



January 10, 2011

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

Dear Ms. Walli:

**Re: Horizon Utilities Corporation
2011 Electricity Distribution Rate Application
Submission of AMPCO Interrogatories
Board File No. EB-2010-0131**

Pursuant to Procedural Order #4, issued December 15, 2010, attached please find AMPCO's interrogatories in the above proceeding.

Please contact me if you have any questions or require additional information.

Sincerely yours,

(ORIGINAL SIGNED BY)

Adam White

President
Association of Major Power Consumers in Ontario

Copies to: Horizon Utilities Corporation
Intervenors (email)

Association of Major Power Consumers in Ontario

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1 **1. Reference #1: Horizon Response to Board Staff Interrogatory #1 d) Page 7 on the**
2 **Preliminary Issue dated November 8, 2010**

3
4 **Reference #2: Horizon Response to Board Staff Interrogatory # 4 a) Page 17 on the**
5 **Preliminary Issue dated November 8, 2010**

6
7 **Reference # 3: Horizon Response to Board Staff Interrogatory # 4 b) Page 2 on the**
8 **Preliminary Issue dated November 8, 2010**
9

10 In the first reference, Horizon indicates that lower distribution revenue in the fourth quarter
11 reflects a decline in commercial load as a result of the shut-down of a large user customer.

12
13 In the second reference, Horizon states that “Such unanticipated load and revenue volatility
14 persists today with further losses expected among the commercial and large user classes due to
15 recent press announcements”.

16
17 In the third reference, Horizon indicates that “Further, since the time of filing this Cost of Service
18 application, there have been discussions with one of Horizon Utilities Large Use customers, a
19 release from the Large Use customer and media coverage of a previously unanticipated
20 shutdown, the effects of which will be a further significant reduction in load and revenue”.

- 21
22 a) Please provide an explanation of the further losses anticipated.
23
24 b) Please quantify the further significant reductions in load and revenue anticipated in the
25 fourth quarter of 2010 and 2011.
26
27 c) Has Horizon had discussions with any of the remaining 11 Large Use customers prior to filing
28 this application and subsequently?
29 i) If yes, please provide a summary of the discussions with the “subject customers” and
30 the impact on the current application?
31 ii) If no, why not?
32

33 **2. Reference # 3: Horizon Response to Board Staff Interrogatory # 4 a) Page 16 (lines 23 to**
34 **27) on the Preliminary Issue dated November 8, 2010**
35

36 Horizon indicates that “The decline in demand for the Large User customer class was detailed on
37 page 5 of the Manager’s Summary of Horizon Utilities Z-factor application (EB-2009-0332; “For
38 the fourteen month period from May 2008 to June 2009. Horizon Utilities distribution revenue,
39 from its Large Use class, has decreased by a total of \$1,823,474...
40

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1 Please provide a copy of the Manager's Summary referred to above. (AMPCO was unable to
2 locate the document on the Board's website).

3
4 **3. Reference: 2006 Electricity Distribution Rate (EDR) Handbook, Chapter 9 Cost Allocation,**
5 **Page 76 to 77**

6
7 As part of calculating the appropriate share of 2006 Revenue Requirement for each class, sub-
8 class or group, the 2006 EDR Handbook states..."there may be a fundamental shift in the
9 revenue base, such as the gain or loss of a major industrial customer. A Materiality threshold of
10 2% of distribution revenue should be used as a guide for a distributor to consider making
11 adjustments to the allocations".

- 12
13 a) Has Horizon considered making any adjustments to its rate class allocations?
14 i) If yes, please provide details.
15 ii) If not, why not?
16
17 b) Has Horizon examined the rate class structure for other large Ontario distributors (e.g.
18 Toronto-Hydro Electric System Limited)? If yes, please provide details.
19

20 **4. Reference: Exhibit 4, Tab 2, Schedule 10, Page 21**

21
22 The evidence indicates that "A key Accounts Representative is required to respond to the
23 changing needs of larger commercial customers....typically, key account customers include
24 customers in excess of 1 MW in size".

25
26 How many Horizon customers are in excess of 1 MW in size?

- 27
28 **5.** What are the implications if one or more large user customer's demand falls below the
29 5000 kW threshold?
30

31 **OPERATING COSTS**

32
33 **6. Reference: Exhibit 4, Tab 2, Schedule 10**

34
35 Please complete the following Table:
36

	2007	2008	2009	2010
# of Employees Eligible for Undiscounted				

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Retirement				
# of Employees that actually retired				

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7. Reference: A scan of the filed application and evidence reveals the use of the word "productivity" 59 times.

Please provide a table that numerically illustrates Horizon's progress in improving labour productivity since 2008 (i.e., cost savings achieved from productivity improvements or increased productive time per employee or a change to total factor productivity).

8. Reference: Exhibit 4, Tab 2, Schedule 8, Exhibit 3, Tab 2 Schedule 2

The table in Exhibit 4 shows an increase in customers served between 2008 and 2011 of slightly less than 1% (233,177 to 235,000) and a growth in FTEs from 368 to 428, an increase of slightly more than 16%. The load forecast also projects a decline in both energy and demand supplied over this period. On the surface, this does not appear to be a plan for improving productivity.

Please identify how Horizon plans to improve total factor productivity while increasing staff in a period of slow or no growth.

OPERATING REVENUE

9. Reference: Exhibit 3, Tab 1, Schedule 2, Page 2, Table 3-1 – Summary of Operating Revenue

Please complete the following table based on Table 3-1 in the evidence to show more details on the operating revenue for GS>50 kW customers. If a different breakdown of customer size is more suitable, please revise the table accordingly.

Summary of Operating Revenue (\$)

Customer Size	2007 Actual	2008 Approved	2008 Actual	2009 Actual	2010 Forecast	2010 Actual	2011 Forecast
50 kW – 499 kW							
500 kW- 999 kW							
1000 kW -							

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2999 kW							
3000 kW- 4999 kW							
Total							

LOAD FORECAST

10. Reference: Exhibit 3, Tab 2, Schedule 1, Page 4, Table 3-6 Billed Energy and Number of Customers/Connections by Rate Class

Please complete the following table based on Table 3 -6 in the evidence to show more details on for the GS>50 kW customers. If a different breakdown of customer size is more suitable, please revise the table accordingly.

Year	50 kW – 499 kW	500 kW- 999 kW	1000 kW - 2999 kW	3000 kW- 4999 kW	Total
<i>Billed Energy (GWH)</i>					
2008 Board Approved					
2003 Actual					
2004 Actual					
2005 Actual					
2006 Actual					
2007 Actual					
2008 Actual					
2009 Actual					
2010 Normalized Bridge					
2010 Actual					
2011 Normalized Test					
Year	50 kW – 499 kW	500 kW- 999 kW	1000 kW - 2999 kW	3000 kW- 4999 kW	Total
<i>Number of Customers</i>					
2003 Actual					
2004 Actual					
2005 Actual					
2006 Actual					
2007 Actual					
2008 Actual					

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2003 Actual										
2004 Actual										
2005 Actual										
2006 Actual										
2007 Actual										
2008 Actual										
2009 Actual										
2010 Weather Normalized Bridge										
2010 Actual										
2011 Weather Normalized Test										

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COST ALLOCATION and RATE DESIGN

13. Reference: Exhibit 7, tab 1, Schedule 1, Page 1

Horizon states in its evidence, “It is the long-term objective of Horizon Utilities to allocate its distribution costs in such a manner that ultimately achieves revenue to cost ratios approaching 100% for each rate class. Such objective ensures that costs are allocated fairly to each customer class based on its respective class utilization of the distribution system.”

Please provide details on Horizon’s plans to meet this long –term objective including timelines.

14. Reference: Exhibit 8, Tab 1, Schedule 1, Page 8, Table 8-7 – Proposed Fixed Distribution Charge

Horizon is proposing to maintain the current fixed and variable proportion of its rates except for the Large Use class. For the Large User, Horizon is proposing to increase the current fixed proportion from 34.3% to 49.4%.

Please recalculate Table 8-7 keeping the fixed proportion for the Large Use class at its current level.

15. Reference: Exhibit 8, Tab 1, Schedule 1, Pages 4 to 9

Horizon’s evidence compares the current Fixed and Variable Split proportions by rate class with those proposed by Horizon for 2011 but a comparison with the model results is not included.

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1 Please complete Schedule 10-1 (Page 97) of the 2006 EDR Handbook to show the
2 Fixed and Variable rates determined by the model compared to those proposed by
3 Horizon. Please include a detailed explanation and justification for not using the
4 Fixed/Variable splits as determined by the Model.
5

6 **16.** How has Horizon considered the impacts of promoting efficiency and demand management
7 in the design of its distribution rates?
8

9 **17.** Please provide details of how Horizon costs for the Large User class break down between
10 fixed costs and variable costs.
11

12 **18.** Given the significant increase in Large User rates proposed by Horizon, the possibility exists
13 that these customers may consider other service options.
14

15 What would be the impact beyond 2011 if a Large User customer with an average monthly
16 demand of 65,000 kW were to cease to be a Horizon Distribution customer?
17

18 **19. Reference: Exhibit 8, Tab 1, Schedule 2, Page 1**
19

20 With respect to rate mitigation, Horizon submits that no further mitigation is necessary.
21

22 For the Large User class, Horizon is proposing to increase the Fixed rate in 2011 by 139.43% and
23 the Volumetric rate by 27.76%, compared to 2010 rates.
24

25 Has Horizon considered mitigating this increase for the Large User class?
26

27 i) If yes, please provide details.
28

29 ii) If no, why not?
30

31 **20. Reference: Exhibit 7, Tab 1, Schedule 2, Appendix 7-1, Updated Cost Allocation Study**
32

33 a) How many of Horizon's large user class customers are supplied with power from
34 Horizon's substations, versus directly supplied by lines from Hydro One's transformer
35 station (e.g., supplied at 13.8, 27.6 or 44kv from a Hydro One transformer station)?
36

37 b) Are any of Horizon's Large User class customers served on a line from a Hydro One
38 transformer station that in normal operation does not also serve any Horizon customers
39 that are not Large Users?
40

41 c) Please provide the calculations and source data that produce the meter read cost
weighting of 109.82 for Large Users.

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1 **21. Reference: Cost Allocation - Meter Capital Worksheet**

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3 Are all the 36 meters for large users owned by Horizon? If not, please indicate quantities.

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