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October 28, 2010

BY EMAIL & COURIER

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge St, Suite 2701  
Toronto ON M4P 1E4

Dear Ms. Walli:

**Board File No. EB-2010-0131**  
**Horizon Utilities Corporation – 2011 Cost of Service Application**  
**Energy Probe – Preliminary Issue Interrogatories**

Pursuant to Procedural Order No. 1, issued on October 21, 2010, please find the Interrogatories of Energy Probe Research Foundation (Energy Probe) in respect of the Preliminary Issue in the EB-2010-0131 proceeding.

Should you require additional information, please do not hesitate to contact me.

Yours truly,

David S. MacIntosh  
Case Manager

cc: Indy Butany-DeSouza, Horizon Utilities (By email)  
James C. Sidlofsky, Borden Ladner Gervais LLP (By email)  
Randy Aiken, Aiken & Associates (By email)  
Peter T. Faye, Counsel to Energy Probe (By email)  
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**Ontario Energy Board**

**IN THE MATTER OF** the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, (Schedule B);

**AND IN THE MATTER OF** an application by Horizon Utilities Corporation for an order approving just and reasonable rates and other charges for electricity distribution to be effective January 1, 2011.

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**INTERROGATORIES OF  
ENERGY PROBE RESEARCH FOUNDATION  
("ENERGY PROBE")  
ON THE PRELIMINARY ISSUE**

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**October 28, 2010**

**HORIZON UTILITIES CORPORATION  
2011 RATES REBASING CASE  
EB-2010-0131**

**ENERGY PROBE RESEARCH FOUNDATION  
INTERROGATORIES ON THE PRELIMINARY ISSUE**

**Interrogatory # 1**

**Ref: Exhibit 1, Tab 1, Schedule 1, pages 6-10**

- a) Please provide all other pressures that have led Horizon Utilities to file a cost of service application for 2011 rather than waiting for 2012, other than the four items listed.
- b) Has Horizon Utilities been unable obtain the necessary financing required to fund business investments in the period beginning in 2008 to the current time? If yes, please provide details.
- c) Has Horizon Utilities experienced any significant issues related to its cash flow in 2008 through to the current time? If yes, please provide details.
- d) Please provide the number full equivalent employees (FTEE) of Horizon Utilities for each of 2007, 2008 and 2009, along with the forecast number for 2010 and 2011.
- e) Please provide the most recent figure in 2010 of FTEE.
- f) Please provide the number of employees that retired in each of 2008 and 2009, along with the forecast number of retirements for 2010 and 2011.
- g) How many employees have retired year to date in 2010?
- h) Please confirm that the Board approved return on equity for the 2008 test year in EB-2007-0697 was 8.57%.

## Interrogatory # 2

Ref: Exhibit 1, Tab 1, Schedule 1, page 6 &  
Exhibit 3, Tab 2, Schedule 1, Tables 3-7, 3-19 & 3-23

- a) How much of the revenue shortfall in 2008 was a result of the forecast error associated with energy usage per customer as compared to the Board approved figures shown in Table 3-7 of Exhibit 3, Tab 2, Schedule 1?
- b) Please provide a calculation for each rate class shown in Table 3-7 with a kWh billing determinant that shows the difference in the average use between the actual 2008 and Board approved 2008 levels, multiplied by the actual number of customers in the rate class, multiplied by the appropriate approved variable rate for the rate class. As an example, consider the following calculation for the residential rate class:  
  
$$(\text{actual 2008 average use} - \text{Board approved 2008 average use}) \times \text{actual 2008 customers} \times \$0.0128/\text{kWh} = (7,777 - 8,015) \times 211,092 \times \$0.0128 = -\$643,071.$$
- c) For each rate class in Tables 3-19 and 3-23 in Exhibit 3, Tab 2, Schedule 1, please provide the Board approved kW forecast for each rate class.
- d) Based on the response to part (c) above, please calculate the difference in the revenues due to the difference in the actual kW from the Board approved kW forecast in each applicable rate class, based on the Board approved rates for 2008.
- e) Please confirm that the Board did not make any adjustments to the kWh or kW forecasts for any rate classes in EB-2007-0697.

## Interrogatory # 3

Ref: Exhibit 1, Tab 2, Schedule 1, Pages 6-10 &  
Exhibit I, Tab 3, Schedule 4, Appendix 1-14

At page 10 of the Standard & Poor's Rating Agency Report dated July 8, 2010 it is stated that "We believe the LDC could also temporarily defer, for a year or so, a small portion (about C\$5 million to C\$7 million) of its maintenance capital expenditure without compromising service levels."

Has Horizon Utilities made any such temporary deferrals in its 2010 or 2011 forecast of capital expenditures?

**Interrogatory # 4**

**Ref: Exhibit 1, Tab 2, Schedule 1, Pages 6-10**

- a) Please provide all information provided to or received from the Horizon Utilities Board of Directors related to the proposal to file a cost of service application for 2011 rates rather waiting for 2012.**
- b) When did the Board of Directors give their approval to file a cost of service application for 2011 rates?**

**Interrogatory # 5**

**Ref: Exhibit 1, Tab 2, Schedule 5 &  
Exhibit 1, Tab 2, Schedule 1, page 6 &  
Exhibit 3, Tab 1, Schedule 2**

- a) Does the 2010 Bridge Actual column in the table on page 1 of Exhibit 1, Tab 2, Schedule 5 include any actual data for 2010 or is all of 2010 based on forecast information only?**
- b) Please calculate the return on equity for the 2010 bridge actual year based on the information in the table on page 1. Please compare this figure to the of 5.9% stated on page 6 of Exhibit 1, Tab 2, Schedule 1 and explain any difference in the two figures. In particular, please comment on the difference in the distribution revenue shown in the table on page 1 of Exhibit 1, Tab 2, Schedule 5 and that shown in Table 3-1 of Exhibit 3, Tab 1, Schedule 2.**
- c) Please recalculate the revenue deficiency using a return on equity of 8.57% as approved by the Board in EB-2007-0697 for 2008.**
- d) Please expand the table on page 1 of Exhibit 1, Tab 2, Schedule 5 to include actual figures for 2008 and 2009 using a return on equity for both years of 8.57%. Please also add a line that shows the actual return on deemed equity.**
- e) Please explain any difference in the actual return on deemed equity calculated in (d) above with the figures of 7.2% for 2008 and 6.6% in 2009, respectively, as noted on page 6 of Exhibit 1, Tab 2, Schedule 1.**

**Interrogatory # 6**

**Ref: Exhibit 1, Tab 2, Schedule 5 &  
Exhibit 4, Tab 2, Schedule 1**

**Please reconcile the OM&A cost of \$19,583,024 + \$21,324,343 shown in the table on page 1 of Exhibit 1, Tab 2, Schedule 5 with the figure of \$40,066,077 shown in the table on page 2 of Exhibit 4, Tab 2, Schedule 1 for 2010.**

**Interrogatory # 7**

**Ref: Exhibit 1, Tab 2, Schedule 1, page 7**

**Please provide all assumptions and calculations used to estimate the adjusted return on regulated investments for 2011 of between 2.0% and 5.0%.**

**Interrogatory # 8**

**Ref: Exhibit 1, Tab 2, Schedule 1, page 10**

**If Horizon Utilities believes that the Board does not contemplate the nature of the capital expenditures proposed by Horizon Utilities as being urgent requirements in 2011 that would trigger use of the capital module and that such renewal expenditures are common and to be expected in the ordinary course of the business of maintaining an electricity distribution system, please explain why it believes that these same circumstances are justification for an early cost of service rebasing application.**

**Interrogatory # 9**

**Ref: Exhibit 1, Tab 2, Schedule 1, pages 9-10**

- a) Please provide a table for 2008 through 2011 that shows the distribution system capital expenditures for each year, along with a separate line that shows all of the remaining non-distribution system capital expenditures for these years, along with the total capital expenditures being closed to rate base in each year.**
- b) Does the distribution system capital expenditures noted on page 9 include the reduction associated with contributions and grants?**

- c) **Please calculate the materiality threshold for the 3<sup>rd</sup> GIRM capital module. Please show all calculations and assumptions used.**
- d) **With reference to Hydro One's 2009 EDR Application, please provide a summary of what the Board allowed Hydro One to recover through the capital module.**
- e) **Based on the response to part (b) above, what capital expenditure amount for 2011 could qualify for the capital module and what is a high level estimate of the amount that would be recovered from rate payers assuming the Board allowed the recovery as requested by Horizon Utilities?**