

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

EB-2009-0332

2 **IN THE MATTER OF** the *Ontario Energy Board Act, 1998*, S.O.
3 1998, c. 15, (Schedule B);

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

8
9 **HORIZON UTILITIES CORPORATION (“HORIZON UTILITIES”)**
10 **CONFIDENTIAL RESPONSES TO BOARD STAFF INTERROGATORIES**
11 **DELIVERED DECEMBER 2, 2009**

12
13 **1. Ref: Application Summary, p. 2**

14
15 It is stated that:

16 *“Specifically, the Applicant seeks recovery of \$926,075, being the actual distribution*
17 *revenue deficiency forgone by the Applicant for the period May 2008 to June 2009 and the*
18 *anticipated distribution revenue deficiency of \$1,924,411 for the period July 2009 to April*
19 *30, 2010, for a total of \$2,850,486, through a Z-factor Adjustment.”*

20 Please provide a breakdown of the anticipated revenue deficiency of \$1,924,411 for the
21 period July 2009 to April 30, 2010 into forecast and actual components. Please specify which
22 months are based on actuals and which on forecasts and the basis of any forecast used.

23 **Response:**

24 Please note that the filed page 2 of the Application Summary contains a typographical error.
25 The period in question should read “... July 2009 to April 30, 2011” and not “July 2009 to April
26 30, 2010.” This is only a typographical error and does not affect any of the numbers
27 presented in the Application.

28 The revenue deficiency of \$1,924,411 is calculated solely based on forecasted consumption.
29 No actuals are reflected in any of the months between July 2009 and April 11, 2011 inclusive.

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1 **2. Ref: Application Summary, pp. 2-3 [NOTE THAT ONLY HORIZON UTILITIES’**
2 **RESPONSE TO PART (a) IS BEING FILED IN CONFIDENCE]**

3 It is stated that:

4 *“The Applicant has proposed to recover the Z-Factor Adjustment through a Variable Rate*
5 *Rider as the distribution revenue deficiency is related to the decline in the Subject*
6 *Customer’s load and therefore variable distribution revenue. However, the Applicant has*
7 *also, in Schedule B to this Application, provided the calculations to support a Fixed Rate*
8 *Rider which the Applicant suggests better reflects the recovery of the distribution revenue*
9 *deficiency required to continue to meet the fixed capital investment and ongoing operating*
10 *costs of providing distribution service to the Subject Customer. The Applicant submits that*
11 *the Fixed Rate Rider is the appropriate method to recover the distribution revenue*
12 *deficiency and seeks the OEB’s consideration and direction on the recovery*
13 *methodology.”*

14 a) Please provide the fixed capital investment and ongoing operating costs of providing
15 distribution service to the Subject Customer.

16 **Response to Part (a):**

█ [REDACTED]
█ [REDACTED]
█ [REDACTED]
20 [REDACTED]

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1 **3. Ref: Manager's Summary, p.5**

2 It is stated that:

3 *"For the fourteen month period from May 2008 to June 2009, Horizon Utilities'*
4 *distribution revenue, from its Large User class, has decreased by a total of \$1,823,474,*
5 *of which \$926,075, or 51% is due entirely to the Subject Customer's shutdown."*

6 Table 1 on this page provides the subject customer's monthly kW history for the period from
7 January 2006 to June 2009.

8 Please provide similar monthly customer demand (kW) data for each of Horizon's large users,
9 including the subject customer, for the period from January 2006 through October 2009.

10 Please also include yearly totals and explanations for any anomalies. It is not necessary that
11 the identity of each customer be provided in responding to this interrogatory.

12 **Response:**

13 [REDACTED]

14 [REDACTED]

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1 **4. Ref: Application Summary, pp. 5-6**

2 It is stated that:

3 *“The Applicant’s approved distribution revenue is required, among other purposes, to*
4 *finance its investment in capital, operations, and maintenance expenditures in support of*
5 *the safe and reliable supply of electricity. The Applicant has realized an actual distribution*
6 *revenue deficiency for the 2008 rate year in the amount of \$744,824, and \$181,251 for the*
7 *first two months of the 2009 rate year, for a total of \$926,075. The Applicant anticipates an*
8 *additional distribution revenue deficiency for the balance of the 2009 rate year in the*
9 *amount of \$868,179 for a total 2009 rate year distribution revenue deficiency of*
10 *\$1,049,430. The Applicant submits that the loss of distribution revenue for the rate years*
11 *2008 and 2009, in the amount of \$1,794,254, is significant to its regulated operations and*
12 *cash flow.*

13 a) Please state whether the distribution revenue deficiency numbers referenced above relate
14 only to revenue losses related to the large customer, or are total utility distribution revenue
15 deficiencies. If these numbers are not total utility revenue deficiencies, please state whether
16 or not Horizon is anticipating a total utility deficiency and if so the amount and the key
17 reasons for it.

18 b) Please provide an updated version of Table 1 “Revenue Deficiency Summary” as provided
19 by Horizon in its EB-2007-0697 Application as Exhibit A, Tab 2, Schedule 4, Page 1 of 1.
20 Please include columns for 2008 Board Approved, 2008 Actual, and Horizon’s current 2009
21 Forecast. Please also state whether Horizon used a 2010 Forecast to determine that it was
22 necessary to defer the capital projects and, if so, please provide the forecast numbers for
23 2010 used in this table.

24 **Response:**

25 a) The distribution revenue deficiency numbers only relate to the revenue losses related to
26 the Subject Customer.

27 As indicated in the response to Board Staff interrogatory 4(b) Horizon Utilities anticipates a
28 total utility revenue deficiency of approximately \$3.5 million in 2009. A reduction in the Large
29 User class load is the main reason for the utility revenue deficiency.

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1 b) Table 1 “Revenue Deficiency Summary” is provided herein and includes the 2008 Board
2 Approved, 2008 Adjusted, 2009 Forecast and 2008 Actuals as requested.

3 A 2010 forecast has not been provided as such forecast was not used to determine the
4 necessity to defer 2009 OM&A and capital expenditures.

5 In addition to the 2008 Actual information, Horizon Utilities has also provided a 2008 Adjusted
6 amount to provide, to the extent possible, a meaningful comparison to the 2008 Board
7 Approved amount. Such adjustments provide for adjustments to the treatment of amounts
8 outside of the scope of the Board Approved amounts, such as:

- 9 – recoveries of LRAM/ SSM and certain regulatory accounts in 2008 and 2009
10 relating to years other than 2008 and 2009;
- 11 – recognition of Smart Meter revenue in accordance Canadian Generally
12 Accepted Accounting Principles, which relates to a separate recovery
13 mechanism through Board approved variance accounts; and
- 14 – usage of deemed vs. actual amounts in 2008 and 2009 'Actual' columns, as
15 certain of such amounts are based on Board policy for deemed debt and equity.

16 Horizon Utilities submits that there is a misalignment between actual results presented on a
17 fiscal year basis and Approved results based on the respective rate year. As such, actual
18 amounts are not directly comparable to Approved amounts.

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Updated Version of Table 1

Revenue Deficiency Summary										
	2006 Board	2006	2007	2008	2008 Board	2008	Notes	2009	Notes	2008
	Approved	Actual	Bridge	Test	Approved	Adjusted		Forecast		Actual
						(note 1)				(note 8)
O M & A	\$34,523,648	\$34,436,259	\$40,350,034	\$42,691,233	\$39,317,355	\$40,333,503		\$38,777,000		\$40,333,503
Amortization	\$18,973,872	\$19,729,625	\$21,275,590	\$23,727,691	\$22,840,885	\$22,176,523		\$23,555,000		\$22,176,523
Property Taxes	\$0	\$0	\$0	\$0	\$574,689	\$819,023		\$797,000		\$819,023
Interest	\$13,736,395	\$13,800,180	\$14,510,027	\$14,919,835	\$12,453,114	\$12,453,114	2	\$12,453,114	2	\$9,133,155
PILS Taxes	\$9,481,282	\$9,322,255	\$8,459,387	\$7,379,422	\$6,570,801	\$5,372,265	3	\$4,715,959	3	\$6,225,339
Return on Equity	\$11,794,212	\$11,828,726	\$12,437,166	\$12,862,677	\$11,875,285	\$11,875,285	4	\$11,875,285	4	\$14,914,502
Service Revenue Requirement	\$88,509,409	\$89,117,045	\$97,032,204	\$101,580,859	\$93,632,129	\$93,029,713		\$92,173,358		\$93,602,045
Distribution Revenue at										
Current Rates	\$84,259,985	\$84,018,796	\$86,322,511	\$86,291,757	\$86,661,248	\$84,721,730	5	\$82,951,000	6	\$86,960,730
Other Rev	\$5,303,694	\$7,145,654	\$7,513,186	\$6,524,481	\$6,774,481	\$6,495,448		\$6,355,000		\$6,495,448
Less Smart Meter Deferral	(\$688,168)	(\$688,168)	(\$481,824)	\$0	\$0	(\$690,000)		(\$624,000)		(\$690,000)
Less LV Charges	\$0	\$0	\$0	\$0	\$196,399	\$177,942		\$0		\$0
Total Operating Revenue at Existing rates	\$88,875,511	\$90,476,282	\$93,353,872	\$92,816,239	\$93,632,129	\$90,705,121		\$88,682,001		\$92,766,179
Gross Revenue Sufficiency/(Deficiency)	\$366,103	\$1,359,237	(\$3,678,332)	(\$8,764,620)	\$0	(\$2,324,592)		(\$3,491,357)		(\$835,866)
Revenue					\$93,632,129	\$90,705,121		\$88,682,001		
Expenses					(\$75,186,043)	(\$75,782,163)		(\$75,582,114)		
Income before taxes					\$18,446,086	\$14,922,958		\$13,099,887		
PILs Taxes (note 3)			Effective tax rate	36%	(\$6,570,801)	(\$5,372,265)		(\$4,715,959)		
Net income					\$11,875,285	\$9,550,693		\$8,383,928		
Assumptions/Notes:										
1 Excludes impact of non-recurring adjustments or adjustments related to prior year(s)										
2 Deemed interest as per 2008 Board Approved										
3 PILs taxes for 2008 Adjusted and 2009 Forecast prorated based on i) 2008 Approved PILs Taxes and ii) 2008 Adjusted and 2009 Forecast Income before taxes.										
4 Deemed Return on Equity based on 2008 Approved EDR										
5 2008 Distribution revenue adjusted for: OMERS recovery related to previous years \$1,371,000 and \$868,000 LRAM/SSM Adjustment related to 2005/2006										
6 2009 Distribution revenue adjusted for: \$855,000 LRAM/SSM Adjustment related to 2007/2008										
7 2010 approved budget was not available at the time of filing the interrogatories and was not a basis for determining the necessity to defer projects.										
8 As per 2008 RRR Filing										

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1 **5. Ref: Application Summary, p. 6**

2 It is stated that with respect to the loss of distribution revenue related to the large customer
3 that:

4 *This has made it necessary for the Applicant to review its expenditures in order to*
5 *determine which projects may be deferred without incurring any risk to system reliability or*
6 *customer safety. Furthermore, the deferral of any project from 2009 to 2010 is only a*
7 *short term deferral – any project being deferred is still necessary and must be completed*
8 *in 2010, a year in which the Applicant anticipates a further loss of distribution revenue of*
9 *\$1,056,232. In addition, the impact of the distribution revenue deficiency now requires the*
10 *Applicant to consider a plan to accelerate the filing of its next cost of service application to*
11 *August 2010 for implementation May 1, 2011. The Applicant submits that, despite such*
12 *deferral, it will not achieve its maximum allowable return on equity, and that such deferrals*
13 *are necessary as prudent measures in relation to available regulated cash flows. “*

- 14 a) Please identify which projects have been deferred to 2010 or beyond and please provide
15 an explanation as to why they were chosen for deferral. Please include the dollar amount
16 of each project.
- 17 b) Please state how Horizon determined that it was necessary to defer these capital projects
18 in order to maintain prudent levels of regulated cash flows.
- 19 c) Please provide the following:
- 20 i) an explanation as to what Horizon would view as a prudent level of regulated cash
21 flow for each of 2009 and 2010 and why.
- 22 ii) the level of cash flow for each of these years had the projects not been postponed
23 and with their postponement.
- 24 iii) In this context, please state how their postponement would bring the cash flows to
25 acceptable levels.
- 26 iv) the assumed financing mix that was used in assessing the impacts of deferring
27 these projects (approved or actual capital structure, 100% debt, 100% equity, or
28 some other mix).
- 29 d) Please state in which years Horizon anticipates not achieving its maximum allowable
30 return on equity and provide the currently forecast levels for the relevant years. Please
31 state whether the loss of the large customer revenue is the only factor that is leading to

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1 this underachievement, or, if there are other factors, please state what they are.

2 **Response:**

3 5a) The following projects were deferred from fiscal 2009 to fiscal 2010 or beyond:

Description	\$ Amount	OM&A or Capital
ERP Implementation – Planning and Scheduling and Field Devices -Productivity Improvement	\$295,000	OM&A – Business Process Mapping, Definition, Training and development
Human Resources – New Hires and Filling of Vacant Positions - Skilled Trades/Apprentices - Finance/HR	\$515,000	OM&A
Asset Management Planning	\$50,000	OM&A
GIS Technology Strategy	\$60,000	OM&A
Repairs and Maintenance - Facilities	\$230,000	OM&A
Communications	\$100,000	OM&A
Supply Chain Productivity Initiatives	\$100,000	OM&A
Various operating expense reductions	\$80,000	OM&A
	\$1,430,000	TOTAL OM&A
Depreciation expense	\$60,000	Impact of Capital Reductions
	\$1,490,000	TOTAL OPERATING
Computer hardware/software upgrades	\$173,000	Capital
Facilities upgrades	\$185,000	Capital
Other miscellaneous capital	\$318,000	Capital
	\$676,000	TOTAL CAPITAL
Smart Meter – Commercial Customers – Deferred pending approval of Smart Meter Adder	\$2,900,000	Other Capital

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1 Please note that the capital expenditure deferrals of \$0.7MM are expected to be offset by
2 \$2MM in higher distribution system capital expenditures for 2009.

3 With respect to the Commercial Smart Meter capital expenditures, these expenditures are a
4 component of the Smart Meter variance accounts and are outside the scope of the revenue
5 sufficiency/deficiency.

6 As previously noted, despite these mitigation efforts, Horizon Utilities will not achieve its
7 regulated rate of return on regulated rate base.

8 Projects were selected for deferral based on whether or not such would result in any
9 significant business or operational risk to Horizon (e.g. reliability of the distribution system,
10 impact on customers) in the very short-term.

11 5b) Please refer to Horizon Utilities' response to VECC Question #9.

12 5 c) i) The "prudent" level of regulated cash flow is that which supports prudently incurred
13 electricity distribution expenditures, within the context of Board rate making policies, while
14 also recovering the full approved regulated cost of capital. Such level of cash flow provides
15 for the financing and operation of the regulated electricity distribution business on a
16 sustainable basis.

17 Specifically, for 2009 and 2010, Horizon Utilities would view the prudent level of regulated
18 cash flow to be that arising from its Board-approved 2008 cost of service electricity
19 distribution rate application ("2008 EDR") as adjusted through the third generation incentive
20 rate mechanism ("3GIRM"). Such cash flow is effectively the amount of total Revenue
21 Requirement expected from such rate making policy based on assumptions underlying the
22 determination of customer rates and other regulated charges, including consumption
23 forecasts.

24 The Revenue Requirement arising from the Board - approved 2008 EDR application was
25 \$93.4MM on a rate year basis.

26 On this basis, after considering actual and estimated 3GIRM adjustments and assuming a

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1 modest level of customer growth at 0.5%, the prudent level of regulated cash flow/ Revenue
2 Requirement is approximately \$94.1MM and \$94.9MM for the 2009 and 2010, respectively.

3 5 c) ii) Given that cash flows are affected by a variety of factors, including working capital
4 timing differences, a more direct approach to evaluating cash flow levels, with or without
5 postponement of projects, is to consider the difference between the prudent level of regulated
6 cash flow/ Revenue Requirement, based on that submitted in response to question 5 c) i),
7 above, and that which is forecast for the 2009 and 2010 fiscal years. Such difference
8 represents a cash flow impairment relative to the amount afforded by Board rate-making
9 policy.

10 Such analysis requires converting rate year cash flow into fiscal year cash flow. On a fiscal
11 year basis, Horizon Utilities submits that the prudent level of cash flow corresponding to the
12 amount submitted in response to question 5 c) i) is \$93.9MM and \$94.6MM.

13 **No Postponement**

14 The cash flow impairment, relative to the prudent level submitted above, is represented by the
15 total amount of forecast forgone Revenue Requirement which, in aggregate, is \$5.2MM and
16 \$3.6MM for 2009 and 2010, respectively. Such aggregate balance comprises:

- 17 • forecast forgone Distribution Revenue Requirement of \$3.8MM and \$1.8MM for 2009
18 and 2010, respectively; and
- 19 • forgone other regulated charges of \$1.4MM and \$1.8MM for 2009 and 2010,
20 respectively.

21 **With Postponement**

22 Horizon Utilities forecasts 2009 net operating and capital expenditure postponements of
23 \$1.5MM and \$1.6MM, respectively. Assuming a financing mix based on the approved capital
24 structure, these 2009 postponements mitigate the 2009 forecast cash flow impairment by
25 \$2.1MM.

26 5 c) iii) Such postponement does not bring cash flows to “acceptable” levels; it merely

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1 mitigates cash flow impairments to the extent practicable, with due regard for managing
2 operational risks related to the regulated electricity distribution operations.

3 Horizon Utilities submits that “acceptable” levels of cash flow mirror its definition of “prudent”
4 level of regulated cash flow in response to 5 c) i). Horizon Utilities submits that an
5 “acceptable level” of cash flow provides for prudent capital and operating programs and its full
6 approved cost of capital which, in turn, supports the creditworthiness and operation of its
7 regulated operations on a sustainable basis.

8 5 c) iv) Horizon Utilities has assumed the Board-approved capital structure as a basis for its
9 financing mix in assessing the impacts of postponements noted in 5 c) iii).

10 5 d) Horizon Utilities does not anticipate achieving its maximum allowable return on equity
11 (“MARE”) in either of 2009 or 2010. Horizon Utilities will file a cost of service application in
12 2010, and anticipates that the Board’s 2011 Rate Order will allow for the achievement of the
13 MARE from the effective date of that rate order.

14 The levels of return on equity for the regulated electricity distribution operations, adjusted to
15 reflect the approved capital structure, are forecast to be 6.29% and 6.11% for 2009 and 2010,
16 respectively. Such levels are forecast to be 6.86% and 6.59% on an unadjusted basis for
17 2009 and 2010, respectively.

18 The loss of the large customer revenue is not the only factor leading to this
19 underachievement. Other contributors to this underachievement include:

- 20 • the broader decline in commercial customer load and resulting impact on distribution
21 revenue; and
- 22 • the shortfall in other regulated charges, relative to the level approved in Horizon
23 Utilities’ 2008 EDR application, as set out in Horizon Utilities’ response to Board Staff
24 Interrogatory #5(c)(ii), above

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1 **6. Ref: Manager's Summary, pp. 7-8**

2 Table 3 provides the calculation of the subject customer's actual and anticipated distribution
3 revenue deficiency.

4 Please revise this table to include updated customer demand data for July through October
5 2009. Please also update the anticipated 2009 distribution revenue deficiency.

6 **Response:**

█ [REDACTED]

█ [REDACTED]

█ [REDACTED]

█ [REDACTED]

█ [REDACTED]

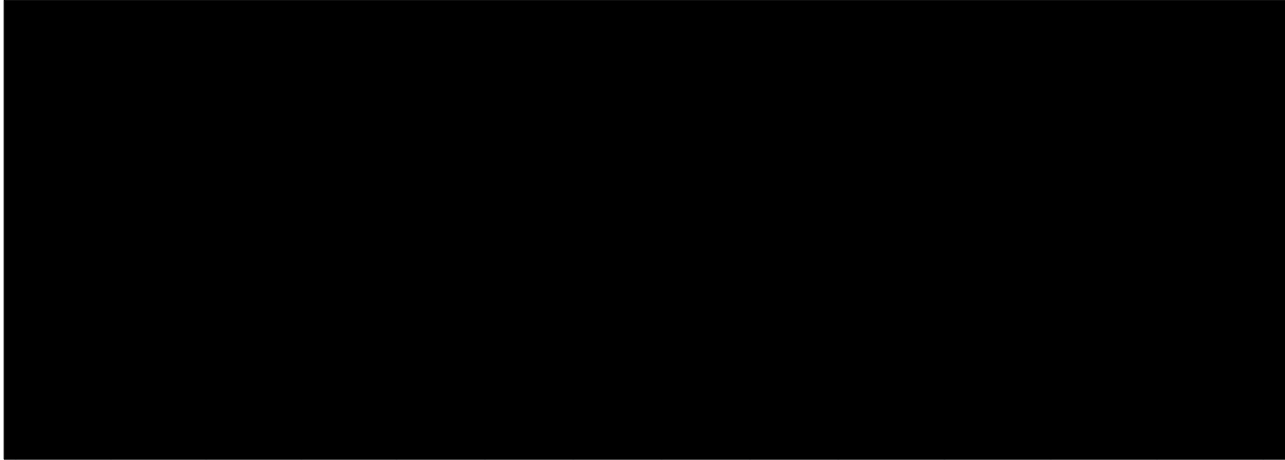
12 With these revisions reflected, the 2009 rate year distribution revenue deficiency equates to
13 \$830,564 as compared to \$1,043,430 as originally filed. For the 2009 calendar year, the
14 revenue deficiency, with these revisions, equates to \$1,056,928 as compared to \$1,172,485
15 as originally filed.

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Revised Table 3

Calculation of Subject Customer's Actual and Anticipated Distribution Revenue Deficiency

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									Total 2008 Rate Year	(744,824)		
									Total 2009 Rate Year	(830,564)		
									Total 2010 Rate Year	(742,645)		
									Total 2008-2010 Rate Year	(2,318,032)		

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1 **8. Ref: Manager’s Summary, p. 12 [NOTE THAT ONLY HORIZON UTILITIES’**
2 **RESPONSE TO PART (b) IS BEING FILED IN CONFIDENCE]**

3 It is stated that:

4 *“Horizon Utilities reviewed several methodologies in order to determine an appropriate*
5 *mechanism to allocate the \$2,850,486 in a just and reasonable manner. As the*
6 *indefinite shutdown of the Customer is out of the control of any single customer or*
7 *customer class, Horizon Utilities believes that it is appropriate to allocate the decline in*
8 *distribution revenue from this single event to all customer classes.”*

9 b) Please provide the bill impacts that would have resulted had the decline been allocated
10 only to the large user class.

11 **Response:**

12 b) In its Application, Horizon Utilities presents two methods for recovery for the lost revenue -
13 a fixed rate rider or a variable rate rider. Table 1 below illustrates the impact based on the
14 variable rate rider approach. Table 2 below illustrates the impact based on the fixed rate rider
15 approach. Both tables reflect the scenario in which the decline is allocated to the Large User
16 class.

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Table 1 - Recovery from Large User Class - Variable Rate Rider

LARGE USER (> 5000 kW)										
		Existing Rates			Proposed Z-Factor			IMPACT		
		Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Change \$	Change %	% of Total Bill
Consumption	Monthly Service Charge (&SSS)			11,123.44			11,123.44	0.00	0.00%	0.00%
2,800,000 kWh	Distribution (kWh)			0.00			0.00	0.00	0.00%	0.00%
6,500 kW	Distribution (kW)	6,500	1.0331	6,715.15	6,500	1.0331	6,715.15	0.00	0.00%	0.00%
	Smart Meter Rider (per month)			0.82			0.82	0.00	0.00%	0.00%
	Z-Factor Rider	6,500	0.0000	0.00	6,500	0.7187	4,671.38	4,671.38		2.06%
	Regulatory Assets (kW)	6,500	(0.1972)	(1,281.80)	6,500	(0.1972)	(1,281.80)	0.00	0.00%	0.00%
	Sub-Total			16,557.61			21,228.99	4,671.38	28.21%	2.06%
	Other Charges (kWh)	2,818,760	0.0135	38,053.26	2,818,760	0.0135	38,053.26	0.00	0.00%	0.00%
	Other Charges (kW)	6,500	4.0132	26,085.80	6,500	4.0132	26,085.80	0.00	0.00%	0.00%
	Cost of Power Commodity (kWh)	0	0.0500	0.00	0	0.0500	0.00	0.00	0.00%	0.00%
	Cost of Power Commodity (kW)	2,818,760	0.0500	140,938.00	2,818,760	0.0500	140,938.00	0.00	0.00%	0.00%
	Total Bill			221,634.67			226,306.05	4,671.38	2.11%	2.06%

LARGE USER (> 5000 kW)										
		Existing Rates			Proposed Z-Factor			IMPACT		
		Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	\$	%	% of Total Bill
Consumption	Monthly Service Charge (&SSS)			11,123.44			11,123.44	0.00	0.00%	0.00%
20,000,000 kWh	Distribution (kWh)			0.00			0.00	0.00	0.00%	0.00%
40,000 kW	Distribution (kW)	40,000	1.0331	41,324.00	40,000	1.0331	41,324.00	0.00	0.00%	0.00%
	Smart Meter Rider (per month)			0.82			0.82	0.00	0.00%	0.00%
	Z-Factor Rider	40,000	0.0000	0.00	40,000	0.7187	28,746.95	28,746.95		1.90%
	Regulatory Assets (kW)	40,000	(0.1972)	(7,888.00)	40,000	(0.1972)	(7,888.00)	0.00	0.00%	0.00%
	Sub-Total			44,560.26			73,307.21	28,746.95	64.51%	1.90%
	Other Charges (kWh)	20,134,000	0.0135	271,809.00	20,134,000	0.0135	271,809.00	0.00	0.00%	0.00%
	Other Charges (kW)	40,000	4.0132	160,528.00	40,000	4.0132	160,528.00	0.00	0.00%	0.00%
	Cost of Power Commodity (kWh)	0	0.0500	0.00	0	0.0500	0.00	0.00	0.00%	0.00%
	Cost of Power Commodity (kW)	20,134,000	0.0500	1,006,700.00	20,134,000	0.0500	1,006,700.00	0.00	0.00%	0.00%
	Total Bill			1,483,597.26			1,512,344.21	28,746.95	1.94%	1.90%

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4 Horizon Utilities' response to Board staff Interrogatory #6 shows a revised forecast for the
5 period November 2009 until April 2011. Please see below for an updated Table 1 Recovery
6 from Large User Class – Variable Rate Rider which reflects this new forecast.

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Updated Table 1 – Recovery from Large User Class - Variable Rate Rider

LARGE USER (> 5000 kW)										
		Existing Rates			Proposed Z-Factor			IMPACT		
		Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Change \$	Change %	% of Total Bill
Consumption	Monthly Service Charge (&SSS)			11,123.44			11,123.44	0.00	0.00%	0.00%
2,800,000 kWh	Distribution (kWh)			0.00			0.00	0.00		0.00%
6,500 kW	Distribution (kW)	6,500	1.0331	6,715.15	6,500	1.0331	6,715.15	0.00	0.00%	0.00%
	Smart Meter Rider (per month)			0.82			0.82	0.00	0.00%	0.00%
	Z-Factor Rider	6,500	0.0000	0.00	6,500	0.5844	3,798.79	3,798.79		1.69%
	Regulatory Assets (kW)	6,500	(0.1972)	(1,281.80)	6,500	(0.1972)	(1,281.80)	0.00	0.00%	0.00%
	Sub-Total			16,557.61			20,356.40	3,798.79	22.94%	1.69%
	Other Charges (kWh)	2,818,760	0.0135	38,053.26	2,818,760	0.0135	38,053.26	0.00	0.00%	0.00%
	Other Charges (kW)	6,500	4.0132	26,085.80	6,500	4.0132	26,085.80	0.00	0.00%	0.00%
	Cost of Power Commodity (kWh)	0	0.0500	0.00	0	0.0500	0.00	0.00		0.00%
	Cost of Power Commodity (kW)	2,818,760	0.0500	140,938.00	2,818,760	0.0500	140,938.00	0.00	0.00%	0.00%
	Total Bill			221,634.67			225,433.46	3,798.79	1.71%	1.69%

LARGE USER (> 5000 kW)										
		Existing Rates			Proposed Z-Factor			IMPACT		
		Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	\$	%	% of Total Bill
Consumption	Monthly Service Charge (&SSS)			11,123.44			11,123.44	0.00	0.00%	0.00%
20,000,000 kWh	Distribution (kWh)			0.00			0.00	0.00		0.00%
40,000 kW	Distribution (kW)	40,000	1.0331	41,324.00	40,000	1.0331	41,324.00	0.00	0.00%	0.00%
	Smart Meter Rider (per month)			0.82			0.82	0.00	0.00%	0.00%
	Z-Factor Rider	40,000	0.0000	0.00	40,000	0.5844	23,377.19	23,377.19		1.55%
	Regulatory Assets (kW)	40,000	(0.1972)	(7,888.00)	40,000	(0.1972)	(7,888.00)	0.00	0.00%	0.00%
	Sub-Total			44,560.26			67,937.45	23,377.19	52.46%	1.55%
	Other Charges (kWh)	20,134,000	0.0135	271,809.00	20,134,000	0.0135	271,809.00	0.00	0.00%	0.00%
	Other Charges (kW)	40,000	4.0132	160,528.00	40,000	4.0132	160,528.00	0.00	0.00%	0.00%
	Cost of Power Commodity (kWh)	0	0.0500	0.00	0	0.0500	0.00	0.00		0.00%
	Cost of Power Commodity (kW)	20,134,000	0.0500	1,006,700.00	20,134,000	0.0500	1,006,700.00	0.00	0.00%	0.00%
	Total Bill			1,483,597.26			1,506,974.45	23,377.19	1.58%	1.55%

3

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Table 2 - (Alternative) Recovery from Large User Class- Fixed Rate Rider

LARGE USER (> 5000 kW)										
		Existing Rates			Proposed Z-Factor			IMPACT		
		Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Change \$	Change %	% of Total Bill
Consumption	Monthly Service Charge (&SSS)			11,123.44			11,123.44	0.00	0.00%	0.00%
2,800,000 kWh	Distribution (kWh)			0.00			0.00	0.00		0.00%
6,500 kW	Distribution (kW)	6,500	1.0331	6,715.15	6,500	1.0331	6,715.15	0.00	0.00%	0.00%
	Smart Meter Rider (per month)			0.82			0.82	0.00	0.00%	0.00%
	Z-Factor Rider			0.00			14,846.28	14,846.28		6.28%
	Regulatory Assets (kW)	6,500	(0.1972)	(1,281.80)	6,500	(0.1972)	(1,281.80)	0.00	0.00%	0.00%
	Sub-Total			16,557.61			31,403.89	14,846.28	89.66%	6.28%
	Other Charges (kWh)	2,818,760	0.0135	38,053.26	2,818,760	0.0135	38,053.26	0.00	0.00%	0.00%
	Other Charges (kW)	6,500	4.0132	26,085.80	6,500	4.0132	26,085.80	0.00	0.00%	0.00%
	Cost of Power Commodity (kWh)	0	0.0500	0.00	0	0.0500	0.00	0.00		0.00%
	Cost of Power Commodity (kW)	2,818,760	0.0500	140,938.00	2,818,760	0.0500	140,938.00	0.00	0.00%	0.00%
	Total Bill			221,634.67			236,480.95	14,846.28	6.70%	6.28%

LARGE USER (> 5000 kW)										
		Existing Rates			Proposed Z-Factor			IMPACT		
		Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	\$	%	% of Total Bill
Consumption	Monthly Service Charge (&SSS)			11,123.44			11,123.44	0.00	0.00%	0.00%
20,000,000 kWh	Distribution (kWh)			0.00			0.00	0.00		0.00%
40,000 kW	Distribution (kW)	40,000	1.0331	41,324.00	40,000	1.0331	41,324.00	0.00	0.00%	0.00%
	Smart Meter Rider (per month)			0.82			0.82	0.00	0.00%	0.00%
	Z-Factor Rider			0.00			14,846.28	14,846.28		0.99%
	Regulatory Assets (kW)	40,000	(0.1972)	(7,888.00)	40,000	(0.1972)	(7,888.00)	0.00	0.00%	0.00%
	Sub-Total			44,560.26			59,406.54	14,846.28	33.32%	0.99%
	Other Charges (kWh)	20,134,000	0.0135	271,809.00	20,134,000	0.0135	271,809.00	0.00	0.00%	0.00%
	Other Charges (kW)	40,000	4.0132	160,528.00	40,000	4.0132	160,528.00	0.00	0.00%	0.00%
	Cost of Power Commodity (kWh)	0	0.0500	0.00	0	0.0500	0.00	0.00		0.00%
	Cost of Power Commodity (kW)	20,134,000	0.0500	1,006,700.00	20,134,000	0.0500	1,006,700.00	0.00	0.00%	0.00%
	Total Bill			1,483,597.26			1,498,443.54	14,846.28	1.00%	0.99%

2

3 An Updated Table 2 - (Alternative) Recovery from Large User Class – Fixed Rate Rider
 4 appears below which reflects the revised forecast for the period November 2009 until April
 5 2011.

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

1

Updated Table 2 – (Alternative) Recovery from Large User Class – Fixed Rate Rider

LARGE USER (> 5000 kW)										
		Existing Rates			Proposed Z-Factor			IMPACT		
		Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Change \$	Change %	% of Total Bill
Consumption	Monthly Service Charge (&SSS)			11,123.44			11,123.44	0.00	0.00%	0.00%
2,800,000 kWh	Distribution (kWh)			0.00			0.00	0.00	0.00%	0.00%
6,500 kW	Distribution (kW)	6,500	1.0331	6,715.15	6,500	1.0331	6,715.15	0.00	0.00%	0.00%
	Smart Meter Rider (per month)			0.82			0.82	0.00	0.00%	0.00%
	Z-Factor Rider			0.00			12,073.08	12,073.08		5.17%
	Regulatory Assets (kW)	6,500	(0.1972)	(1,281.80)	6,500	(0.1972)	(1,281.80)	0.00	0.00%	0.00%
	Sub-Total			16,557.61			28,630.69	12,073.08	72.92%	5.17%
	Other Charges (kWh)	2,818,760	0.0135	38,053.26	2,818,760	0.0135	38,053.26	0.00	0.00%	0.00%
	Other Charges (kW)	6,500	4.0132	26,085.80	6,500	4.0132	26,085.80	0.00	0.00%	0.00%
	Cost of Power Commodity (kWh)	0	0.0500	0.00	0	0.0500	0.00	0.00		0.00%
	Cost of Power Commodity (kW)	2,818,760	0.0500	140,938.00	2,818,760	0.0500	140,938.00	0.00	0.00%	0.00%
	Total Bill			221,634.67			233,707.75	12,073.08	5.45%	5.17%

LARGE USER (> 5000 kW)										
		Existing Rates			Proposed Z-Factor			IMPACT		
		Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	\$	%	% of Total Bill
Consumption	Monthly Service Charge (&SSS)			11,123.44			11,123.44	0.00	0.00%	0.00%
20,000,000 kWh	Distribution (kWh)			0.00			0.00	0.00		0.00%
40,000 kW	Distribution (kW)	40,000	1.0331	41,324.00	40,000	1.0331	41,324.00	0.00	0.00%	0.00%
	Smart Meter Rider (per month)			0.82			0.82	0.00	0.00%	0.00%
	Z-Factor Rider			0.00			12,073.08	12,073.08		0.81%
	Regulatory Assets (kW)	40,000	(0.1972)	(7,888.00)	40,000	(0.1972)	(7,888.00)	0.00	0.00%	0.00%
	Sub-Total			44,560.26			56,633.34	12,073.08	27.09%	0.81%
	Other Charges (kWh)	20,134,000	0.0135	271,809.00	20,134,000	0.0135	271,809.00	0.00	0.00%	0.00%
	Other Charges (kW)	40,000	4.0132	160,528.00	40,000	4.0132	160,528.00	0.00	0.00%	0.00%
	Cost of Power Commodity (kWh)	0	0.0500	0.00	0	0.0500	0.00	0.00		0.00%
	Cost of Power Commodity (kW)	20,134,000	0.0500	1,006,700.00	20,134,000	0.0500	1,006,700.00	0.00	0.00%	0.00%
	Total Bill			1,483,597.26			1,495,670.34	12,073.08	0.81%	0.81%

2

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1 **10. Ref: Manager’s Summary, p.15 [NOTE THAT ONLY HORIZON UTILITIES’**
2 **RESPONSES TO PARTS (b) AND PART (d) ARE BEING FILED IN CONFIDENCE]**

3 It is stated that:

4 *“The OEB has approved a level of revenue requirement for Horizon Utilities in order that*
5 *Horizon Utilities may finance its investment in capital, operations and maintenance*
6 *expenditures in support of the safe and reliable supply of electricity. The indefinite shutdown*
7 *of the Subject Customer has resulted in Horizon Utilities not realizing its approved distribution*
8 *revenue requirement to date, and it does not expect to do so through the 2010 rate year.”*

9 b) Please complete the table below and provide explanations for any deviations from the
10 Board’s Yearbook of Electricity Distributors (issued September 10, 2009):

11 **Response to Part (b)**

	2007 Actuals	2008 Board Approved	2008 Actuals	2009 (Actuals for Jan - Oct)	2009 Projection for Nov & Dec	2010 Forecast	% Change 2010 vs Bd Approved
Residential							
Number of Customers	210,358	211,942	211,826	212,258	211,942	213,144	0.567%
kWh Billed	1,666,789,557	1,698,681,251	1,641,702,487	1,318,384,449	258,932,528	1,648,368,244	-2.962%
Distribution Revenue	60,585,358	53,888,130	61,913,757	44,093,331	10,221,133	59,267,537	9.983%
kWh Billed per Customer	7924	8015	7750	6211	1222	7734	-3.509%
Distribution Revenue per Customer	288	254	292	208	48	278	9.362%
General Service < 50 kW							
Number of Customers	18,069	17,927	18,005	17,948	17,927	17,865	-0.346%
kWh Billed	617,778,984	633,227,782	598,551,375	476,989,501	94,926,000	613,840,301	-3.062%
Distribution Revenue	9,691,784	10,366,375	10,060,829	8,849,855	1,660,908	10,883,944	4.993%
kWh Billed per Customer	34,190	35,323	33,244	26,576	5,295	34,360	-2.725%
Distribution Revenue per Customer	536	578	559	493	93	609	5.357%
General Service > 50 kW							
Number of Customers	2,154	2,213	2,203	2,210	2,213	2,274	2.756%
kWh Billed	1,997,275,502	2,118,642,390	1,958,084,266	1,516,153,156	311,908,427	1,818,077,711	-14.187%
Distribution Revenue	12,215,130	15,052,687	12,943,821	13,941,502	2,136,852	14,271,375	-5.191%
kWh Billed per Customer	927,240	957,362	888,826.27	686,042	140,944	799,506	-16.489%
Distribution Revenue per Customer	5,671	6,802	5,875.54	6,308	966	6,276	-7.734%
Large user							
Number of Customers	12	12	12	12	12	12	0.000%
kWh Billed	1,944,394,063	1,088,833,225	1,747,983,286	997,503,597	194,400,000	1,152,360,000	5.834%
Distribution Revenue	1,763,270	5,491,377	2,242,361	4,054,429	370,184	3,764,532	-31.446%
kWh Billed per Customer	162,032,839	90,736,102	145,665,274	83,125,300	16,200,000	96,030,000	5.834%
Distribution Revenue per Customer	146,939	457,615	186,863	337,869	30,849	313,711	-31.446%
	USL included in yearbook not included here transformer allow. of 2,120,914.10 incl. in LU revenue	excl. WMP see actual 2008 878,343,177	USL included in yearbook not included here transformer allow of 1,846,544.37 incl in LU revenue	actuals from dx revenue monthly usage cust counts	3rd quarter forecast revenue for Nov & Dec prorated by class	2010 Budget	
	->50 kW distribution revenue includes standby revenue						

12

13 Please note the reduction in Large User revenues when the projected 2010 distribution
14 revenue is compared to the 2008 Board Approved values.

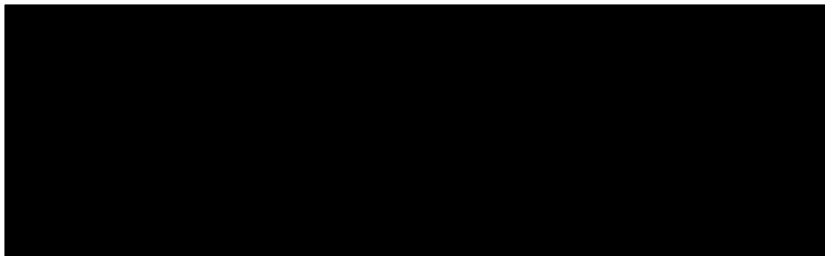
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1 In the recent past, the Subject Customer has accounted for up to 55% of the Large User class
2 load. In 2008 the Subject Customer accounted for approximately 50% of the Large User class
3 load. In 2009, through October, the Subject Customer has accounted for 26%.

4 Horizon Utilities notes that there are reductions of approximately 14% and 16% in kWh billed
5 and kWh billed per customer, respectively, in the GS > 50kW class. However, those
6 reductions have not contributed to significant reductions in revenue. By contrast, loss of load
7 related to Large Users has had significant impacts on Horizon Utilities' distribution revenues.

8 d) Please complete the table below:

9 



10

12

13