

INTERROGATORIES FOR HORIZON UTILITIES CORPORATION

EB-2010-0131

FROM THE CONSUMERS COUNCIL OF CANADA

OVERVIEW/GENERAL

1. Ex. 1/T2/S1/p. 8

The evidence states that Horizon has been deferring certain capital investments and OM&A since 2009. Please provide a list of the specific projects and related expenditures that have been deferred and provide an update on each of those projects.

2. Ex. 1/T2/S1/p. 15-17

The evidence states that the alignment of the fiscal year and the rate year benefits both the ratepayers and the shareholders. Please specifically elaborate on how this benefits the ratepayer. Please explain how ratepayers "also benefit from the utility having more certain and timely cash flow resulting from fiscal/rate year alignment. "

3. Ex. 1/T2/S1/p. 16

Please explain the comment that "Regulatory uncertainty in relation to the rate year/fiscal year lag also creates investment risk for a utility." Please provide evidence that this risk exists.

4. Ex. 1/T2/S1

If the Board does not approve the January 1, 2011 effective date of rates as expected and instead approves May 1, 2011 allowing the next rate change to be January 1, 2012 what are the implications for Horizon and its customers? What is the financial impact?

5. Ex. 1/T1/S2, Appendix 1-1

Please provide a schedule setting out the proposed and existing rates and charges for each rate class.

6. Ex. 1/T2/S2/p. 3

The evidence sets out the budgeting process. With respect to the business plan review process are the departmental budgets (after executive review) the same budgets that are presented in the regulatory filing? If not, please explain the difference. Please explain the process undertaken to create the regulatory budgets.

7. Ex. 1/T2/S2/p. 3

The evidence states that there are three key steps to the budgeting process. The Executive Team member(s) have an opportunity to make recommendations to the departmental business plans. The CFO reviews a consolidated budget, and recommends changes as necessary to support corporate objectives and financial concerns, and ultimately presents the budget to the CEO for approval. The CEO recommends a budget to the Board of Directors. Please provide the following as it relates to 2011:

- (a) For each of the departmental budgets, please identify the changes, if any, made at the Executive Team level, and explain why the changes were made;
- (b) For each of the departmental budgets please identify the changes, if any, made at the CFO level and explain why the changes were made;
- (c) For each of the departmental budgets please describe the changes, if any, that were made by the CEO, and explain why the changes were made;
- (d) Copies of all materials presented to the Board of Directors in seeking approval of the 2011 Business Plan.

8. Ex. 1/T2/S2

Please describe the ways in which Horizon communicates with its shareholders regarding its rate filings. Please provide copies of any materials, including correspondence, between Horizon and its shareholders regarding the Z-factor application and the 2011 rate application.

9. Ex. 1/T2/S2/appendix - Business Development Business Plan

With respect to the Business Development Business Plan, please explain what is meant by the phrase "On an opportunistic basis, BD will assume the lead role in planning, facilitating, negotiating and implementing merger initiatives with other LDCs where consolidating opportunities exist." Please define "on an opportunistic basis". In addition, please describe all of the initiatives that the BD group has undertaken in 2008, 2009 and 2010 regarding consolidation or mergers. To what extent, if any has the BD budget been adjusted to reflect the fact that costs incurred related to consolidation should be excluded from the revenue requirement?

10. Ex. 1/T2/S2/Appendix 1-9- Business Development Business Plan

Please provide a detailed budget including all elements of the 2008, 2009, 2010 and 2011 Business Development Business Plan.

11. Ex. 1/T2/S2/Appendix -1-9- Corporate Communications Business Plan

Please provide a detailed budget including all elements of the 2008, 2009, 2010 and 2011 Corporate Communications Business Plan.

12. Ex. 1/T2/S2 Appendix 1-9

Please provide a detailed budget including all elements of the 2008, 2009, 2010 and 2011 Construction Business Plan.

13. Ex. 1/T2/S2 Appendix 1-9

Please provide a detailed budget including all elements of the 2008, 2009, 2010 and 2011 Customer Connections Business Plan.

14. Ex. 1/T2/S2 Appendix 1-9

Please provide a detailed budget including all elements of the 2008, 2009, 2010 and 2011 Customer Services Business Plan.

15. Ex. 1/T2/S2 Appendix 1-9

Please provide a detailed budget including all elements of the 2008, 2009, 2010 and 2011 EOOI Business Plan.

16. Ex. 1/T2/S2 Appendix 1-9

Please provide a detailed budget including all elements of the 2008, 2009, 2010 and 2011 Facilities Business Plan.

17. Ex. 1/T2/S2 Appendix 1-9

Please provide a detailed budget including all elements of the 2008, 2009, 2010 and 2011 Finance Business Plan.

18. Ex. 1/T2/S2 Appendix 1-9

Please provide a detailed budget including all elements of the 2008, 2009, 2010 and 2011 HR Business Plan.

19. Ex. 1/T2/S2 Appendix 1-9

Please provide a detailed budget including all elements of the 2008, 2009, 2010 and 2011 IST Business Plan.

20. Ex. 1/T2/S2 Appendix 1-9

Please provide a detailed budget including all elements of the 2008, 2009, 2010 and 2011 Regulatory Business Plan.

21. Ex. 1/T2/S2 Appendix 1-9

Please provide a detailed budget including all elements of the 2008, 2009, 2010 and 2011 Safety Business Plan.

22. Ex. 1/T2/S2 Appendix 1-9

Please provide a detailed budget including all elements of the 2008, 2009, 2010 and 2011 SCM Business Plan.

23. Ex. 1/T2/S2/Appendix 1-9 - Corporate Communications Business Plan

Horizon has plans for Corporate Communications activities related to CDM including brand management, public relations and event management. Will the costs of those activities be excluded from the 2011 revenue requirement as CDM is now to be funded through the global adjustment? If not, why not? Please explain.

24. Ex. 1/T2/S2/Appendix 1-9 - Corporate Communications Business Plan

Please provide the status of the RFP for the Website Redesign Project. What are the current projected costs for the project? Please provide a detailed budget.

RATE BASE

25. Ex. 2/T1/S1/p. 2

Horizon engaged Navigant consulting to undertake its lead-lag study. Was this work retained through an RFP or other form of competitive process. If not, why not? What was the cost of the study? How are those costs to be recovered?

26. Ex. 2/T3/S1

Please provide the most recent updated in-service dates for the major capital expenditure projects for 2010 and 2011. Please calculate the impact on the 2011 revenue requirement assuming these new in-service dates.

OPERATING, MAINTENANCE & ADMINISTRATION

27. Ex. 4

Horizon has provided, in Exhibit 1, Business Plans for each of its Business Units/Departments. At Exhibit 4 the OM&A costs are presented according to the OEB EDR Handbook Filing Requirements. We are interested in assessing total OM&A levels for Horizon. The budget categories in Exhibit 4 and Exhibit 1 are not consistent. Please provide an explanation as to how the schedules are put together and reconciled. What are the OM&A levels for which Horizon is seeking approval?

Ex. 4/T1/S1/p. 1

The evidence states that Horizon maintained a stable level of Operations, Maintenance and Administration costs from 2008-2010 due to cost deferral efforts in response to material distribution revenue shortfalls. Please provide a list of the cost deferrals undertaken and the status of those projects.

Ex. 4/T2/S1/pp. 1-2

Please file an updated version of the Table - OM&A Costs by Year Uniform System of Accounts which includes the most updated numbers for 2010.

Ex. 1/T2/S4/p. 1 and Ex 4/T2/S1/p. 1-2

The total OM&A costs for 2008, 2010 and 2011 differ in these two tables. For example total OM&A in the table setting out Revenue Deficiency Summary for 2011 is \$47,875,239. In Table 4-1 OM&A Costs by Uniform System of Accounts - the 2011 amount is \$47,537,279. Please explain the differences between these two tables.

Ex. 4

Please provide one schedule which sets out the OM&A (2008-2011) for each of the 13 Departments that Horizon has provided Business Plans for in Exhibit 1/T2/S2. Does this include all of the OM&A expenses for Horizon. If not, please explain why not?

28. Ex. 4/T2/S3/p. 5

With respect to meter reading services please provide a budget for 2008-2011. To what extent have meter reading expenses declined or are expected to decline with the introduction of smart meters? What impact if any does the introduction of smart meters have on the meter contract valid to April 30, 2012? Are meter reading costs expected to decline once the current contract expires? If not, why not? What process will Horizon undertake to procure metering services beyond April 30, 2012?

29. Ex. 4/T2/S1/p. 1

Meter Expense significantly increases from 2007 to 2011 from \$1.263 million to \$4.698 million. Please provide a detailed explanation of all of the factors that have lead to this significant increase.

30. Ex. 4/T2/S5/p. 2

Please explain, in detail, how each of the following line items costs were calculated:

- Workforce Labour Strategy Plan - Skilled Trades - \$574,000
- Organizational Capacity - Management/Non-Trades - \$1,175,000
- Collective Agreement/Annual Progressions/Merit Increases - \$522,000
- Other Compensation and Benefits - \$574,000
- Training and Development - \$385,000

31. Ex. 4/T2/S5/p. 2

Please explain in detail the nature of these activities and provide a detailed explanation as to how the 2011 amounts were calculated. Please include all assumptions:

- Customer Care Servicing Costs - \$371,000
- Basic Green Energy Plan Costs - \$530,000
- Information Technology Maintenance and Licence Fees - \$400,000
- Information Technology Enhancements - \$571,000
- Operational System Reviews etc. - \$776,000
- Increase in credit losses - economy and OEB policy changes - \$380,000
- Inflation/Other Variances, Net of Mitigation - \$858,000

32. Ex. 4/T2/6/p. 4

Please provide a schedule setting out Total FTEs by Department for the years 2008-2011. Please provide the forecast level (Board approved) for 2008.

33. Ex. 4/T2/6/p. 4

What is the total increase to the revenue requirement associated with the addition of 13 new FTEs for 2011? Please provide a forecast indicating when the 13 additional FTEs are expected to be hired. What would be the total impact on the revenue requirement if the number of new FTEs was reduced by 6?

34. Ex. 4/T2/S6/p. 10

The evidence indicates that Horizon regulatory-driven projects create cost and resource requirements incremental to the daily operations of the impacted departments. Please provide an estimate of the incremental cost impact in 2011 of compliance with the standardization of customer service practices - EB-2007-0722). Where are those increased costs included in the budget?

35. Ex. 4/T2/S6/p. 11

What is the current status of the collective agreement negotiations? When is the agreement effective June 1, 2011 expected to be finalized?

36. Ex. 4 /T2/ S6/p. 26

The evidence indicates that consultants will be engaged to evaluate the current Industrial and Financial Systems (IFS) planning and scheduling module or whether an interfaced, standalone solution is otherwise required. What is the cost of the consulting work in 2011 and where in the budget categories are those costs included?

37. Ex. 4/T2/S6/p. 33

Please provide an update on Horizon's participation in the OEB's LEAP initiative. Will Horizon be providing the money to social service agencies for this winter period? Please explain what Horizon's plans are for the program .

38. Ex. 4/T2/S7/p. 2

With respect to regulatory costs please provide the following:

- A detailed breakdown of the \$253,826 in legal costs for 2008;
- The forecast level of legal costs included in 2008 rates;
- An detailed breakdown of the legal and consulting costs incurred in 2009 and an explanation as to how those costs were recovered;
- An explanation as to how the \$120,901 legal, consulting, OEB and intervenor costs relating to the Z-factor application are to be recovered;
- A detailed breakdown of the \$960,000 in costs expected to be incurred for the completion of the 2011 COS Application including all assumptions used in the derivation of that forecast; and
- A detailed list of all regulatory costs incurred to date for the 2011 COS Application.

39. Ex. 4/T2/S9/p. 22

Please provide a Table setting out the components that comprise the \$3.8 million increase in O&M in 2011 relative to the 2010 amounts.

40. Ex. 4/T2/S12/p. 2

Please provide the forecast level of 2008 Non-Affiliate Services that was included in rates in the same format as Table 4-31

COST OF CAPITAL

41. Please calculate the impact on the 2011 Revenue Requirement assuming that the Board does not approve the most recent ROE for Horizon, which is currently included in its Revenue Requirement calculation (assuming no change). Please calculate the impact on the 2011 Revenue Requirement assuming an ROE of 9.6%.

RATE DESIGN

42. Ex. 8/T1/S1/p. 3

Please explain why Horizon is planning to increase the residential monthly fixed charge by over \$2.00 to \$14.71/month. Please explain how Horizon intends to explain this increase to its residential customers.

GREEN ENERGY PLAN

43. Ex. 1/T2/S6/Appendix 4-3

Please describe the specific relief Horizon is seeking from the Board with respect to its Green Energy Plan.

44. Ex. 1/T2/S6/Appendix 4-3

Horizon is seeking approval of \$200,000 in Smart Grid OM&A in 2011. Please how that budget was developed and provide a business case to support the expenditures. Please provide business case , including cost/benefit analyses to support all of the other Green Energy Plan expenditures for which Horizon is seeking approval for.

DEFERRAL AND VARIANCE ACCOUNTS

45. Ex. 9/T1/S2

Please explain how the 2011 revenue requirement and deferral and variance accounts are dealing with the introduction of the HST on July 1, 2010.

SMART METERS

46. Ex. 9/T1/S2

Please explain Table 9-10. What is the current status of the expenditures incurred to date with respect to smart meters and the amount recovered? What are the plans to recover the current shortfall?

47. Ex. 9/T1/S2

What is Horizon's best estimate of the cost per residential customer for smart meters including all costs of the smart meter program? Has Horizon undertaken any cost/benefit analysis with respect to its smart meter program? If not, why not? Is Horizon aware of any cost/benefit analysis undertaken by

anyone else with respect to the installation and use of smart meters in Ontario? If so, please provide a copy of that analysis.