
	2021	2020	2019	2018	2017
Milton Hydro	93%	-	93%	-	89%
National	94%	96%	93%	91%	90%
Ontario	93%	95%	92%	91%	85%

Base: total respondents / (-) not a participant of the survey year

In the Simul/UtilityPULSE Customer Satisfaction survey, the overall satisfaction question is asked both at the beginning (PRE) and the end (POST). Asking the general satisfaction question at the start of the survey avoids bias, obtaining a spontaneous rating. This allows measurement of customers' overall impressions of the utility before prompting them to think of specific aspects of the relationship. After asking about specific aspects of the customer experience, we gain a more *considered* (or conditioned) response.



Base: total respondents

As with any enterprise, Milton Hydro is obligated to satisfy its customers. But the rewards for satisfying customers go far beyond "obligation." Customers with high levels of satisfaction handle problems far better than customers with low satisfaction. Stronger relationships with customers generate higher levels of involvement and participation. For employees serving customers who are very satisfied, those interactions are more enjoyable s than those with customers who are very dissatisfied. Satisfied and engaged employees who work in an organizational culture that promotes service excellence, with empowerment, is an important key for completing the job both efficiently and effectively.

SATISFACTION SCORES – Electricity customers' satisfaction			
Top 2 Boxes: 'very + fairly satisfied'	**Milton Hydro**	**National**	**Ontario**
PRE: Initial Satisfaction Scores	93%	94%	93%
POST: End of Interview	93%	93%	92%

Base: total respondents

A mutual correlation exists between employee and customer attitudes and loyalty. Employees who are trained well, have the right tools, and are focused on successful outcomes for customers contribute significantly to the customers' perception of their utility. There is a direct, irrefutable link between empowered and engaged employees and customer satisfaction – after all -- y*our employees are part of your brand, and they deliver the promises you make.*

Milton Hydro

SATISFACTION SCORES – Electricity customers' satisfaction		
Top 2 Boxes: 'very + fairly satisfied'	**Residential**	**Commercial**
Satisfaction Scores	92%	97%

Base: total respondents

SATISFACTION SCORES – Electricity customers' satisfaction [kwh usage]			
Top 2 Boxes: 'very + fairly satisfied'	**kWh Group 1**	**kWh Group 2**	**kWh Group 3**
Satisfaction Scores	95%	93%	90%

Base: total respondents

SATISFACTION SCORES – Electricity customers' satisfaction [Income]			
Top 2 Boxes: 'very + fairly satisfied'	**<$30K**	**$30 – 75K**	**$75K +**
Satisfaction Scores	100%	90%	94%

Base: total respondents

Customer Service

As written in previous years, given the rapidly expanding availability and use of technology, finding an appropriate balance between automated self-service and human-interactive service is a huge challenge for all involved in providing service to customers. Customer Service is about the experience your customers have with your utility, your products, and your service – regardless of the channel used for delivering customer service. The goal is to ensure that your customers receive high-quality customer service and an experience that meets or exceeds their expectations - on every interaction with the LDC.

Given the increased complexity of delivering customer service, we have seen a shift towards a stronger focus on the touchpoints which create the customer experience.

Most of us want the same things when we are customers: We want to be treated with respect. We want to be listened to. We don't want to be bounced around or ignored, or treated as inferior. The customer experience is largely defined by the outcomes generated when customers have a need, want to solve a problem, or want answers to issues or concerns they face.

With more technology, there will be more shifting of calls away from the call centre. However, the volume of calls that remain are and will be more complex and challenging. We're already witnessing the fact that calls are taking longer to deal with customer issues.

Customers are more concerned about outcomes, and they want their issue, problem, or concern to be dealt with in a professional, knowledgeable, and timely manner. Respondents were asked about six aspects of their most recent experience with a representative from Milton Hydro.

- Information – the quality of the information provided
- Staff attitude – the level of courtesy
- Professionalism – the knowledge of the staff
- Delivery – helpfulness of the staff
- Timeliness – the length of time it took to get what they needed
- Accessibility – how easy it was to contact someone

Base: total respondents who contacted the utility; small data sample (n=29)

Satisfaction with Customer Service			
Top 2 Boxes: 'very + fairly satisfied'	**Milton Hydro**	**National**	**Ontario**
The time it took to contact someone	66%	71%	66%
The time it took someone to deal with your problem	79%	69%	69%
The helpfulness of the staff who dealt with you	86%	73%	75%
The knowledge of the staff who dealt with you	76%	76%	75%
The level of courtesy of the staff who dealt with you	86%	85%	88%
The quality of information provided by the staff who dealt with you	72%	79%	75%

Base: total respondents who contacted the utility; small data sample (n=29)

Overall satisfaction with most recent experience			
	Milton Hydro	**National**	**Ontario**
Top 2 Boxes: 'very + fairly satisfied'	79%	78%	74%

Base: total respondents who contacted the utility; small data sample (n=29)

Every interaction with a customer is an opportunity to generate higher levels of affinity. It is fool-hardy to view the ratings shown above as ratings for the "call-centre" because every person in Milton Hydro interacts with a customer or supports those who do have person-to-person contact with a customer. Empowerment is the backbone of the service recovery principle. In the face of error or problems, acting quickly and decisively, being empowered, and turning a dissatisfied customer into a satisfied one tends to have a positive impact.

Customer Focus – Service Quality

Current measures in the LDC scorecard are: New Residential Services Connected on Time; Scheduled Appointments Met on Time; and Telephone Calls Answered on Time. These are good examples of efficiency measures, as all are time-based. Showing up on time may not create satisfaction (in fact, it is what is expected); not showing up on time will cause dissatisfaction.

UtilityPULSE findings from working with many LDCs over the past few years indicate it is much harder to get great ratings from customers who may not know much about their LDC's standards for service. Despite this, service quality ratings for Milton Hydro are very good compared to the Ontario benchmark.

Other dimensions of Service Quality that customers value include:

Core Customer Service Quality Attributes			
Top 2 boxes, 'strongly + somewhat agree'	**Milton Hydro**	**National**	**Ontario**
Deals professionally with customers' problems	88%	84%	84%
Customer-focused and treats customers as if they're valued	85%	79%	79%
Is a company that is 'easy to do business with'	86%	84%	84%

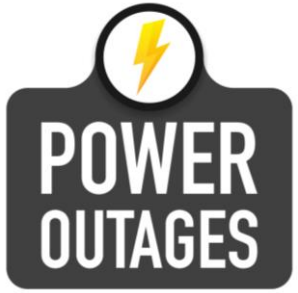
Base: total respondents with an opinion

We live in an imperfect world, so mistakes are bound to happen. In the LDC world, not all customer problems are mistakes; some are externally driven. Nonetheless, customers expect professionalism when interacting with "their" LDC.

Bill Payers' Problems and Problem Resolution

As previously written over multiple years, we call blackouts (outages) and billing problems the "Killer B's," the two issues most likely to cause grief to utility customers.

At one time, if the power went off for a few minutes, it was considered annoying and inconvenient. However, for most people, a power outage is now unbearable with the onset of computers and smart appliances in homes and businesses. Customers have little tolerance for an interruption in their flow of electricity.



28% of Milton Hydro respondents claimed they experienced an outage problem in the past 12 months.

Like it or not, there will be times when the power goes off – and for reasons beyond the control of the LDC.

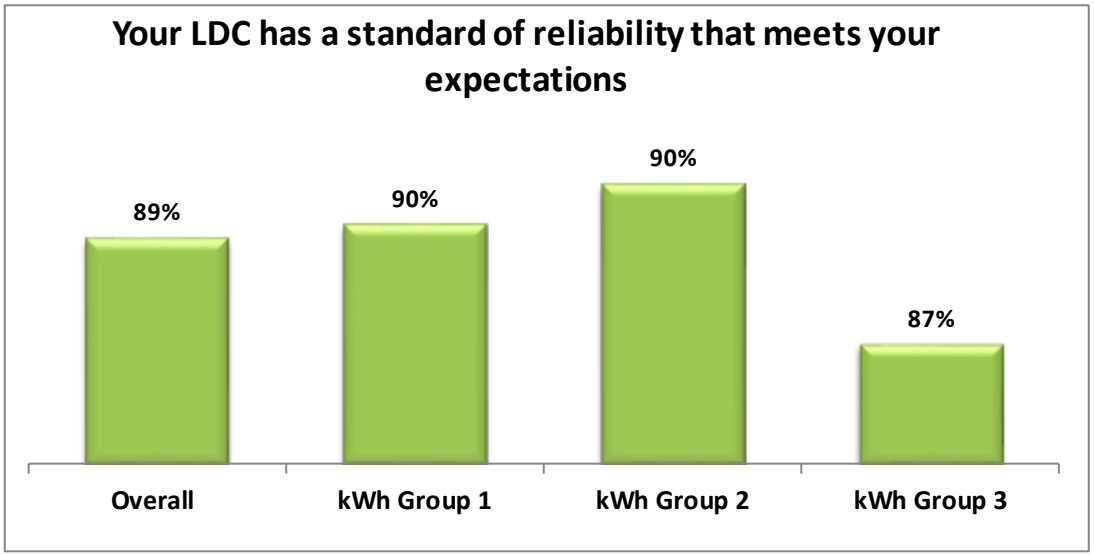
How many outages have you had in the last 12 months	
	Milton Hydro
One	20%
Two	20%
Three	20%
More than three	40%
Don't know	0%

Base: total respondents who contacted the utility

Percentage of Respondents indicating that they had a Blackout or Outage problem in the last 12 months			
	Milton Hydro	National	Ontario
2021	28%	39%	36%
2020	-	40%	43%
2019	43%	44%	45%
2018	-	39%	44%
2017	26%	37%	37%

Base: total respondents / (-) not a participant of the survey year

89% of Milton Hydro respondents agree ('strongly + somewhat') the utility's standard of reliability is consistent with their expectations.



Base: total respondents

or nearly every business, the simple act of collecting payments from customers is quite complex. Organizations want to make it easy and convenient for customers to pay, so they offer multiple choices of payment types and channels. However, making it easy for the customer often makes it more complex—and costly—for the business and is certainly not without its problems or flaws.

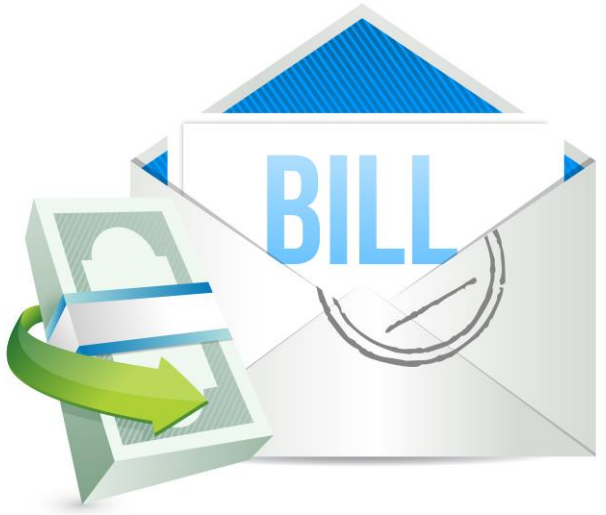
Percentage of Respondents indicating that they had a Billing problem in the last 12 months			
	Milton Hydro	**National**	**Ontario**
2021	7%	4%	6%
2020	-	5%	6%
2019	8%	9%	9%
2018	-	9%	9%
2017	18%	15%	25%

Base: total respondents / (-) not a participant of the survey year

The impact of poor billing on a utility's business is considerable in terms of costs incurred handling customer queries and complaints. The quality of billing remains a driving force behind managing customer satisfaction and can help utilities reduce costs associated with customer service. By reducing the total number of calls to a utility by providing accurate, easily understood bills, a utility stems the flow of billing-related complaints into its call-centre. However, customers have a different definition than their utility as to what constitutes a billing problem.

Types of Billing Problems	
	Milton Hydro
Owed too high	46%
Owed too low	0%
Bill difficult to understand	0%
Payment recorded incorrectly	8%
Bill arrived late	8%
Complaint about rates or charges	8%
Wrong information on bill	8%
Missed payment	8%
Did not receive bill	8%

Base: total respondents with billing problems



45% of Milton Hydro respondents visited the utility website to try on their own to either resolve or get more clarity on the issue of concern before attempting to contact the utility.

Did you try to contact your electric utility about any issues over the past 12 months?

22%

78%

Base: total respondents

How many times did you contact your utility?	
	Milton Hydro
One	33%
Two	43%
Three	13%
More than three	10%
Don't know	0%

Base: total respondents who contacted the utility

- 50% of Milton Hydro respondents contacted the utility about an outage problem;
- 43% of Milton Hydro respondents contacted the utility about a billing problem;
- 20% of Milton Hydro respondents contacted the utility about a problem other billing or an outage.

Communication methods used to contact local utility	
	Milton Hydro
Telephone	93%
Email	10%
Social media i.e. Twitter, Facebook	10%
The utility's website	3%
In-person	3%
Mail	0%
Live Chat	0%

Base: total respondents

Providing communication platforms that are effective and meet customers' needs is key to improving the customer experience. To do this, Milton Hydro must understand how customers communicate with you, and how they would like Milton Hydro to communicate with them in future. Knowing this will allow Milton Hydro to: allocate resources where they are most needed; tailor services to meet customers' needs; and, identify where improvements can be made.

First Contact Resolution (FCR) rates are an important metric for improving call center performance. The first step in improving "FCR" is to survey your front-line customer touchpoints and understand what kind of assistance and information customers are seeking in these situations. Once you clearly understand what kinds of interactions are taking place at each of your initial customer touchpoints, you can then improve those interactions.

Percentage of Respondents who contacted their utility and had their problem solved in the last 12 months	
	Milton Hydro
Yes	62%
No	34%

Base: total respondents with a problem who contacted their utility

Communication when there is an Issue

Utilities need to know what response they are seeking from customers when planning their communications and outreach. Sending inserts with monthly bills that provide information to a customer is passive and not very effective. Although your customer audience is captive, a poorly targeted message is often ignored. Unless a customer is actively searching for it, posting information on a website will likely not be found. Email blasts and social media campaigns will reach customers but may not necessarily lead to action. Such messages are typically read when in transit or multitasking, making them an afterthought. So, it often takes several pushes for these messages to resonate before action is taken. Successful marketing and messaging are about keeping communications simple, consistent, and continually reinforced.

Communication channels preferred by customers to receive notice about Billing Issue (Other than payments owed)

Billing issues have long been a major cause of customer inquiry and complaint. Not only are bills a key part of an LDC's revenue management process, but they're also an essential element and touchpoint in their relationship with their customers. For many customers, it is one of the very few touchpoints they have with their LDC. Because of its nature, the bill is usually viewed by customers as a wholly negative communication.

Therefore, when problems do occur, and the LDC must initiate contact with their customer, it would be beneficial to the process if customers were contacted via channels they most prefer.

UtilityPULSE database information tells us that the preferred channel for communications can change based on the type of issue which exists, e.g., a billing issue versus an unplanned outage issue. Two things we believe LDCs must be mindful of:

1. The preferred communication channel is determined by the customer, not by the LDC.
2. There is a higher expectation that the LDC will become more “outbound” communications driven.

Ontario LDCs’ customers’ preferred or primary method for their respective LDC to contact them about billing issues are as follows:

Preferred method of communication to receive notice of a Billing Issue (Other than payments owed)	
	Ontario LDCs
Telephone	45%
Voice Mail	1%
Text	10%
Email	41%
Don’t know	1%

Base: An aggregate of respondents from 2021 participating LDCs

Effective communication is essential to provide good customer service, improve efficiency and reduce costs. LDCs must maximize the effectiveness of their communications and improve customer interactions consistently across some media channels and customer touch points.

LDCs, for the most part, are primarily set up as “inbound” problem solvers and communicators. The notion or idea that the LDC needs to become more “outbound” with personalized channel communication is a challenge from an organizational culture and operations perspective. Yet, if the LDC doesn’t become more outbound driven, it will have to invest more into inbound methods for solving problems – which is extremely expensive.

Our data show “older” respondents have a heavier desire to communicate via the telephone, but youths, especially those in the 18-34 range, are far more comfortable getting and receiving information electronically. Preferences are changing. The UtilityPULSE database shows about 1 in 3 respondents in the 55+ age category prefers to receive notice about a billing issue via electronic means. In comparison, almost 2 in 3 respondents in the 18-34 age range prefer the electronic channels of email and text.

Communication during an Unexpected Outage

In times of emergency, be they extreme weather events or major equipment failures that cause blackouts and unplanned outages, customer communication can help customers understand what to expect next and when disrupted electricity service might be restored. Early and effective communication helps increase confidence in and credibility of the electricity service provider.

Respondents were asked the preferred communication channel their LDC should use ***during an unexpected outage.***

Preferred communication channel LDC should use during an UNEXPECTED Outage	
	Ontario LDCs
Text message alert	49%
Email alert	38%
Recorded telephone message alert	29%
Outage map on utility's website	18%
Mobile APP alert	15%
Social media alert on Twitter or Facebook, etc.	14%
A toll-free outage line	12%
Outage map posted on mobile APP	2%
Smart assistant alert such as Alexa or Google	1%

Base: An aggregate of respondents from 2021 participating LDCs

Communication during a Planned Outage

Respondents were asked the preferred communication channel Milton Hydro should use ***during a planned outage;*** times when the utility needs to undertake works on their network (poles, wires, meters, transformers, substations, etc.) to maintain a safe and reliable supply.

Preferred communication channel LDC should use during a PLANNED Outage	
	Ontario LDCs
Email alert	47%
Text message alert	39%
Recorded telephone message	25%
Hand delivered notice	20%
Outage map on the utility's website	15%
Mobile APP alert	13%
A toll-free outage line	12%
Social media alert on Twitter, Facebook, etc.	12%
Outage map on mobile APP	11%
Other	1%
Email invite that syncs to your calendar with the outage duration	0%

Base: An aggregate of respondents from 2021 participating LDCs

While there are many ways to communicate, information and messaging is most effective when delivered through channels preferred by customers and the LDC's messaging should be simple, clear, fact-based, and consistent.

LDCs must understand how customers communicate with them, and how they would like their LDC to communicate with them in the future. Knowing this will allow LDCs to: allocate resources where they are most needed; tailor services to meet customers' needs; and, identify where improvements can be made.

However, while most customers appear to have capacity and willingness to use digital channels, there are also customers who do not access digital platforms for a variety of reasons, such as a lack of ability or resources, or due to a preference for other channels. LDCs will need to consider how these customers can be supported and encouraged to use digital services in the future.

Customer Experience Performance rating (CEPr)

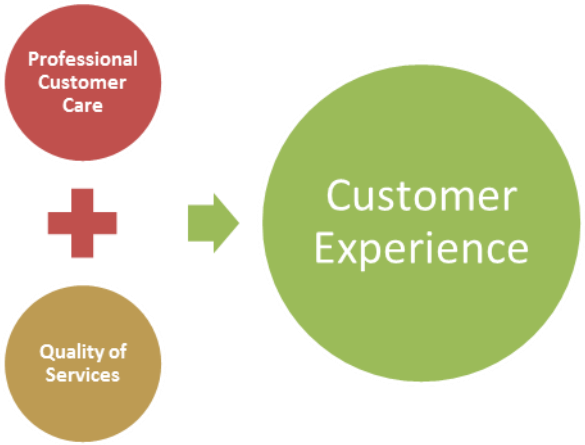
The CEPr score is an effectiveness rating and is affected by many dimensions of service. Every touchpoint with customers on the phone, website, or in-person influences what customers think and feel about the organization. While an excellent transaction today creates a positive experience, the perception created is future transactions will be excellent too. Of course, a negative transaction creates the perception that future transactions will be negative.

When the customer experience is strong, the opportunity to build loyalty is great. When the experience is a negative one, customers often conclude the organization doesn't care. When a customer believes the organization doesn't care, outrage and anger are a very real possibility.

Understanding your customer's expectations for service is the first step in providing an amazing customer experience. It is essential customer care call centres develop a comprehensive understanding of what

At the heart of the CEPr are 4 central questions:

1. *Are interactions with the organization professional and productive?*
2. *Is the organization 'easy to deal with'?*
3. *Does the organization effectively meet your needs?*
4. *Does the organization provide high quality services?*



customers expect from them, whether their needs are being met and how they can improve their service to meet their expectations.

Some of the factors which contribute to the overall customer experience:

- Delivering accessible and consistent customer service (multi-channel)
- Understanding customer expectations
- Maintaining timely resolution timelines
- Providing effective communication(s) according to customer needs
- Demonstrating responsiveness
- Speeding up problem resolution
- Conducting problem analysis to prevent recurring issues
- Easy to do business with
- Seeking customer feedback and following through on recommendations

Customer Experience Performance rating (CEPr)			
	Milton Hydro	**National**	**Ontario**
CEPr: all respondents	87%	84%	85%

Base: total respondents

The CEPr for Milton Hydro is 87%. This rating would suggest that a very large majority of customers have a belief they will have a good to excellent experience dealing with Milton Hydro professionals.

Customer Centric Engagement Index (CCEI)

Customer engagement and customer satisfaction are very different measures. We believe generating high scores in customer engagement is more difficult than customer satisfaction. For example, a customer can be highly satisfied when the LDC reliability delivers electricity, bills the customer properly, and quickly deals with outages. Essentially when the LDC does what it promises to do, then satisfaction follows.

Customer engagement is about connecting with customers to demonstrate that the LDC has heard the customer and understands the customer's needs, wants, desires, and issues. When the LDC does demonstrate listening and understanding, the result is higher levels of emotional connection, i.e., feelings that the people at the LDC care, respect, and value their customers or are prepared to go-out-of-their-way (if necessary) to help.

Customer engagement is often thought of as a series of activities involving the customer, such as conducting a survey, holding town hall type meetings, focus groups, etc. One could call these types of activities as the behaviour side of engagement. However, there is an emotional side to engagement.

UtilityPULSE has identified the six key dimensions of what defines customer engagement. They are: empowered, valued, connected,

inspired, future-oriented, and performance-oriented. Customer-centric engagement is a measure of "goodwill" towards the utility. The UP database does show Secure customers believe they are more highly engaged with their LDC than customers who are At Risk.

This survey also provides you with an emotional look at engagement. The UtilityPULSE CCEI is a gauge of the amount of goodwill which has been generated. High numbers in CCEI suggest there is a high level of goodwill amongst your customers – this is important for two reasons. First, when something goes awry for the utility, goodwill helps the utility to be resilient. Second, goodwill encourages active participation in requests to participate in engagement activities or program offerings from the utility.

The CCEI is a metric designed to get a more in-depth look at the attachment a customer has with your LDC and its brand. High levels of customer engagement (emotional) correlate strongly to high levels of Secure and Favourable customer numbers.

Engagement is how customers think, feel, and act towards the organization. As such, ensuring customers respond positively requires they are rationally satisfied with the services provided AND emotionally connected to your LDC and its brand. The more frequently and

consistently an organization's products and services can connect with a customer, especially on an emotional level, the stronger and deeper the customer becomes engaged with the organization.

Utility Customer Centric Engagement Index (CCEI)			
	Milton Hydro	**National**	**Ontario**
CCEI	85%	83%	82%

Base: total respondents

As measured by the CCEI, less engaged customers are more likely to let costs and/or price impact their perceptions of their LDC. Customers who are highly engaged are more inclined to look past costs and money issues and use a rational approach to make values-based decisions. Highly engaged customers have a stronger emotional connection to your utility. It's this emotional connection that drives commitment, loyalty, and advocacy.

Using the measures of Satisfaction and Engagement, the LDC's relationship with its customers would fall into one of four quadrants: Q1- low satisfaction/low engagement; Q2- high satisfaction/low engagement; Q3- low satisfaction/high engagement and Q4- high satisfaction/high engagement. Most LDCs would agree that having customers fall into the Q1 quadrant isn't good and that customers fall into Q4 is ideal.

When LDCs have candid conversations with customers and employees about their joint and different needs & perspectives, the better the LDC can be for creating an excellent place to do business with and to work.

Customer Effort & Experience Score™ (CEES)

Customers want the processes involved in solving problems or arranging service to be both fast and easy. For the most part, they already know they have a problem or need assistance, hence their dislike/displeasure when being transferred between people or departments, receiving a slow response, or receiving uncaring service.

They also dislike "surprises," which is a potential reason why utilities are expected to be "pro-active communicators."

The more time and effort a customer exerts to get questions answered or problems solved, the less happy they are, and the more likely they are to view their LDC as incompetent or lacking in customer-focus.

The CEES as a metric is designed to help the organization remain focused on making things easy and fast for customers. The goal is to encourage improvements in all aspects of the customer's journey from initial contact to

completion of the issue. The central idea of CEES is about getting the most from your investments in people and technology.

As Richard Sharpe, the CEO of Sears Canada during its heyday, said, “A little TLC goes a long way.” He meant that when everyone attempts to Think Like a Customer (TLC), good things happen.

What is the difference between CEES and First Call Resolution, i.e., Problem Solved?

First-call or First-contact resolution (FCR) is a focus and metric for LDCs. What the FCR doesn’t measure is the repeat or follow-up calls regarding the resolution to the problem. For example, a customer may have requested a particular service, and the CSR arranged it – the first time – within a timeline agreed upon by the customer. However, the customer may have additional follow-up questions regarding the requested service and will, therefore, contact the utility again.

The CEES metric helps the organization focus on making things easy and fast for customers by taking into account typical follow-up issues/calls that customers make. LDCs could make better use of processes such as auto dialing reminders of dates/times, emailing information about being prepared, what to do while the electricity is off when the crew is working, etc.

With every passing year, the shift away from phone service to self-service continues. Throwing forms and information on the website **isn’t** “self-service.” We believe LDCs should rebuild their organization around self-service and do so by making it “easy” and “fast” for customers to get information and solve problems.

The CEES is complimentary to the Net Supporter Score. In other words, improvements in CEES scores translate to improvements in Net Supporter Scores. Milton Hydro has rated a Customer Effort & Experience Score (CEES)™ of 35%, and the Ontario benchmark is 25%, and the UtilityPULSE database average is 34%.

Customer Effort & Experience Score (CEES)			
	Opportunity Range <15%	Good Range 15-35%	Very Good Range 35+%
Milton Hydro	--	35%	--
Ontario Benchmark	--	25%	--

Base: total respondents; range bands represent 2021 data and can change year-to-year

The Customer Effort & Experience Score™ is about encouraging your people to figure out how to speed up and simplify interactions. It is designed to encourage dialogue with all areas of the business to reduce customer effort. Busy, time-pressed customers consider CEES a bona-fide reflection of the business. Most importantly, it has a direct correlation to customer satisfaction, loyalty, and NSS.

UtilityPULSE Report Card®

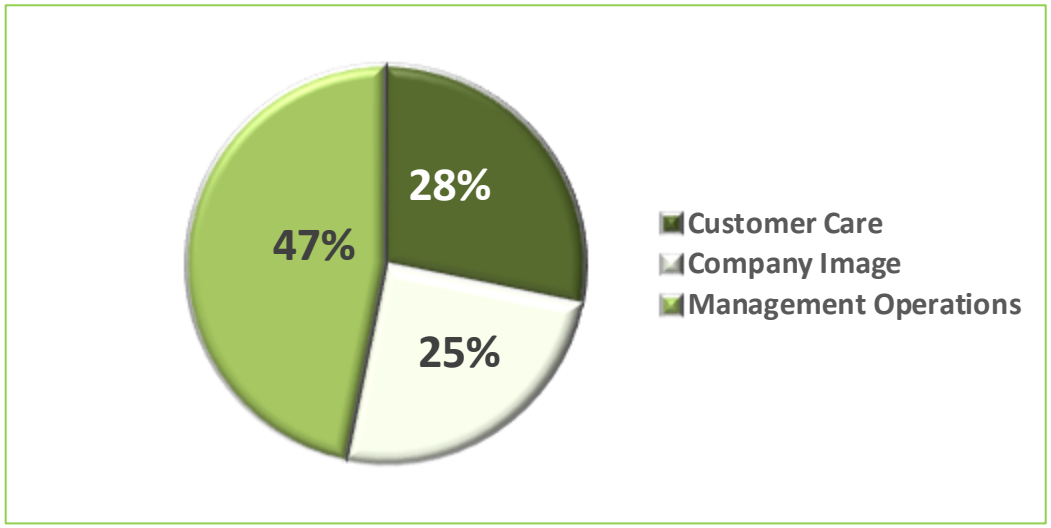
Simul's UtilityPULSE Report Card® is based on tens of thousands of customer interviews gathered over eighteen years. The purpose of the UtilityPULSE Report Card® is to provide electric utilities with a snapshot of performance – on the things customers deem to be important. Research has identified over 20 attributes, sorted into six topic categories (we call these drivers), which customers have used to describe their utility when they have been satisfied or very satisfied with their utility. These attributes form the nucleus, or base, from which "scores" are assigned. Customer satisfaction and loyalty also play a major role in the calculations.

There are two main dimensions of the UtilityPULSE Report Card®. The first is the customer psyche, and the other is customer perceptions about how the utility executes its business.

The Psyche of Customers

Every utility has virtually the same responsibility – provide safe and reliable electricity – yet not all customers are the same. The following chart shows the weight or significance of each category to the customer when forming their overall impression of the utility. Three major themes, each with two major categories, make up the UtilityPULSE Report Card®. In effect, the Report Card provides feedback about how customers perceive the importance of each category.

UtilityPULSE Report Card® Weighting



Base: total respondents

The UtilityPULSE Report Card® also provides customer perceptions about how your utility executes or performs its responsibilities. This is different, very different, from what a customer might say about a major concern or worry they have about electricity. Since its inception, our survey has shown that the primary suggestion for improvement is "reduce prices," which is also a major concern that your customers have about municipal taxes, gas for the vehicle, and other utilities.

Readers of this report should note that the categories and drivers are interdependent. This means, for example, failure to provide high levels of power quality and reliability will have a negative impact on customer perceptions as it relates to customer service. Customer care, when it does not meet customer expectations has a negative impact on Company Image, etc.

Defining the categories and major drivers:

Category: Customer Care

Drivers: Price and Value; Customer Service

Just because everyone likes good customer care, that in and by itself is not a reason to provide it – though it may be important to do so. In highly competitive industries, good customer service may be a differentiating factor. The case for electric utilities is simple, high levels of customer care result in less work (hence cost) of responding to customer inquiries and higher levels of acceptance of the utility's actions.

Price and Value:

Customers have to purchase electricity because life and lifestyle depend on it. This driver measures customer perceptions as to whether the total costs of electricity represent good value and whether the utility is seen as working in the best interests of its customers as it relates to keeping costs affordable.

Customer Service:

Customers do have needs, and every now and again will interact with their utility. How the utility handles various customers' requests and concerns are what this driver is all about. Promptly answering inquiries, providing sound information, keeping customers informed, and doing so in a professional manner are the major components of this driver.

Category: Company Image

Drivers: Company Leadership; Corporate Stewardship

Utilities have an image even if they do not undertake any activities to try to build it. A company's image is both a simple and complex concept. It is simple because companies do create images that are easily described and recognized by their target customers. It is complex because it takes many discrete elements to create an image, which includes, but is not limited to: advertising, marketing communications, publicity, service offering, and pricing.

An electric utility trying to manage its image has one more challenge to deal with, and that is the electric industry itself. There are so many players; residential customers (in particular) don't know who does what or who is responsible for what. So, when there are political or regulatory announcements, the local utility is often swept up into the collective reaction of the population.

Company Leadership

This driver is comprised of customer perceptions as it relates to industry leadership, keeping promises, and being a respected company in the community.

Corporate Stewardship

Customers rely on electricity and want to know their utility is both a trusted and credible organization that is well managed, accountable, socially responsible, and has its financial house in order.

Category: Management Operations

Drivers: Operational Effectiveness; Power Quality and Reliability

Electrical power is the primary product utilities provide their customers. Customers have very high expectations that the power will be there when they need it. Customers have little tolerance for outages. The reality is, every utility must get this part right…no excuses. It is the utility's core business. This category and its drivers are the most important for fulfilling the rational needs of a utility's customers.

Operational Effectiveness

This driver measures customers' perceptions as they relate to ensuring their utility runs smoothly. Attributes such as accurate billing and meter reading, completing service work in a professional and timely manner, and maintaining equipment in good repair are deemed important to customers.

Power Quality and Reliability

Power outages are a fact of life – and customers know it. They expect their utility to provide consistent, reliable electricity, handle outages, restore power quickly, and make using electricity safely an important priority.

Milton Hydro's UtilityPULSE Report Card®

Performance

	CATEGORY	Milton Hydro	National	Ontario
1	**Customer Care**	**B+**	**B+**	**B+**
	Price and Value	B	B+	B+
	Customer Service	A	B+	A
2	**Company Image**	**A**	**A**	**A**
	Company Leadership	A	A	A
	Corporate Stewardship	A	A	A
3	**Management Operations**	**A**	**A**	**A**
	Operational Effectiveness	A	A	A
	Power Quality and Reliability	A+	A	A
	OVERALL	**A**	**A**	**A**

Base: total respondents

As the UtilityPULSE Report Card® shows, the total customer experience with an electric utility is defined as more than “keeping the lights on.” Customers deal with your utility every day for a variety of reasons, most likely because they need someone to help them solve a problem, answer a question, or take their order for service. All your employees, from customer service representatives to linemen, leave a lasting impression on the customers they interact with. In effect, there are many moments of truth. Moments of truth are every customer touchpoint a utility has with its customers. Therefore, managing these moments of truth creates higher levels of Secure customers while reducing the number of At Risk customers that exist.

It's the small things done consistently that matter: Things like greeting every customer, whether on the phone or in person, in a friendly and helpful manner. Things like listening to the customer's needs, providing solutions to their problems, and showing appreciation for their business.

Utilities now recognize customer communications as a valuable aspect of their business. The better a utility communicates with customers in a manner that speaks to them; the more satisfied they are with their overall service. “Sending out information” is not the same as having a “conversation” with a customer. We believe it is increasingly important to channel your communications to the various customer segments which exist.

Employees – in every area – play a critical role in customer service success. Consequently, how they feel about their job responsibilities and role in the company will be communicated indirectly through the level of service they provide customers with. The reality is engaged employees are the key to excellent customer care.

Our survey work with employees shows there are many elements of organizational culture to support the people model needed to achieve high levels of engagement.

Our research has identified 6 main drivers which promote and support people giving their best:

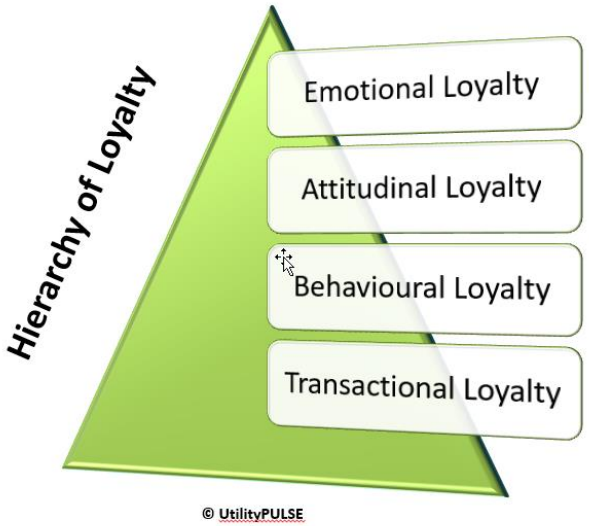
- **Empowered**
- **Valued**
- **Connected**
- **Inspired**
- **Growing**
- **Performance oriented**

There are 12 key processes from “attracting employees” to “saying goodbye to employees” are part of your people model to get the best performance from every employee.

We believe taking the time to understand the difference between employee satisfaction and organizational culture is worthwhile from a resourcing perspective and a people development perspective. Every organization has a culture – we believe it is a leadership imperative to install and maintain a culture which ensures you attain the achievements and successes of your utility’s many investments in people, technology, and equipment. It is true, organization culture affects everyone, and everyone affects organization culture.

The Loyalty Factor

If a customer is satisfied, it doesn't necessarily mean they are loyal. Satisfaction is about fulfilling promises/expectations; loyalty goes way beyond that by creating exceptional experiences and long-lasting relationships. There is a reason why marketing campaigns strive to build brand loyalty, not brand satisfaction. Measuring customer loyalty in an industry where many customers don't have a choice of providers doesn't make sense. Or does it?

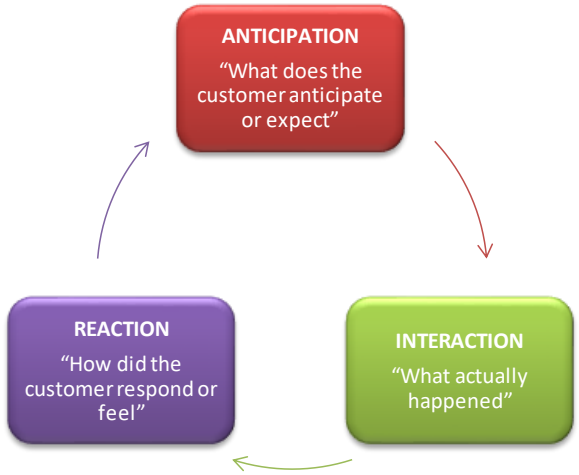


The answer depends on how you define "customer loyalty."

Private industry often equates customer loyalty with basic customer retention. If a customer continues to do business with a company, the customer is, by definition, considered to be loyal. If this definition were applied to many companies in the utility industry, all customers would automatically be considered loyal. As such, measuring customer loyalty would appear to be unnecessary.

Natural monopolies (like LDCs) are not really different in what they should measure except that trying to determine which customers are "loyal" or "at-risk" is not about their future behaviour but more about their "attitudinal" loyalty (are they advocates?).

Customer Service, when done well, promotes satisfaction which builds the foundation towards loyalty. Whether a customer is loyal and/or satisfied will be determined by three realities: ANTICIPATION – what your customer anticipates or expects; INTERACTION – what actually happened with/to the customer; and REACTION – how did the customer respond and how did it ultimately make the customer feel.



Perhaps a better or more relevant way for utilities to approach the definition of customer loyalty is to expand further how they think about loyalty. Consider the following definition: Customer loyalty is an emotional disposition on the part of the customer, which affects the way(s) in which the customer (consistently) interacts, responds, or reacts towards the company – its products & services, and its brand.

So, what does it mean to respond favourably to a company? At a basic level, this can mean choosing to remain a customer. As previously mentioned, however, this is essentially a non-issue for many utility companies. It then becomes necessary to think beyond just customer retention. One needs to consider other ways in which customers can respond favourably toward a company.

Some Tips to build loyalty:

- ✓ **Solve problems quickly**
- ✓ **Treat customers right**
- ✓ **Listen to complaints**
- ✓ **Be personal; create a great experience**
- ✓ **Friendly customer service**
- ✓ **Accessible information or help**
- ✓ **Good reputation**
- ✓ **Demonstrate you care**

Other favourable responses or behaviours can be classified into one of three categories that reflect the concept of customer loyalty:

- Participation
- Compliance or Influence
- Advocacy

Specific examples of potential participatory behaviour in the electric utility industry include:

- Signing up for programs which help the customer reduce or manage their energy consumption
- Using the utility as a consultant when selecting energy products and services from a third party
- Participating in pilot programs or research studies.

Specific examples of potential compliance or influence behaviours utility customers might exhibit include:

- Seeking the utility's advice or expertise on an energy-related issue
- Voluntarily cutting back on electricity usage if the utility advised the customer to do so
- Accepting the utility's energy advice or referrals to energy contractors or equipment
- Being influenced by the utility's opinion regarding energy- management advice, equipment, or technologies
- Providing personal information which enables the utility to serve the customer better
- Paying bills online.

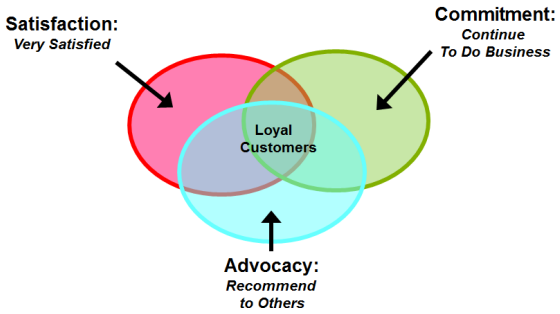
Creating customer advocates can be especially important for a company in a regulated industry. In the absence of customer advocates, or worse, in a situation where customers speak unfavourably about a company or actively work to support issues that are counter to those the company supports, companies can suffer a variety of negative consequences like increased business costs, lawsuits, fines, and construction delays. For an electric utility, specific examples of potential advocacy behaviour include:

- Supporting the utility's positions or actions on energy-related public issues, including the environment
- Supporting the utility's position on the location and construction of facilities
- Providing testimonials about positive experiences with the utility.

In sum, loyal behaviour in the utility industry may not be as evident as it is in a more competitive environment. Measuring customer loyalty in a generally non-competitive industry requires one to think about loyalty in non-traditional ways. Customer loyalty is an intangible asset with positive consequences or outcomes associated with it no matter what the industry. Properly measuring loyalty among utility customers requires thoughtful probing to thoroughly identify the range of participation, compliance, and advocacy behaviours that will ultimately benefit the company in meaningful ways and foster happier and more loyal customers.

Loyalty is driven primarily by a company's interaction with its customers and how well it delivers on their wants and needs.

Customer Loyalty Model



Loyalty is based on likelihood to:

- ***Satisfaction: overall satisfaction***
- ***Commitment: continue as a customer***
- ***Advocacy: willingness to recommend***

The UtilityPULSE Customer Loyalty Performance Score segments customers into four groups: **Secure** – the most loyal - **Still Favorable**, **Indifferent**, and **At risk**.

Secure customers are "very satisfied" overall with their local electric utility. They have a very high emotional connection with their utility and "definitely" would recommend their local utility.

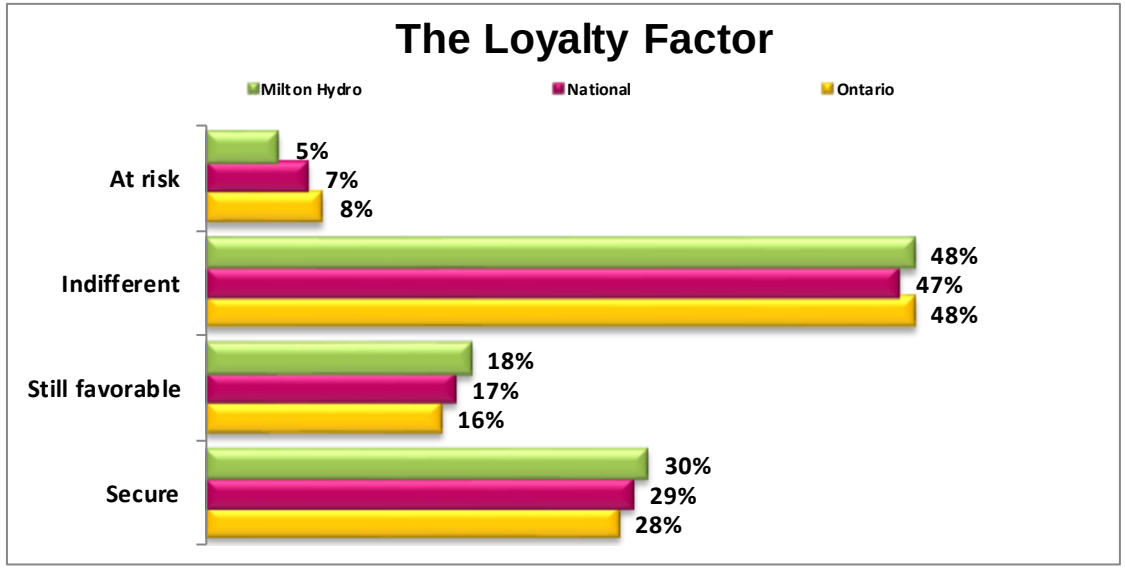
Still favorable customers are "very satisfied" overall, "definitely" or "probably" would recommend their local utility and not switch if they could.

Indifferent customers are less satisfied overall than secure and still-favorable customers and less inclined to recommend their local utility or say they would not switch.

At risk customers, who are "very dissatisfied" with their electric utility, "definitely" would switch and "definitely" would not recommend it.

Customer Loyalty Groups				
	Secure	**Favorable**	**Indifferent**	**At Risk**
Milton Hydro				
2021	30%	18%	48%	5%
2020	-	-	-	-
2019	31%	18%	47%	4%
2018	-	-	-	-
2017	23%	21%	45%	11%

Base: total respondents / (-) not a participant of the survey year



Base: total respondents

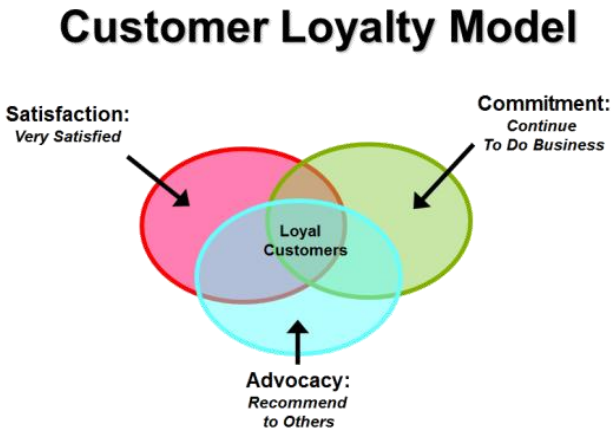
Customer Loyalty Groups				
	Secure	**Favorable**	**Indifferent**	**At Risk**
Ontario				
2021	28%	16%	48%	8%
2020	29%	20%	46%	6%
2019	27%	16%	48%	9%
2018	20%	16%	50%	13%
2017	19%	13%	52%	17%
National				
2021	29%	17%	47%	7%
2020	30%	18%	48%	5%
2019	27%	17%	49%	7%
2018	24%	15%	51%	10%
2017	21%	16%	50%	13%

Base: total respondents

Customer commitment

Customer loyalty is a term used to embrace a range of customer attitudes and behaviours. One of the metrics used to gauge loyalty is the measure of **retention,** or intention to buy again; this loyalty attitude is termed **commitment.** For LDCs, commitment is not about behaviour; it is about attitude, i.e., do they want to remain your customer.

Customer commitment is a very important driver of customer loyalty in the electricity service industry. In a similar way to trust, commitment is considered an important ingredient in successful relationships. In simpler terms, commitment refers to the motivation to continue to do business with and maintain a relationship with a business partner, i.e., the local utility.



For electric utilities, this measurement is about identifying the number of customers who feel they "want to" vs. "have to" do business with you. Potential benefits of commitment may include word of mouth communications - an important aspect of attitudinal loyalty. Committed customers have been known to demonstrate several beneficial behaviours; for example, committed customers tend to:

- Come to you. One of the key benefits of establishing a good level of customer loyalty is customers will come to you when they need a product or service

- Validate information received from 3rd parties with information and expertise that you have
- Try new products/initiatives
- Perhaps they will even trust you when recommendations are made
- Be more price tolerant
- More receptivity of utility viewpoints on various issues
- More tolerance of errors or issues which inevitably take a swipe at the utility
- Stronger levels of perception regarding how the utility is managed.

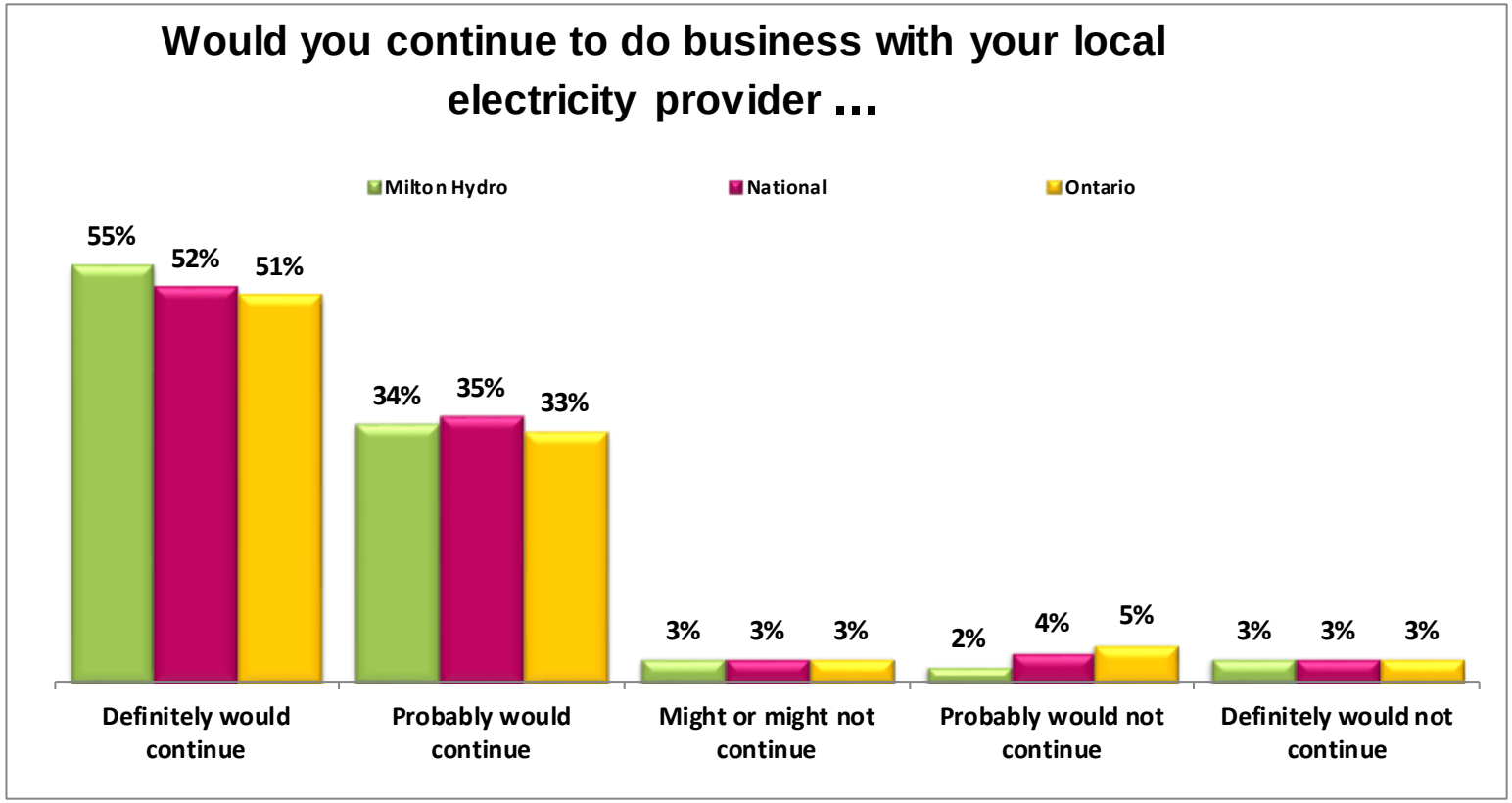
Though customers cannot physically leave you, they can emotionally leave you, and when they do, it becomes an extreme challenge to garner their participation or support for utility initiatives.

Electricity customers' loyalty – … Is a company that you would like to continue to do business with			
	Milton Hydro	**National**	**Ontario**
Top 2 boxes: 'Agree Strongly + Somewhat' would recommend	88%	87%	85%
Agree strongly	55%	52%	51%
Agree somewhat	34%	35%	33%
Neither agree or disagree	3%	3%	3%
Disagree somewhat	2%	4%	5%
Disagree strongly	3%	3%	3%

Base: total respondents

Electricity customers' loyalty – … Is a company that you would like to continue to do business with					
Milton Hydro	**2021**	**2020**	**2019**	**2018**	**2017**
Top 2 boxes: 'Definitely + Probably' would continue	88%	-	89%	-	82%

Base: total respondents / (-) not a participant of the survey year

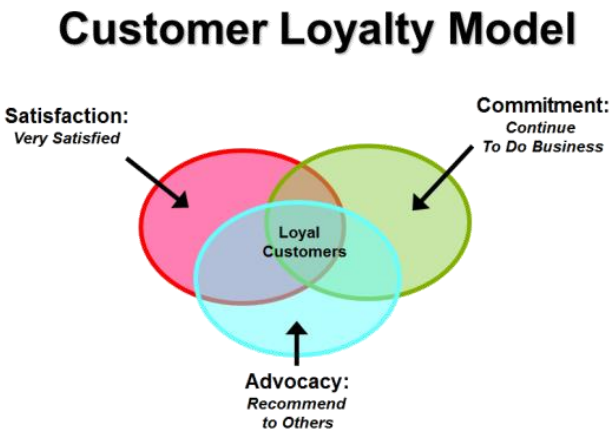


Base: total respondents

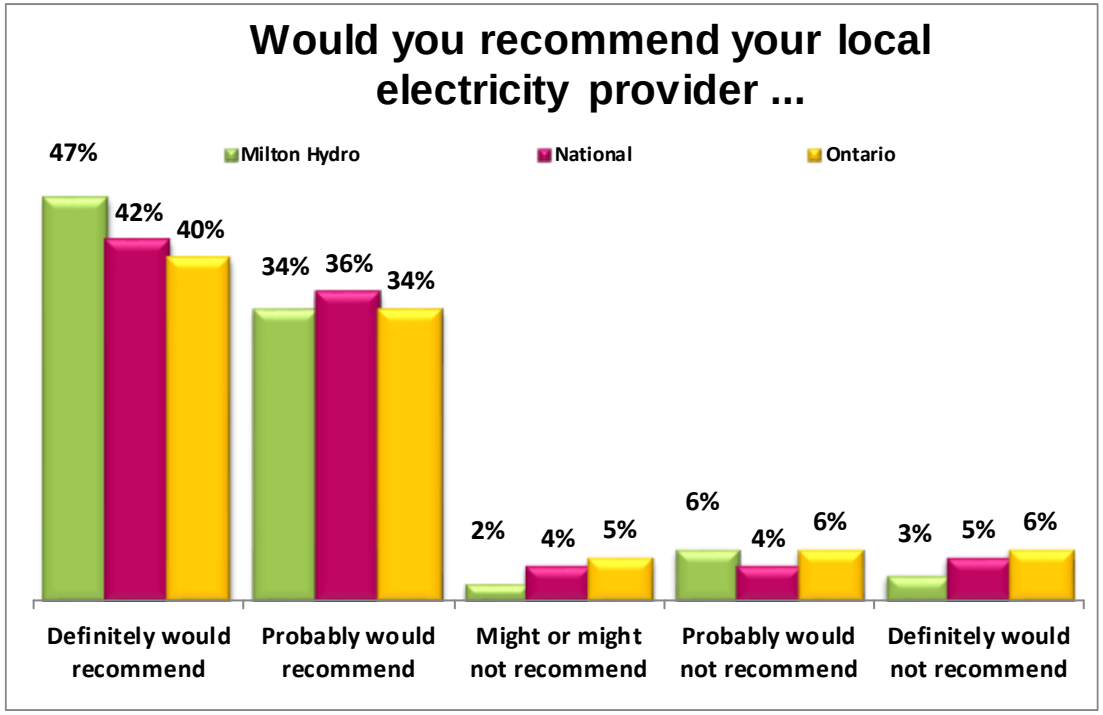
Word of mouth

Advocacy is one of the metrics measured in determining customer loyalty. Essentially, companies believe a loyal customer is one who is spreading the value of the business to others, leading new people to the business, and helping the company grow. Customer referrals, endorsements, and spreading the word are extremely important forms of customer behaviour. For LDCs, this is about generating positive referents about the LDC as a relevant and valuable enterprise.

When customers are loyal to a company, product, or service, they are not only more likely to purchase from the company again, but they are more likely to recommend it to others – to openly share their positive feelings and experiences with others. In today's world, thanks to the Internet, they can tell and influence millions of people. The same holds true, if not more so, when customers are disloyal. Disgruntled customers could share their negative experiences with an ever-widening audience, jeopardizing a company's reputation and resulting in fewer engaged customers and/or customers who are Favourable or Secure. Secure customers typically are advocates, and they are deeply connected and brand-involved.



Would you tell me if you agree or disagree with the following statement? Milton Hydro is a company that you would recommend to a friend or colleague …



Base: total respondents

Word of mouth communication is a potent form of communication and influence. When customers speak to other customers (or their peers), it is more credible; it goes through fewer perceptual filters and can enhance the view of services or products better than marketing communication.

*There are two forms of word of mouth which utilities need to understand. The first is **Experience-based word of mouth** which is the most common and most powerful form. It results from a customer's direct experience with the utility or the re-statement of a direct experience from a trusted source.*

*The second is **Relay-based word of mouth**. This is when customers pass along important messages to others based on what they have learned through the more traditional forms of communications. For example, if the utility was communicating an offer for "free LED lights" chances are high the offer will be "relayed" to others through word of mouth.*

For an electric utility, specific examples of potential positive advocacy behaviour include:

- *Recommending other customers specifically locate in the geographic area which is serviced by that utility*
- *Supporting the utility's positions or actions on energy-related public issues, including the environment*
- *Supporting the utility's position on the location and construction of facilities*
- *Providing testimonials about positive experiences with the utility*

Electricity customers' loyalty – … is a company that you would recommend to a friend or colleague			
	Milton Hydro	National	Ontario
Top 2 boxes: 'Agree Strongly + Somewhat' would recommend	81%	78%	74%
Agree strongly	47%	42%	40%
Agree somewhat	34%	36%	34%
Neither agree or disagree	2%	4%	5%
Disagree somewhat	6%	4%	6%
Disagree strongly	3%	5%	6%

Base: total respondents

Electricity customers' loyalty – is a company that you would recommend to a friend or colleague					
Milton Hydro	2021	2020	2019	2018	2017
Top 2 boxes: 'Definitely + Probably' would recommend	81%	-	81%	-	76%

Base: total respondents / (-) not a participant of the survey year

Our survey research, as well as theory, backs up the fact that if your customers are willing to endorse you and put their reputation on the line to recommend you, they also trust you and are satisfied with the service you are providing.

Net Supporter Score (NSS) vs. Net Promoter Score (NPS)

The Net Supporter Score™ (NSS) is a metric which measures how likely customers could ***support*** policy changes, actions, programs, or service changes or enhancements the LDC wishes to make. The NSS is a metric developed to help the organization and its people continue on a path of improving customer experiences, whether those experiences are in-person, over the telephone, or online. In a nutshell, the NSS reflects the net number of customers who have confidence in the LDC to continue to serve in their best interests.

In a world where technology, societal, legislative, and regulatory changes can happen quickly, utilities need to adapt and respond professionally without causing customer disruption. Supporters may not "like" a change, but they are more likely to "support" the change because they believe the utility is operating in the best interests of all parties.

Net Supporter Score™ (NSS)			
	Opportunity Range <20%	Good Range 20-40%	Very Good Range 40+%
Milton Hydro	--	25%	--
Ontario Benchmark	--	20%	--

Base: total respondents; range bands represent 2021 data and can change year-to-year

Milton Hydro has a Net Supporter Score™ (NSS) of 25%**.** The Ontario benchmark is 20% and the UtilityPULSE database average is 26%.

The Net Promoter Score™ (NPS) is a well-known measurement that is respected for its simplicity and tendency to help an organization and its people focus on customer experiences. For utilities, customers with a high net promoter score may be good candidates for increased outreach and offer demand response and other utility programs. In a sense, it is a complementary measure to the well-established loyalty measure we call “Secure” customers.

Nonetheless, the NPS is an easy calculation and is based on the score of one question. That question is about the subject of “recommend to others.” The NPS was designed to help companies sell more products and services. For utilities, the NPS is best suited as an affinity gauge. Like other measures, Satisfaction, Loyalty, CEES, CEPr, NSS, and others, NPS is another measure that can promote internal dialogue about how processes, policies, and service can evolve so that more customers would “recommend” the utility.

The NPS metric was developed by and is a registered trademark of Fred Reichheld, Bain & Company, and Satmetrix in 2003.

Milton Hydro has a Net Promoter Score™ (NSS) of 35%**.** The Ontario benchmark is 24%, and the UtilityPULSE database average is 35%.

Net Promoter Score™ (NPS)			
	Opportunity Range <5%	**Good Range 5-25%**	**Very Good Range 25+%**
Milton Hydro	--	--	35%
Ontario Benchmark	--	24%	--

Base: total respondents; range bands represent 2021 data and can change year-to-year

Corporate image

Although reputation is an intangible concept, a strong corporate image makes it easier to capture the attention of more customers – more often. Also, to be seen as an independent organization, thereby making it easier to introduce new ideas. Employees appreciate a strong corporate image.

Attributes measured in the annual UtilityPULSE survey which are strongly linked to a utility's image include:

Attributes linked to Company Image and Reputation			
	Milton Hydro	**National**	**Ontario**
Keeps its promises to its customers and community	85%	83%	83%
Adapts well to changes in customer expectations	80%	78%	76%
Pro-active in communicating changes and issues which may affect service	80%	79%	79%
Customer-focused and treats customers as if they're valued	85%	79%	79%
Spends money prudently to keep the electricity system reliable	84%	77%	76%
Is a socially responsible company	85%	83%	82%
Company to recommend	85%	83%	82%
Delivers on its service commitments	89%	86%	86%
Is 'easy to do business with'	86%	84%	84%
Operates a cost-effective electricity system	74%	75%	70%
Is a trusted and trustworthy company	88%	84%	84%

Base: total respondents with an opinion

Corporate Credibility & Trust

Credibility is a judgment customers and others make about whether a person or an organization has the competencies and experience to do what they promise to do. Trust is a feeling or belief that a person or an organization they are dealing with is doing so in an honest, open manner with no hidden agendas. How customers and other stakeholders respond to your communications is affected by the person's perception. Without credibility and trust, everything you say to customers, employees, and others can be questioned.

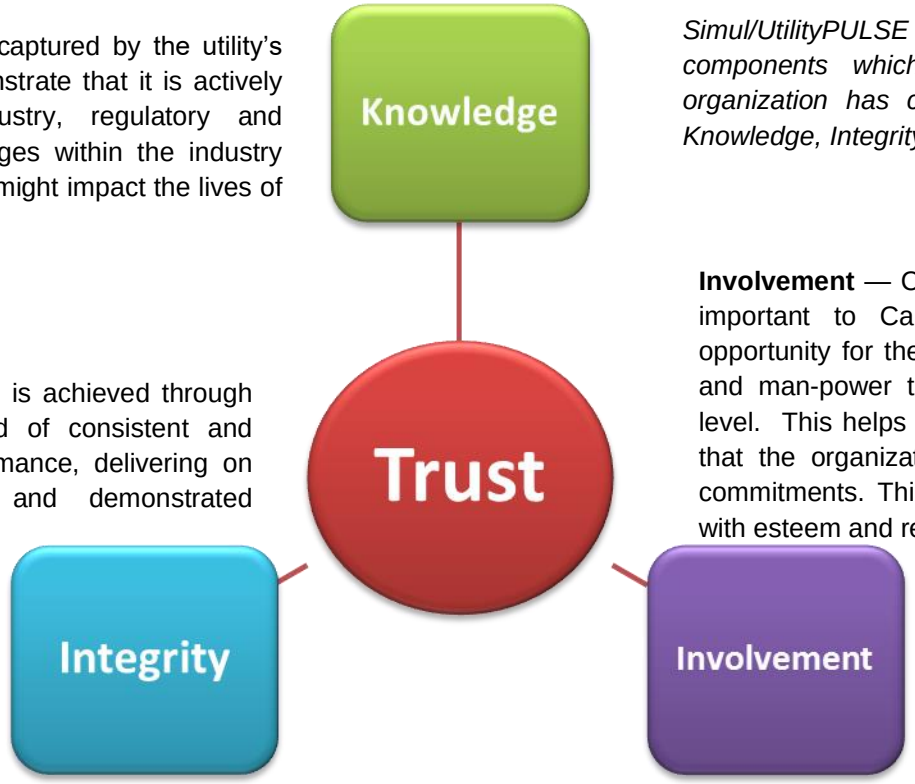
Of paramount importance to maintaining credibility & trust is effectively managing expectations—customers, employees, and other stakeholders that matter to the business of the LDC. A key to this is open and honest communications. An important benefit of having a high degree of credibility & trust is, authentic collaboration can become a reality. Credibility & trust is a powerful currency for building relationships. Credibility & trust are outcomes based on what the LDC does, not what it might be doing.

Attributes strongly linked to Credibility & Trust			
	Milton Hydro	**National**	**Ontario**
Efficiently manages the electricity system	87%	83%	82%
Keeps its promises to customers and the community	85%	83%	83%
Customer-focused and treats customers as if they're valued	85%	79%	79%
Is a trusted and trustworthy company	88%	84%	84%

Base: total respondents with an opinion

Knowledge is captured by the utility's ability to demonstrate that it is actively aware of industry, regulatory and economic changes within the industry and how these might impact the lives of customers.

Simul/UtilityPULSE research shows the under-pinning components which lead customers to believe an organization has credibility and can be trusted are: Knowledge, Integrity, Involvement and Trust.



Involvement — Corporate Involvement is increasingly important to Canadian communities as it is an opportunity for their local utility to use their resources and man-power to benefit people at the community level. This helps to build credibility as customers see that the organization is acting and delivering on its commitments. This helps customers regard the utility with esteem and respect.

Trust — Trust is achieved through a track record of consistent and reliable performance, delivering on commitments and demonstrated accountability.

Integrity is established by demonstrating adherence to a code of conduct. It requires consistently acting in accordance with the values and goals that have been communicated to customers.

Credibility and Trust Index

Milton Hydro 86%

Ontario 84%

National 84%

Priority Planning

Customers are impatient, employees are impatient, company leadership is impatient, we want everything ‘right now’ and at ‘no cost.’ Priority planning is about having a (reasonably) clear focus on what is important to customers or other stakeholders, and to help people from feeling overwhelmed. By engaging stakeholders and obtaining their input in undertaking a priority planning process helps to build "prepared minds"—that is, to make sure that the LDC decision-makers have a solid understanding of customer priorities, and what things the business might need to change or make investments in.

Respondents were asked to comment on the priority level of the implementation or execution of different initiatives/projects which encompass operational aspects and/or financial commitment.

A well-communicated sense of organizational priorities helps to align most of the projects and programs in an organization to its strategies. Prioritizing increases the success rates of infrastructure projects or other capital initiatives, increases the alignment and focus of senior management teams around strategic goals, allows operational teams to make better decisions, and,

most important, has everyone aiming to complete set targets.

Looking at a time horizon spanning five years, customers were asked to weigh in on the priority of Milton Hydro undertaking various projects or initiatives.

Priority Planning within the next 5 years		
Top 2 Boxes: 'very high + high priority'	**Milton Hydro**	**Ontario LDCs**
Investing more in the electricity grid to reduce outages	86%	83%
Developing a SMART phone application to allow you to view your electricity use and pay your bill	58%	52%
Maintaining and upgrading equipment to ensure a safe and reliable electricity supply	94%	92%
Providing sponsorships to local community causes	52%	52%
Increasing the use of social media (such as Twitter, Facebook, and others)	31%	27%
Providing more self-serve services on the website	58%	45%
Educating customers about energy conservation	75%	69%
Reducing response times to outages	86%	84%
Investing more in vegetation management (clearing trees and brush around powerlines for increased safety and reliability)	76%	75%
Educating the public as it relates to electricity safety	73%	69%
Investing in projects to reduce the environmental impact of Milton Hydro's operations	77%	75%
Increasing the use of e-billing and paper-free communication options to reduce environmental impact and improve cost-effectiveness	72%	65%
Investing to ensure that more frequent and severe weather events will cause less damage to distribution system	88%	86%
Preventing data breaches and system disruptions due to cyberattack	88%	84%
Burying overhead wires	68%	62%

Base: total respondents / An aggregate of respondents from 2021 participating LDCs

How can service to customers be improved?

The electric utility industry is in a state of continuous transformation. External factors - including shifts in governmental policies, a global thrust to conserve energy, advances in new technologies, and power generation are driving massive changes throughout the industry. LDCs of today and the future can also expect a much more intense level of customer involvement. UtilityPULSE research shows customers want to be heard.

Despite all the talk today centered on quality, new processes and systems, continuous improvement, and costs unless all of this is aimed at obtaining customer satisfaction, it will not be worth much over the longer term.

Qualitative questions typically do not provide statistical richness, which is associated with a quantitative question. However, they do provide words, phrases, insights into the thinking patterns and/or feelings of customers. This means qualitative questions have an interpretive richness that assists in deriving meaning from the survey. The broader range of suggestions we are getting when conducting the survey is a sign the customer base is becoming more and more segmented. Not all customers are the same.

The struggle for electric utilities is finding the right balance between cost-effective, technology-enabled approaches to customer services and person-to-person contact.

Customers want their utility to focus on what matters most; offer products and services which “make a difference in their life,” “gives them peace of mind” and “delivered by trusted and credible people.”

We are interested in knowing what you think are the one or two most important things Milton Hydro could do to improve service to their customers?

One or two most important things 'your local utility' could do to improve service	
	Milton Hydro
Better prices / lower rates	44%
Better communications / be pro-active	12%
Better power reliability / less power outages	11%
More information & incentives on energy conservation	8%
Be more efficient / cost-effective	7%
Better website	6%
Be more environmentally friendly	6%
Create an online APP	6%
Better information on outages when they occur	5%
Better maintenance	5%
Restore power faster	4%
Pay bill online	3%
Get involved with green energy	3%

Base: total respondents with suggestions

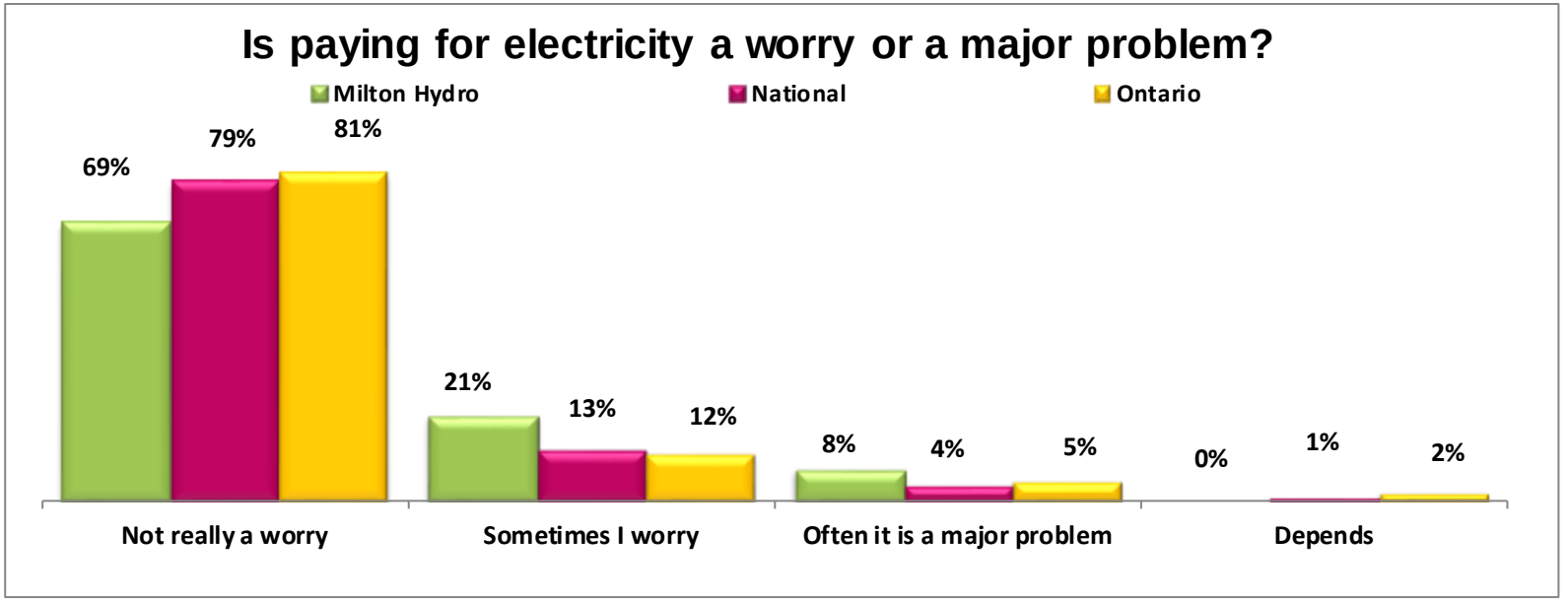
What do customers think about electricity costs?

A conversation with almost any LDC customer will migrate into a conversation around cost. The concern around cost has little to do with age or income, or whether the customer uses a little or a lot of electricity – they all have a concern over costs. Unfortunately, very few customers know how much their LDC gets, of the total electricity bill, to manage the electricity network safely. A customer concern over costs is first and foremost a concern over the total bill. It doesn't help that there have been industry issues, or frequent changes to the pricing of the electricity (as a commodity). The ability to pay is highly correlated to satisfaction.

Next, I am going to read several statements people might use about paying for their electricity. Which one comes closest to your own feelings, even if none is exactly right? Paying for electricity is not really a worry. Sometimes I worry about finding the money to pay for electricity, or Paying for electricity is often a major problem?

Is paying for electricity a worry or a major problem?				
	Not a worry	**Sometimes**	**Often**	**Depends**
Milton Hydro	69%	21%	8%	-
National	79%	13%	4%	1%
Ontario	81%	12%	5%	1%

Base: total respondents



Base: total respondents

Is paying for electricity a worry or a major problem?				
	Not a worry	Sometimes	Often	Depends
Milton Hydro				
<$30,000	39%	44%	17%	0%
$30<$75,000	54%	39%	7%	0%
$75,000+	73%	18%	8%	1%

Base: total respondents

Is paying for electricity a worry or a major problem?				
	Not a worry	Sometimes	Often	Depends
Ontario				
2021	81%	12%	5%	1%
2020	78%	16%	3%	0%
2019	72%	19%	7%	1%
2018	68%	21%	8%	1%
2017	61%	26%	10%	1%
National				
2021	79%	13%	4%	1%
2020	78%	15%	3%	1%
2019	74%	18%	6%	0%
2018	71%	18%	7%	0%
2017	67%	19%	11%	1%

Base: Ontario and National Benchmarks

Impact of COVID

The pandemic is ongoing, and the situation continues to evolve. Businesses and families continue to deal with the impact. Many businesses have seen a substantial reduction in revenues, lay-offs and even closures. Milton Hydro's customers have reported the following economic impacts:

Economic impact of COVID-19 pandemic	
	Residential
Moved to work from home environment	50%
Reduced hours or shifts per week	14%
Reduced salary/pay cut	11%
Increased hours or shifts	10%
Closed business (for self-employed)	8%
Lost job	7%
Lay-off	6%
Leave of absence	2%
None of the above	30%

Base: total RESIDENTIAL respondents

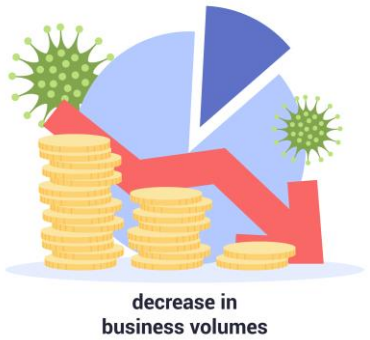
As reported by residential respondents of Milton Hydro:

14% experienced reduced hours or shifts at work while **50%** moved to a work from home environment.

Base: total RESIDENTIAL respondents

Economic impact of COVID-19 pandemic	
	Commercial
Business continued during the pandemic	48%
Employees worked from home where practical	40%
Experienced a significant decline in revenue	35%
Reduced employee hours or shifts	33%
Laid off employees	23%
Closed the business	18%
Experienced significant sales increase	7%
Increased employee hours or shifts	5%
None of the above	5%

Base: total COMMERCIAL respondents



As reported by commercial respondents of Milton Hydro:

35% experienced a significant decline in revenue while **18%** had to close their business.

Base: total COMMERCIAL respondents

Business owners have employed several strategies to continue operating. Currently, the most difficult aspect to manage is the uncertainty of the current day to day landscape. Whether business owners continue to face challenges or have an opportunity to capitalize and pivot their businesses, there is optimism we are navigating our way back to a “new” normal and the economy will rebound once the pandemic subsides.

What do small commercial customers think?

Based on data in the UtilityPULSE database, small commercial customers have relatively similar views to residential customers about their utility. The tables associated with this report will contain your LDC's specific information as it relates to residential and commercial customers. A word of caution, smaller data samples create greater swings or spreads in the data, hence mitigating the effect of a small data sample by using the UP database. Your specific data can be found in your tables. What follows are the findings from this cohort of LDCs.

Small Commercial Customer (General Service < 50kW Demand)

A small commercial customer is defined by the OEB as a non-residential customer in a less than 50 kW demand rate class. These customers are similar to the residential customer in that their bill does not have a demand component to it and their charges are based upon KWH of consumption. Most of these customers would occupy small storefront locations or offices

An area of concern is the LDC's ability to "target" its communications to the type of business. Beyond having a contact telephone number, company name, and address, there isn't much "knowledge" about the small commercial customer. In a time when "targeted" communication is important, knowing the type of category of small commercial accounts would assist LDCs in delivering meaningful messages in an effective way. This

could be particularly important in the area of managing consumption, i.e., day, or time of day when energy use is high. In time, LDCs will have to do a better job of segmenting their communication. After all, a small restaurant is different from a small accounting office.

Satisfaction: Pre & Post		
Satisfaction (Top 2 Boxes: 'very + somewhat satisfied')	**Residential**	**Commercial**
Initially	93%	95%
End of Interview	93%	93%

Base: total respondents from the 2021 UtilityPULSE Database

Killer B's: Outages & Bills problems		
	Residential	**Commercial**
Respondents with outage problems	36%	30%
Respondents with billing problems	7%	10%

Base: total respondents from the 2021 UtilityPULSE Database

Did you try to contact your electric utility about ANY issue over the past 12 months?		
	Residential	**Commercial**
Yes	24%	39%
No	75%	60%

Base: total respondents from the 2021 UtilityPULSE Database

How many times did you contact your utility?		
	Residential	Commercial
1	38%	29%
2	28%	28%
3	14%	13%
More than 3	17%	28%

Base: total respondents from the 2021 UtilityPULSE Database who responded 'YES' to contact the utility over past 12 months

Which issue prompted contact with the utility?		
	Residential	Commercial
Outages	51%	39%
Billing	41%	59%
An issue other than Billing or Outages	19%	17%

Base: total respondents from the 2021 UtilityPULSE Database who responded 'YES' to contact the utility over past 12 months

How many outages have you had in last 12 months?		
	Residential	Commercial
1	17%	12%
2	22%	27%
3	20%	9%
More than 3	40%	49%

Base: total respondents from the 2021 UtilityPULSE Database who responded 'OUTAGES' to issue prompting contact to the utility

Did you visit the utility's website to try to resolve your issue on your own, or to get more clarity before contacting the utility?		
	Residential	Commercial
Yes	43%	39%
No	57%	61%

Base: total respondents from the 2021 UtilityPULSE Database who responded 'YES' to contact the utility over past 12 months

Communication methods used to contact local utility		
	Residential	Commercial
Telephone	90%	95%
Email	8%	16%
The utility's website	7%	3%
Social media i.e. Twitter, Facebook	2%	0%
Mail	1%	1%
In-person	2%	1%

Base: total respondents

Overall satisfaction with most recent experience		
	Residential	Commercial
Top 2 Boxes: 'very + somewhat satisfied'	73%	74%
Bottom 2 Boxes: 'somewhat + very dissatisfied'	25%	24%

Base: total respondents from the 2021 UtilityPULSE Database

As it relates to the six attributes associated with customer service:

Very or fairly satisfied with…	Residential	Commercial
The time it took to contact someone	72%	69%
The time it took someone to deal with your problem	66%	71%
The helpfulness of the staff who dealt with your problem	71%	79%
The knowledge of the staff who dealt with your problem	72%	82%
The level of courtesy of the staff who dealt with your problem	81%	89%
The quality of information provided by the staff member	70%	80%

Base: total respondents from the 2021 UtilityPULSE Database

Comparisons between Residential and Commercial		
Loyalty Groups	**Residential**	**Commercial**
Secure	32%	34%
Still Favourable	17%	18%
Indifferent	46%	43%
At risk	6%	5%

Base: total respondents from the 2021 UtilityPULSE Database

Loyalty Model Factors		
	Residential	Commercial
Very/somewhat satisfied	93%	95%
Definitely/probably would continue	88%	91%
Definitely/probably would recommend	81%	86%

Base: total respondents from the 2021 UtilityPULSE Database

Is paying for electricity a worry or a major problem?		
	Residential	Commercial
Not a worry	32%	34%
Sometimes	17%	18%
Often	46%	43%
Depends	6%	5%

Base: total respondents from the 2021 UtilityPULSE Database

Important attributes which describe operational effectiveness		
	Residential	Commercial
Provides consistent, reliable electricity	91%	92%
Delivers on its service commitments to customers	88%	89%
Has accurate billing	88%	88%
Quickly handles outages and restores power	89%	89%
Makes electrical safety a top priority	89%	91%
Efficiently manages the electricity system	85%	86%
Is a company that is 'easy to do business with'	86%	87%
Operates a cost-effective electricity distribution system	75%	75%
Standard of reliability meets expectations	89%	90%

Base: total respondents from the 2021 UtilityPULSE Database with an opinion

Important attributes which shape perceptions about corporate image		
	Residential	Commercial
Keeps its promises to customers and the community	85%	86%
Is a socially responsible company	85%	85%
Is a trusted and trustworthy company	87%	87%
Adapts well to changes in customer expectations	80%	82%

Base: total respondents from the 2021 UtilityPULSE Database with an opinion

Important attributes which shape perceptions about service quality and value		
	Residential	Commercial
Is pro-active in communicating changes and issues which may affect your electricity service	81%	82%
Provides good value for money	74%	75%
Customer-focused and treats customers as if they're valued	82%	83%
Deals professionally with customers' problems	87%	88%
Spends money prudently	82%	82%
Provides information and tools to help manage electricity consumption	81%	80%
The cost of electricity is reasonable when compared to other utilities	69%	68%

Base: total respondents from the 2021 UtilityPULSE Database with an opinion

Economic impact of COVID-19 pandemic	
	Residential
Closed business (for self-employed)	4%
Reduced hours per week	10%
Reduced salary/pay cut	6%
Lay-off	6%
Lost job	5%
Moved to a work from home environment	26%
Leave of absence	3%
Increased hours or shifts per week	6%
None of the above	53%

Base: total RESIDENTIAL respondents from the 2021 UtilityPULSE Database

Economic impact of COVID-19 pandemic	
	Commercial
Closed the business	20%
Laid off employees	29%
Experienced a significant decline in revenue (sales)	44%
Business continued during the pandemic	50%
Employees worked from home where practical	38%
Increased employee hours or shifts	13%
Reduced employee hours or shifts	38%
Experienced a significant increase in revenue (sales)	13%
None of the above	4%

Base: total COMMERCIAL respondents from the 2021 UtilityPULSE Database

Method

The findings in this report are based on telephone interviews conducted for Simul Corp. / UtilityPULSE by Logit Group between August 16 - September 12, 2021, with 402 respondents who pay or look after the electricity bills from a list of residential and small and medium-sized business customers supplied by Milton Hydro.

The sample of phone numbers chosen was drawn randomly to ensure each business or residential phone number on the list had an equal chance of being included in the poll.

The sample was stratified so that 85% of the interviews were conducted with residential customers and 15% with commercial customers.

In sampling theory, in 19 cases out of 20 (95% of polls in other words), the results based on a random sample of 402 residential and commercial customers will differ by no more than ±4.90 percentage points where opinion is evenly split.

This means you can be 95% certain that the survey results do not vary by more than 4.90 percentage points in either direction from results that would have been obtained by interviewing all Milton Hydro residential and small and medium-sized commercial customers if the ratio of residential to commercial customers is 85%:15%.

The margin of error for the sub-samples is larger. To see the error margin for subgroups, use the calculator at http://www.surveysystem.com/sscalc.htm.

Interviewers reached 3,566 households and businesses from the customer list supplied by Milton Hydro. The 402 who completed the interview represent a 11% response rate.

The findings for the Simul/UtilityPULSE National Benchmark of Electric Utility Customers are based on telephone interviews conducted with adults throughout the country who are responsible for paying electric utility bills. The ratio of 85% residential customers and 15% small and medium-sized business customers in the National study reflects the ratios used in the local community surveys. The margin of error in the National poll is ±3.10 percentage points at the 95% confidence level. The margin of error in the Ontario poll is ±3.10 percentage points at the 95% confidence level.

For the National study, and the Ontario study, the sample of phone numbers chosen was drawn by recognized probability sampling methods to ensure each region of the

country/province was represented in proportion to its population and by a method that gave all residential telephone numbers, both listed and unlisted, an equal chance of being included in the poll.

The data were weighted in each region of the country to match the regional shares of the population.

The margin of error refers only to sampling error; other non-random forms of error may be present. Even in true random samples, precision can be compromised by other factors, such as the wording of questions or the order in which questions were asked.

Random samples of any size have some degree of precision. A larger sample is not always better than a smaller sample. The important rule in sampling is not how many respondents are selected but how they are selected. A reliable sample selects poll respondents randomly or in a manner which ensures that everyone in the population being surveyed has an equal chance of being selected.

How can a sample of only several hundred truly reflect the opinions of thousands or millions of electricity customers within a few percentage points?

Measures of sample reliability are derived from the science of statistics. At the root of statistical reliability is probability, the odds of obtaining a particular outcome by chance alone. For example, the chances of having a coin come up heads in a single toss are 50%. A head is one of only two possible outcomes.

The chance of getting two heads in two coin tosses is less because two heads are only one of four possible outcomes: a head/head, head/tail, tail/head, and tail/tail.

But as the number of coin tosses increases, it becomes increasingly more likely to get outcomes that are either close to or exactly half heads and half tails because there are more ways to get such outcomes. Sample survey reliability works the same way but on a much larger scale.

As in coin tosses, the most likely sample outcome is the true percentage of whatever we are measuring across the total customer base or population surveyed. Next, most likely are outcomes very close to this true percentage. A statement of the potential margin of error or sample precision reflects this.

Some pages in the computer tables also show the standard deviation (S.D.) and the standard error of the estimate (S.E.) for the findings. The standard deviation embraces the range where 68% (or approximately two-thirds) of the respondents would fall if the distribution of answers were a normal bell-shaped curve. The spread of responses is a way of showing

how much the result deviates from the "standard mean" or average. In the Milton Hydro data on corporate image, Simul converted the answers to a point scale with 4 meaning agree strongly, 3 meaning agree somewhat, and so on (see in the computer tables).

For example, the mean score is 3.70 for providing consistent, reliable electricity. The average is 3.16 for provides information and tools to help customers manage electricity consumption.

For reliable electricity, the standard deviation is 0.55 . For provides information and tools to help customers manage electricity consumption, the Standard Deviation (S.D.) is 0.88. These findings mean there is a wider range of opinion – meaning less consensus – about help to manage electricity consumption vs Milton Hydro energy supplies are reliable.

Beneath the S.D.. in the tables is the standard error of the estimate. The S.E. is a measure of confidence or reliability, roughly equivalent to the error margin cited for sample sizes. The S.E. measures how far off the sample's results are from the standard deviation. The smaller the S.E., the greater the reliability of the data.

In other words, a low S.E. indicates the answers given by respondents in a certain group (such as residential bill payers or women) do not differ much from the probable spread of the answers "predicted" in sampling and probability theory.

In certain instances, all of the sub-datasets from the entire UtilityPULSE database for 2021 were concatenated in order to use the average of all the control samples for comparison.

UtilityPULSE, through polls and surveys, provides executives and managers with customer feedback that assists in making strategic and operational decisions. You know lots of companies that can gather data and then give a report. We believe that by specializing in the utility sector with our polls and surveys, you get a stronger analysis of data and answers to critical questions that help you formulate key strategies to assist your leaders in creating a better place to work and a better place to do business with.

UtilityPULSE is uniquely positioned to help your utility get feedback from Customers through its Annual Electric Utility Customer Satisfaction Survey or customized research designed for you. In addition, we understand what it takes to create an organization where employees are engaged and enthusiastic about customers and their work.

We're the only research company with 23 continuous years of producing an independent Ontario and National benchmark.

Anyone can collect and present data – we believe understanding the industry before doing so is crucial.

Contact us when experience, expertise, and high standards are essential for your next customer engagement activity. We promise to listen to your needs and design and delivery a customer engagement activity or survey which meets your needs.

Your personal contact is:

David Malesich

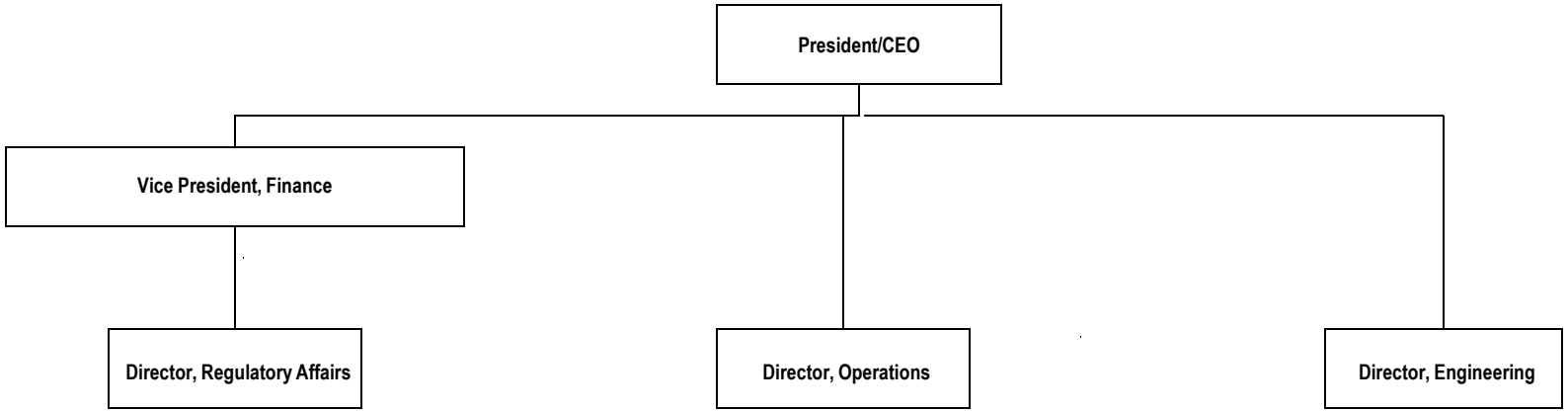
Phone: (647)274-9420 E-mail: david@utilitypulse.com

Attachment 1-8

Senior Management Team Organization Chart

Attachment CCC-9-1

MHDI Sr. Management Team



April 2020

Attachment 3-1

2021-2024 CDM Framework Program Plan

2021-2024 Conservation and Demand Management Framework

2021-2024 Conservation and Demand Management Framework Program Plan

The Conservation and Demand Management (CDM) Framework Program Plan is an overview of the CDM programs to be delivered by the IESO, under the Save on Energy brand, from January 2021 to December 2024. The plan sets out forecast budgets and, where applicable, savings targets and estimated cost-effectiveness for the portfolio of CDM programs.

The IESO will report on program participation, expenditures against budget, and progress towards demand and energy savings targets, greenhouse gas emission reductions, and additional achievements of the Energy Affordability Program and on-reserve First Nations programs, on an annual and quarterly basis. In addition, the IESO will undertake a formal review of progress and strategy at the midpoint of the framework in late 2022. This review is to ensure that the CDM program offerings, targets, and budget are effectively meeting both electricity system and customer needs. Findings and recommendations from the midterm review may be used to adjust and enhance the CDM program offerings for the second half of the framework.

2021-2024 CDM Framework Overview

The 2021-2024 CDM Framework focuses on cost-effectively meeting the needs of electricity consumers and Ontario's electricity system through the delivery of programs and opportunities to enable electricity consumers to improve the energy efficiency of their homes, businesses and facilities. As Ontario recovers from potential impacts of the Novel Coronavirus (COVID-19), the IESO and government recognize that electricity CDM programs provide continued opportunities for electricity consumers to save on energy costs and are an important contributor to Ontario's economy. Additional focus areas of the framework include:

- Achieving provincial peak demand reductions and implementing targeted approaches to address regional/local system needs using demand side solutions as cost-effective alternatives to traditional infrastructure investments
- Leveraging competitive mechanisms to drive cost efficiencies and support innovative customer based-solutions

Details about the various incentives offered through each program and how to apply for programs is available at SaveOnEnergy.ca.

Budget and Targets:

The plan, which is subject to changes and revisions over time, allocates the 2021-2024 Conservation and Demand Management Framework budget of up to $692 million over the suite of programs and is forecasted to achieve 440 MW of peak demand savings and 2.7 TWh of electricity savings.

Reporting:

As part of its responsibilities, the IESO will publish the verified results of its Evaluation, Measurement, and Verification (EM&V) of the savings resulting from the 2021-2024 CDM Framework, as well as costs related to its activities in support of programs such as audits, capability building and training. The IESO will publish verified program results on a yearly basis, as well as quarterly program updates, to inform the sector on the progress to meeting the targets.

Cost Effectiveness:

Program cost-effectiveness under the 2021-2024 CDM Framework for the CDM Plan is assessed using forecasted program participation and supply side avoided costs – which estimate the cost of supplying that same amount of energy from the current electricity generation mix. The IESO Cost-Effectiveness Guide is available on the IESO website. Cost effectiveness in this plan is based on avoided supply costs developed in the IESO's January 2020 Annual Planning Outlook and may be updated at mid-term subject to changes in updated annual planning outlooks.

2021-2024 CDM Framework Summary Tables

- *The following tables outline the associated budget, electricity and demand savings, and cost-effectiveness of the programs delivered under the 2021-2024 CDM Framework.*

Budget

Program	Budget ($M)			
	2021	2022	2023	2024
Retrofit Prescriptive Program	57.6	54.5	39.0	39.0
Small Business Program	9.1	9.2	5.1	5.1
Energy Performance Program	4.4	3.5	6.9	7.2
Energy Management	3.5	8.3	14.0	14.0
Customer Solutions	0.0	0.0	55.0	55.0
Local Initiatives	15.4	14.5	18.0	17.7
Total Business Programs	**90.0**	**90.0**	**138.0**	**138.0**
Energy Affordability Program	36.7	37.5	38.9	40.2
First Nations Program	9.0	9.0	9.0	9.0
Total Support Programs	**45.7**	**46.5**	**47.9**	**49.3**
Total all Programs	**135.7**	**136.5**	**185.9**	**187.2**
Customer Education and Tools	0.3	0.3	0.3	0.3
Central Services - Business	9.7	9.7	11.7	11.7
Central Services - Support	0.3	0.8	0.8	0.8
Total IESO Services	**10.3**	**10.8**	**12.8**	**12.8**
Total Annual Budget	**146.0**	**147.3**	**198.7**	**200.1**
CDM Framework Total				**692.0**

Peak Demand and Energy Savings

	Peak Demand Savings (MW)				Energy Savings (GWh)			
Program	**2021**	**2022**	**2023**	**2024**	**2021**	**2022**	**2023**	**2024**
Retrofit Program	57.7	54.5	42.2	42.2	354.3	337.8	217.2	217.2
Small Business Program	5.3	3.9	1.9	2.1	40.2	28.5	14.3	15.3
Energy Performance Program	2.8	2.2	4.3	4.5	21.8	17.3	34.1	35.6
Energy Management	2.1	6.8	16.1	16.1	16.4	47.3	115.2	115.2
Customer Solutions	0.0	0.0	44.1	44.1	0.0	0.0	325.7	325.7
Local Initiatives	13.6	12.5	15.7	15.3	52.4	52.4	62.9	62.9
Total Business Programs	**81.3**	**79.9**	**124.3**	**124.3**	**485.0**	**483.3**	**769.4**	**771.9**
Energy Affordability Program	6.1	6.5	6.7	7.0	47.6	50.3	52.3	54.0
First Nations Program	1.2	0.9	0.9	0.9	10.3	7.3	7.3	7.3
Total Support Programs	**7.3**	**7.4**	**7.6**	**7.9**	**57.9**	**57.7**	**59.6**	**61.5**
Total Annual Savings	**88.6**	**87.3**	**131.9**	**132.2**	**542.9**	**541.0**	**829.0**	**833.4**
CDM Framework Total				**440**				**2746**

Program Cost-Effectiveness

	Cost Effectiveness		
	Program Administrator Cost (PAC) Ratio	Levelized Unit Energy Costs ($/MWh)	Levelized Unit Capacity Costs ($'000/MW-yr)
Retrofit Prescriptive Program	2.3	19	118
Small Business Program	1.1	39	308
Energy Performance Program	1.5	31	246
Energy Management	1.5	29	208
Customer Solutions	2.2	22	164
Local Initiatives	1.4	37	148
All Business Programs	**1.9**	**25**	**155**

Technical Notes:

- *Peak demand savings are calculated in accordance with the IESO Evaluation, Measurement and Verification Protocols and Requirements which are available on IESO.ca Peak demand savings and energy savings are persisting savings in 2026.*
- *Budgets are funds committed in the calendar year; energy and demand savings in a calendar year are those resulting from the budget commitment.*
- *Cost effectiveness is calculated in accordance with the IESO's Cost Effectiveness Guide which is available on IESO.ca. Avoided supply costs are based on the IESO's January 2020 Annual Planning Outlook.*
- *As per the September 30th Ministerial Directive, the Energy Affordability Program and First Nation Programs are not required to meet cost effectiveness thresholds as these programs provide significant non-energy benefits not captured through cost-effectiveness analysis.*

Attachment 3-2
Annual Planning Outlook

Annual Planning Outlook

Demand Forecast Methodology

December 2021

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Connecting Today.
Powering Tomorrow.

Table of Contents

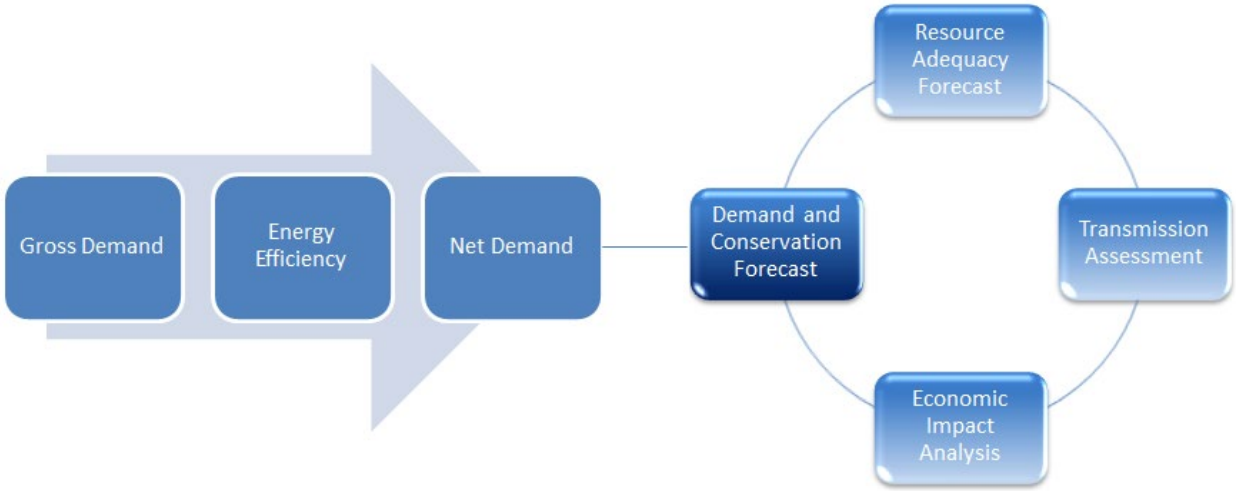
1. Introduction

The IESO produces annual planning outlooks (APOs) for the province. The demand for electricity establishes the context for resource adequacy and transmission security assessments as it determines the amount of electricity that must be served.

2. Role of the Demand Forecast within the Bulk System Planning Process and the Annual Planning Outlook

The demand for electricity establishes the context for integrated planning as it determines the amount of electricity that must be served. The IESO updates the demand forecast to provide context for updated integrated plans, conservation program planning and supply procurement decisions. The demand for electricity establishes the context for integrated planning as it determines the amount of electricity that must be served. Electricity requirements are affected by many factors, including choice of energy form, technology, equipment purchasing decisions, behaviour, demographics, population, the economy, energy prices, transportation policy and conservation. The IESO monitors and interprets these and other factors on an ongoing basis to develop outlooks against which integrated planning can take place. The first step in the development of the APO is to determine a long-term demand forecast.

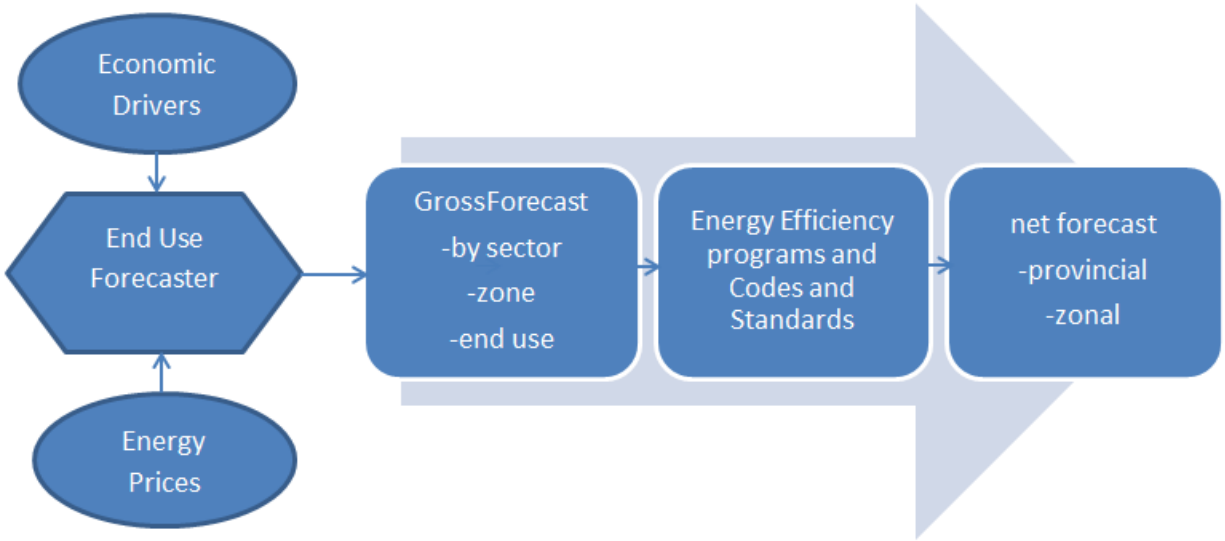
Figure 1: How the Demand Forecast Fits into Bulk System Planning Process



3. Demand Forecasting Process

Overview: the process used to develop the demand forecast is illustrated in Figure 2 below.

Figure 2: Demand Forecasting Process



1. **Annual Gross Energy Demand Forecast**: the production of the IESO's planning forecast begins with the estimation of energy demand at the annual, zonal, sectoral, segment, end-use, efficiency, gross and end-user levels. Demographic and economic drivers are considered in the development of the annual gross energy demand forecast, including changes in household counts and building types, commercial floor space, industrial output and energy prices. Energy demand estimates are computed with the IESO's *End-Use Forecaster model* (EUF).. The IESO applies transmission and distribution line losses to convert these energy values from the end-user level to the generator level.
2. **Hourly Gross Energy Demand Forecast**: once completed, zonal, sectoral, segment, end-use, efficiency, gross and generator level energy demands are transformed from annual values to hourly values through the application of end-use level hourly load shape profile and then aggregated to the zonal hourly gross level energy demand forecast.

3. Hourly Net Energy Demand Forecast:

Conservation Programs and Regulations: the zonal hourly gross level energy demand forecast is then corrected for projected policy-induced conservation savings (i.e., savings from energy-efficiency incentive programs, appliance and products standards, and commercial building codes). The outcome of this derivation is the zonal hourly net level energy demand forecast.

Net Demand Forecast: once completed, the zonal hourly net demand forecast establishes the amount of electricity that is to be served and forms the starting point for resource adequacy, reliability and transmission security assessments and integrated planning analysis.

3.1 Annual Gross Energy Demand Forecast

3.1.1 End-Use Forecasting Model

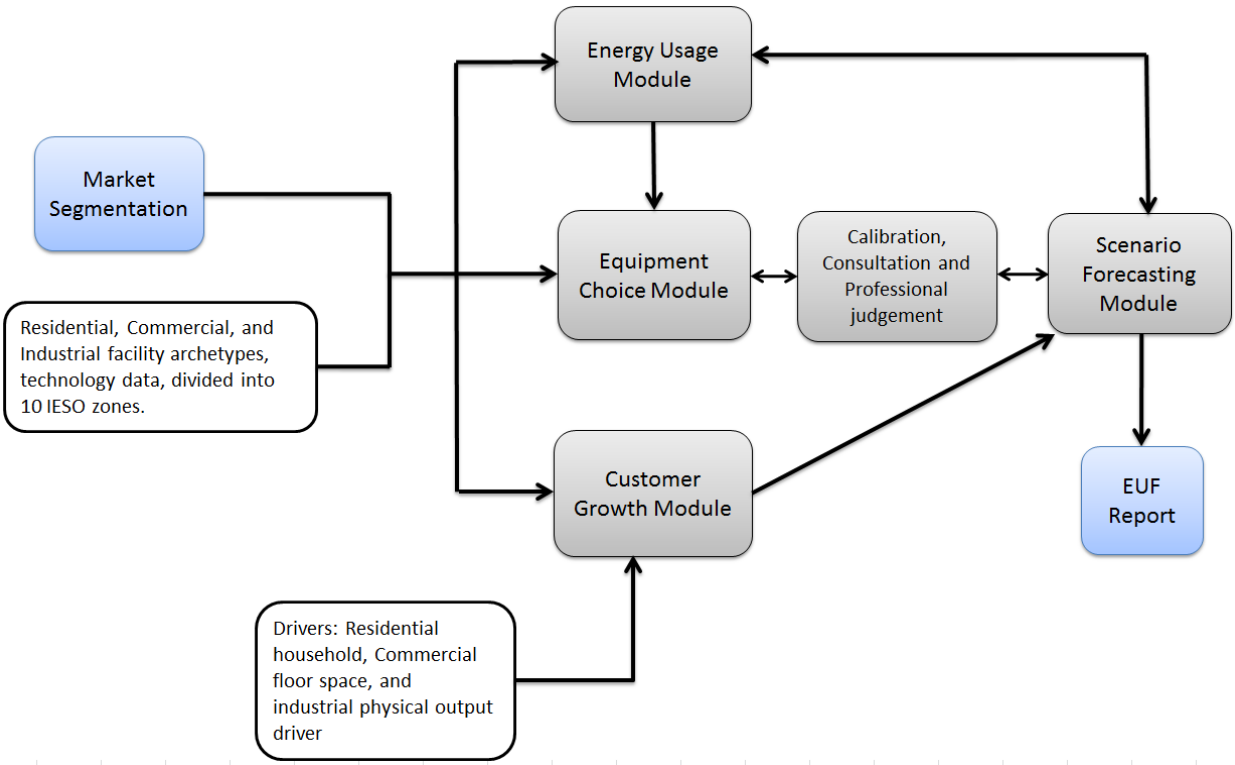
The IESO's demand forecast is developed on an end-use level basis. An end-use forecasting approach was chosen for a number of reasons, including the need to:

1. Capture structural changes in the economy, including the growth and decline of specific zones, home types, businesses or industries and change in the relative strength of sectors;
2. Address the impact on demand of the penetration of new electricity using technologies;
3. Ensure linkages between conservation savings estimates and underlying assumptions of the demand forecast;
4. Specifically address the impact on peak demand of the growth of different end-uses;
5. Allow updates to the codes and standards.

The EUF is built at the IESO's transmission system electrical zonal level with all ten zones aggregating up to the Ontario provincial system total. The EUF is an end-use model that tracks equipment and building stocks over time and simulates technology acquisition in the economy. The residential, commercial/institutional and industrial sectors are each analyzed separately and independently.

A schematic of the EUF is shown in Figure 3.

Figure 3: EUF Modules and Structure



3.1.2 EUF Modules

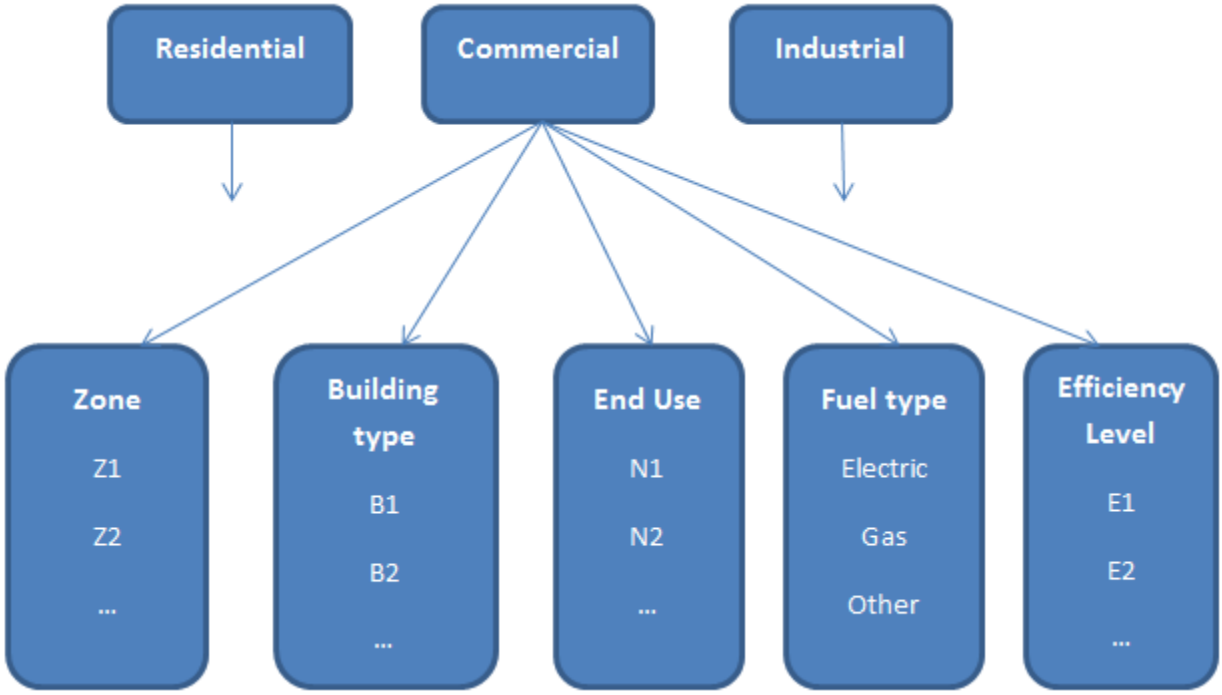
Several primary modules form the heart of the EUF analytical framework. Figure 3 also depicts the relationships between these modules.

1. Market Segmentation Module
2. Energy Usage Module
3. Equipment Choice Module
4. Customer Growth Module
5. Scenario Forecasting Module

3.1.2.1 EUF Market Segmentation Module

The *EUF Market Segmentation Module* governs the development of customized market segmentation designs and the population of the model with the necessary data. A third-party consultant supplied the majority of the data characterizing the end-uses as they apply to Ontario and its zones. The data includes: building characteristics, equipment saturations, fuel shares, end-use equipment efficiency shares, replacement technology relative efficiencies and capital costs. The IESO has been in the process of updating the end-use information whenever updates become available. The market segmentation of the model, shown in Figure 4, contains sectors, zones, building types, end-uses, fuel types and efficiency levels.

Figure 4: EUF Market Segmentation Data Category



3.1.2.2 EUF Energy Usage Module

The *EUF Energy Usage Module* tracks equipment utilization given the stock of equipment, building characteristics, and customer behaviour at any moment in time over the forecast horizon. For example, single-family homes may have a discrete set of central air conditioner efficiency choices, with each efficiency level having an associated electric consumption for each year. That consumption can vary in the short run as customers modify behaviour that results in changes to equipment utilization without changing the equipment itself. Factors that can affect consumption in the short run include weather, non-weather seasonal factors, building and customer characteristics, energy prices, disposable income, and other user-specified attributes. These relationships are specified in the EUF *Energy Usage Module* by combining:

1. a forecast of consumption factors or drivers (independent or exogenous variables); with
2. a set of coefficients associated with each exogenous variable.

3.1.2.3 EUF Customer Growth Module

The *EUF Customer Growth Module* tracks the number of customers (facilities) within each vintage, geographic zone, and dwelling type or sub-sector from the market characterization. Customer growth varies over time through a range of factors, including forecasts of population (typically applicable to the residential sector) and square footage of different building types (typically applicable to the commercial sector). As with the *EUF Energy Usage Module*, these relationships are specified in the *EUF Customer Growth Module* by combining:

1. a forecast of customer growth factors or drivers (i.e., independent or exogenous variables); with
2. a set of coefficients associated with each exogenous variable.

The main drivers used in *EUF Customer Growth Module*, including residential households, commercial floor space and industrial physical drivers/activities, are provided by either third-party consultants or IESO internal analyses.

3.1.2.4 EUF Equipment Choice Module

Equipment stock changes in the EUF occur in response to new driver growth, as well as to end-of-life retirement and replacement of equipment. Increasing saturation and utilization is also considered (e.g., increasing or decreasing the number of computers per household). Equipment acquisition choices are governed by choice equations that consider energy operating costs, as well as capital costs. Different technologies are represented by five efficiency choice levels for each end-use. Discount rates by sector vary from 25 to 50 per cent. Recognizing that price and cost savings are not the only factors that determine consumer action, the choice equation is, therefore, a weighting of financial and non-financial factors.

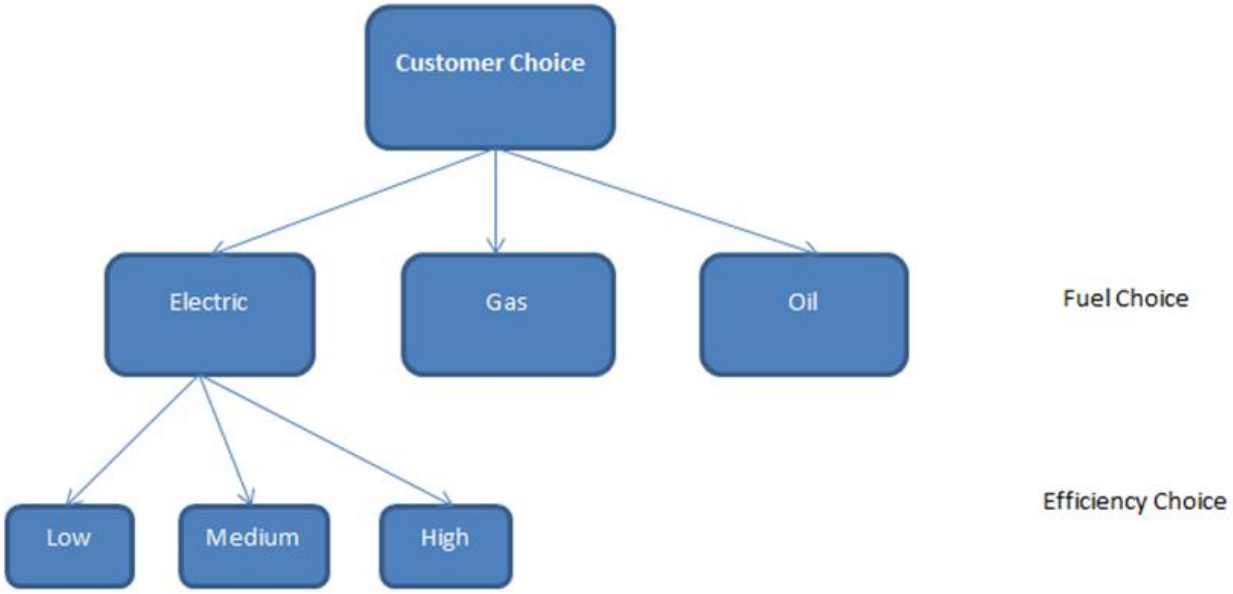
The *EUF Equipment Choice Module* analyzes customer choice decisions among competitors and product options. For example, customers choose their end-use equipment based on fuel types and efficiency levels. Purchase decisions are represented by a nested structure of provider (fuel choices) and product (efficiency choices) choices. This is illustrated in Figure 5.

Choice equations are calibrated against base year new stock acquisition decisions across technology levels. For end-uses with a fuel choice (e.g., domestic water heating), purchase decisions are represented by nested fuel and efficiency choices.

Short-term behavioural response to price that reflects changes in equipment utilization without changing the equipment itself is captured through the use of behavioural price elasticity. The range of the elasticity is from -0.25 to -0.1 and captures behaviours, such as adjusting thermostat settings for lower HVAC utilization and turning off lights and computer monitors when not required.

The hierarchy of *EUF Equipment Choice Module* is shown in Figure 5.

Figure 5: EUF Customer Choice Module Hierarchy



3.1.2.5 Scenario Forecasting Module

The *EUF Scenario Forecasting Module* combines the outputs from the EUF Energy Usage Module, EUF Equipment Choice Module and EUF Customer Growth Module. The EUF Scenario Forecasting Module then performs additional calculations regarding the turnover of equipment at the end of its useful life to produce forecasts for energy demand.

3.1.3 Calibration, Consultation and Professional Judgement

For calibration, the IESO's zonal residential energy forecasts are compared with the annual local distribution company (LDC) yearbook published by the Ontario Energy Board (OEB), which summarizes actual energy demand by rate class. The IESO's industrial forecast is also compared with IESO transmission-connected customer electricity demand trends and market intelligence based on research and consultation with IESO power system planners, industrial conservation program account managers and others.

Energy consumption trends from Natural Resource Canada's (NRCan) Office of Energy Efficiency are also used as check points with respect to provincial end-use energy and sector and sub-sector consumption trends. Information from NRCan's Survey of Household Energy Use and sales data from the Canada Appliance Manufacturers Association are used to check the IESO's equipment forecasts.

Other sources are used to check the energy demand forecast results, including but not limited to: The American Society of Heating, Refrigerating and Air-Conditioning Engineers (ASHRAE); the Residential Energy Consumption Survey (RECS) and Commercial Building Energy Consumption Surveys (CBECS) conducted by the U.S. Energy Information Administration; and the Residential Energy Use Survey conducted by the IESO Energy Efficiency division.

The IESO undertook extensive testing and calibration during model development and implementation, work that continues today.[1]

3.2 Hourly Gross Energy Demand Forecast

In the "Bottom Up" method, individual sectoral, and segmental end-use level hourly load profiles are multiplied by the corresponding annual gross energy demand forecast determined in the process described in the previous section then aggregated to create residential, commercial and industrial sector level zonal hourly gross energy demand forecasts which are in turn aggregated to form the total Ontario provincial system level zonal hourly gross energy demand forecast. The advantage of this approach is that it provides detailed results that can assist with activities such as conservation planning and sensitivity analysis. The IESO has compared the result from the "Bottom Up" method to the available system level zonal hourly demand including weather-corrected 2019 demand data to ensure that it represents a reasonable depiction of the Ontario demand profile under normal conditions.

[1] Over time the data that supports the demand forecast needs to be updated. Some of this data is updated by internal systems as they become available, while other inputs are procured through third-party resources and primary research. As technology and consumer behaviour evolves, end-use and other profiles require a refresh.

In the "Delta" method, the Ontario provincial system zonal hourly demand profile for a given base year is taken and used as a basis for the future energy demand forecast for the entire outlook period. The change in electricity use associated with a particular end-use over time is mapped to the corresponding end-use load shape, which is then after aggregation is added to or subtracted from the overall Ontario system profile.

If more electricity is to be used by an end-use over time, this constitutes an increment to the system profile. If less electricity is to be used by an end-use over time, this constitutes a decrement to the system profile.

Using a measured system demand profile as a base and adding only increments and decrements produces better alignment between the modeled and actual system profiles.

3.3 Hourly Net Energy Demand Forecast

In this process, conservation is deducted from the hourly gross energy demand forecast and results in the hourly net energy demand forecast.

3.3.1 Conservation

Conservation is the cleanest and most cost-effective resource for helping to meet Ontario's electricity needs. Ontario benefits from approximately 21 TWh of annual energy savings from conservation measures implemented from 2006 to 2020. These savings can be attributed to energy-efficiency programs and improved building codes and equipment standards regulations. Conservation has made a significant contribution to electricity service in Ontario and have been an integral part of reliable and sustainable electricity system in the province. New savings are forecasted separately by conservation programs and regulations.

3.3.1.1 Conservation Programs

In addition to persisted savings from previous conservation initiatives, new conservation programs are rolled out, planned, and anticipated. The planned and forecasted savings are included to derive the net demand forecast. On September 30, 2020, the Minister of Energy, Northern Development and Mines directed the IESO to implement a 2021-2024 Conservation and Demand Management Framework, starting in January 2021. The framework is centrally delivered by the IESO under the Save on Energy brand and includes incentive programs targeted to those who need them most, including opportunities for commercial, industrial, institutional, on-reserve First Nations, and income-eligible electricity consumers. The forecasted annual savings are 3 TWh in 2026 with a total budget close to $700 million.

Due to the pandemic and current market conditions, programs from previous frameworks have been extended. It is expected that about 0.6 TWh savings from Conservation Frist Framework Wind Down and the Interim Framework will be materialized in 2021 and 2022.

Besides the IESO administered programs, a few federally and municipally funded programs are in the market and expect to achieve electricity savings in Ontario. The Climate Action Incentive Fund is expected to result in over 1.1 TWh electricity savings in Ontario by 2024. Projects supported through the Green Municipal Fund, which is managed by the Federation of Canadian Municipalities, are forecasted to achieve electricity savings of about 0.01 TWh each year in Ontario. The Greener Homes Grants rolled out in 2021 having a budget of $2.6 billion over 7 years. The program target to provide 700,000 grants in Canada to help home owners do energy efficiency and emission reduction retrofits. The resulted electricity savings in Ontario is estimated as 0.3 TWh each year. These programs target the entire country and are not administered by the IESO. The savings are estimated with higher uncertainty as not all program details are currently available.

Beyond the energy conservation programs already in the market, it is anticipated that conservation efforts will continue from 2025 to 2042. New savings will materialize as a result of continued delivery of energy-efficiency initiatives. For planning purposes, incremental annual energy savings is assumed to be consistent with proportions of gross demand consistent with current levels, which is informed by the planned savings level of the 2021-2024 Framework Program Plan. The long term programs are expected to save 8.7 TWh in by 2042. This will be updated when a future policy decision is made.

Besides the aforementioned conservation program savings, there are potential to achieve incremental conservation energy savings as identified and quantified in the IESO and Ontario Energy Board Electricity and Natural Gas Conservation Achievable Potential Study completed in 2019.

3.3.1.2 Conservation Regulations

3.3.1.2.1 Ontario Building Codes

Building code regulations (hereinafter referred to "codes") set minimum energy-efficiency requirements for new and substantially renovated buildings.

New commercial buildings or buildings undergoing major renovations are subject to provincial and federal codes. The energy-efficiency requirements in codes are often defined as a reduction factor (e.g., 25% more efficient than a design conforming to Model National Energy Code for Buildings (MNECB)). Given the broad range of design and technology choices that can meet these requirements, the IESO codes analysis also uses reduction factors.

The codes analysis deals with Cooling, Lighting, and Ventilation end-uses. Collectively, they represent about 60 per cent of the gross energy consumed by the commercial sector in the EUF. Each end-use has an energy use intensity (EUI) measured in energy per unit floor space (kWh/ft^2) in the base year, which is used as its baseline performance. Estimated reduction factors set the minimum codes-compliant EUI relative to this baseline.

Floor space turnover: Each end-use has a retirement rate, defined as 1/EUL (effective useful life). For example, commercial chillers have an estimated lifespan of 40 years, so the annual retirement rate is 2.5 per cent. The demand forecast for each end-use is re-modeled by breaking the annual floor space value into annual values for:

1. Existing floor space;
2. New floor space; and
3. Renovated floor space.

Existing floor space decreases at the retirement rate. Renovated floor space for a given year is equal to the total floor space that was retired in the previous year. New floor space is estimated as the annual increase in total floor space. For each year, renovated floor space is subject to EUI reduction associated with federal building standards and new floor space is assigned an EUI based on the Ontario Building Code.

Reduction Factors: The reduction factors below were developed from estimates of the effect of existing codes on electricity-consuming end-uses. Planned future improvements to codes reflect a long-term trajectory of conservation policy with incremental improvements.

Figure 6: Ontario Building Codes Regulation

New

#	Regulation	Effective Date	Reduction from Baseline
1	2006 C-OBC Improvements	2006	24 %
2	2012 C-OBC Improvements	2012	30 %
3	2015 C-OBC Improvements (planned)	2015	35 %
4	2020 C-OBC Improvements (planned)	2020	38 %

Renovation

#	Regulation	Effective Date	Reduction from Baseline
1	ASHRAE 90.1-1999/MNECB	2000	19 %
2	MEPS - Federal Standards	2012	22 %
3	MEPS - Federal Standards (planned)	2015	24 %
4	MEPS - Federal Standards (planned)	2020	25 %

3.3.1.2.2 Equipment Standards

Equipment standard regulations (hereinafter referred to "standards") mandate the minimum energy performance standards (MEPS) required of select new equipment.

A third-party consultant was engaged by the IESO in 2015 to undertake an assessment of the electricity savings resulting from changes to energy-efficiency product performance standards for residential and select commercial equipment. The savings attributed to product standards were calculated relative to a reference case of energy consumption of each product. The reference case represents the baseline against which all future savings are compared. The third-party consultant developed a conservation savings forecasting model that includes the methodology used for the United States of America's Department of Energy rulemakings and customized the model to calculate the expected electricity savings achieved from standards for each product. The IESO estimates savings attributed to codes and standards by comparing the gross demand forecast to the forecast adjusted for the impacts of regulations.

The analysis incorporates new or updated standards that have a compliance date between January 1, 2013 and January 1, 2019 and also considered potential future standards beyond 2019 for each product. The IESO has reviewed each standard to ensure it is up to date.[2]

3.3.2 Industrial Conservation Initiative

The Industrial Conservation Initiative (ICI) is a function of Ontario Regulation 429/04 that allows for participants to determine their Global Adjustment rate for a given Adjustment period based on their Peak Demand Factor which is determined based on a customer's percentage contribution to the top 5 system peak day, system peak hour, in the preceding Base Period. ICI participants reducing their energy demand during these periods enables them to reduce their Global Adjustment rates.

The actual system peak days in the Base Period are determined retroactively, and it is observed that due to this uncertainty, ICI participants typically respond to system demand conditions in greater than the 5 top system peak days, to mitigate the risk of not responding in the resulting top 5 system peak days in the Base period. The forecasted hourly levels of ICI response included in the demand forecast are based on observed actual ICI participant response on system demand in the latest Base Period and have been stratified in to 2 strata: 1) the top 5 system peak days; and 2) the second top 5 system peak days. The level and profile of the ICI response is held constant for the outlook period, unless otherwise specified. The effect of the ICI impact forecast is applied to the observed top 5 and second top 5 system peak days of each year of the hourly net energy demand forecast.

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[2] Differences in the baseline demand forecast between the IESO and the third-party consultant have been addressed:

1. **Difference between natural efficiency assumptions**: The third-party consultant assumed little to no natural efficiency. Based on the assumption that people naturally choose more efficient products, the IESO's gross energy demand forecast includes the effects of naturally occurring conservation, but not the effects of new conservation interventions.
2. **Difference in method to analyze each end-use**: While the third-party consultant estimated the end-use energy consumption by product class, the IESO uses a maximum of five technology energy efficiency levels to represent overall end-use energy consumption.
3. **Difference in total forecasted consumptions**: The third party consultant forecasted energy consumption for end-uses of interest; the IESO forecasts energy consumption for the entire sector/province.

Ontario Regulation 509 was used as the reference when standards savings analysis was in development.

3.4 Embedded Generation

New in the 2021 APO is the included publication of a grid level energy demand forecast that incorporates the net level energy demand forecast as in past APOs and an *embedded generation* output forecast for the outlook period (2023-2042) in addition to the base year (2022). Embedded generation is defined as an electricity generating resource that does not participate in the IESO administered wholesale market, injects into the distribution system rather than offsetting load and is generally grouped by fuel type: solar, wind, hydroelectric, biomass and natural gas. Embedded generation is considered in developing the *net level demand base year* described in section 3.5.2 as well as producing the hourly grid energy demand forecast described in section 3.6.

As *embedded generators* are resources that are not market participants, it is challenging to obtain accurate data on: 1) actual resources; and 2) hourly data on actual energy production; where such resources are not contracted with the IESO. The *embedded generation* output forecast relies on the most credible data available, that is monthly energy by fuel type reported by LDCs through IESO's settlements.

Two of these fuel types are of particular interest to forecasting demand: solar and wind. The reason is twofold. First, these two fuel types are the most common type of embedded generation and account for over 2,000 MW of installed capacity. Secondly, the output from these two fuel types is correlated to weather in a manner similar to demand. For the solar and wind *embedded generation* output forecast and the normal weather base year forecast described in section 3.5.1, the same weather simulation models were run for both forecasts resulting in a consistent weather approach. For the remaining embedded generation fuel types, hourly output is calculated using hourly profile assumptions. The hourly profile is developed for the remaining fuel types by using available information from various sources, including: local distribution company data, IESO contracts information (capacity), and IESO settlements data (monthly energy).

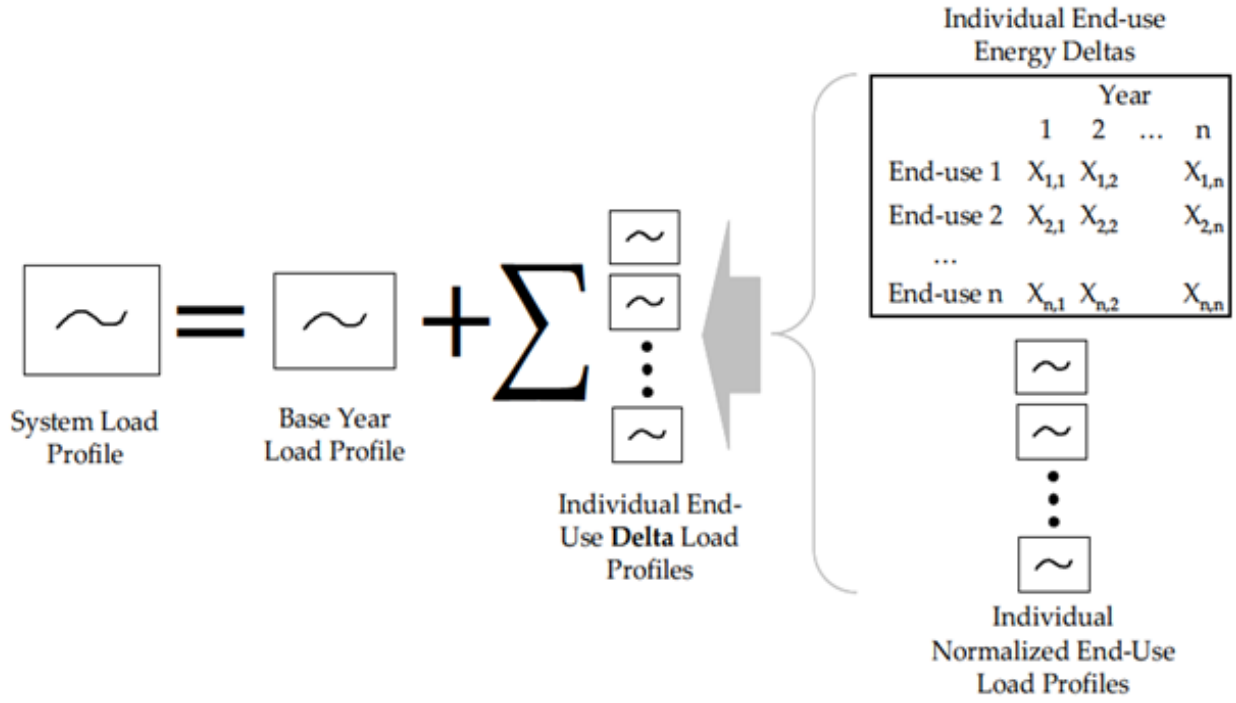
The embedded generation output forecast is based on consistent hourly profiles for the fuel type and for each year, adjusted for expected changes in available capacity, operating conditions, and continued availability of existing resources, that is existing *embedded generation* resources continue to operate through the end of the outlook period, even in instances where a resources' operation contract with the IESO expire.

3.5 Delta Process

Two different methods are used to produce the final, calibrated, total Ontario provincial system zonal hourly net energy demand forecast for the outlook period. The first, the "Bottom Up" aggregation method has been described in the preceding sections 3.1 – 3.3. The second, the "Delta" method, uses a base year of demand data on which each subsequent year in the Bottom-Up demand forecast is applied, or added to. The base year forms the foundation of the forecast as it is used as the starting point within the succeeding demand forecasting tools.

Schematics of the Delta method is shown in Figure 7.

Figure 7: Converting Annual Energy to Hourly Peak



3.5.1 Grid Level Demand Base Year

In the 2021 APO energy demand forecast, a forecasted year 2022 zonal hourly grid demand forecast under normal weather conditions was generated for the *Delta Method* base year using simulations of energy demand incorporating weather sensitive demand and historical actual weather data developed via a linear regression model.

The base year was generated to present normal weather monthly peak demand and total energy demand. In this case, normal represents the concept that the monthly peak and total energy demand values have a 50/50, or equal chance of being higher or lower due to weather variability with all other inputs being constant. The base year output of the demand simulation weather model was produced at the grid level of demand.

3.5.1.1 Demand Simulation Weather Model Methodology for the Base Year

The *demand simulation weather model methodology* is utilized to generate the desirable properties of the base year which include capturing underlying trends and the totality of recent weather history instead of being tied to the vagaries in demand and weather of one historical year. The demand simulation weather model methodology uses a consistent set of economic, demographic and other inputs to create a forecast for the base year. Holding all these inputs fixed, weather for each of the latest available past 31 years (1989-2019) is run through the demand simulation weather model to calculate the resulting hourly electricity demand. Each year is run through the model again shifting the weather backward or ahead by a day. This allows for the interaction of the weather and calendar variables. In total, the weather is shifted +/- 7 days. This results in 465 hourly demand forecasts.

From this resulting dataset the base year is produced. For each month, the simulation that gave the monthly peak demand and total energy demand closest to the median values of all simulations was selected, with equal consideration given to the peak demand and total energy demand. Once the simulations for all 12 months have been chosen, the hourly profiles for each month are then joined together to make up the demand profile for the entire base year.

Additional detail regarding the *demand simulation weather model methodology* can be found in the IESO's Planning and Forecasting Methodology Changes Engagement Update on September 23, 2021.

3.5.2 Net Level Demand Base Year

To align with the *Bottom-Up* hourly net energy demand forecast the *grid level demand base year* is converted to the *net level demand base year*, by adding the e*mbedded generation output forecast*, described in section 3.4, for each hour in the base year (2022).

3.6 Hourly Grid Energy Demand Forecast

As with previous APOs the final product of the demand forecast is the hourly net energy demand forecast, on which resource adequacy and transmission security assessments are conducted, and is published as part of the Annual Planning Outlook.

As previously noted, new for the 2021 APO is the included publication of the hourly grid energy demand forecast in which the hourly embedded generation output forecast is subtracted from the hourly net energy demand for each hour in the outlook period. This new additional product of the demand forecast is being provided as a result of stakeholder engagement feedback from previous APOs and provides alignment with other IESO reporting and data including the demand forecast included in the quarterly Reliability Outlook.

3.7 High Demand Scenario Energy Demand Forecast

In the context of the 2021 APO, the future of electricity demand in Ontario is facing higher levels of uncertainty than in recent history stemming from a broad range of drivers including pandemic recovery, economic restructuring and expansion, climate change mitigation/decarbonization/electrification trends and policy implementation. As consumer and business markets evolve quickly and policies evolve to these uncertainty, the predictability of the timing and size of changes to electricity demand increase and become more challenging. To help identify how electricity demand in Ontario may change over the outlook period and provide a basis of initial and high level resource adequacy analysis in the form of a seasonal capacity requirement assessment in the 2021 APO Chapter 8 on Uncertainties, a *High Demand Scenario Energy Demand Forecast* was developed in which a limited number of electricity demand assumptions were reviewed and revised. The *High Demand Scenario Energy Demand Forecast* represents a set of reasonably potential increases in demand have been aggregated and integrated into the Reference Scenario Demand Forecast. Going forward, the IESO continues to monitor the state of electricity demand in Ontario and refines its demand forecasts in each year's APOs and assess the need for scenarios in the APO on an annual basis.

4. Drivers Used in the Demand Forecast

Residential household count is the main driver used in the residential sector forecast. Household counts have a direct relationship with electricity consumption, as end-uses are measured using households as the unit. The household count forecast is based on information provided by a third-party consultant.

Commercial floor space is the main driver used in the commercial sector forecasts. Similar to household counts in the residential sector, commercial floor space has a direct relationship with electricity consumption. The commercial floor space forecast is provided by a third-party consultant.

The major driver for industrial sector electricity demand is industrial sector activity. The relationship between industrial sector GDP output and industrial sector electricity demand use is often weak. A first effort at producing a set of physical drivers having a stronger connection with electricity use was made for each industrial sub-sector. Research, industry news, regional planning activities, and various analyses inform the development of physical drivers.

The agricultural sector's electricity demand is heavily affected by greenhouse growth light utilization associated with vegetables, flowers and cannabis in southwestern Ontario. Data provided by LDCs and direct-connect customers was used to conduct energy and peak demand analyses. Additional electricity demand in this sector is also outlined in the reference scenario in the IESO's *Need for Bulk System Reinforcements West of London* bulk study.

Electricity and natural gas rates also play an important role in the forecast. For example, higher electricity rates lead to greater energy efficiency measure uptake; lower natural gas rates lead to fuel switching (from electricity fueled to natural gas fueled measures), for example, space heating, water heating and cooking. The electricity and natural gas rate forecast assumptions are discussed in the 2021 APO Supply, Adequacy and Energy Outlook Module.

4.1 Market Segmentation

This section includes a listing of end-uses and building type for different sectors.

4.1.1 Residential Sector

Figure 8: Residential Sector End-Uses

#	Residential Sector End-Use
1	Air Conditioning - Central
2	Air Conditioning - Room
3	Baseboard Heating
4	Clothes Dryer
5	Clothes Washer
6	Computer
7	Cooking
8	Dehumidifier
9	Dishwasher
10	Domestic Hot Water
11	Elevator
12	Forced Air Central Heating
13	Freezer
14	Lighting
15	Lighting - Common Area
16	Miscellaneous
17	Other Consumer Electronics
18	Refrigerator
19	Set Top Box
20	Space Heating - Room
21	Swimming Pool Pump
22	Television
23	Ventilation and Circulation

Figure 9: Residential Sector Building Types

#	Residential Sector Building Type
1	Multi-Residential High Rise
2	Multi-Residential Low Rise
3	Other Residential Building
4	Row House
5	Single Family

4.1.2 Commercial Sector

Figure 10: Commercial Sector End-Uses

#	Commercial Sector End-Use
1	Commercial Electric Space Heating
2	Computer Equipment
3	Cooking
4	Cooling Chiller
5	Cooling - Direct Expansion
6	Domestic Hot Water
7	Elevator
8	Heating, Ventilation, Air Conditioning - Fans and Pumps
9	Lighting - Exterior
10	Lighting - General
11	Lighting - High Bay
12	Lighting - Interior Architectural
13	Miscellaneous Equipment
14	Other Plug Load
15	Refrigeration

Figure 11: Commercial Sector Business Types

#	Commercial Sector Business Type
1	Food Retail
2	Hospital
3	Large Hotel
4	Large Non-Food Retail
5	Large Office
6	Nursing Home
7	Other Commercial Building
8	Other Hotel, Motel
9	Other Non-Food Retail
10	Other Office
11	Restaurant
12	School
13	University and College
14	Warehouse Wholesale

4.1.3 Industrial Sector

Figure 12: Industrial Sector End-Uses

#	Industrial Sector End-Use
1	Compressed Air
2	Electro-Chemical
3	Heating, Ventilation, Air-Conditioning
4	Lighting
5	Motors - Fans and Blowers
6	Motors - Other
7	Motors - Pumps
8	Other
9	Process Cooling
10	Process Heating
11	Process Specific

Figure 13: Industrial Sector Sub-Sectors

#	Industrial Sector Sub-Sector
1	Chemical Manufacturing
2	Fabricated Metals
3	Food and Beverage
4	Mining
5	Miscellaneous Industrial
6	Non-Metallic Minerals
7	Paper Manufacturing
8	Petroleum Refineries
9	Plastic and Rubber Manufacturing
10	Primary Metals
11	Transportation and Machinery
12	Wood Products

4.2 Transportation

4.2.1 Electric Vehicles

The demand forecast of transportation electrification consists of the proliferation of electric vehicle (EV) charging demand and rail transit electrification projects. EVs are among the most important components of the drive towards climate change mitigation, decarbonization and electrification. In the recent past years, the EV market has been growing in Ontario, Canada, and around the world. By the end of 2020, there were approximately fifty-one thousand EVs on Ontario roads. Driven by strong government policy, manufacturer motivation, and evolving consumer preferences, it is projected that more EVs will replace internal combustion engine (ICE) vehicles. As a result, EV charging demand will increase significantly. EV charging demand, both energy and peak, have been included in the IESO's demand forecast and power system planning analyses.

EVs are a unique electricity end use with its own characteristics. Many factors can affect EV charging demand, including the number of EVs, vehicle size and mass, driving distance and pattern, battery capacity, time location of charging, and charger type. In order to avoid adding significant burden to electricity system, EV charging needs and can be managed. Technology such as grid-to-vehicle communication and Time-of-Use electricity rates can help to shift EV charging from system peak periods to off peak periods. Therefore the demand forecast of EV charging has a much higher uncertainty than many other end uses. In addition to carrying out its own research and analyses, the IESO has contacted the government, other planning agencies, and industry experts. For the demand forecast in the 2021 APO, the IESO's analysis focuses on two main categories and three key factors. Light duty electric vehicles (LDEV) and electric buses are analyzed separately. The number of EVs, driving distance, and fuel efficiency are three key factors largely determine electricity charging demand.

To date, LDEVs represents the majority of EVs in Ontario. It is forecasted that the same continues over the outlook period. The first step is to estimate how many LDEVs will be on Ontario roads over the next two decades. LDEV adoption is affected by many factors and there are a wide range of projections by various organizations. On June 29, 2021, the Canadian federal government set a mandatory target of 100% of car and passenger truck sales to be zero emissions by 2035 in Canada. The 2021 APO reference demand forecast assumes a moderate adoption in early years and fast ramp up after 2030. The projected number of EVs in Ontario will reach half million by 2030 and 6.6 million by 2042.

The next step is to estimate LDEV charging annual energy demand, which is determined by LDEV: 1) quantity as just described; 2) driving distance; and 3) fuel efficiency. The Canadian Vehicle Survey shows that an Ontario car on average is driven about 16,000 km per year. Natural Resources Canada manages a database of vehicle fuel efficiency including LDEVs. Based on data of dozens of LDEV models, an average of 0.2 KWh per km is estimated and used in the 2021 APO demand forecast. With calculated LDEV charging annual energy demand, LDEV charging hourly profiles are applied to arrive at the LDEV charging hourly energy demand forecast.

The LDEV charging hourly profile, which is determined by when and how LDEVs are charged, has a significant impact on power system peaks and capacity needs. Real-world charging data from the Charge the North project was used to develop the LDEV charging hourly profile and EV charging hourly energy demand forecast. The project collected LDEV charging data from about one thousand LDEVs in Canada over two years. The LDEV charging information and data of Ontario participants was aggregated and analyzed to develop the LDEV charging hourly profile.

Besides LDEVs, it is forecasted that most buses in the province will be electrified (e-buses) over the next two decades. Various government initiatives are in place to support e-bus adoption and a number transit agencies have plans to convert their bus fleet from ICE to electric. The aforementioned LDEV charging electricity demand forecast process is repeated to estimate e-bus charging electricity demand. Though projected to be tiny, electricity charging demands of other electric mobility, are estimated as a 10% adder and included in the overall EV demand forecast.

4.2.2 Rail Transit Electrification

A few rail transit electrification projects are at various stages in Ontario, including the Metrolinx GO Transit rail system, nine light rail transit projects, and subway lines in the Greater Toronto Area. These projects, when in operation, are expected to have an annual energy demand of nearly 2 TWh. The ION rapid transit project connecting Kitchener and Waterloo and the Confederation line in Ottawa have been in service since 2019. Another seven light rail transit projects are under construction or being planned. Early work on new subway projects, including the planned Metrolinx Ontario Line and two Toronto Transit Commission subway line extensions in the GTA, is underway. Electrifying Metroxlinx GO Transit rail corridors is a multi-year project and the procurement process is underway.

Electricity demand arising from rail transit electrification is estimated and included in the demand forecast based on most recently available plans and schedules. A couple of these projects are at the early planning stage with little information on electricity requirements. The IESO will update its rail transit electrification electricity demand projection, both in terms of magnitude and timing, when more information becomes available.

4.4 Other Electricity Demand

The "Other Electricity Demand" category of demand includes:

1. connection of remote communities
2. street lighting;
3. electricity generator demand; and
4. water treatment facilities

Demand forecasting methodologies vary for each of the *Other Electricity Demand* sub-sectors and reflect study results from third-party consultants, the IESO's regional resource planning, and consultations with LDCs.

Independent Electricity System Operator
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ieso
Connecting Today.
Powering Tomorrow.

Attachment 4-1

MEARIE Management Salary Survey

Attachment 4-2
Incentive Plan -
Management Members

Milton Hydro Distribution Inc.
Incentive Pay Plan for Management Members

Plan Document Version 2012-1

A. PLAN SUMMARY

A Plan has been developed in accordance with the Compensation Committee review which recommends a variable compensation pay for performance plan (VCP) for full-time management team members of Milton Hydro. The incentive payment is linked to the achievement of performance standards and has two distinct phases. Phase One is applicable to all management members and Phase Two is applicable to the Senior Management Team. The President and CEO also participates in a separate incentive plan for Milton Energy and Generation Solutions Inc.

For the purpose of this Plan, the utility's performance measures, including those set forth in the Annual Business Plan, are established at the beginning of a Plan Year and are measured after the close of that Plan Year.

B. PURPOSE OF THE PLAN

The purpose of the Plan is to:

- Maintain a strong competitive position to attract and retain the Management Team who contribute materially to the success of the Corporation by their ability, ingenuity, drive and leadership.

- Recognize the competence, professionalism and leadership of the Senior Management Team (SMT) in the fulfillment of their duties and contribution to the success of the business of the utility.

- Encourage the SMT to lead and develop alignment of the objectives set by the Annual Business Plan to the day to day operations of Milton Hydro.

C. PLAN ADMINISTRATION AND DETERMINATION OF PLAN PAYMENT

1. Eligibility

1.1 All active (as of December 31st of the Plan Year and as specified in 5.3) regular full time non-union salaried employees of Milton Hydro are eligible to participate in the Variable Compensation Plan.

1.2 Eligible positions and levels of participation shall be recommended by the President and CEO and approved by the Board of Directors.

1.3 Participants, in eligible positions, will qualify for prorated payment if they have less than twelve months of continuous service in any position covered by this Plan. If a participant becomes eligible during the course of the year, the participant would receive a prorated award payout based on the employment start date. Employees, except as per 5.3, who leave their employment with Milton Hydro prior to December 31st will not qualify for payment.

1.4 An employee receiving an unsatisfactory overall performance rating for the year will be ineligible for any Variable Compensation Plan payment based either on the corporate or individual components of the Plan.

2. Administrator

The Administrator of the Plan shall be the President/Chief Executive Officer. The Administrator of the Plan will be responsible for: completing the calculation used to determine the incentive award based on the audited achievements of the Annual Business Plan and the terms and conditions of this Plan; and authorizing the payment of that award upon receipt of approval of the Board of Directors via the Compensation Committee. The President and CEO shall have responsibility to interpret the Plan, and may amend or cancel the Plan, subject to the approval of the Board of Directors. The recommendation for individual payments under the Plan shall be the responsibility of the President and CEO and approved by the Board of Directors except in the case of payments to the President and CEO which are recommended by the Compensation Committee Chair and approved by the Board of Directors. The President and CEO will provide updates inclusive of actual financial results versus plan targets on the Plan to eligible employees and to the Board and a forecast of the year-end if it is materially different from the reported actual.

3. Definitions

3.1 "**Plan**" is the Variable Compensation Plan as approved by the Board of Directors.

3.2 "**Base Salary**" is the annualized base rate of pay of each of the participants at December 31 of the Plan year.

4. Principal Provisions

4.1 The term of this Plan is January 1 to December 31 which reflects the fiscal calendar year reported by the Company in its annual filings. Both Phases of the VCP includes two components and the weighting of the two components vary depending on organizational position:

1. Corporate Objectives:

Corporate Objectives are established at the beginning of each fiscal year.

The Corporate objectives component of the Plan includes the overall Company's achievements that are measured against the Balanced Scorecard. The following are the four corporate objective categories:

Corporate Scorecard

- Shareholder and Strategic
- Customer /Community and Regulatory
- Internal Processes and Methods (includes Financial)
- Skills and Knowledge Development

2. Individual SMART Performance Objectives:

The second component of the plan is comprised of individual performance objectives. Each eligible employee will work with their respective manager to develop annual performance objectives that link to the organizational goals and objectives of improved financial performance, improved customer service, learning and growth of the organization and/or improved processes. If the employees stated objectives are met or exceeded, the individual Incentive component would activate.

a) Annual individual performance objectives will be measured in terms of each participant's achievement of key individual objectives mutually determined in advance with the participant's Manager and the President. Individual goals will be established to reflect truly significant accomplishments which support the organization's Balanced Scorecard. Adjustments may be made to the list of contributions and achievements in order to more fully recognize significant individual results during the fiscal year.

b) The objectives will be mutually agreed upon, with weightings assigned to each. The total weight assigned to all must equal 100%.

These measures have been chosen for a number of reasons:

- Established and recognized predictors of corporate performance
- Simple, Straightforward and easy to understand
- Will resonate with employees
- Can be modified, strengthened, and added to in future years as the program becomes more sophisticated
- Can be benchmarked
- Are readily quantifiable

5. Payment

The Plan will activate if there is no negative impact to the forecasted Shareholder Dividend as approved by the Board of Directors

5.1 Variable Compensation payments to participants for Phase One (Table #1)will be made as soon as possible after Year End, as there is no financial component to this phase. Payment for Phase Two will be as soon as possible after the audited statements of the Corporation have been finalized and the Variable Compensation Plan recommendations, as prepared by the President and CEO have been approved by the Board of Directors. If financial statements are delayed, consideration will be given to making a partial payout.

5.2 Participants must be active regular employees (or regular employees on approved leaves of absence) of the Company as of December 31st of the Plan year to be eligible for payment under the plan except in the event of death or retirement or the President and CEO, with the approval of the Board of Directors, makes an exception for any other reason.

5.3 Participants who have retired, and the estates of those who have died during the Plan year will be entitled on a pro rata basis to the payment which the participant would have been otherwise entitled to. For these employees the VCP payments will be estimated (the average % payment of the previous two years) and included with their final payment.

5.4 Participants who become eligible during the Plan year or employees on approved leave of absence will have their payments calculated on a pro rata basis.

5.5 Participants who are promoted or transferred within the Company and who qualify for payments under a different Table will have their payments calculated proportionately based on service in each position during the year.

5.6 Award amounts paid under this plan will be subject to all legislated statutory deductions, such as those required under the Income Tax Act, and will be subject to any contributory earnings definition as per OMERS legislation.

5.7 The plan recognizes service for a calendar year and for pension contributions, any VCP payments will be included as part of annual earnings for the year recognized.

Phase One of Variable Compensation Plan (all Management employees participate)

Internal Processes	Actual Results Payments			
A. Implementation of MHDI OHSMS System	**Missed 3 or more Milestones**	**Missed 2 Milestones**	**Missed 1 Milestone**	**On Target**
	0%	**0.4%**	**0.7%**	**1.0%**
B. OEB Service Indicators (Annual)	**Missed More than 2 Indicators**	**Missed 2 Indicators**	**Missed 1 Indicators**	**Achieved all OEB Indicators**
	0%	**0.5%**	**1%**	**2%**
C. Personal Performance	**Doesn't Meet Expectations**	**Meets Expectations**	**Exceeds Expectations**	**Greatly Exceeds Expectations**
	0 %	**0.5 %**	**Up to 1.0%**	**Up to 2.0%**

Phase Two of Variable Compensation Plan (only Senior Management Team Participates)

TARGET AND CORPORATE/INDIVIDUAL WEIGHTINGS

Positions	Target Award (%)	Corporate/Individual Ratio
CEO	16	90/10
VP'S	13	80/20
Directors	10	70/30

Phase Two Corporate VCP Parameters:

1. Financial – Total Corporate Rating 50%

OM&A (Budget)	30%	Target:	MHDI OM&A Budget
OM&A (Comparator)	15%	Target:	OEB Stats 75th Percentile
Capital Budget	5 %	Target:	MHDI Capital Budget

	Threshold	%	%	%	%	Target Max.
OM&A as % of Budget	110%	105%	102%	100%	95%	85%
Plan Generates as % of Corporate Rating for OM&A(B)	30%	50%	70%	90%	95%	100%
Actual OM&A as % of Target	120%	110%	105%	100%	95%	85%
Plan Generates as % of Corporate Rating for OM&A(C)	30%	50%	70%	90%	95%	100%
Capital as % of Budget	>115%	>105%	95%<B<105%	<95%		
Plan Generates as % of Corporate Rating for Capital	0%	50%	100%	90%		

2. Internal Processes – Corporate weighting 30%

Objective - Customers Served per Employee ratio: Target OEB 90th Percentile

	Threshold	%	%	%	%	Target Max.
Actual Customers Served as % of Target	85%	90%	95%	100%	105%	110%
Plan Generates as % of Corporate Rating for Customers Served	30%	50%	70%	90%	95%	100%

3. Customer/Community– Corporate weighting 20%
Objective – CDM Programs and Customer Outreach Target Cost of Services Targets for CDM

	Threshold	%	%	%	%	Target Max.
Actual CDM Performance as % of Budget	85%	90%	95%	100%	105%	110%
Plan Generates as % of Corporate Rating for CDM	30%	50%	70%	90%	95%	100%

Individual VCP Payout

Individual VCP award amounts will be determined simply by adding the corporate payment calculation from the Balanced Scorecard with the individual performance score calculation. This first payment is driven solely by corporate performance; the second payment is driven solely by individual performance to SMART objectives.

Example

a) Individual SMART objectives achievement at 90% of target
b) Corporate Scorecard achievement at 80% of target
c) Corporate vs. Individual weighting = 80/20
d) VCP target award percentage is 13%
e) Base Salary is $160,000

80% corporate weighting @ 80% = 64% award

20% individual weighting @ 90% = 18% award

Total 82% award

82% award x 13% target VCP percentage x $160k salary = $17,056 payment.

Attachment 4-3
Services Agreement - MHHI and MHDI

MILTON HYDRO HOLDINGS INC.

- and -

MILTON HYDRO DISTRIBUTION INC.

SERVICES AGREEMENT

January 1, 2021

An Agreement whereby Milton Hydro Holdings Inc. provides management services to Milton Hydro Distribution Inc.

SERVICES AGREEMENT

THIS SERVICES AGREEMENT is made as of the 1st day of January 2021

B E T W E E N:

MILTON HYDRO HOLDINGS INC.,
a corporation incorporated pursuant
to the laws of the Province of Ontario

(hereinafter referred to as "**MHHI**")

- and -

MILTON HYDRO DISTRIBUTION INC.,
a corporation incorporated pursuant
to the laws of the Province of Ontario

(hereinafter referred to as "**MHDI")**

WHEREAS:

1. Each of the Parties to this Agreement is a corporation incorporated under the *Business Corporations Act* (Ontario);

2. MHDI carries on the business of distributing electricity within its licensed service area as set out in Schedule 1 of its Electricity Distribution Licence ED-2003-0014, in the Province of Ontario and is a utility within the meaning of the Affiliate Relationships Code.

3. MHHI agrees to provide certain services to MHDI on the terms as set forth in this Agreement

4. MHHI and MHDI are affiliated with each other within the meaning of the Business Corporations Act (Ontario).

NOW THEREFORE in consideration of the mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

ARTICLE 1
INTERPRETATION

1.1 Definitions

Unless the context otherwise specifies or requires, for the purposes of this Agreement all capitalized terms herein shall have the meanings set forth below:

(a) **"Affiliate"** with respect to a corporation, shall have the same meaning as is ascribed to such term in the *Business Corporations Act* (Ontario);

(b) **"ARC"** means the Affiliate Relationships Code for electricity distributors and transmitters issued by the OEB;

(c) **"Agreement", "hereto", "hereof", "herein", "hereby", "hereunder"** and similar expressions mean this Services Agreement together with all Schedules attached hereto, as they may be amended from time to time;

(d) **"Business Day"** means any day other than a Saturday or a holiday;

(e) **"Claim"** has the meaning ascribed to such term in **Section 4.4;**

(f) **"Confidential Information"** has the meaning ascribed to such term in Section 1.2 of the ARC;

(g) **"Default"** means in respect of Defaulting Party, an event set out in **Section 8.1**;

(h) **"Defaulting Party"** has the meaning ascribed to such term in **Section 8.1**;

(i) **"Effective Date"** means the date first written above;

(j) **"Event of Default"** means a Default, the notice and cure periods (if any) respecting which have expired;

(k) **"Force Majeure Event"** has the meaning ascribed to such term in **Section 11.1;**

(l) **"IESO"** means the Independent Electricity System Operator;

(m) **"Law"** means any law, rule, regulation, code, order, writ, judgement, decree or other legal or regulatory determination by a court, regulatory agency, including the IESO and the OEB, or governmental authority of competent jurisdiction;

(n) **"OEB"** means the Ontario Energy Board constituted pursuant to the terms of the Ontario Energy Board Act, 1998;

(o) **"Party"** means a party to this Agreement and "Parties" means every party;

(p) **"Person"** means an individual, corporation, partnership, joint venture, association, trust, pension fund, union, governmental agency, official, board, tribunal, ministry, commission or department;

(q) **"Personnel"** means employees, agents, professional advisors, contractors and subcontractors;

(r) **"Prime Rate"** means, for any day, an annual rate of interest equal to the rate of interest which MHHI principal bank establishes at its principal office in Toronto as the reference rate of interest to determine interest rates that it will charge on such day for commercial loans in Canadian dollars made to its customers in Canada and which it refers to as its "prime rate of interest";

(s) **"Services"** are Services that are provided under **Section 3.1** of this Agreement;

(t) **"Term"** has the meaning ascribed thereto in **Section 2.1** of this Agreement.

1.2 Construction of Agreement

In this Agreement:

(a) words denoting the singular include the plural and vice versa and words denoting any gender include all genders;

(b) all usage of the word "including" or the phrase "e.g.," in this Agreement shall mean "including, without limitation," throughout this Agreement;

(c) any reference to a statute or code shall mean the statute or code in force as at the date hereof, together with all regulations promulgated thereunder, as the same may be amended, re-enacted, consolidated and/or replaced, from time to time, and any successor statute or code thereto, unless otherwise expressly provided;

(d) any reference to a specific executive position or an internal division or department of a Party shall include any successor positions, divisions or departments having substantially the same responsibilities or performing substantially the same functions;

(e) in the computation of time under this Agreement, except where a contrary intention is expressly stated, where there is a reference to a number of days between two events, the number of days shall be counted by excluding the day on which the first event happens and including the day on which the second event happens provided that in the event that the time for doing an act under this Agreement expires on a day which is not a Business Day, the act may be done on the next Business Day;

(f) all dollar amounts are expressed in Canadian dollars;

(g) the division of this Agreement into separate Articles, Sections, subsections and Schedules and the insertion of headings is for convenience of reference only and shall not affect the construction or interpretation of this Agreement;

(h) words or abbreviations which have well known or trade meanings are used herein in accordance with their recognized meanings;

(i) the parties to this Agreement each, either by its duly authorized officers or by its professional advisors, having participated in the preparation of this Agreement, do

severally acknowledge that it is their intent that this Agreement is to be construed as if the parties were joint authors and is not to be construed against one party as if that party or that party's professional advisor was the sole or major author of this Agreement.

(j) it being the intention of the parties in entering into this Agreement that there be full compliance with the ARC, it is the intention of the parties that this Agreement be interpreted to be consistent with the provisions contained in the ARC and that, for such purpose, any term used in this Agreement which is defined in the ARC and is not otherwise expressly defined in this Agreement shall have the meaning ascribed to such term in the ARC.

ARTICLE 2
TERM

2.1 Term

Unless terminated in accordance with **Section 10.1** of this Agreement, this Agreement shall come into force on the Effective Date and shall continue in full force and effect for a period of five (5) years. Subject to delivery of notice as herein provided, at the end of the initial five (5) year term, the term of this Agreement shall be extended automatically for successive periods of one (1) year each unless either party gives notice in writing to the other of not less than ninety (90) days prior to the end of the then current term that the term of the Agreement is not to be extended beyond the end of the then current term.

ARTICLE 3
MHHI SERVICES AND COVENANTS

3.1 Services

Subject to the terms, covenants and conditions contained in this Agreement, MHHI will provide, or cause to be provided, to MHDI the services set out in **Schedule "A"** (collectively the "**Services**").

3.2 Service Standards

Subject to the terms, covenants and conditions contained in this Agreement, MHHI will provide, or cause to be provided, to MHDI the services to the standards set out in **Schedule "B"** (collectively the "**Service Standards**").

3.3 Changes

MHHI and MHDI may, from time to time, agree to modifications to a service and to a standard agreed to be provided hereunder by negotiating appropriate changes to the descriptions of the service and the standard and the consideration in connection with such changes and shall initial and attach amended schedules hereto.

3.4 General MHHI Covenants

(a) MHHI shall be responsible for obtaining all necessary licences and permits and for complying with all applicable federal, provincial and municipal laws, codes and regulations in connection with the provision of the Services and MHHI shall, when requested, provide MHDI with adequate evidence of its compliance with this **Section 3.4**;

(b) MHHI shall maintain for the benefit of MHDI appropriate insurance concerning the operations and liabilities of MHHI relevant to this Agreement.

ARTICLE 4
MUTUAL COVENANTS

4.1 Confidential Information

MHDI and its personnel shall not release Confidential Information to MHHI except in compliance with the ARC as prescribed by the OEB. Where MHDI shares employees with MHHI, MHHI and MHDI agree that they shall not release Confidential Information to any third party without the prior consent of the Parties.

4.2 Maintain Records

MHHI and MHDI will maintain separate financial records and books of accounts in compliance with the ARC as prescribed by the OEB.

4.3 Notification of Changes of Circumstances

MHHI shall promptly give written notice to MHDI of any changes or prospective changes in circumstances that would materially affect the resources required for the performance of the Services, including any anticipated material change in the nature or level of business of MHHI, or any service arrangements contemplated with any third parties.

4.4 Notice of Claims, Etc.

MHHI shall promptly give written notice to MHDI, and MHDI shall promptly give notice to MHHI, of all material claims, proceedings, notice of regulatory non-compliance from any regulatory authority, disputes (including labour disputes) or litigation (collectively, **"Claims"**) which it reasonably believes could have a material adverse effect on the fulfillment of any of the material terms hereof by MHHI or MHDI (whether or not any such Claim is covered by insurance) in respect of its own operations of which either of them is aware. Subject to compliance with the terms of any insurance policy pursuant to which either party may be entitled to indemnity in respect of any Claim, each Party shall provide the other Party with all information reasonably requested from time to time concerning the status of such Claims and any developments relating thereto. In the event that either Party is or may be insured with respect to any Claim, each Party will provide full co-operation as required by any insurance carrier for the purpose of processing or defending any such Claim.

4.5 Regulatory Change

If any change of Law after the date of this Agreement renders this Agreement illegal or unenforceable or if any provision contained in this Agreement is found by any authority of competent jurisdiction

not to be in compliance with the ARC, the Parties shall forthwith enter into good faith negotiations with the intent of entering into a replacement or amending Agreement to reflect compliance with any such change of law or ruling of non compliance with the ARC.

ARTICLE 5
FEES AND COSTS

5.1 Fees

MHDI shall pay to MHHI the fees and charges set out in **Schedule "C"**. Fees are updated annually, on a calendar year basis, to reflect current rates.

5.2 Taxes

In addition to the fees, MHDI shall pay to MHHI an amount equal to any and all goods and services taxes, sales taxes, value-added taxes or any other taxes (excluding income taxes) properly eligible on the supply of services provided by a third party under this Agreement.

5.3 Late Payment

If MHDI fails to pay any amounts payable hereunder when due, such unpaid amounts shall bear interest from the due date thereof to the date of payment at the Prime Rate plus two percent (2%).

ARTICLE 6
REPRESENTATIONS AND WARRANTIES

6.1 Representations and Warranties of MHHI

MHHI represents and warrants to MHDI as follows and acknowledges that MHDI is relying on such representations and warranties in connection herewith:

(a) MHHI is a corporation, duly incorporated, validly existing and in good standing under the laws of the Province of Ontario and it has the rights, powers and privileges to execute and deliver this Agreement and to perform its obligations hereunder;

(b) the execution, delivery and performance of this Agreement has been duly authorized by all necessary corporate action;

(c) this Agreement constitutes a legal, valid and binding obligation of MHHI, enforceable against MHHI by MHDI in accordance with its terms; and

(d) MHHI has the necessary resources and expertise to acquire or perform the Services.

6.2 Representations and Warranties of MHDI

MHDI represents and warrants to MHHI as follows and acknowledges that MHHI is relying on such representations and warranties in connection herewith:

(a) MHDI is a company, duly organized, validly existing and in good standing under the laws of the Province of Ontario and it has the rights, powers and privileges to execute and deliver this Agreement and to perform its obligations hereunder;

(b) the execution, delivery and performance of this Agreement has been duly authorized by all necessary corporate actions;

(c) this Agreement constitutes a legal, valid and binding obligation of MHDI, enforceable against MHDI by MHHI in accordance with its terms; and

(d) MHDI is not an energy service provider within the meaning of the ARC.

6.3 Warranty

(a) MHHI warrants that the services it provides will be performed in a professional and workman like manner. MHHI warrants that any fault or defect due to MHHI shall be corrected as soon as is reasonably possible upon notification by MHDI at no cost to MHDI.

ARTICLE 7
INDEMNIFICATION

7.1 Indemnification

(a) MHDI shall indemnify, defend and hold harmless MHHI, its' officers, directors, shareholder and employees (each a "**MHHI Indemnitee**") from and against any and all claims, demands, suits, losses, liabilities, damages, obligations, payments, costs and expenses and accrued interest thereon (including the costs and expenses of, and accrued interest in respect of, any and all actions, suits, proceedings, assessments, judgements, awards, settlements and compromises relating thereto and reasonable lawyers' fees and reasonable disbursements in connection therewith) (each an "**Indemnifiable Loss**"), asserted against or suffered by any MHHI Indemnitee relating to, or in connection with, or resulting from or arising out of the provision of the Services under this Agreement.

(b) MHHI shall be deemed to hold the provisions of **Section 7.1(a)** that are for the benefit of the MHHI Indemnitees that are not party to this Agreement in trust for such persons as third party beneficiaries under this Agreement.

7.2 Limit of Liability

(a) MHDI agrees that MHHI liability, if any, to MHDI or any third party in connection with or arising under this Agreement, including without limitation, any liability arising from any act or omission of MHHI in the provision of the Services, whether arising in contract, tort, equity or otherwise, shall be limited to actions or liabilities resulting solely from the fraud or willful misconduct of MHHI in the provision of the Services and shall not exceed an amount equal to the total amount paid by MHDI to

MHHI under this Agreement for Services over the twelve month period preceding the date that the cause of action or claim giving rise to the liability first arose.

(b) MHHI shall not be liable for any damages caused by delay in delivering or furnishing any Services referred to in this Agreement.

7.3 Notwithstanding anything else to the contrary in this Agreement, the Parties agree that MHHI shall not be responsible for any sanctions, fines, penalties, or similar obligations imposed on MHDI, and MHDI agrees to indemnify and hold harmless MHHI from any such sanctions fines, penalties or similar obligations.

ARTICLE 8
DEFAULT

8.1 Events of Default

The occurrence of any one or more of the following events shall constitute a Default by a Party (the **"Defaulting Party"**) under this Agreement and shall constitute an Event of Default if such Default is not remedied prior to the expiry of the relevant notice period (if any) and the relevant cure period (if any) applicable to such Default as hereinafter set out:

(a) if the Defaulting Party defaults in the payment of any amount due to the other Party under this Agreement and such default shall continue unremedied for sixty (60) days following notice in writing thereof to the Defaulting Party by the other Party; or

(b) if the Defaulting Party fails in any material respect to perform or observe any of its other material obligations under this Agreement and such failure shall continue unremedied for a period of sixty (60) days following notice in writing thereof (giving particulars of the failure in reasonable detail) from the other Party to the Defaulting Party or such longer period as may be reasonably necessary to cure such failure (if such failure is capable of being cured), provided that the Defaulting Party:

(i) proceeds with all due diligence to cure or cause to be cured such failure; and
(ii) its proceedings can be reasonably expected to cure or cause to be cured such failure within a reasonable time frame acceptable to the other Party acting reasonably.

ARTICLE 9
REMEDIES

9.1 Default Remedies

(a) Unless otherwise agreed to in writing, in the event of an Event of Default the non-defaulting Party may terminate this Agreement and all amounts payable by the defaulting Party to and including the date of termination hereunder shall become due and payable forthwith;

(b) The remedies in this section are expressly in lieu of any or all of the remedies which may be available to each of MHHI and MHDI in respect of or under this Agreement resulting from the furnishing, the failure to furnish or the quality of any Services.

ARTICLE 10
TERMINATION

10.1 Termination

This Agreement shall terminate:

(a) in accordance with the provisions of **Section 9.1**; or

(b) in accordance with **Section 2.1** upon issuance of the notice of non-renewal as provided therein.

10.2 Notice of Termination

Any termination hereof pursuant to **Section 10.1** shall be by written notice of the terminating Party.

ARTICLE 11
GENERAL

11.1 Force Majeure

No Party shall be liable for a failure or delay in the performance of its obligations pursuant to this Agreement:

(a) provided that such failure or delay could not have been prevented by reasonable precautions;

(b) provided that such failure or delay cannot reasonably be circumvented by the non-performing Party through the use of alternate sources, work around plans or other means; and

(c) if and to the extent such failure or delay is caused, directly or indirectly, by fire, flood, earthquake, elements of nature or acts of God, acts of war, terrorism, riots, civil disorders, rebellions, strikes, lock outs or labour disruptions or revolutions in Canada, or any other similar causes beyond the reasonable control of such Party, (each a "**Force Majeure Event**").

Upon the occurrence of a Force Majeure Event, the non-performing Party shall be excused from any further performance of those of its obligations pursuant to this Agreement affected by the Force Majeure Event only for so long as:

(a) such Force Majeure Event continues; and

(b) such Party continues to use commercially reasonable efforts to recommence performance whenever and to whatever extent possible without delay.

The Party delayed by a Force Majeure Event shall:

(a) immediately notify the other Parties by telephone (to be confirmed in writing within five (5) days of the inception of such delay) of the occurrence of a Force Majeure Event; and

(b) describe in reasonable detail the circumstances causing the Force Majeure Event.

11.2 Dispute Resolution

If any dispute arising in relation to an event of default under **Section 8.1(b)** or its remediation as contemplated by **Section 8.1(b)** cannot be resolved by negotiation between the Parties, then the dispute shall be referred to one arbitrator agreeable to and appointed by both Parties. If the Parties cannot agree on one arbitrator, the matter in dispute shall be referred to a panel of three arbitrators, one of which shall be appointed by MHHI, one appointed by MHDI, and the third appointed by the two arbitrators selected by the two Parties. The arbitrator or arbitrators shall receive such oral and written evidence as may be required to investigate the matter in dispute and to render a decision. The arbitrators shall be guided by this Agreement and the intent of this Agreement. The decision of the arbitrator or arbitrators shall be provided in writing to all of the Parties no later than thirty (30) days after the sole arbitrator or the third arbitrator has been appointed. The decision of the arbitrator or arbitrators shall be final and binding on the Parties.

11.3 Assignment

Neither Party shall, without the written approval of the other Party hereto, which may be arbitrarily withheld in the sole discretion of either of them, assign or transfer its interest in this Agreement. This Agreement shall be binding on the Parties and their respective successors and permitted assigns. Any purported assignment in contravention of this Agreement shall be void.

11.4 Notices

(a) All notices, requests, approvals, consents and other communications required or permitted under this Agreement shall be in writing and addressed as follows:

If to MHDI,

200 Chisholm Drive
Milton, ON
L9T 3G9
Attn: Mary-Jo Corkum, Secretary/Treasurer
Fax: 905-876-2044

If to MHHI,
200 Chisholm Drive
Milton, ON
L9T 3G9
Attn: Troy Hare, President & CEO
Fax: 905-876-2044

and shall be sent by fax and the Party sending such notice shall telephone to confirm receipt. A copy of any such notice shall also be sent on the date such notice is transmitted by fax by registered express mail or courier with the capacity to verify receipt of delivery. Any Party may change its address or fax number for notification purposes by giving the other Party notice of the new address or fax number and the date upon which it will become effective in accordance with the terms of this Agreement. A notice shall be deemed to have been received as of the next Business Day following its transmission by fax.

11.5 Severability

If any provision of this Agreement is held by a court of competent jurisdiction to be unenforceable or contrary to law, then the remaining provisions of this Agreement, or the application of such provisions to persons or circumstances other than those as to which it is invalid or unenforceable shall not be affected thereby, and each such provision of this Agreement shall be valid and enforceable to the extent granted by law. If any clause is deemed unenforceable or contrary to law, the parties shall alter the said clause and this agreement to produce enforceability or compliance with law such that the intent of the original clause is maintained and such change or alteration may be established through the dispute resolution clause in this agreement.

11.6 Waiver

No delay or omission by a Party to exercise any right or power it has under this Agreement or to object to the failure of any covenant of any other Party to be performed in a timely and complete manner, shall impair any such right or power or be construed as a waiver of any succeeding breach or any other covenant. All waivers must be in writing and signed by the Party waiving its rights.

11.7 Entire Agreement

This Agreement constitutes the entire Agreement among the Parties with respect to the Services and there are no other representations, understandings or agreements, either oral or written, between the Parties other than as herein set forth.

11.8 Amendments

No amendment to, or change, waiver or discharge of, any provision of this Agreement shall be valid unless in writing and signed by authorized representatives of each Party.

11.9 Governing Law

This Agreement shall be governed by the laws of the Province of Ontario and the laws of Canada applicable therein. The Parties hereby agree that the courts of the Province of Ontario shall have exclusive jurisdiction over disputes under this Agreement, and the Parties agree that jurisdiction and venue in such courts is appropriate and irrevocably attorn to the jurisdiction of such courts.

11.10 Survival

The terms of **Article 7, Article 9** and **Article 11** shall survive the expiration of this Agreement or termination of this Agreement for any reason.

11.11 Third Party Beneficiaries

Each Party intends that this Agreement shall not benefit or create any right or cause of action in or on behalf of any person or entity other than the Parties.

11.12 Covenant of Further Assurances

The Parties agree that, subsequent to the execution and delivery of this Agreement and without any additional consideration, the Parties shall execute and deliver or cause to be executed and delivered any further legal instruments and perform any acts which are or may become necessary to effectuate the purposes of this Agreement and to complete the transactions contemplated hereunder.

IN WITNESS WHEREOF this Agreement has been executed by the duly authorized signatories of the parties hereto as of the date first written above.

MILTON HYDRO HOLDINGS INC.

Per: _____

Name: Troy Hare
Title: President & CEO

MILTON HYDRO DISTRIBUTION INC.

Per: _____

Name: Mary-Jo Corkum
Title: Vice President, Finance

SCHEDULE A

Description of Services

1. **"Management Services"**, will include, as required:

(a) Management services: including but not limited to MHHI Board of Directors providing direction and policy to MHDI.

SCHEDULE B

Description of Service Standards

Service Standards

MHHI shall perform the Services in a good and workmanlike manner and to a standard of performance that a competent professional and diligent independent provider of the services in the same circumstances would reasonably be expected to provide. The obligations of MHHI hereunder shall be subject to any restrictions as may from time to time be set out in the ARC.

SCHEDULE C

MHHI Providing Services to MHDI
Fees & Charges

	SERVICES	FEES	PERIOD OF FEE
1.	**Management Services**	Proportionate share of Total Actual costs reflecting time spent by MHHI on MHDI activities	Quarterly

Term & Conditions		
1	Regular Business Hours	8:00am to 4:30 pm weekdays, excluding holidays
2	Prices	Subject to Applicable Taxes
3	Payment	Net 30 days

Attachment 4-4
JD VP Customer Experience

MILTON HYDRO

Position Title: Vice President Customer Experience	Date of Last Revision:
Reports To: President & CEO	Previous Revision:
Department: Senior Leadership Team	

POSITION SUMMARY:

The VP Customer Experience is a key member of the Senior Leadership Team (SLT), providing leadership, oversight & strategic management in the Customer Service functions. The incumbent is primarily responsible areas of the customer service delivery model covering all key customer touch-points, including key account relationship management with a focus on 'meter-to-cash' processes, including billing and collections. This role holds key accountability for the customer experience and community relations.

The incumbent is a key contributor in achieving the Company's strategic vision, is an engaged change leader, and actively evaluates new business opportunities.

The incumbent actively supports and manages to a customer centric mindset – encouraging and empowering all employees to focus on the customer and ensure a seamless customer approach and experience across all business units.

The incumbent provides technical oversight and direction with regards to the integration of digital information systems, controls, automation and technology to maximize efficiencies, performance and further enhance the customer experience.

MAJOR RESPONSIBILITIES:

1. Ensure the CEO & SLT are kept informed of emerging issues and progress on key work plans, critical business decisions, and strategic objectives.
2. Collaborate with the SLT to develop the strategic plan and budgets required to carry out the corporate strategy.
3. Actively participate and/or present at Board and/or Committee meetings.
4. Responsible to deliver and execute a Customer Experience Strategy that supports the delivery of value-added and solution-based services to enhance the customer relationship and meet customer expectations.
5. Manager the customer relationship touch points by focusing on effective communication and continuously soliciting feedback to measure and track results.
6. Act as a leader and change agent in the strategic management of customer care services and standards.
7. Develop & deliver on short and long-term objectives & business plans to support the corporate strategy.
8. Effectively articulate the Company strategy into relatable actions and objectives and ensure the cascade of relative and consistent messaging to all employees.
9. Lead the Customer Experience team leaders in establishing a supportive & collaborative culture, with a focus on enhancing the customer & community experience - where employees are given ownership & responsibility to solve customer issues.
10. Research and monitor best practices and emerging changes in delivering an enhanced customer experience, striving to position the role as a customer advocate.
11. Support the development and execution of emergency response plans and coordinate with City departments as required.
12. Educate, mentor and guide direct reports to improve employee engagement, productivity and foster a customer centric experience, for both external customers and internal clients.

13. Ensure the delivery of excellent customer service by meeting all Ontario Energy Board (OEB) and Customer Service-related Electrical Service Quality Requirements (ESQR's).
14. Address all large commercial, industrial and critical customer needs and expectations, as solicited through regular stakeholder outreach activities.
15. Create and drive the customer information system strategy and ensure the efficient utilization of available resources to meet targets.
16. Ensure that policies with respect to customer care standards are met and that the business is in full compliance with all federal and provincial legislation and industry codes, regulations and standards.
17. Define expected objectives and targets for call centre services as they relate to the primary goals and objectives for the organization, specifically around the more efficient and effective delivery of field services.
18. Manage the 3rd party relationship with the vendor partner for the call centre and interface with them to ensure vendor compliance regarding contractual agreements and deliverables; establish performance goals and objectives.
19. Measure and hold accountable vendor performance against expected Service Level Agreements (SLA's) and defined KPI's.
20. Ensure all accounts receivables are held at an acceptable level and minimize bad debt loss.
21. Oversee the development of strategic key messages and review/approve all customer-facing communication prior to production and delivery (e.g.: agent scripting, web information, bill inserts, brochures, direct mail).

SKILLS & ABILITIES:

- Expert senior level leadership and people management skills
- Expert ability to establish effective working relationships with various stakeholders, both internal and external
- Expert verbal and written communication skills as well as accurate and high-quality presentation skills
- Advanced MS Office skills, written, verbal and presentation skills
- Ability to influence culture and create alignment between business goals and behaviours that drive exceptional performance

CORE COMPETENCIES:

- ***Teamwork & Collaboration***: understands the value of team and builds relationships built on trust & respect
- ***Change Leadership***: Makes change relevant and understandable, and gets employees excited about new ways of operating
- ***Customer Focused***: treats each Customer interaction as an opportunity, listens to understand the Customers' needs
- ***Critical Thinker:*** demonstrative ability to analyze & assess for the best solution, and an effective problem-solver

KNOWLEDGE:

- Advanced understanding of how to manage to and support a customer-centric mindset
- Advanced understanding of customer care principles, customer information systems, customer feedback processes
- Intermediate knowledge of managing unionized employees and to Collective Agreements
- Intermediate knowledge of the energy and utility sectors, including a strong understanding of the regulatory environment and asset
- Basic knowledge of contract law an asset

MILTON HYDRO

EXPERIENCE & EDUCATION:

- Bachelor's degree in business, finance or related field
- Master degree in related field an asset
- 10+ years' experience leading a customer care and billing environment
- 5 years' experience in a senior supervisory role

NOTE: This job description indicates the general nature and level of work expected of the incumbent. It is not designed to cover or contain a comprehensive listing of activities, duties, or responsibilities required of the incumbent. The incumbent may be asked to perform other duties which may be assigned from time to time.

Attachment 4-5

JD Process Improvement Officer

MILTON HYDRO

Position Title: Process Improvement Officer	Date of Last Revision:
Reports To: President & CEO	Previous Revision:
Department: Senior Leadership Team	

POSITION SUMMARY:

The Process Improvement Officer role is responsible for the delivery of process innovation and continuous improvement initiatives across the organization. The incumbent reports to the CEO and plays an important role in helping to foster a culture of continuous improvement and supports the framework to efficiently execute on business transformation initiatives.

The incumbent is responsible for leading numerous initiatives that will result in measurable improvements to increase efficiency and effectiveness of business processes. The incumbent will serve as a change agent for improvement by introducing enhanced processes and methodologies and providing support to key stakeholders within the organization.

As a member of the Senior Leadership Team (SLT) the incumbent actively supports a 'whole of organization' approach by putting sufficient focus on: predicting & responding to customer needs; building an engaged employee culture; and, continually seeking better solutions through productivity, technology & innovation.

The incumbent supports and demonstrates a business process automation culture, utilizing technology to execute recurring tasks or processes where manual and less efficient effort can be replaced and improved to: minimize costs; increase efficiency; and, streamline processes.

MAJOR RESPONSIBILITIES:

1. Confer closely with the CEO regarding the day-to-day activities and advises on improvement matters that many have an impact on the business.
2. Identify and recommend process automation opportunities (especially complex, end-to-end processes with demonstrable value).
3. Work with internal stakeholders to re-engineer processes to make optimize them, and then identify which can/should be automated.
4. Identify and deliver service improvement activities across the business through employing process improvement methodologies and the application of innovative thinking.
5. Work with business units and senior leaders to build a continuous improvement mindset to support ongoing change initiatives.
6. Support the delivery of better value and greater efficiency through the identification and elimination of unnecessary complexity within business processes and identify better ways of working.
7. Identify trends and process variations as part of establishing a continuous improvement monitoring and reporting system.
8. Assist in the development and implementation of a 'best-in-class' continuous improvement strategy.
9. Drive process identification and change using staff interviews, document analysis, verification/audits, requirements workshops, surveys, site visits, business process descriptions, business analysis and workflow analysis.
10. Work with business units and provide materials to support process changes: to include training and teach others to lead improvement efforts, including training on effective tools for successful project leadership.

11. Evaluate and prioritize key process improvement initiatives, jointly with senior management to drive outcomes that align with the organization's strategic goals.
12. Guide and support lines of business senior leaders in scoping substantive projects with organizational impact: identifying project benefits; and, providing support and training to cross-functional teams as required.
13. Plan and manage project risks, resources, quality and scope from project kickoff through to completion, working with senior project leaders.
14. Identify issues that impact project scope and timeline, track and report on the progress of assigned projects to senior leaders and draft project schedules.
15. Assist business units in monitoring and controlling project costs including the preparation of forecasts, obtaining approvals, identifying trends and acting to avoid cost overruns.
16. Identify project risks and opportunities and monitor closure to ensure project success.
17. Complete post project implementation review to ensure successful delivery was achieved and to ensure improvements can be made in future projects.
18. Prepare reports for the CEO, Board of directors and management and present, as required.

SKILLS & ABILITIES:

- Advanced verbal and written communication skills
- Advanced computer skills particularly MS Office, MS Project, VISIO, PowerPoint and financial database and query tools
- Advanced and demonstrated problem-solving skills, and the ability to analyze problems and utilize advanced organizational and project management skills
- Demonstrative experience in optimizing and supporting the automation of business processes
- Ability to work independently and as part of a team
- Ability to plan, prepare and deliver effective presentations and facilitate meetings
- Demonstrated ability to effectively manage, direct, coordinate and mentor business unit partners
- Ability to recognize and identify issues as they relate to successful completion of a project portfolio
- Ability to take accountability for ideas from inception to delivery, in an environment that requires robust metrics to monitor and confirm results

KNOWLEDGE:

- Advanced understanding of continuous improvement concepts (can include Six Sigma, LEAN, Value Stream Mapping)
- Strong analytical, project management skills, including a thorough understanding of how to interpret business needs and translate them into operational requirements

EXPERIENCE & EDUCATION:

- Minimum accredited Six Sigma Green Belt, preferably Black Belt
- PMP Certification (Project Management Professional)
- Minimum 5 years proven continuous improvement analytical experience in similar role, including project management and business analysis & reporting

NOTE: This job description indicates the general nature and level of work expected of the incumbent. It is not designed to cover or contain a comprehensive listing of activities, duties, or responsibilities required of the incumbent. The incumbent may be asked to perform other duties which may be assigned from time to time.

Attachment 4-6
JD Manager, People & Culture

MILTON HYDRO

Position Title: Manager People & Culture	Date of Last Revision:
Reports To: President & CEO	Previous Revision:
Department: Human Resources	

POSITION SUMMARY:

The Manager, People & Culture provides strategic and operational leadership, advice and recommendations on Human Resources matters to the Leadership team. They lead and are a model for the corporate culture, principles, values, vision and mission.

The incumbent is accountable for the development and implementation of all processes related the employee life cycle, including on-boarding, performance management and employee development, while ensuring alignment with business strategy.

As a member of the Leadership Team (LT) the incumbent actively supports a 'whole of organization' approach by putting sufficient focus on: predicting & responding to customer needs; building an engaged employee culture; and, continually seeking better solutions through productivity, technology & innovation.

The Manager, People & Culture is responsible for developing/implementing and lending support and expertise regarding the delivery of Human Resources programs across the organization. The incumbent leads HR related special projects ensuring compliance with provincial legislation and regulations.

MAJOR RESPONSIBILITIES:

1. Work with the executive and senior leadership teams to collaboratively build and execute on the long-term Company mission and vision for all employees, specifically by enhancing and developing the people/human resource/culture strategies, functions, programs and team culture.
2. Partner with the Executive team to build succession plans that position the company for strong retention through continued growth and development of current and future leaders.
3. Provide strategic guidance on HR issues and ensure compliance with legislation, regulations and collective agreement requirements.
4. Support the ongoing development and maintenance of a high-performance organization by coaching and mentoring the leaders.
5. Implement performance management programs to support feedback and development in the organization.
6. Analyze and communicate the impact of new and emerging employment legislation and propose required policy development/changes.
7. Develop labour relations strategies aligned with the collective bargaining mandate.
8. Provide guidance to leaders regarding the interpretation of the collective agreement, policies and procedures, compensation and internal systems.
9. Participate as a member of the Labour/Management Committee and manage the grievance process.
10. Conduct workplace investigations and take appropriate remedial action.
11. Keep abreast of HR trends and adjust, design and develop policies and processes consistent with changes.
12. Develop policies and programs and provide training and education to employees.
13. Share information relevant to internal corporate communications including HR initiatives, current events and market developments.
14. Coordinate Human Resource and Safety related events.
15. Oversee the recruitment process to ensure best practices are utilized and the organizational brand is represented well.

16. Administer the employee group benefit plan and manage the requirements of both short term and long-term disability programs.
17. Conduct market analyses to ensure compensation practices are consistent with the market.

SKILLS & ABILITIES:

- Advanced negotiations skills with the ability to successfully influence positive outcomes in a unionized environment
- Advanced verbal and written communication skills
- Advanced presentation skills with the ability to articulate corporate HR vision to the management team and employees at all levels
- Demonstrated ability to analyze information, identify problems proactively and develop solutions
- Proven expertise in the interpretation of the Collective Agreement
- Intermediate MS Office skills

KNOWLEDGE:

- Advanced knowledge of the Employment Standards Act and the Ontario Human Rights Code
- Advanced knowledge of the requirements under the Accessibility for Ontarians with Disabilities Act (AODA)
- Intermediate knowledge of Occupational Health and Safety requirements as it relates to individuals, the organization and operational requirements

EXPERIENCE & EDUCATION:

- Undergraduate degree in Business, Labour Studies or related discipline
- Post-graduate certificate in Human Resource Management
- CHRP or CHRL certification or equivalent
- 6-8 years' experience in a senior generalist human resource role
- Previous experience in a unionized environment

NOTE: This job description indicates the general nature and level of work expected of the incumbent. It is not designed to cover or contain a comprehensive listing of activities, duties, or responsibilities required of the incumbent. The incumbent may be asked to perform other duties which may be assigned from time to time.

Attachment 5-1

Town of Milton Promissory Note

MILTON HYDRO DISTRIBUTION INC.
P.O. BOX 189, 55 THOMPSON ROAD SOUTH, MILTON, ONTARIO L9T 4N9
TELEPHONE (905) 876-4611 • FAX (905) 876-2044

Original hand delivered to Town 7/23/01

PROMISSORY NOTE

Principal Sum: C$14,934,210

FOR VALUE RECEIVED, the undersigned hereby unconditionally promises to pay to the order of The Corporation of the Town of Milton (the "Town") on demand by the Town the principal sum of **FOURTEEN MILLION, NINE HUNDRED AND THIRTY-FOUR THOUSAND, TWO HUNDRED AND TEN DOLLARS ($14,934,210)** in lawful money of Canada at 43 Brown Street, Milton, Ontario or such other place as the Town may designate by notice in writing to the undersigned and to pay interest on the Principal Sum from October 1, 2001 at the rate of 7.25% per annum calculated and accruing on the principal amount remaining unpaid and overdue interest, if any, until the Principal Sum is repaid to the Town. Interest shall be calculated and payable quarterly in arrears on the last day of March, June, September and December at the same address. Interest both before and after default and judgment on the principal amount and overdue interest shall be payable at the aforementioned rate. For greater certainty, no interest shall accrue or be payable by the undersigned to the Town on the Principal Sum from the date hereof until October 1, 2001.

All payments or any part thereof may be extended, rearranged, renewed or postponed by the Town. No delay or failure by the Town to exercise any right or remedy against the undersigned shall be construed as a waiver of that or any right or remedy nor shall any waiver hereunder be deemed to be a waiver of subsequent default. The Town may, at any time, in accordance with the provisions of The Corporation of the Town of Milton By-law No. 74-2000 and after consultation with the undersigned and upon 30 days written notice, replace this promissory note for one or more debt instruments of the undersigned with any change to any provision hereunder, including reducing or increasing the rate of interest payable on the principal amount owing at the time of replacement, setting a date on which the principal amount hereunder is due and payable or adjusting the principal sum payable hereunder, all as evidenced by the written acceptance of said debt instrument or instruments by the Treasurer of the Town and the Secretary-Treasurer of Milton Hydro Distribution Inc.

The undersigned hereby waives presentment, demand, protest or other notice of every kind in the enforcement of this promissory note. All amounts owing hereunder will be paid by the undersigned without regard for any equities between the undersigned and the Town or any right of set-off or cross-claim.

In the event of a default hereunder, the undersigned agrees to pay all expenses, including without limitation, reasonable legal fees (on a solicitor and his own client basis), incurred by the Town in endeavoring to enforce its rights hereunder. All such amounts shall bear interest at the rate mentioned above.

This promissory note is non-negotiable and non-assignable without the prior written consent of the undersigned.

DATED at Milton, Ontario, as of the 23rd day of July, 2001

MILTON HYDRO DISTRIBUTION INC.

By: _____
President

By: _____
Secretary-Treasurer