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January 10, 2011

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 Interrogatories – Part Two**

Pursuant to Procedural Order No. 4, issued by the Board on December 15, 2010, please find attached the Interrogatories of Energy Probe Research Foundation (Energy Probe) Part Two 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)  
Intervenors of Record (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")**

**PART TWO**

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**January 10, 2011**

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

**ENERGY PROBE RESEARCH FOUNDATION  
INTERROGATORIES – PART TWO**

**Interrogatory # 36**

**Ref: Exhibit 2, Tab 1, Schedule 3 Distribution and General Plant Capital Invest.**

**Figure 2-1 on page 3 of the exhibit shows “Percentage of End of Life Assets Based on Level of Capital Expenditure”. Please provide a similar figure showing historical end of life asset levels for the period 2000 – 2009.**

**Interrogatory # 37**

**Ref: Exhibit 2, Tab 1, Schedule 3 Distribution and General Plant Capital Invest.  
Exhibit 2, Tab 3, Schedule 1 Distribution and General Plant Capital Expend.**

**Table 2-4 on page 4 of the first noted exhibit shows Asset Age by Type and includes data for overhead, submersible and padmounted transformers. In Exhibit 2-3-1 page 55 defective transformer replacement policy is noted as “run to failure”.**

- a) Does the data in Table 2-4 include run to failure transformers or just those noted in the second exhibit as requiring proactive replacement?**
- b) If the data in Table 2-4 includes run to failure transformers, please explain why including them in a plan for proactive replacement is reasonable when they are not replaced proactively.**
- c) If the data in Table 2-4 includes run to failure transformers, please recast the table to exclude those transformers that are part of the run to failure policy and calculate how this would affect the capital expenditure plan intended to reduce the end of life assets backlog as shown in Figure 2-1 on page 3 of the first exhibit.**

**Interrogatory # 38**

**Ref: Exhibit 2, Tab 1, Schedule 3 Distribution and General Plant Capital Invest.**

**On page 5 of the exhibit reference is made to five substation transformer failures on the 4kV and 8kV system over the past three years in comparison to only one in 2007. Please provide a table showing substation transformer failures by year for the period 2000 – 2010.**

**Interrogatory # 39**

**Ref: Exhibit 2, Tab 3, Schedule 2, Appendix 2-1 Asset Management Plan**

**Figure 4 on page 15 of the plan shows major asset renewal expenditures. A footnote states that these expenditures do not include “Non Renewal Expenditure”. Please describe what is included in non renewal expenditures.**

**Interrogatory # 40**

**Ref: Exhibit 2, Tab 3, Schedule 2, Appendix 2-1 Asset Management Plan**

**The Asset Management Implementation Plan prepared by Navigant Consulting Inc. and appearing as Appendix A to the exhibit shows, on page 7, the need for additional FTEs. These are listed in two categories as 5.5 FTEs on an ongoing basis and 1.75 FTEs on a one time basis.**

- a) Are the two FTE resources noted on page 11 as needed for approximately one year for system planning functions part of the 5.5 ongoing FTEs? If yes, please explain why they will be needed on an ongoing basis. If no, please explain where they are accounted for in the forecast of additional resources needed to implement the Asset Management Plan.**
- b) Is the Standards Engineer noted on page 11 as being needed for 2 years part of the 5.5 ongoing FTEs? If yes, please explain why he/she will be needed on an ongoing basis. If no, please explain where this position is accounted for in the forecast of additional resources needed to implement the asset management plan.**
- c) Prior to the Asset Management Plan development, how did Horizon develop construction and material standards? How many staff were devoted to this function?**

- d) Has Horizon engaged the 1.75 FTEs required on a one time basis? If yes, please provide details of how and from where the support was acquired. If no, please indicate when and how the support will be acquired.

**Interrogatory # 41**

**Ref: Exhibit 2, Tab 3, Schedule 2, Appendix 2-1 Asset Management Plan**

The Asset Management Implementation Plan prepared by Navigant Consulting Inc. and appearing as Appendix A to the exhibit recommends on page 14 that \$700 k - \$750 k in external resources will be needed over 5 years to support the implementation of the Asset Management Plan.

- a) Has Horizon contracted for this external support yet?
- b) If yes, please provide details of how the support was acquired and what it consists of in terms of FTEs.
- c) If no, please provide a forecast of how and when the support will be resourced and what it will consist of in terms of FTEs.

**Interrogatory # 42**

**Ref: Exhibit 2, Tab 3, Schedule 2, Appendix 2-1 Asset Management Plan – Appendix C: Project Prioritization Rationale and Method**

Page 3 of Appendix C discusses the Customer Impact Score associated with outages. Part of this score relies on Value of Service metrics developed by “*Roy Billington of the University of Saskatchewan*”.

- a) Please provide the study by Mr. Billington in which the VOS metrics are developed.
- b) Please provide background on how these metrics have been accepted in the electricity distribution industry particularly in the case of Ontario distributors.
- c) Have these metrics been previously examined by the Board in other rate applications?

- d) Please provide the “*Supplemental Applications Guidelines*” referred to in the VOS section.

**Interrogatory # 43**

**Ref: Exhibit 2, Tab 3, Schedule 2, Appendix 2-1 Asset Management Plan – Appendix C: Project Prioritization Rationale and Method**

Page 1 of the exhibit identifies “must do” projects as including those required for Regulatory Compliance. These projects are noted as not requiring a project prioritization because the utility has no option but to do them. However, on page 4, reference is made to “Regulatory/Statutory” risk as a component of the risk score in the prioritization process.

Please explain why the Regulatory/Statutory risk component should be part of the prioritization methods if regulatory projects are “must do” projects and therefore not subject to the prioritization process.

**Interrogatory # 44**

**Ref: Exhibit 2, Tab 3, Schedule 4 Service Quality and Reliability Performance**

Does Horizon benchmark its reliability indices of SAIDI, SAIFI and CAIDI against other Ontario distributors? If yes, please provide the comparison in performance for the most recent 5 year period. If no, please explain why benchmarking its performance on reliability metrics is not needed.

**Interrogatory # 45**

**Ref: Exhibit 4, Tab 2, Schedule 6 Variance on OM&A Costs**

Table 4-4 on page 4 of the exhibit shows FTE’s by department for 2011.

- a) Does this include the 5.5 ongoing FTE’s and the 1.75 temporary FTE’s referred to in Navigant’s report on the Asset Management Plan?
- b) If yes, please identify which of the FTE’s in Table 4-4 are for the Asset Management Plan implementation.

- c) **If no, please explain where the Navigant recommended FTE's are reflected in the evidence.**

**Interrogatory # 46**

**Ref: Exhibit 4, Tab 2, Schedule 6 Variance on OM&A Costs**

**Page 6 describes the need for various new positions.**

- a) **Please explain how the proposed duties of the new Financial Analyst in the Capital Projects department have been handled in the past. Why is that method no longer adequate?**
- b) **The Commodity Management Specialist position is expected to support \$45 M of anticipated purchasing volume. Please provide a table showing actual purchasing volume for the period 2006 – 2010. If that volume does not differ significantly from \$45 M please explain why existing staff cannot handle the role.**
- c) **For the Manager Regulatory Applications and the Rates Analyst positions please describe how these functions have been handled in the past and elaborate on the specific new demands associated with the regulatory instruments referred to in the description that are driving the need for these new positions.**

**Interrogatory # 47**

**Ref: Exhibit 4, Tab 2, Schedule 10 Employee Compensation**

**Table 4-25 on page 11 of the exhibit shows total company employee costs for the years 2007 – 2010.**

- a) **Executive compensation increased from 2009 to 2010 by about \$550 k or 21% without any increase in executive staff numbers. Please provide a detailed explanation for the unusually high year over year increase.**
- b) **Management compensation per employee increased from about \$78.5 k in 2009 to about \$88 k in 2010 (about 12%). Please provide an explanation for this unusually high year over year increase.**
- c) **Non union compensation per employee increased from \$62.7 k in 2009 to \$81.3 k in 2010 (about 30% increase). Please provide an explanation for this unusually high year over year increase.**

- d) **Benefit costs per employee increased from \$ 15,330 in 2009 to \$17,320 in 2010 (about 13% on average). Increases in each employee group ranged from about 10% in the executive to 28% in the non union group. Please provide an explanation of the main drivers in increased benefit costs for each group of employees shown in the table.**
- e) **Does Horizon provide coverage for over the counter (i.e. Non prescription) drugs or other health related products to any of its employee groups. If yes, please describe the products covered by the plan.**

**Interrogatory # 48**

**Ref: Exhibit 4, Tab 2, Schedule 10 Employee Compensation**

**Page 24 shows post employment retirement benefit costs.**

- a) **Please explain the statement that post retirement benefit cost reductions “*are related in part to experience*”. What experience is being referred to in the statement?**
- b) **Please contrast the benefits that apply to future employees with those that apply to the then “*current employees*” referred to in lines 15-18.**
- c) **Are surviving spouses of retirees entitled to continuing benefits in the event of the retiree’s death? If yes, please describe the main elements of the benefit plan provided to surviving spouses and the duration of the coverage.**

**Interrogatory # 49**

**Ref: Exhibit 4, Tab 2, Schedule 10, Appendix 4-5 Mercer Compensation Study**

**The portion of the study included in the evidence does not provide any comparative information about Horizon compensation. Please provide a summary of Mercer’s findings relating Horizon compensation to its comparators along with the main actions taken by Horizon to adjust its compensation after the study was submitted.**

**Interrogatory # 50**

**Ref: Exhibit 4, Tab 2, Schedule 6, Appendix 4-2 Workforce Labour Strategy and Plan**

**Page 3 of the exhibit lists key assumptions used in the plan. One of these is that employees will retire when they can receive their pensions without penalty.**



- a) Please provide a table for the period 2000 – 2010 showing the number of employees eligible for retirement without penalty in each year, the number who actually took retirement and resulting percentage of those retiring compared to those eligible to retire without penalty.
- b) Please recast the expected retirement forecast on page 7 using the average % over the ten year period as calculated in the first part of this interrogatory.

**Interrogatory # 51**

**Ref: Exhibit 4, Tab 2, Schedule 6, Appendix 4-2 Workforce Labour Strategy and Plan**

**Page 7 of the exhibit presents Horizon’s Retirement Forecast for technical positions over the 2010-2014 time period while page 9 presents a similar table showing total attrition forecast for technical positions over the same time period.**

- a) Does the attrition rate on page 9 include retirements shown on page 7?
- b) If yes, please explain the apparent discrepancies between the two tables by technical category. For example, 14 overhead line maintainers are forecast to retire in the 2010-2014 period but only 12 are expected to leave in the attrition table.
- c) If no, please comment on the unusually high attrition rates of Connections Technicians, Design Technicians, Design Engineers and Design/Eng/Ops management employees.