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3 **HORIZON UTILITIES CORPORATION (“HORIZON UTILITIES”)**  
4 **RESPONSES TO**  
5 **CONSUMERS COUNCIL OF CANADA**  
6 **DELIVERED January 24<sup>th</sup>, 2011**  
7

8 **Question 27**

9 **Reference:** Ex. 4,

10 **a)** Horizon has provided, in Exhibit 1, Business Plans for each of its Business  
11 Units/Departments. At Exhibit 4 the OM&A costs are presented according to the OEB  
12 EDR Handbook Filing Requirements. We are interested in assessing total OM&A levels  
13 for Horizon. The budget categories in Exhibit 4 and Exhibit 1 are not consistent. Please  
14 provide an explanation as to how the schedules are put together and reconciled. What  
15 are the OM&A levels for which Horizon is seeking approval? **Ex. 4/T1/S1/p. 1**  
16

17 **b)** The evidence states that Horizon maintained a stable level of Operations,  
18 Maintenance and Administration costs from 2008-2010 due to cost deferral efforts in  
19 response to material distribution revenue shortfalls. Please provide a list of the cost  
20 deferrals undertaken and the status of those projects. **Ex. 4/T2/S1/pp. 1-2**  
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22 **c)** Please file an updated version of the Table 4-1 OM&A Costs by Year Uniform  
23 System of Accounts which includes the most updated numbers for 2010.

24 **Ex. 1/T2/S4/p. 1 and Ex 4/T2/S1/p. 1-2**  
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26 **d)** The total OM&A costs for 2008, 2010 and 2011 differ in these two tables. For  
27 example total OM&A in the table setting out Revenue Deficiency Summary for 2011 is  
28 \$47,875,239. In Table 4-1 OM&A Costs by Uniform System of Accounts - the 2011  
29 amount is \$47,537,279. Please explain the differences between these two tables.

1 e) Please provide one schedule which sets out the OM&A (2008-2011) for each of the  
2 13 Departments that Horizon has provided Business Plans for in **Exhibit 1/T2/S2**. Does  
3 this include all of the OM&A expenses for Horizon. If not, please explain why not?

4 **Response:**

5 a) Horizon Utilities prepares its annual budget and business plans at a detailed  
6 operating level based on activities. All budgeted activities have a corresponding  
7 general ledger account for financial reporting purposes, as well as a corresponding  
8 USoA account.

9 The business plans and detailed budgets are prepared based on internal financial  
10 reporting requirements to support management analysis and to meet reporting  
11 requirements in accordance with Canadian Generally Accepted Accounting Principles.

12 For purposes of the Application, each budgeted general ledger account has a  
13 corresponding USoA account. In many instances there are more than one general  
14 ledger account assigned to a single USoA account. Such general ledger accounts are  
15 grouped into their corresponding USoA account, which, in turn, underlie the OM&A  
16 Summary by USoA (Table 4-1). Certain business units comprise multiple departments  
17 that may correspond to more than one of the Operations, Maintenance, and  
18 Administration areas by USoA account.

19 Please refer to the responses to School Energy Coalition Interrogatory 8c) and  
20 Consumers Council of Canada Interrogatories 10-22 for reconciliations of the  
21 departmental budgets in Exhibit 1 to the total OM&A figures included in Exhibit 4.

22 For the 2011 Test Year, Horizon Utilities is seeking recovery of \$47,875,239, comprised  
23 of \$337,800 in property taxes (page 3 of Appendix 6-1, Exhibit 6/1/2) and \$47,537,439  
24 in other OM&A (page 2 of Table 4-1, Exhibit 4/2/1).

25 b) Please refer to the response to Consumers Council of Canada Interrogatory 1.

26 c) Please refer to the response to Energy Probe Interrogatory 17.

27 d) Please see response to part (a) above.

- 1 e) The following schedule provides the 2008-11 OM&A reconciled to the totals  
 2 shown in Table 4-1:

	<b>2008 Actual</b>	<b>2009 Actual</b>	<b>2010 Bridge</b>	<b>2011 Test</b>
BD & Sustainability	527,944	8,695	135,365	486,919
Communications	830,379	809,667	843,553	1,576,928
Construction	12,187,474	11,324,719	11,802,186	12,502,393
Customer Connections	3,475,663	4,585,162	3,965,139	3,535,900
Customer Service	7,454,227	8,126,382	7,710,000	8,462,750
EOOI	3,002,603	3,842,310	3,328,388	4,722,381
Facilities	(205,556)	10,066	404,222	1,431,285
Finance	5,695,757	3,342,434	3,293,453	3,980,040
HR	1,041,167	1,063,473	1,744,140	2,006,117
IST	36,579	(120,786)	-	-
Regulatory	1,838,781	2,093,344	2,496,884	2,925,400
Safety	264,553	587,366	466,105	534,819
Supply Chain	137,257	391,953	857,283	1,293,446
Other	4,046,675	2,739,751	3,019,360	4,416,861
<b>TOTAL</b>	<b>40,333,503</b>	<b>38,804,535</b>	<b>40,066,077</b>	<b>47,875,240</b>

*Adjustments:*

Smart Meter contra	(950,929)			
Guelph Merger costs	(633,383)			
Property Taxes				(337,961)
<b>Total per Table 4-1</b>	<b>38,749,191</b>	<b>38,804,535</b>	<b>40,066,077</b>	<b>47,537,279</b>

Notes:

- (1) Departmental Business Plans/Budgets are presented net of distributed costs.
- (2) Departmental Business Plans/Budgets are presented net of non-regulated businesses.
- (3) Other represents Executive (CEO, CFO, Corporate Services) and corporate insurance.
- (4) Change in Facilities in 2011 reflects a change in accountability for substation building maintenance; previously reflected in Construction department.