Board Staff Interrogatories

2009 Incentive Regulation Mechanism Rate Application

Horizon Utilities Corporation

EB-2008-0183

Dated: January 19, 2009

Revenue to Cost Ratios

Ref.: 2009 3rd Gen. IRM Supplementary Filing Model, Sheets C2.1 and C3.1

1) Please elaborate as to the basis of the revenue to costs figures shown in the second column of Table 1 in your Manger's Summary (e.g. do the figures represent 2008 revenues to cost ratios as calculated by the methodology used in the 2009 IRM filing model?).

2) The Board directed, in EB-2007-0697, that increased revenues be collected from USL and that its revenue to cost ratio be increased to 80% for 2008 onwards. In making this decision, "the Board has already acknowledged the uncertainties associated with the cost allocation work" (page 28 of its decision) and took into account Horizon's cost allocation methodology (see last paragraph page 27).

The 3rd Generation IRM Supplementary Filing Model indicates (Sheet C2.1) that the actual 2008 revenue to cost ratio for USL only increased to 62%. The 3rd Generation IRM Supplementary Filing Model further indicates (Sheet C3.1) that the requested 2009 revenue to cost ratio for this class remains at 62%.

Please explain how the 2008 and 2009 figures are consistent with the Board's directions.

Retail Transmission Service Rates

Ref.: Manager's Summary, pages 5 to 8

3) Horizon's Manager's Summary indicates that you will apply for an 8.09% uniform increase in the 2009 Network Service Rates and a 3.75% increase in the 2009 Line and Transformation Connection Service Rates. Please provide the spreadsheet used to derive the explanatory Tables 2 through 5 set out in your Manger's Summary.

Smart Meters

Ref.: 2009 RGM Model, Sheets C1.1, J1.1 and J2.3

4) Please explain why the previously approved Smart Meter Rate Adder of $0.82 per metered customer was not added at Sheet C1.1 (which is intended to record any current smart meter rate added) and Sheet J1.1 (which is intended to record any smart meter funding adder requested for 2009), but was instead added to Sheet J2.3 (which is intended to apply to any smart meter disposition rider).

Balance Check

Ref.: 2009 IRM SupM, Sheet C4.3

5) Please explain why there is an out of balance figure of $56,344 at Sheet C4.3.

Revenue Requirement

Ref.: 2009 3rd Gen. IRM Supplementary Filing Module, Sheet B3.1

6) Sheet B3.1 shows that Horizon's 2008 revenue requirement from distribution rates was $88,636,239.

Horizon's draft 2008 rate order filing dated October 17 2008 (re EB-2007-0697) shows, at page 16, a 2008 revenue requirement of $86,971,807. Staff understands that part of the difference between this number and the information provided in the IRM model may be due to the inclusion in the former of low voltage charges and transformer allowance, but this does not account for the entire difference.

Please reconcile these two figures, providing a full explanation for any differences.