



January 19, 2009

By e-mail only

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

**Re Horizon Utilities Corporation 2009 Electricity Distribution Rate Application
EB-2008-0183
Response to Vulnerable Energy Consumers Coalition Interrogatory**

Please find attached Horizon Utilities Corporation's ("Horizon Utilities") response to the Vulnerable Energy Consumers Coalition ("VECC") interrogatory.

Horizon Utilities has also directed a copy of its response to VECC.

Should you have any questions or require further information in this regard you may contact me at 905-317-4785 or by e-mail cameron.mckenzie@horizonutilities.com

Yours truly,

Original signed by Cameron McKenzie

Cameron McKenzie
Director, Regulatory Services
Horizon Utilities Corporation

cc: Michael Buonaguro, Counsel for VECC

Question 1

Reference: Horizon Utilities, 3GIRM Rate Generator

- a) With respect to Tab 1.2, please confirm that the revenue to cost ratio for the Back-up/Standby Power class is not 100% as reported but rather 51%. (Note: This appears to be due to an error in the OEB model specification)
- b) With respect to Tab C 2.2, please confirm that the current revenue to cost ratio for Back-up/Standby Power is not 100% as reported. Please confirm that the revenue to cost ratio proposed for this class in the 2008 Rate Order was 65.84%. If not, please confirm what the value was and that it was less than 100%.
- c) If the responses to parts (a) and (b) are confirmed, would it be reasonable to further increase the revenue to cost ratio for Back-up/Standby Power further in 2009 (e.g., to 70%)? If not, why not?
- d) With respect to Tab B3.1, please confirm that the OEB Cost Allocation Model included the cost of the Transformer Ownership Allowance in the Base Revenue Requirement and allocated it to all customer classes.
- e) Please confirm that in its 2008 Rate Application Horizon excluded the cost of the transformer ownership allowance from the base revenue requirement allocated to all customer classes based on its proposed revenue to cost ratios and assigned the cost of the Transformer Ownership Allowance only to the GS>50 class.
- f) With respect to Tab B3.1, given the price cap adjustment is applied to the all rates, why shouldn't it also be applied to the transformer ownership allowance for 2009?

Response:

- a) Horizon Utilities confirms that the Back-up/Standby Power revenue to cost ratio is 50.98%.
- b) Horizon Utilities confirms that the current revenue to cost ratio for the Back-up/Standby Power customer class is 65.84%.
- c) Horizon Utilities submitted its 2009 Electricity Distribution Rate Application ("2009 EDR Application") in accordance with the Filing Guidelines and Horizon Utilities 2008 EDR Decision With Reasons ("Decision"). Horizon Utilities' 2008 EDR Decision was very specific in what adjustments would be made to revenue to cost ratios and did not provide for an adjustment to the revenue to cost ratio for the Back-up/Standby Power customer class.

- d) Tab B3.1 is not derived from the OEB Cost Allocation Model. Horizon Utilities confirms that the cost of the Transformer Ownership Allowance is included in this Tab [cell E63]
- e) Please refer to Horizon Utilities' 2008 EDR Application for a detailed explanation on the Transformer Ownership Allowance [Exhibit H].
- f) The Transformer Ownership Allowance is not subject to price cap adjustments. This is reflected in the 2009 IRM models which make no provision to change the Transformer Ownership Allowance for 2009. Furthermore, this is consistent with the way the Ontario Energy Board treated the Transformer Ownership Allowance in previous IRM rate applications.