

REDACTED version based on OEB Decision on confidentiality
dated January 18, 2010

EB-2009-0332

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”)
CONFIDENTIAL RESPONSES TO
VULNERABLE ENERGY CONSUMERS COALITION (“VECC”) INTERROGATORIES
DELIVERED DECEMBER 2, 2009**

**Question #3 [NOTE THAT ONLY HORIZON UTILITIES’ RESPONSES TO PARTS (b)
AND (c) ARE BEING FILED IN CONFIDENCE]**

Reference: Manager’s Summary, paragraphs 2.2 -2.4 and 3.7

b) Please confirm that Horizon’s forecast for 2008 loads for the Subject Customer were
based on the 2006 average monthly value of 96,206 kW (per Table 2).

c) Please confirm that actual 2007 average monthly use by the Subject Customer was
83,683 kW (per Table 1).

Response:

b) Horizon Utilities confirms that its forecast for 2008 loads for the Subject Customer
were based on the 2006 average monthly value of 96,206 kW.

c) Horizon Utilities confirms that the actual 2007 average monthly use by the Subject
Customer was 83,683 kW.

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Question #4

Reference: Manager's Summary, paragraphs 2.5 - 2.6 and 4.7

a) Please recalculate the Actual and Anticipated Distribution Revenue Deficiency (Table 3) assuming the increase in load to 12,000 kW only lasts until December 2009.

b) Based on the results in part (a) please re-calculate the Rate Rider per Table 5.

Response:

The recalculated Actual and Anticipated Distribution Revenue Deficiency (Table 3) is set out below.

Revised Table 3

							Reduction in Usage 2006 vs. 2008	Reduction in Usage 2006 vs. 2009	Reduction in Usage 2006 vs. 2010	Reduction in Usage 2006 vs. 2011	2008 Cost of Service Rate	2009 IRM Rate	2010 IRM Rate	2011 IRM Rate	2008 Distribution Revenue Reduction	2009 Distribution Revenue Reduction	2010 Distribution Revenue Reduction	April 30 2011 Distribution Revenue Reduction	
Month	2006	2007	2008	2009	2010	2011													
January	97,884	102,101	77,774	47,178	9,000	9,000	(20,111)	(50,706)	(88,884)	(88,884)	0.9236	2.0227	1.0331	1.0453	1.0557		(102,563)	(91,826)	(92,910)
February	98,779	102,147	75,851	47,739	9,000	9,000	(22,928)	(51,040)	(89,779)	(89,779)	0.9236	2.0227	1.0331	1.0453	1.0557		(103,239)	(92,751)	(93,846)
March	102,686	94,952	76,800	42,917	9,000	9,000	(25,885)	(59,769)	(93,686)	(93,686)	0.9236	2.0227	1.0331	1.0453	1.0557		(120,895)	(96,787)	(97,929)
April	99,784	92,220	75,242	21,120	9,000	9,000	(24,542)	(78,664)	(90,784)	(90,784)	0.9236	2.0227	1.0331	1.0453	1.0557		(159,113)	(93,789)	(94,895)
May	97,062	84,301	71,629	9,669	9,000		(25,433)	(87,392)	(88,062)		0.9236	1.0331	1.0453	1.0557		(23,490)	(90,285)	(92,050)	
June	97,043	77,399	70,851	8,991	9,000		(26,192)	(88,052)	(88,043)		0.9236	1.0331	1.0453	1.0557		(24,191)	(90,966)	(92,030)	
July	98,896	78,438	69,522	12,000	9,000		(29,374)	(86,896)	(89,896)		0.9236	1.0331	1.0453	1.0557		(27,130)	(89,773)	(93,968)	
August	95,348	75,150	74,172	12,000	9,000		(21,176)	(83,348)	(86,348)		0.9236	1.0331	1.0453	1.0557		(19,558)	(86,107)	(90,259)	
September	103,295	74,696	67,092	12,000	9,000		(36,203)	(91,295)	(94,295)		0.9236	1.0331	1.0453	1.0557		(33,437)	(94,317)	(98,566)	
October	90,378	73,232	69,989	12,000	9,000		(20,389)	(78,378)	(81,378)		0.9236	1.0331	1.0453	1.0557		(18,831)	(80,972)	(85,064)	
November	79,205	75,407	53,514	12,000	9,000		(25,691)	(67,205)	(70,205)		0.9236	1.0331	1.0453	1.0557		(23,728)	(69,430)	(73,385)	
December	94,106	74,148	50,280	12,000	9,000		(43,826)	(82,106)	(85,106)		2.0227	1.0331	1.0453	1.0557		(88,647)	(84,824)	(88,961)	
																(259,013)	(1,172,485)	(1,089,436)	(379,580)
															Total 2008 Rate Year	(744,824)			
															Total 2009 Rate Year		(1,061,827)		
															Total 2010 Rate Year			(1,093,862)	
															Total 2008-2010 Rate Year				(2,900,513)

Updated Revised Table 3

b) Rate Rider (Table 5) [revised based on part (a)]

Revised Table 5

Customer Class	Z-Factor Amount	Consumption/ Demand Over 16 Months	Billing Determinant	Variable Distribution Rate
Residential	824,573	2,162,481,061	kWh	\$0.0004
General Service <50 kW	301,855	791,628,562	kWh	\$0.0004
General Service >50 kW	977,043	6,891,168	kW	\$0.1418
Large User	770,159	3,966,314	kW	\$0.1942
Unmetered & Scattered Load	6,557	17,197,152	kWh	\$0.0004
Sentinel Lights	281	2,138	kW	\$0.1314
Street Lighting	20,045	146,731	kW	\$0.1366
Totals	2,900,513			

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An Updated Revised Table 5 appears below which reflects the revised forecast for the period November 2009 until April 2011.

Updated Revised Table 5

Customer Class	Z-Factor Amount	Consumption/ Demand over 16 Months	Billing Determinant	Variable Distribution Rate
Residential	641,589	2,162,481,061	kWh	\$0.0003
General Service <50 kW	233,811	791,628,562	kWh	\$0.0003
General Service >50 kW	762,681	6,891,168	kW	\$0.1107
Large User	659,304	3,966,314	kW	\$0.1662
Unmetered & Scattered Load	4,972	17,197,152	kWh	\$0.0003
Sentinel Lights	228	2,138	kW	\$0.1065
Street Lighting	15,448	146,731	kW	\$0.1053
Totals	2,318,032			

**Question #5 [NOTE THAT ONLY HORIZON UTILITIES' RESPONSE TO PART (b) IS
BEING FILED IN CONFIDENCE]**

Reference: Manager's Summary, paragraph 2.7

b) What actions did Horizon take during the 2008 rate year (i.e. May 1, 2008 to April 30, 2009) to reduce costs and help offset the impact of this reduced revenue? What were the associated capital and operating cost reductions for the 2008 rate year?

Response:

b) Horizon Utilities does not maintain its financial records on a rate year basis, and, as such, is not able to specifically identify actions undertaken on a rate year basis. Horizon Utilities respectfully submits that the following actions to reduce costs and help offset the impact of reduced revenue were undertaken by it in fiscal 2008:

- Deferral of training and development expenditures of approximately \$0.2MM; and
- Deferral of new hires and filling of vacant positions of approximately \$0.5MM.

Question #9

Reference: Manager's Summary, paragraph 3.11

a) Please demonstrate that the short-fall in distribution revenue is required to "provide the cash necessary to finance Horizon Utilities' investment in capital, operations and maintenance".

Response:

The Board's Decision and Order with respect to Horizon Utilities' 2008 electricity distribution rate application ("2008 EDR") provided for a Distribution Revenue Requirement of approximately \$86.7 million. Such Distribution Revenue Requirement was necessary to support the operating and capital programs set out in the 2008 EDR application, to sustain a reasonable and prudent level of creditworthiness of Horizon Utilities, and to support a regulated level of return on capital to support financial sustainability.

The Distribution Revenue Requirement was effectively adjusted May 1, 2009 based on the Third Generation Incentive Regulation Mechanism ("3GIRM"). Such adjustment to Horizon Utilities' electricity distribution rates resulted in a revised Distribution Revenue Requirement of approximately \$87.7 million.

The 2009 Horizon Utilities budget for distribution revenue is based on the amount of Revenue Requirement provided by 2008 EDR as adjusted by 3GIRM and assuming a modest 0.5% of customer growth. The resulting 2009 fiscal year budget for electricity distribution revenue is \$86.9 million.

Horizon Utilities has forecast a shortfall of \$4.5 million of electricity distribution revenue for 2009 relative to its budget. Of the \$4.5 million, \$3.7 million has been realized to the end of September 30, 2009. Of this amount, \$3.1MM represents forgone revenue related to reduced consumption and demand.

1 Such total shortfall is material to Horizon Utilities and represents 5% of its 2009
2 revenue.

3 In the interest of prudence in maintaining a balance between distribution costs and
4 risks, cashflow, and shareholder interests, Horizon Utilities targeted reductions in its
5 2009 operating program by \$2.0MM and its capital program by \$3.6MM. Such
6 reductions largely represent deferrals of necessary expenditures in support of
7 sustainable electricity distribution infrastructure. Such deferrals do not pose an
8 immediate significant risk for Horizon Utilities, but must be addressed in due course.

9 Paragraph 3.11 of the Manager's Summary provides the impact of the Large User class
10 only on 2009 Horizon Utilities' distribution revenue. The recovery sought by Horizon
11 Utilities under this Application is only a portion of the total amount of distribution
12 revenue shortfall forecast for 2009.

13 Consequently, the recovery sought under this Application is necessary to address a
14 portion of the deferred expenditures on a priority basis. Horizon Utilities will address the
15 remaining deferrals based on its 2010 financial performance and through a cost of
16 service rate application for the 2011 rate year.