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February 14, 2011

VIA MAIL and E-MAIL

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

Dear Ms. Walli:

**Re: Vulnerable Energy Consumers Coalition (VECC)
Notice of Intervention: EB-2010-0131
Horizon Utilities Corporation – 2011 Electricity Distribution Rate Application**

Please find enclosed the technical conference questions of VECC in the above noted proceeding.
Thank you.

Yours truly,

Michael Buonaguro
Counsel for VECC
Encl.

HORIZON UTILITIES CORPORATION
2011 RATE APPLICATION (EB-2010-0131)

VECC'S TECHNICAL CONFERENCE QUESTIONS

QUESTION #TC 1

Reference: VECC #2
OEB Staff #12

a) Using the revised regression analysis in VECC #2 e) and the forecast values for the explanatory variables as in the original application, please provide forecasts of total system purchases for 2010 and 2011 (excluding Large Users) comparable to those presented in Table 3-9 of the Application.

b) With respect to OEB Staff #12 a), please confirm that the determination of the historical CDM cumulative results achieved from 2005 – 2009 programs assumes 100% persistence for all program results over this period.

c) With respect to OEB Staff #12 a), please confirm that the forecast cumulative CDM savings for 2010 and 2011 assume 100% persistence of all program results achieve during 2005 – 2009.

d) With respect to VECC #2 a) and b), please identify those 2005 and 2006 program savings that involved CFL' (i.e., MWh's from the programs in each year that are related to CFLs). For each year please provide the number of units installed, the assumed savings per unit and the resulting total savings reported for the year attributable to CFLs.

e) For the 2006 OPA programs, what were the OPA's assumptions regarding the persistence (i.e., the life span) for CFL's?

f) Based on the response to part (e), please adjust the cumulative 2010 and 2011 forecast savings as required.

QUESTION #TC 2

Reference: VECC #3
VECC #13

a) The response to part (a) does not address the question as originally proposed. For each year (2003-2009), please provide a schedule that sets out:

1. The actual HDD and CDD values for the year
2. The “weather normal” HDD and CDD values
3. The difference between the actual and weather normal values for HDD and CDD
4. The product of these differences and the respective coefficients for HDD and CDD, as established in through the regression analysis. In doing so, please use the updated coefficients from VECC #2 c).
5. The actual purchases (excluding Large Users) for each year.
6. The “weather normal” purchases for each year calculated by adjusting the actual purchases (item (5)) by the estimated impact of weather (item (4)).

b) Please repeat part (a) based using the actual results for 2010, per VECC #13 a).

<u>QUESTION #TC 3</u>

Reference: VECC #7
OEB #16

a) With respect to VECC #7 c), please clarify whether the values for the “total average load displaced” where determined by:
   - Dividing total self-generation by the number of hours in the year, or
   - Dividing the total self-generation for each unit by the number of hours it was operating (as originally requested).

b) If not done so, please recalculate the total average load displaced based on the approach set out in the second bullet of part (a).

c) With respect to OEB Staff #16 a), please describe more clearly precisely how the “amount of load displaced” (per lines 24-26) will be determined. In doing so, please use an example where:
   a. The generator’s capacity is 3,000 kW
   b. The customer’s peak demand for the month is 10,000 kW
   c. The generator output at the time of the customer’s peak demand is 1,000 kW
   d. The generator’s average output is 2,000 kW
   e. There was a period during the month when the generator’s output was zero, which was not at the time of the customer’s 10,000 kW peak demand.

QUESTION #TC 4

Reference: VECC #10 a)
Board Staff #45

a) With respect to VECC #10 a) - page 2 (lines 1-2), please indicate precisely where in the EB-2008-0183 Application Horizon proposed to continue to move the ratios towards one.

b) Please confirm whether any such proposals were made for reasons other than maintaining revenue neutrality while adjusting the revenue to cost ratios for certain classes to the lower/upper ends of the Board's prescribed ranges. If yes, please indicate for which classes this independent proposal was made.

QUESTION #TC 5

Reference: VECC #14

a) Please confirm that the Board's EDDVAR Report (page 21) only directed that distribution revenues be used to allocate certain specific HONI #1508 Accounts.

b) Please confirm that Horizon's Account #1508 – Incremental Capital Charges subaccount is related to additional charges from HONI for Sub-Transmission service.

c) Please explain why it would not be appropriate to allocate this sub-account to customer classes using LV revenues by class.

d) Please provide a break-down of the costs recorded in Account #1508 – CDM Expense sub-account, by year and by type of expense.

e) Please explain why these costs are not recoverable from the OPA.

QUESTION #TC 6

Reference: CCC #47

a) Please report separately Horizon's smart meter capital costs per customer for the Residential versus the GS<50 classes.

QUESTION #TC 7

Reference: Energy Probe #12
VECC#2
Board Staff #12

Preamble: An alternative way of treating CDM is to estimate total purchases before CDM using the regression analysis and then make a specific adjustment for CDM.

a) Please re-do the regression analysis and subsequent 2010-2011forecast as follows:
   - Increase the purchases in each month by the cumulative CDM for the month as used by Horizon for VECC #2 c), adjusted for losses using the average loss factor for the period per VECC #5.
   - Re-do the regression analysis using the same explanatory variables as in the initial analysis, with the exception of CDM. Provide the resulting coefficients and model statistics
   - Forecast the purchases for 2010 and 2011 (prior to CDM) using the same forecasts for the explanatory variables as in the initial Application.
   - Provide CDM adjusted forecasted purchases for 2010 and 2011 based on the forecast cumulative CDM savings for 2010 and 2011 adjusted for losses.

QUESTION #TC 8

Reference: Energy Probe #8 b)
VECC #8 a)

a) Please reconcile the "Distribution Revenue including Transformer" reported in VECC # 8 a) ($85,330,364) with the Distribution Revenue value reported in Energy Probe #8 b) ($85,329,428).

QUESTION #TC 9

Reference: VECC #19 a)

a) Does the appended "A" indicate <u>allocated</u> costs as opposed to <u>budgeted</u> costs?

b) Note 2 states that "Business Development costs for 2009 and 2010 were not allocated to Horizon Utilities as a result of the Board's decision in the 2008 EDR Cost of Service Application (EB-2007-0697 Decision, p 15)." Please explain how the business development costs that are proposed for recovery in rates in 2011 are related to the provision of distribution services and please demonstrate how Horizon has determined that the customer benefits from this spending exceed the costs.

c) Please provide the allocators used in the table provided with this response.

QUESTION #TC 10

Reference: VECC #19 c)

a) For each of the 2010 Corporate Metrics please provide the actual performance broken down by component, and indicate the amount of incentive pay or performance based payments paid to executives, management, unionized labour, and non-union labour in 2010.

b) Please provide the 2011 Corporate Metrics along with an estimate of the maximum incentive or performance payments in 2011broken down among the categories executives, management, unionized labour, and non-union labour.

QUESTION #TC 11

Reference: VECC #19 d)

a) What do the appended letters mean, i.e., does the appended A indicate actual spending and B indicate budget?

b) Is the table labelled 2007B correct?

c) Please provide the actual 2010 amounts spent.

QUESTION #TC 12

Reference: VECC #19 e)

a) Are the Information Systems Technology used to provide “support to all departments within the organization” included in rate base?

b) Does “all departments within the organization” include non-regulated departments?

QUESTION #TC 13

Reference: VECC #20 d)

a) Please update the 2010 forecast numbers to actual numbers.

b) Is there any contingency amount typically included in these budgets?

c) Please explain why budgeted total amounts exceed actual total amounts (or forecast amounts for 2010) for each year.

QUESTION #TC 14

Reference: VECC #22 e)

Preamble: VECC would like to understand whether the fleet size has changed in the regulated utility and, if so, which of the utility's departments required a change in their fleets and why.

a) Using the 2008 year end as a starting point, please identify any increases overall in the number of vehicles in each of Horizon Utilities' departments and, in each case, provide an explanation as to (i) the type of vehicle added and (ii) the reason why the department required an increase in fleet size.

b) Using the 2008 year end as a starting point, please identify any decreases overall in the number of vehicles in each of Horizon Utilities' departments and, in each case, provide an explanation as to (i) the type of vehicle removed and (ii) the reason why the department no longer required the vehicle.

c) Please provide a brief summary of the vehicles included in rate base in the EB-2007-0697 Decision and the vehicles proposed to be included in rate base for the 2011 Test Year.

QUESTION #TC 15

Reference: VECC #27 a)

a) For each shared service provided, please indicate whether the associated assets are fully (or partially) in rate base and provide the opening net book value for 2011 of any and all such assets

b) If applicable, please indicate why it is appropriate for ratepayers to pay the full return component on shared services assets while providing services from these assets to non-utility entities.