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2 **IN THE MATTER OF** the *Ontario Energy Board Act, 1998*,
3 being Schedule B to the *Energy Competition Act, 1998 S.O.*
4 1998, c. 15;

5 **AND IN THE MATTER OF** an Application by Horizon Utilities
6 Corporation to the Ontario Energy Board for an Order or
7 Orders approving of fixing just and reasonable rates and
8 other service charges for the distribution of Electricity as of
9 January 1, 2011.

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11 **HORIZON UTILITIES CORPORATION (“HORIZON UTILITIES”)**
12 **RESPONSES TO**
13 **ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO**
14 **INTERROGATORIES ON REVISED EVIDENCE**

15 **DELIVERED: April 1st, 2011**

16 **Question 1**

17 **Reference:** BLG Letter dated March 14, 2011

18 Re: Update on Horizon’s Evidence, Page 3

19 On page 3 of BLG’s letter, Horizon indicates that General Motors of Canada, another
20 Horizon Utilities Large Use customer, is in the process of shutting down its Plant 1 in St.
21 Catharines. “Horizon anticipates that the shutdown will be permanent”.

22 Please provide any additional information that Horizon is aware of to support this
23 statement.

24 **Response:**

25 Horizon Utilities does not have further information regarding this Large Use customer’s
26 shut down in addition to what Horizon Utilities provided to AMPCO Technical
27 Conference Question 5c), which identified further publicly available information on this
28 shut down.

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Question 2

Reference: Exhibit 3, Tab 2, Schedule 2, Page 20

Horizon proposes putting the net distribution revenue from GM and USSC that is above the baseline in a variance account, Account 1572. Horizon further proposes that any net distribution revenue in excess of those baselines be shared with its large Use customers on a 50/50 basis.

a) Please provide the precedent for this proposal.

b) Please provide Horizon’s position under the scenario that net distribution revenue from GM and USSC is less than the baseline.

c) Please provide Horizon’s position under the scenario that net distribution revenue from the Large User class is i) in excess of the baseline and ii) less than the baseline.

Response:

a) Please see Horizon Utilities’ response to Board staff interrogatory 3a.

b) In the event that the net distribution revenue for GM and USSC is less than the baseline that Horizon Utilities has proposed in the revised evidence, Horizon Utilities would bear such risk.

c) Horizon Utilities’ proposal sets a baseline for the two specified Large Use customers, GM and USSC only. Horizon Utilities would bear any risk of variances in net distribution revenue from the rest of the Large Use customer class. Horizon Utilities is not proposing any special treatment with respect to net distribution revenue from the rest of the Large Use customer class.

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Question 3

Reference: Exhibit 5, Tab 1, Schedule 1, Page 3, Return on Equity

Horizon Utilities is requesting a Return on Equity (ROE) for the 2011 Test Year of 9.85%. The Board’s updated cost of capital parameters for 2011 Cost of Service Applications were issued March 3, 2011.

a) Please explain Horizon’s rationale for not using the latest ROE figure in this update.

b) What is the change in revenue requirement if Horizon’s ROE is 9.58% for the Test Year.

Response:

a) On March 14, 2011, Horizon Utilities submitted revised evidence to this Application. In the letter submitted by Horizon Utilities’ counsel regarding such revisions, Horizon Utilities’ counsel identified that Horizon Utilities’ update to the evidence “pertained primarily to Horizon Utilities’ load forecast for its Large Use customer class [and] Horizon Utilities also [took] this opportunity to correct an error in certain of the billing determinants used in its Application.” Horizon Utilities limited the extent of its updates to the evidence to those noted above, as well as any collateral changes to the evidence that would result. As such, Horizon Utilities did not make any further updates based on other more recently available parameters nor did it correct other items that were identified through earlier interrogatory processes.

In Exhibit 5, Tab 1, Schedule 1, Page 3, Horizon Utilities stated that “the OEB will be finalizing the ROE for 2011 rates based on January 2011 market interest rate information” and would accept the applicable rate for January 1, 2011 filers.

- 1 **b)** The change in the revenue requirement if Horizon Utilities' ROE is 9.58% for the
- 2 Test Year is a decrease of \$566,471. However, this ROE applies to May 1, 2011 filers.
- 3 The applicable ROE for January 1, 2011 filers, like Horizon Utilities, is 9.66%. The
- 4 change in Horizon Utilities' revenue requirement based on an ROE of 9.66% for the
- 5 Test Year is a decrease of \$398,628.

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Question 4

Reference: Exhibit 6, Tab 1, Schedule 2, Page 3, Table 6-2 Drivers of Revenue Deficiency

In the original filing, the change in load forecast in Table 6-2 shows and impact on revenue requirement of \$3,628,000. In the updated Table 6-2, the change in load forecast impact on revenue requirement is the same. Please explain.

Response:

In the updated Table 6-2 provided in the Revised evidence, the change in the revenue requirement was not updated. As a result of the revised load forecast, the change in the impact on revenue requirement is an increase of \$402,405, resulting in a total impact of \$4,030,415 as shown in the Updated Table 6-2 below. Please see Horizon Utilities’ response to VECC Interrogatory 37, in which all revisions are detailed. Table 6-2 below reflects all such changes.

Updated Table 6-2 Drivers of Revenue Deficiency		
Drivers of Revenue Deficiency	Impact on Revenue Requirement \$000	References
Change in OM&A Expenses	7,983	Exhibit 4 Tab 2 Schedule 5 - Appendix 2-G OM&A Cost Driver Table
Change in Load Forecast	4,030	Exhibit 3 Tab 2 Operating Revenue Variance Analysis
Rate Base Related	8,198	Exhibit 2 Tab 3 Schedule 1 Drivers of Capital Expenditure Increases for Test Year. Exhibit 5 Tab 1 Schedule 2 Appendix 2-N Capital Structure and Cost of Capital
Total	20,211	

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7 **Question 5**

8 **Reference:** Exhibit 3, Tab 2, schedule 2, Appendix 3-2, Page 11

9 Page 11 shows the kW/kWh calculation for the years 2003 to 2011.

10 Please provide the calculation for the Large User class.

11 **Response:**

12 A kW/kWh calculation is not done for the Large Use Class as the consumption for this
13 class is not weather related. The updated Horizon Utilities Weather Normal Load
14 Forecast for 2011 Rate Application in Exhibit 3, Tab 2, Schedule 2, Appendix 3-2 lists
15 the actual kW and kWh consumption of the Large Use Customer Class for the years
16 2003 to 2010 and the forecast for 2011. Please see Horizon Utilities' response to VECC
17 Interrogatory 38 e).