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**IN THE MATTER OF** the *Ontario Energy Board Act, 1998*,  
S.O. 1998, c. 15, (Schedule B);

**AND IN THE MATTER OF** an application by Horizon Utilities  
Corporation for an order approving the recovery of certain  
amounts related to an unforeseen loss of revenue to be  
effective January 1, 2010.

**HORIZON UTILITIES CORPORATION (“HORIZON UTILITIES”) RESPONSES TO  
SCHOOL ENERGY COALITION (“SCHOOLS”) INTERROGATORIES  
DELIVERED DECEMBER 1, 2009**

**Application**

**Question #1 ref: Page 4.**

Please advise when the Applicant first became aware that the Subject Customer’s load would likely be changing, and why the changes were not brought to the attention of the Board panel in the EB-2007-0697 proceeding so that they could be included in the load forecast for the Test Year.

**Response:**

Horizon Utilities’ response to this Interrogatory is being provided in confidence.

1 **Question #2 ref: Page 6.**

2 Please calculate the overall sufficiency/deficiency of the Applicant for the calendar year  
3 2008 based on actual results, and the calendar year 2009 based on actuals to date plus  
4 forecast.

5 **Response:**

6 Please refer to Horizon Utilities' response to Board Staff interrogatory #5(d).

1 **Question #3 ref: Page 7.**

2 Please file, in confidence, copies of the documents and other evidence on which the  
3 Applicant based its forecast of the Subject Customer's plans and resulting load,  
4 including in this material information on the name and circumstances of the Subject  
5 Customer.

6 **Response:**

7 Please refer to Horizon Utilities' response to US Steel interrogatory #4.

1 **Manager's Summary**

2 **Question #4 ref: Page 5.**

3 Please confirm that the Subject Customer's actual load for the 2008 Test Year (i.e.  
4 calendar 2008) was 832,716 KW, and that represents a reduction of 319,754 KW or  
5 \$295,325 in distribution revenue relative to the 2006 load, and a reduction of 171,475  
6 KW or \$158,374 in distribution revenue relative to the 2007 load.

7 **Response:**

8 Horizon Utilities' response to this Interrogatory is being provided in confidence.

1 **Question #5 ref: Page 5.**

2 Please provide the Applicant's current forecast of the actual load it expects from the  
3 Subject Customer for each of calendar 2009 and calendar 2010, including actuals to  
4 date for 2009.

5 **Response:**

6 Horizon Utilities' response to this Interrogatory is being provided in confidence.

1 **Question #6 ref: Page 5.**

2 Please explain why the 148,279 KW reduction in load of the Subject Customer from  
3 calendar 2006 to 2007 was not included in the 2008 load forecast for the Large User  
4 class.

5 **Response:**

6 Horizon Utilities did not update/revise its 2008 EDR Application to reflect the lower  
7 demands of the Subject Customer throughout 2007. Horizon Utilities believed at that  
8 time that the load forecast reflecting the most recent full year of data, namely the actual  
9 2006 average monthly load data, was the best information available at the time of the  
10 filing in 2007 and it was therefore the appropriate data to use.

11 Further, please refer to Horizon Utilities' response to Schools interrogatory #1.

1 **Question #7 ref: Page 6.**

2 Please confirm that the calculations in Table 2 include the Rate Rider for the revenue  
3 shortfall resulting from the delay in the implementation of the EB-2007-0697 rate  
4 increase. Please explain why this was included when the Board, in its rate order dated  
5 November 13, 2008, specifically denied the Applicant's request for a) a variance  
6 account, and b) customer specific riders in the Large User class, to capture potential  
7 under recovery through the rate rider from the Subject Customer and one other Large  
8 User.

9 **Response**

10 Horizon Utilities confirms that the calculations in Table 2 do include the Foregone  
11 Distribution Revenue Rate Rider (Volumetric Rate effective until April 30, 2009 in the  
12 amount of \$1.0009 per kW) that was approved in the rate order dated November 13,  
13 2008, effective May 1, 2008 for implementation December 1, 2008.

14 The rate rider is included because the rider is for the recovery of distribution revenue,  
15 which otherwise would have been collected had the new rates been implemented on  
16 May 1, 2008. The OEB in its Rate Order dated November 13, 2008 accepted the  
17 recovery of \$1,647,607 in this regard. The total loss in distribution revenue related to  
18 the Subject Customer is reflected by all distribution rates that Horizon Utilities is  
19 authorized to charge its customers, including rate riders.

20 With respect to the Board's denying the establishment of a variance account, the Board  
21 noted that "There is no compelling reason to protect against forecast risk with respect to  
22 recovery of the revenue requirement rate rider". Horizon Utilities submits that the load  
23 loss in respect of which it is seeking relief is well beyond the parameters of normal  
24 business risk. As indicated in the Application, the loss of load related to the Subject  
25 Customer is a Z-factor event. On this basis, Horizon Utilities believes that recovery  
26 should not be subject to the vagaries of normal forecast risk.

- 1 Horizon Utilities is not seeking the establishment of customer specific rate riders to
- 2 recover the lost distribution revenue stemming from the Subject Customer's load loss.
- 3 Accordingly, Horizon Utilities' proposal is in keeping with the Board's Order in the 2008
- 4 EDR proceeding.

1 **Question #8 ref: Page 6.**

2 Please detail all ways in which the variance account requested in this Application differs  
3 from the variance account denied by the Board in the EB-2007-0697 Rate Order  
4 decision.

5 **Response:**

6 In its Decision on Horizon Utilities' 2008 cost of service rate application (EB-2007-  
7 0697), the Board determined that Horizon Utilities' new rates would be effective May 1,  
8 2008, but would be implemented December 1, 2008. The distribution revenue  
9 requirement shortfall for the period between May 1, 2008 and November 30, 2008  
10 would be recovered by way of rate riders. The variance account in EB-2007-0697  
11 denied by the Board was intended to keep track of the differences between the  
12 forecasted volumes upon which the riders were calculated and the actual volumes  
13 realized over the period the rate riders were to be in effect, that is from December 2008  
14 to April 30, 2009. The Board stated that 'there is no compelling reason to protect  
15 against forecast risk with respect to recovery of the revenue requirement rate rider'.  
16 The variance account requested in that application was for the purpose of recording  
17 variances over a relatively short, seven month period.

18 The variance account proposed in the current Z-Factor Application before the Board  
19 differs from the cost of service application because the amount in respect of which  
20 Horizon Utilities is seeking relief is a direct result of an event that falls outside of that  
21 which can be considered normal business risk. The event met all of the eligibility  
22 criteria for Z-Factor treatment and is external to the regulatory regime. The period for  
23 which variances are to be recorded in the proposed variance account is 16 months.  
24 Horizon Utilities has assumed that the Subject Customer's load will remain consistent  
25 for the period beginning November 2009 and ending April 30, 2011. However, it is not  
26 possible for Horizon Utilities to forecast with certainty the Subject Customer's load over  
27 this period.

1 **Question #9 ref: Page 6.**

2 Please provide actual load for the Subject Customer for each month in 2009 to date.

3 **Response:**

4 Please refer to Horizon Utilities' responses to Board Staff Interrogatories #3 and #6.

1 **Question #10 ref: Page 7.**

2 Please confirm the Applicant's current intention that its next cost of service application  
3 will be for the Test Year January 1, 2011 to December 31, 2011. Please advise why, if  
4 that is correct, forecast load shortfalls from the Subject Customer from January 1, 2011  
5 to April 30, 2011 would be included in the proposed Z factor recovery.

6 **Response:**

7 Horizon Utilities currently intends that its next cost of service application will be for new  
8 rates effective May 1, 2011. When those rates come into force, they will presumably  
9 address losses of load in respect of the Subject Customer and other customers on a  
10 prospective basis. The load forecast for the 2011 Test Year will incorporate the lost  
11 load, but the new rates that reflect this forecast will not be in place until May 1, 2011.  
12 The new rates reflecting the lost load will be recovered for the period of May 1, 2011  
13 through April 30, 2012, but in the absence of the rider being requested in this  
14 Application, for the four month period of January 1, 2011 through April 30, 2011,  
15 Horizon Utilities will still be under-recovering due to the loss of the Subject Customer's  
16 load. The new rates for the 2011 Test Year will not address retrospective losses.

1 **Question #11 ref: Page 7.**

2 Please advise why, if the Applicant was aware of this significant impact in the fall of  
3 2008, it did not file a cost of service application for a 2010 Test Year, rather than wait  
4 until 2011.

5 **Response:**

6 The nature of this significant impact is isolated from broader considerations in filing a  
7 cost of service application.

8 The OEB has provided mechanisms in its 3<sup>rd</sup> GIRM Report that support regulatory  
9 efficiency in dealing with specific issues such as Z-factors and incremental capital  
10 requirements.

11 In the opinion of the Applicant, the Z-factor application was the most efficient and  
12 appropriate form of application for addressing this issue.

1 **Question #12 ref: Page 9.**

2 If this excerpt from the Notice does not include the entire text of the communication,  
3 please file a copy of the full letter with all attachments.

4 **Response:**

5 Please refer to Horizon Utilities' response to VECC interrogatory #2.

1 **Question #13 ref: Page 11.**

2 Please list, with reference to the most recent cost allocation run, all costs properly  
3 applicable to the Subject Customer, and identify which of those costs will change as a  
4 result of reduced load from the Subject Customer.

5 **Response:**

6 Please refer to Horizon Utilities' response to Board Staff interrogatory #2(a). No costs  
7 will change as a result of reduced load from the Subject Customer.

1 **Question #14 ref: Page 11.**

2 Please recalculate the working capital allowance and the bad debt allowance based on  
3 each of actuals for calendar 2008 (e.g. deducting working capital related to the Subject  
4 Customer), and forecast changes in requirements for 2009 and 2010, and show the  
5 impact on revenue requirement for each year of reducing those costs.

6 **Response:**

7 Horizon Utilities' response to this Interrogatory is being provided in confidence.

1 **Question #15 ref: Page 11.**

2 Please calculate the impact on revenue requirement for each of calendar 2008, 2009  
3 and 2010 of any conservation measures implemented by the Subject Customer since  
4 2006.

5 **Response:**

6 Horizon Utilities' response to this Interrogatory is being provided in confidence.

1 **Question #16 ref: Page 14.**

2 Please explain why it is appropriate to allocate this cost between classes based on  
3 distribution revenues, but within the class it is appropriate to allocate it equally between  
4 the customers in the class.

5 **Response:**

6 Horizon Utilities has not allocated the cost between classes based on distribution  
7 revenues. Horizon Utilities in the first instance allocated the “cost” (i.e. Z-factor  
8 adjustment) between classes based on kWhs. This is shown in Table 4, at page 13 of  
9 Horizon Utilities’ Manager’s Summary.

10 As noted in the Manager’s Summary (at Paras. 3.10 and 4.4), Horizon Utilities believes  
11 that the costs of providing distribution services to the Subject Customer have not  
12 declined and are fixed. As a result, the cost should be allocated to each class and  
13 within each class on a customer basis. However, as discussed at paragraphs 4.2 and  
14 4.3 of the Manager’s Summary, Horizon Utilities reviewed several methodologies in  
15 order to determine an appropriate mechanism to allocate the cost to rate classes in a  
16 just and reasonable manner. Among other methodologies, Horizon Utilities considered  
17 allocation to rate classes on a customer basis, but determined that that methodology  
18 would allocate a disproportionate dollar amount to the Residential class. Horizon  
19 Utilities determined that allocation to classes based on kWh was the most appropriate  
20 methodology, as it did not assign disproportionate dollar amounts to any one class.

21 However, since the costs are fixed, it is Horizon Utilities’ preferred approach to allocate  
22 the costs within each class on a customer basis. Please refer to Horizon Utilities’  
23 responses to VECC Interrogatory #1 and Board Staff Interrogatory # 9 with respect to  
24 Horizon Utilities’ preference for a fixed rather than a variable rate rider.