**EB-2010-0131**

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

**AND IN THE MATTER OF** an Application by Horizon Utilities Corporation to the Ontario Energy Board for an Order or Orders approving of fixing just and reasonable rates and other service charges for the distribution of Electricity as of January 1, 2011.

# HORIZON UTILITIES CORPORATION ("HORIZON UTILITIES") RESPONSES TO VULNERABLE ENERGY CONSUMERS COALITION INTERROGATORIES

**DELIVERED: January 24th, 2011**

## Question 1

**Reference:** Exhibit 3/Tab 1/Schedule 2, page 2

**a)** Please confirm whether the revenues reported in Table 3-1:

- Exclude revenues from the smart meter rate adder
- Exclude revenues for LV riders/adders
- Are net of any transformer allowance discount.

**b)** If not, please restate the values by customer class for 2010 and 2011 excluding these items.

**Response:**

**a)** Horizon Utilities confirms that the revenues reported in Table 3-1 exclude revenues from the smart meter funding adder, exclude revenues for LV riders/adders and are net of any transformer allowance discount.

**b)** Not applicable.

**HORIZON UTILITIES CORPORATION ("HORIZON UTILITIES")**
**RESPONSES TO**
**VULNERABLE ENERGY CONSUMERS COALITION INTERROGATORIES**

**DELIVERED: January 24th, 2011**

**Question 2**

**Reference:** Exhibit 3/Tab 2/Schedule 2, pages 3-4

Exhibit 3/Tab 2/Schedule 2, Appendix 3.1

**a)** Please provide the detailed documentation supporting the historical CDM savings values used in the regression analysis.

**b)** Have the historical savings values been updated to reflect the OPA's most recent estimates of the CDM savings associated with various initiatives and technologies (e.g. lower savings values for CFLs)? If not, please restate the historical savings for 2005-2009 using the most recent estimates of unit savings for each technology/program.

**c)** Based on the revised data from part (b) please re-do the regression analysis and report the results in terms of:

- The resulting prediction model (per page 3)
- The model's statistics (per page 4)

**Response:**

**a)** The annual values supporting the historical CDM Activity values used in the regression analysis are as follows. Please refer to Horizon Utilities' response to Board Staff Interrogatory 12 for further details on the CDM Activity variable.

| | 3rd Tranche Activities | OPA Program Activities | Total | Accumulated Total |
|---|---|---|---|---|
| | MWhs | | | |
| 2005 | 6,873 | 0 | 6,873 | 6,873 |
| 2006 | 26,934 | 15,387 | 42,321 | 49,194 |
| 2007 | 312 | 11,041 | 11,354 | 60,548 |
| 2008 | 0 | 11,340 | 11,340 | 71,887 |
| 2009 Est | 0 | 10,000 | 10,000 | 81,887 |

The information shown under the 3rd Tranche Activities column is consistent with the data provided in Horizon Utilities LRAM/SSM Application EB-2009-0192. On Page 6 of 17 of the Application, details supporting the 3rd Tranche Activities values are provided. Further details on the 2006 to 2008 data provided under the column titled OPA Program Activities are provided below.

| | |
|---|---|
| 2006 Every Kilowatt Counts (spring) | 5,617 |
| 2006 Cool Savings Rebate Program | 428 |
| 2006 Secondary Fridge Retirement Pilot | 230 |
| 2006 Every Kilowatt Counts (fall) | 9,112 |
| **2006 total** | 15,387 |

| | |
|---|---|
| 2007 Great Refrigerator Roundup | 507 |
| 2007 Cool Savings Rebate | 1,224 |
| 2007 Every Kilowatt Counts | 5,355 |
| 2007 Summer Savings | 3,196 |

| | |
|---|---|
| 2007 Affordable Housing – Pilot | 193 |
| 2007 Social Housing – Pilot | 483 |
| 2007 Energy Efficiency Assistance for Houses – Pilot | 13 |
| 2007 Electricity Retrofit Incentive Program | 71 |
| **2007 total** | 11,041 |

| | |
|---|---|
| 2008 Great Refrigerator Roundup | 1,744 |
| 2008 Cool Savings Rebate | 935 |
| 2008 Summer Sweepstakes | 1,650 |
| 2008 Every Kilowatt Counts Power Savings Event | 4,800 |
| 2008 peaksaver® | 40 |
| 2008 Electricity Retrofit Incentive | 1,071 |
| 2008 High Performance New Construction | 16 |
| 2008 Power Savings Blitz | 1,084 |
| **2008 total** | 11,340 |

The source of the information for the above table is a report from the OPA on final 2006-2008 Conservation Results for Horizon Utilities for OPA programs. For 2009, the estimated amount was based on expected results to be achieved in 2009 by Horizon Utilities at the time of preparing this Application.

**b)** The updated historical savings for 2005-2009 using the most recent estimates of unit savings for each technology/program are as follows.

| | 3rd Tranche Activities | OPA Program Activities | Total | Accumulated Total |
|---|---|---|---|---|

| | MWhs | | | |
|---|---|---|---|---|
| 2005 | 6,173 | | 6,173 | 6,173 |
| 2006 | 15,333 | 15,506 | 30,839 | 37,012 |
| 2007 | 312 | 10,657 | 10,970 | 47,982 |
| 2008 | 0 | 11,346 | 11,346 | 59,327 |
| 2009 | 0 | 22,746 | 22,746 | 82,074 |

The information shown under the 3rd Tranche Activities has been updated to for the Board's Decision on Horizon Utilities LRAM/SSM Application EB-2009-0192. The lower values reflect lower savings values for technologies such as CFLs. Further details on the 2006 to 20009 data provided under the column titled OPA Program Activities are provided below.

| | |
|---|---|
| 2006 Secondary Refrigerator Retirement Pilot | 230 |
| 2006 Cool & Hot Savings Rebate | 567 |
| 2006 Every Kilowatt Counts | 14,710 |
| **2006 total** | 15,506 |

| | |
|---|---|
| 2007 Great Refrigerator Roundup | 511 |
| 2007 Cool & Hot Savings Rebate | 885 |
| 2007 Every Kilowatt Counts | 5,306 |
| 2007 Summer Savings | 3,196 |
| 2007 Affordable Housing Pilot | 193 |
| 2007 Social Housing Pilot | 482 |
| 2007 Energy Efficiency Assistance for Houses Pilot | 13 |
| 2007 Electricity Retrofit Incentive | 71 |
| **2007 total** | 10,657 |

| | |
|---|---|
| 2008 Great Refrigerator Roundup | 1,744 |
| 2008 Cool Savings Rebate | 945 |
| 2008 Every Kilowatt Counts Power Savings Event | 4,796 |
| 2008 peaksaver® | 40 |
| 2008 Summer Sweepstakes | 1,650 |
| 2008 Electricity Retrofit Incentive | 1,071 |
| 2008 High Performance New Construction | 15 |
| 2008 Power Savings Blitz | 1,084 |
| **2008 total** | 11,346 |

| | |
|---|---|
| 2009 Great Refrigerator Roundup | 2,224 |
| 2009 Cool Savings Rebate | 1,163 |
| 2009 Every Kilowatt Counts Power Savings Event | 2,023 |

| | |
|---|---|
| 2009 peaksaver® | 3 |
| 2009 Electricity Retrofit Incentive | 4,454 |
| 2009 High Performance New Construction | 416 |
| 2009 Power Savings Blitz | 8,586 |
| 2009 Demand Response 1 | 362 |
| 2009 Demand Response 2 | 3,448 |
| 2009 Demand Response 3 | 66 |
| **2009 total** | 22,746 |

The source of the information for the above table is a report from the OPA on final 2006-2009 Conservation Results for Horizon Utilities for OPA programs. Since this information was recently provided to Horizon Utilities it is Horizon Utilities understanding that these results reflect the OPA's most recent estimates of the CDM savings associated with various initiatives and technologies

**c)** The regression analysis has been redone to reflect the revised data from part (b). The following table provides the statistics and coefficients for the resulting prediction model.

| **Statistic** | **Value** |
|---|---|
| **R Square** | 92.2% |
| **Adjusted R Square** | 91.6% |
| **F Test** | 151.5 |
| **Coefficient** | |
| Intercept | (69,224,531) |
| Heating Degree Days | 94,813 |
| Cooling Degree Days | 910,307 |
| Number of Days in Month | 8,805,499 |
| Spring Fall Flag | (9,997,493) |
| CDM Activity | (0.38) |
| Ontario Real GDP Monthly % | 1,014,366 |
| **T-stats by Coefficient** | |
| Intercept | (1.1) |
| Heating Degree Days | 12.7 |
| Cooling Degree Days | 16.1 |
| Number of Days in Month | 6.5 |
| Spring Fall Flag | (3.2) |
| CDM Activity | (5.5) |
| Ontario Real GDP Monthly % | 2.7 |

**HORIZON UTILITIES CORPORATION ("HORIZON UTILITIES")**
**RESPONSES TO**
**VULNERABLE ENERGY CONSUMERS COALITION INTERROGATORIES**

**DELIVERED: January 24th, 2011**

## Question 3

**Reference:** Exhibit 3/Tab 2/Schedule 2, pages 3 and 5

**a)** Using the model coefficients' for HDD and CDD along with the difference between the actual HDD and CDD values for each year (2003-2009) and the weather normal values as defined by Horizon, please provide a schedule that

- Estimates the impact of weather on each year's actual purchases and
- Sets out each year's actual purchases adjusted to normal weather.

**b)** Please provide any more recent forecasts of 2010 and 2011 Real Ontario GDP.

**c)** Please provide Horizon's actual purchases for 2010. Please re-do the response to part (a) for 2010.

## Response:

**a)** The requested information is provided in the following table for 2003 to 2010

| Year | Actual | Predicted | Predicted Weather Normal | Estimated Actual Weather Normal |
|---|---|---|---|---|
| **Purchased Energy (GWh)** | | | | |
| 2003 | 4,490.3 | 4,466.9 | 4,475.9 | 4,499.3 |
| 2004 | 4,462.3 | 4,451.2 | 4,525.0 | 4,536.1 |
| 2005 | 4,652.5 | 4,696.2 | 4,553.7 | 4,510.0 |
| 2006 | 4,479.1 | 4,468.1 | 4,494.1 | 4,505.1 |

| | | | | |
|---|---|---|---|---|
| 2007 | 4,511.1 | 4,482.4 | 4,434.0 | 4,462.7 |
| 2008 | 4,398.4 | 4,371.4 | 4,410.2 | 4,437.1 |
| 2009 | 4,207.5 | 4,265.0 | 4,308.4 | 4,250.9 |
| 2010 | 4,296.1 | 4,302.1 | 4,261.4 | 4,255.4 |

**b)** Based on the 2010 Ontario Economic Outlook and Fiscal Review dated November 18, 2010 from the Ministry of Finance a more recent forecasts of 2010 and 2011 Real Ontario GDP is 3.2% and 2.2%; respectively. The forecast of 2010 and 2011 Real Ontario GDP used in the proposed load forecast is 2.7% and 3.2%; respectively

**c)** See Horizon Utilities' response to a) above.

**HORIZON UTILITIES CORPORATION ("HORIZON UTILITIES") RESPONSES TO VULNERABLE ENERGY CONSUMERS COALITION INTERROGATORIES**

**DELIVERED: January 24th, 2011**

## Question 4

**Reference:** Exhibit 3/Tab 2/Schedule 2, page 6 and Appendix 3-1

**a)** Please confirm that Horizon's CDM target is 281.42 GWh of cumulative energy saving over the period 2011-2014.

**b)** Please provide a schedule that shows in detail the calculation of the CDM savings forecast for 2011 and how they are related to Horizon's CDM target as set by the OEB.

## Response:

**a)** Further to the Ontario Energy Board's Decision and Order in EB-2010-0216 regarding the CDM Directive, released November 12, 2010, Horizon Utilities confirms that its CDM target is 281.42 GWh of cumulative energy saving over the period 2011-2014.

**b)** Please refer to Horizon Utilities' response to Board staff interrogatory 12a).

**EB-2010-0131**

**HORIZON UTILITIES CORPORATION ("HORIZON UTILITIES")**
**RESPONSES TO**
**VULNERABLE ENERGY CONSUMERS COALITION INTERROGATORIES**

**DELIVERED: January 24th, 2011**

## Question 5

**Reference:** Exhibit 3/Tab 2/Schedule 2, page 7

**a)** Please clarify whether the forecast 2011 loss factor or the average historical loss factor was used to determine the billed kWh forecast for 2010 and 2011 – as reference in lines 2-5 is made to both values. Please explain why the value chosen was used.

**Response:**

The forecast 2011 loss factor and the 2005 to 2009 average historical loss factor are the same value, being 1.0407. As a result, 1.0407 was used to determine the billed kWh forecast for 2010 and 2011.

**EB-2010-0131**

**HORIZON UTILITIES CORPORATION ("HORIZON UTILITIES")**
**RESPONSES TO**
**VULNERABLE ENERGY CONSUMERS COALITION INTERROGATORIES**

**DELIVERED: January 24th, 2011**

## Question 6

**Reference:** Exhibit 3/Tab 2/Schedule 2, pages 7-8

**a)** Are the customer connection data shown in Table 3-10 average annual values or year end values?

**b)** Please provide a table setting out the customer/connection values by class for 2010 – both average and year end values.

## Response:

**a)** The customer connection data shown in Table 3-10 are average annual values.

**b)** A table setting out the customer/connection values by class for 2010 – both average and year end values is provided below.

| Class | 2010 - Average | 2010 - Year End |
|---|---|---|
| Residential - Customers | 213,404 | 213,722 |
| General Service < 50 kW - Customers | 17,982 | 18,021 |
| General Service 50 to 4,999 kW – Customers | 2,225 | 2,185 |
| Large Use – Customers | 12 | 12 |
| Street Lighting - Connections | 52,274 | 52,254 |
| Sentinel Lighting - Connections | 502 | 502 |
| Unmetered Scattered Load - Connections | 3,218 | 3,262 |
| Total | 289,617 | 289,957 |

**EB-2010-0131**

**HORIZON UTILITIES CORPORATION ("HORIZON UTILITIES")**
**RESPONSES TO**
**VULNERABLE ENERGY CONSUMERS COALITION INTERROGATORIES**

**DELIVERED**: **January 24, 2011**

### Question 7

Reference: Exhibit 3/Tab 2/Schedule 2, page 14

**a)** This part of the Application states that Horizon is proposing to change the way the standby charge is applied. However, the 2011 Rate Schedule provided in Exhibit 8/Tab 1/Schedule 6 appears to use the same description for the rate as did the 2010 Rate Schedule. Please define how the filling determinant for 2011 has changed and how it will be established on a monthly basis.

**b)** Please provide Horizon's understanding as to why the amount of load displaced by these customers is less than the nameplate rating of their generators.

**c)** For each year 2007-2009 please provide a schedule that compares the total name plate rating of the generators for these customers and the total average load displaced when the generators are in operation.

### Response:

**a)** When the standby charge was designed a number of years ago it was assumed the billing determinants were the generator name plate rating. Each month standby charges were rendered based on the name plate rating whether the standby service was used or not. This resulted in charging the same amount for standby service each month. Horizon Utilities' proposal is to apply the standby charge in each month based on the actual amount of standby power reserved (not used). The monthly bill for standby service will be the standby charge applied to the contracted amount for standby service minus the amount of standby service used. As a result, for this Application, it assumed the billing determinants used to design the standby charge is the level of net standby service reserved (or not used) in each month as opposed to the name plate rating.

**b)** These customers initially installed the generation with the intention to operate the generators continuously at full output to displace as much of their existing power consumption as possible. In practice this has not happened, as there are often times when the generator is shut down for maintenance or it is operating at reduced output. For example, referring to the summary table provide in the response to part c) below, the amount of standby power contracted in 2007 was 20,185 kW while the actual monthly average amount of standby power reserved (not used) was only 5,398 kW.

**c)** The following table compares the total generator name plate rating for Horizon Utilities' customers with embedded generators to the average monthly displaced load.

| Year | 2007 | 2008 | 2009 |
|---|---|---|---|
| Total name plate rating for load displacement generation (average monthly billed standby charge) | 20,185 kW | 20,185 kW | 19,782 kW |
| Total average load displaced kW (average monthly standby reserved) | 5,398 kW | 5,244 kW | 7,048 kW |
| Difference (name plate rating less load displaced) | 14,787 kW | 14,941 kW | 12,734 kW |

**HORIZON UTILITIES CORPORATION ("HORIZON UTILITIES")**
**RESPONSES TO**
**VULNERABLE ENERGY CONSUMERS COALITION INTERROGATORIES**

**DELIVERED: January 24th, 2011**

## Question 8

**Reference: Exhibit 6/Tab 1/Schedule 2, Appendix 6-1, page 8**

**Exhibit 7/Tab 1/Schedule 2, page 5**

**a)** Please provide a schedule that sets out, by customer class, the determination of the $83,665,964 Distribution Revenue for 2011 at currently approved rates (i.e. show the loads and rates used by class).

**b)** Please confirm that the revenues at existing rate reported for Standby is based on the 2010 definition of the billing determinant.

**c)** Please confirm that the derivation:

- Excludes the smart meter rate adder/rider
- Excludes the LV rates
- Is net of the transformer ownership allowance.

If not, please provide revised response to part (a) with these adjustments.

**Response:**

**a)** Please see the table below that sets out by customer class the determination of the $83,665,964 Distribution Revenue for 2011 at currently approved rates.

**Forecast Class Billing Determinants for 2011 Test Year Based on Existing Class Revenue Proportions**
**Revenue At Existing Rates**

| Class | Annual kWh | Annual kW For Dx | Annualized Customers | Annualized Connections | Fixed Distribution Revenue | Variable Distribution Revenue | Dist. Rev. Including Transformer | Transformer Allowance | Dist. Rev. Excluding Transformer | Dist Rev At Existing Rates % |
|---|---|---|---|---|---|---|---|---|---|---|
| Residential | 1,580,203,371 | | 2,575,897 | | 32,662,380 | 19,752,542 | 52,414,922 | | 52,414,922 | 62.65% |
| GS < 50 kW | 552,044,772 | | 215,176 | | 5,906,578 | 3,974,722 | 9,881,301 | | 9,881,301 | 11.81% |
| GS >50 | 1,781,012,386 | 4,856,870 | 27,351 | | 6,846,887 | 8,681,656 | 15,528,542 | 1,664,400 | 13,864,142 | 16.57% |
| Large Use | 693,689,836 | 3,044,901 | 144 | | 1,605,790 | 3,082,353 | 4,688,143 | 0 | 4,688,143 | 5.60% |
| Sentinel Lights | 502,459 | 1,421 | | 6,012 | 17,375 | 11,267 | 28,642 | | 28,642 | 0.03% |
| Street Lighting | 40,006,298 | 111,295 | | 628,656 | 1,238,452 | 585,245 | 1,823,696 | | 1,823,696 | 2.18% |
| USL | 12,541,586 | | | 38,731 | 371,429 | 185,615 | 557,044 | | 557,044 | 0.67% |
| Standby Power | | 199,012 | | | 0 | 408,074 | 408,074 | | 408,074 | 0.49% |
| 0 | 0 | 0 | 0 | | 0 | 0 | 0 | | 0 | 0.00% |
| | **4,660,000,708** | **8,213,499** | **2,818,569** | **673,399** | **48,648,890** | **36,681,475** | **85,330,364** | **1,664,400** | **83,665,964** | **100%** |

**b)** Horizon Utilities confirms that the revenues at existing rate reported for Standby is based on the 2010 definition of the billing determinant.

**c)** Horizon Utilities confirms that the derivation excludes the smart meter rate adder/rider, excludes the LV rates and is net of the transformer ownership allowance.

**HORIZON UTILITIES CORPORATION ("HORIZON UTILITIES")
RESPONSES TO
VULNERABLE ENERGY CONSUMERS COALITION INTERROGATORIES**

**DELIVERED: January 24th, 2011**

## Question 9

**Reference:** Exhibit 7/Tab 1/Schedule 1, page 3

**a)** Please confirm that the 2009 and 2010 ratios reported in Table 7-1 are the ratios implemented for the respective years using the IRM model adjustments and are not "actual ratios" calculated using the "actual revenue and costs" for the years concerned.

**Response:**

Horizon Utilities confirms that the 2009 and 2010 ratios reported in Table 7-1 are the ratios implemented for the respective years using the IRM model adjustment, as per Decision and Order EB-2008-0183 page 5 and are not "actual ratios" calculated using the "actual revenue and costs" for the years concerned.

**HORIZON UTILITIES CORPORATION ("HORIZON UTILITIES")
RESPONSES TO
VULNERABLE ENERGY CONSUMERS COALITION INTERROGATORIES**

**DELIVERED: January 24th, 2011**

## Question 10

**Reference:** Exhibit 7/Tab 1/Schedule 1, page 3

Board Report EB-2007-0667, pages 5-7

**Preamble**: In establishing the revenue to cost ratio ranges for the various classes the Board cited current problems with both the accounting and load data. The Board stated that "Distributors should endeavour to move their revenue-to- cost ratios closer to one if this is supported by <u>improved cost allocations</u>" (emphasis added).

**a)** What improvements has Horizon made to either its load data or accounting data (since the 2006/07 informational filing) that would justify moving the ratios closer to one than indicated by the Board's current ranges?

**Response:**

Although Horizon Utilities recognizes the comments made in Board Report EB-2007-0667, the comments and directions in recent Horizon Utilities' rate decisions must also be considered. Horizon Utilities, in its current and its previous Cost of Service Applications, has indicated a desire to move closer to revenue-to-cost ratios of parity. In the Decision with Reasons in Horizon Utilities' last Cost of Service Application (EB-2007-0697), at Page 28, with regard to Horizon Utilities' rates effective May 1, 2008, the Board directed Horizon Utilities to move Sentinel and Unmetered Scattered Load classes to the bottom of the target ranges, and the Board further directed Horizon Utilities to move the Streetlighting class closer to the Board target range. In the subsequent rate decision on its 3GIRM Application for 2009 Electricity Distribution

Rates, for rates effective May 1, 2009 (EB-2008-0183), Horizon Utilities proposed Revenue-to Cost Ratios continued the trend towards ratios of one. The Board approved the approach taken, stating that ‘The Board endorses the rate adjustments to achieve the Ratios proposed by Horizon, as these follow the direction and intent of the 2008 cost of service Decision(EB-2007-0697) and are reasonable’.

Horizon Utilities is not proposing to move to cost-to-revenue ratios of unity. Rather, it proposes having a gradual movement towards one, in keeping with previous decisions and with the Report of the Board - Application of Cost Allocation for Electricity Distributors (EB-2007-0667).

Regarding the improvements that Horizon Utilities has made since the 2006/07 information filing, all the input data entered in the 2011 cost allocation study such as load data and accounting data is 2011. The resulting revenue to cost ratios reflect revenues and costs that are on a 2011 basis and provide more accurate revenue to cost ratios than the method used in the 2008 Cost of Service Application (EB-2007-0697).

The revenue to cost ratio information used in the 2008 Cost of Service Application was based on the original cost allocation informational filing submitted by Horizon Utilities to the Board on March 30, 2007. The original cost allocation study was based on load data and accounting data from the 2006 EDR application. The 2006 EDR application was prepared using a historical test year approach which meant the 2004 cost structure was used to determine the rates approved in the 2006 EDR application. As a result, the revenue to cost ratio information which supported the 2008 Cost of Service Application was based on the 2004 cost structure.

Updating the cost allocation study in this Application to reflect the 2011 information is clearly an improvement over using a cost allocation study that was based on cost data that occurred four years before the Test Year.

**HORIZON UTILITIES CORPORATION ("HORIZON UTILITIES")
RESPONSES TO
VULNERABLE ENERGY CONSUMERS COALITION INTERROGATORIES**

**DELIVERED: January 24th, 2011**

**Question 11**

**Reference:** Exhibit 8/Tab 1/Schedule 1, pages 4-9

**a)** Please confirm that the proposed Monthly Fixed Charges for Residential, GS<50 and GS>50 all exceed the "ceiling" value calculated by the Cost Allocation model for the respective customer class.

**b)** On page 4 Horizon cites the Board's EB-2007-0667 Report that "it did not expect distributors to make changes to the MSC that would result in such exceeding the ceiling as defined by the methodology for the MSC". In light of this expectation, please explain why Horizon is proposing to increase the MSC for each of these classes to a value that exceeds the ceiling for each class.

**Response:**

**a)** Horizon Utilities confirms that the proposed Monthly Fixed Charges for Residential, GS<50 and GS>50 all exceed the 'ceiling' value calculated by the Cost Allocation model for the respective customer class.

**b)** Horizon Utilities is proposing to increase the MSC for each of these classes to a value that exceeds the ceiling for each class in order to maintain the current fixed variable split. The justification for this position is based on the evidence provided in Exhibit 8, Tab 1, Schedule 1, Page 5.

As discussed in the Application, the Board decided "to defer completion of the rate design project while staff conducts more research and expands the ability to model rate impacts. Stakeholders will be advised when the Board decides to resume development of a policy and methodology for a new rate design". Until the Rate Review Proceeding is completed and consistent with Norfolk Power Distribution Inc.'s 2008 Rate Decision (EB-2007-0753), Horizon Utilities submits that an MSC ceiling has not been established and that, with the exception of its Large Use class, it is appropriate for the purposes of setting rates in this Application to maintain the current fixed and variable proportions of its rates.

On March 22, 2010, the Board notified stakeholders that it "is initiating a consultation process to examine the revenue adjustment and cost recovery mechanisms that are currently available to electricity and natural gas distributors to address revenue erosion resulting from unforecasted changes in the volume of energy sold. Such mechanisms have now been in place for some time, and the Board has determined that a review is appropriate at this time to enable the Board to confirm whether such remain adequate and sufficient under current conditions." This is referred to as the Board's "Distribution Revenue Decoupling" proceeding (EB-2010-0060).

As noted in the Executive Summary the Review of Distribution Revenue Decoupling Mechanisms ("the Review"), commissioned by the Board and undertaken by Pacific Economics Group ("PEG") in the Distribution Revenue Decoupling proceeding, "The cost of energy distribution and customer care is driven, in the short run, chiefly by customer growth and is largely fixed with respect to system use." (p.5, paragraph 2).On January 18, 2011, the Board issued a letter[1] to parties interested in the Distribution Revenue Decoupling proceeding, in conjunction with a staff report, also dated January 18th. In that letter, the Board wrote:

> "In a letter issued October 27, 2010 the Board directed that the revenue decoupling consultation would not proceed until the substantial completion of three new priority policy initiatives the output of which will be considered in the Board's future work on this subject. With a view to revisiting these matters as and when appropriate, staff prepared a Report to the Board (the "Staff Report") to

[1] The letter is available at <www.oeb.gov.on.ca/OEB/_Documents/EB-2010-0060/Brdstaff_Report_cvrltr_20110118.pdf>

> summarize the information and stakeholder views provided to date and advise the Board on potential next steps. The Board's posting of the Staff Report should not be construed as necessarily indicating the Board's agreement with any view, conclusion or suggestion contained therein.
>
> The Board is of the view that the issues and related matters raised in the course of this consultation can be considered for inclusion in other ongoing and prospective Board initiatives as appropriate. Accordingly, the present consultation can be drawn to a close at this time."[2]

The Board has concluded the Distribution Revenue Decoupling proceeding, but it is clear that the issues being considered in that proceeding are not yet resolved. The January 18, 2011 Staff Report, for example, contemplates certain issues (such as the application of advanced metering information to rate design) being considered in advance of the Board's next electricity rate design consultation, and suggests that "The Board's next electricity IRM framework review could also be informed by the results of this investigation; experience with the new CDM regime; and the information and stakeholder views garnered in the present consultation." Horizon Utilities submits that it would not be prudent to adjust the fixed/variable split until the outcomes of the various other relevant Board initiatives are known. Reducing the Fixed component otherwise would increase its short-term exposure to volumetric risk with respect to electricity consumption despite its costs being largely fixed, as PEG has provided in its Review.

---

[2] From the October 27th letter, the Board will re-examine its approach to network investment planning by transmitters and distributors; the Board will review its rate mitigation policy; and the Board will review its current rate-making policies in light of the enhanced approach to planning described above. The October 27th letter is available at:
<www.oeb.gov.on.ca/OEB/_documents/Documents/letter_Renewed_Reg_Framework_Electricity_20101027.pdf>

**EB-2010-0131**

**HORIZON UTILITIES CORPORATION ("HORIZON UTILITIES")**
**RESPONSES TO**
**VULNERABLE ENERGY CONSUMERS COALITION INTERROGATORIES**

**DELIVERED: January 24th, 2011**

**Question 12**

**Reference:** Exhibit 8/Tab 1/Schedule 1, page 11

**a)** Please explain how the forecast LV billing quantities in Table 8-10 were established.

**b)** Please provide a schedule that sets out the actual 2009 LV billing quantities and the "costs" using Hydro One Networks' recently approved 2011 LV rates.

**Response:**

**a)** The forecast LV billing quantities in Table 8-10 were established using 2010 actuals for January – April and 2009 actuals for May – December.

**b)** Horizon Utilities has provided a schedule that sets out the actual 2009 LV billing quantities and the "costs" using Hydro One Networks' recently approved 2011 LV rates below.

| Month | Variable Rate | Qty | Variable Rate | Qty | Variable Rate | Qty | Fixed Rate | Total |
|---|---|---|---|---|---|---|---|---|
| January | $ 0.485 | 24,352.00 | $ 1.548 | 502.00 | $ 400.74 | 9.35 | $ 1,623.79 | $ 17,958.53 |
| February | $ 0.485 | 23,442.00 | $ 1.548 | 466.00 | $ 400.74 | 9.35 | $ 1,623.79 | $ 17,461.45 |
| March | $ 0.485 | 21,486.00 | $ 1.548 | 438.00 | $ 400.74 | 9.35 | $ 1,623.79 | $ 16,469.44 |
| April | $ 0.485 | 20,650.29 | $ 1.548 | 440.70 | $ 400.74 | 9.35 | $ 1,623.79 | $ 16,068.30 |
| May | $ 0.680 | 19,695.00 | $ 1.978 | 420.00 | $ 644.51 | 9.35 | $ 2,084.25 | $ 22,333.78 |
| June | $ 0.680 | 30,076.00 | $ 1.978 | 491.00 | $ 644.51 | 9.35 | $ 2,084.25 | $ 29,533.30 |
| July | $ 0.680 | 25,283.00 | $ 1.978 | 400.00 | $ 644.51 | 9.35 | $ 2,084.25 | $ 26,094.06 |
| August | $ 0.680 | 32,042.00 | $ 1.978 | 536.00 | $ 644.51 | 9.35 | $ 2,084.25 | $ 30,959.19 |
| September | $ 0.680 | 23,353.00 | $ 1.978 | 385.00 | $ 644.51 | 9.35 | $ 2,084.25 | $ 24,751.99 |
| October | $ 0.680 | 21,180.00 | $ 1.978 | 390.00 | $ 644.51 | 9.35 | $ 2,084.25 | $ 23,284.24 |
| November | $ 0.680 | 22,720.00 | $ 1.978 | 430.00 | $ 644.51 | 9.35 | $ 2,084.25 | $ 24,410.56 |
| December | $ 0.680 | 25,614.00 | $ 1.978 | 518.00 | $ 644.51 | 9.35 | $ 2,084.25 | $ 26,552.54 |
| **Total Forecast Charges** | | | | | | | | **$ 275,877.37** |

**HORIZON UTILITIES CORPORATION ("HORIZON UTILITIES") RESPONSES TO VULNERABLE ENERGY COMSUMERS COALITION INTERROGATORIES**

**DELIVERED: January 24th, 2011**

**Question 13**

**Reference:** Exhibit 8/Tab 1/Schedule 3, pages 3-4

**a)** Please provide a schedule that sets out the actual kWh wholesale purchases by Horizon for 2010 and contrast the results with the forecast purchases for 2011.

**b)** Please update Tables 8-15 through 8-17 for the most recent 12 months of data.

**Response:**

**a)** Horizon Utilities has provided a schedule below that sets out the actual kWh wholesale purchases by Horizon for 2010 and contrasts the results with the forecast purchases for 2011.

| Actual kWh Wholesale Purchase 2010 | Forecast kWh Wholesale Purchase 2011 |
|---|---|
| 4,931,905,362 | 4,955,066,101 |

**b)** Horizon Utilities has updated Tables 8-15 through 8-17 for the most recent 12 months of data.

## Table 8-15 – IESO Charges for Transmission

| | Line Connection Quantities | Line Connection Costs | Transformation Connection Quantities | Transformation Connection Costs | Network Charge Quantities | Network Charge Costs |
|---|---|---|---|---|---|---|
| **Rate** | | $ 0.73 | | $ 1.71 | | $ 2.97 |
| Jan-10 | 788,686 | $ 575,740.78 | 857,140 | $ 1,465,709.40 | 793,857 | $ 2,357,755.29 |
| Feb-10 | 747,313 | $ 545,538.49 | 807,792 | $ 1,381,324.32 | 775,502 | $ 2,303,240.94 |
| Mar-10 | 717,039 | $ 523,438.47 | 776,338 | $ 1,327,537.98 | 714,271 | $ 2,121,384.87 |
| Apr-10 | 686,038 | $ 500,807.74 | 748,300 | $ 1,279,593.00 | 676,705 | $ 2,009,813.85 |
| May-10 | 889,288 | $ 649,180.24 | 959,753 | $ 1,641,177.63 | 888,354 | $ 2,638,411.38 |
| Jun-10 | 878,141 | $ 641,042.93 | 940,655 | $ 1,608,520.05 | 892,933 | $ 2,652,011.01 |
| Jul-10 | 990,804 | $ 723,286.92 | 1,061,505 | $ 1,815,173.55 | 1,015,434 | $ 3,015,838.98 |
| Aug-10 | 972,989 | $ 710,281.97 | 1,046,791 | $ 1,790,012.61 | 990,667 | $ 2,942,280.99 |
| Sep-10 | 948,404 | $ 692,334.92 | 1,015,539 | $ 1,736,571.69 | 974,398 | $ 2,893,962.06 |
| Oct-10 | 671,185 | $ 489,965.05 | 734,485 | $ 1,255,969.35 | 664,296 | $ 1,972,959.12 |
| Nov-10 | 674,314 | $ 492,249.22 | 730,525 | $ 1,249,197.75 | 700,247 | $ 2,079,733.59 |
| Dec-10 | 742,293 | $ 541,874.06 | 802,539 | $ 1,372,341.90 | 687,631 | $ 2,042,264.68 |
| **Totals** | **9,706,494** | **$ 7,085,740.79** | **10,481,362** | **$ 17,923,129.23** | **9,774,295** | **$ 29,029,656.76** |

## Table 8-16 – Hydro One Charges for Transmission

| | Connection Charge Quantities | Connection Charge Costs | Network Charge Quantities | Network Charge Costs |
|---|---|---|---|---|
| **Rate** | | $ 2.14 | | $ 2.65 |
| Jan-10 | 62,990 | $ 134,798.60 | 61,148 | $ 162,042.20 |
| Feb-10 | 61,174 | $ 130,912.36 | 60,300 | $ 159,795.00 |
| Mar-10 | 57,947 | $ 124,006.58 | 56,033 | $ 148,487.45 |
| Apr-10 | 54,720 | $ 117,100.80 | 53,254 | $ 141,123.10 |
| May-10 | 77,002 | $ 164,784.28 | 75,511 | $ 200,104.15 |
| Jun-10 | 86,572 | $ 185,264.08 | 85,690 | $ 227,078.50 |
| Jul-10 | 88,676 | $ 189,766.64 | 87,347 | $ 231,469.55 |
| Aug-10 | 86,078 | $ 184,206.92 | 84,714 | $ 224,492.10 |
| Sep-10 | 66,440 | $ 142,181.60 | 65,272 | $ 172,970.80 |
| Oct-10 | 65,025 | $ 139,153.50 | 64,731 | $ 171,537.15 |
| Nov-10 | 58,418 | $ 125,014.52 | 56,627 | $ 150,061.55 |
| Dec-10 | 63,947 | $ 136,846.64 | 63,121 | $ 167,269.48 |
| **Totals** | **828,989** | **$ 1,774,036.52** | **813,748** | **$ 2,156,431.03** |

**Table 8-17 – Summary of Charges for Transmission**

| Description | Amount | |
|---|---|---|
| IESO One Line Connection Costs | $ | 7,085,741 |
| IESO Transformation Connection Costs | $ | 17,923,129 |
| Hydro One Connection Charge Costs | $ | 1,774,037 |
| **Total Connection Costs** | **$** | **26,782,907** |
| | | |
| IESO Network Charge Costs | $ | 29,029,657 |
| Hydro One Network Charge Costs | $ | 2,156,431 |
| **Total Network Costs** | **$** | **31,186,088** |

**HORIZON UTILITIES CORPORATION ("HORIZON UTILITIES")**
**RESPONSES TO**
**VULNERABLE ENERGY CONSUMERS COALITION INTERROGATORIES**

**DELIVERED: January 24th, 2011**

**Question 14**

**Reference:** Exhibit 9/Tab 1/Schedule 1, page 2 and Schedule 2, pages 2-3

**a)** For each of the three USOA #1508 sub-accounts for which Horizon is seeking disposition (per Table 9-5) please provide:

- A description of the activities underlying the costs claimed
- The period of time over which the costs were incurred
- The OEB's approval to record the costs in a deferral account.

**b)** Please confirm that Horizon's proposed rate base/revenue requirement do not include any smart meter costs.

**Response:**

**a)** Horizon Utilities is seeking disposition of USOA #1508 sub-accounts as follows:

1. Other Regulatory Assets Deferred IFRS Transition Costs

   - The costs recorded in this sub-account have been incurred for consulting costs for the transition to IFRS and include applicable carrying charges.

   - These costs are for the period of January 1, 2009 to December 31, 2009.

   - The Accounting Procedures Handbook Frequently Asked Questions, October 2009, page 3, A1 states that 'The Board has approved a deferral account for a distributor to record one-time administrative incremental IFRS transition costs, which are not already approved and included for recovery in distribution rates. In such circumstances, the incremental costs (see Q.3 below) will be recorded in a new and separate sub-account of account 1508, Other Regulatory Assets, "Sub-account Deferred IFRS Transition Costs", in the Uniform System of Accounts. Interest carrying charges, calculated on the monthly opening principal balance of this sub-account at the Board's prescribed interest rates, are applicable to amounts recorded in this sub-account. "

2. Other Regulatory Assets Incremental Capital Charges

- The costs recorded in this sub-account have been incurred for payments made to Hydro One for their new incremental capital ("Rider 5") charge and include the applicable carrying charges.
- The costs are for the period June 1, 2009 to December 31, 2009.
- The Accounting Procedures Handbook Frequently Asked Questions, October 2009, page 17; A18 states that 'The Board has approved a sub-account of account 1508, Other Regulatory Assets, "Sub-account Incremental Capital Charges", for distributors to record the charges arising from the capital rate relief rider. Interest carrying charges, calculated on the monthly opening principle balance of this sub-account at the Board's prescribed interest rates, are applicable for amounts recorded in this sub-account. The distributor should include the balance in this sub-account for review and disposition as part of its next cost of service rate application"

3. Other Regulatory Assets CDM Costs

- The costs recorded in this sub-account relate to the costs of maintaining a small department and the applicable carrying charges.

- The costs are for the period January 1, 2008 to December 31, 2009.

- At Page 31 of the Board's decision on Horizon Utilities 2008 Electricity Distribution Rate Cost of Service Application (EB-2007-0697), states that "the proposed activities appear to be aligned with the intentions of the new OPA program. As a result, $265,000 will be removed from the revenue requirement. Horizon may track the expenses in account 1508 for potential future disposition, at which time the Board will examine whether the expenditures have been, or could have been, recovered through OPA funding."

**b)** Horizon Utilities proposed rate base/revenue requirement does not include any smart meter costs.

**HORIZON UTILITIES CORPORATION ("HORIZON UTILITIES")
RESPONSES TO
VULNERABLE ENERGY CONSUMERS COALITION INTERROGATORIES**

**DELIVERED: January 24th, 2011**

## Question 15

**Reference:** Exhibit 1/Tab 1/Schedule 13

**a)** Please identify any amounts included in the revenue requirement associated with the Board of Directors of (i) the holding company or (ii) any of its affiliates.

**b)** Please provide the impact on the deficiency of removing all such costs in (a) from the revenue requirement.

**Response:**

**a)** There are no amounts included in the revenue requirement for 2011 with respect to the Board of Directors of Horizon Holdings Inc., the holding company of Horizon Utilities, and/or its affiliates' Board of Directors.

All costs related to the Board of Directors of Horizon Holdings Inc. or its affiliates are recorded directly in the accounts of the holding company or affiliate.

**b)** Not applicable.

**HORIZON UTILITIES CORPORATION ("HORIZON UTILITIES")
RESPONSES TO
VULNERABLE ENERGY CONSUMERS COALITION INTERROGATORIES**

**DELIVERED: January 24th, 2011**

## Question 16

**Reference:** Exhibit 1/Tab 2/Schedule 1, page 4, lines 7-9

**Preamble:** The evidence states that "[a]s a result of more comprehensive analysis by Horizon Utilities of the condition of its distribution system assets, Horizon Utilities has determined that a dramatic increase in infrastructure investment is required in comparison to prior years."

**a)** When was this comprehensive analysis started and completed?

**b)** What initiated the comprehensive analysis?

**c)** Please provide the presentation made to the utility's Board of Directors along with any other materials provided to the Board of Directors.

**d)** Please provide the minutes from the Board of Directors meeting(s) at which the more comprehensive analysis was discussed.

**e)** Please provide any other documents associated with this analysis that are not included in the pre-filed evidence.

## Response:

**a) and b)** Horizon Utilities has been in the practice of continuously analyzing its capital and operating requirements. The "comprehensive analysis" refers to more structured and comprehensive asset management planning, which commenced in 2007. An "Asset Management Plan" was developed in consultation with engineering consultants knowledgeable in industry leading practices and involved a review of Horizon Utilities' current capital investment and maintenance planning practices against leading practices and the development of a roadmap for the implementation more formal, structured, and sophisticated planning. This work was initiated principally to support an objective of Horizon Utilities to be a 'best performing' asset manager among other Ontario LDC's. Additionally, Horizon Utilities also required improved asset planning documentation in support of in support of new forward test year rate re-basing applications and, as necessary, other regulatory requirements.

The Implementation Plan would also provide for the creation of:

- A solid knowledge-based decision support framework
- Facilitation of organic growth based on an asset centric approach utilizing best available industry and company practices and methods

Most of the work completed in 2008 focused on performing 'Gap Analyses' to identify where improvements were needed, design the approach that Horizon Utilities would take to asset investment, and to begin to gather data for analysis. In 2009, as discussed in the Asset Management Plan provided in the Application in Exhibit 2, Tab 3, Schedule 2, Appendix 2-1, Horizon Utilities focused on the end-of-life 4kV and 8kV distribution system and other items, such sub-station asset conditions, Paper Insulated Lead Cable ("PILC") replacement, and Capacity and Security Analysis; with a view to further enhance asset data collection in support of Horizon Utilities' Asset Condition inventory. With Horizon Utilities' first formal Asset Management Plan being completed in 2009, the utility was set on a course for an ongoing cycle of Asset Management planning, which is underpinned by an ongoing assessment of asset conditions on an annual basis.

**c) and d)** "As provided in a) and b), the Asset Management Plan was completed in 2009, and incorporated into the 2010 business and financial planning process. There are no Board minutes, presentations, or materials specific to the Asset Management Plan. The implications of the Asset Management Plan are generally reflected in the annual Budget and Three Year Financial Plans ("Financial Plans") for Horizon Utilities. The 2010 and 2011 Financial Plans, and related presentations, were reviewed and approved by the Horizon Utilities Board of Directors and are being provided in confidence for reasons which are outlined in the cover letter accompanying Horizon Utilities Response to Consumers Council of Canada Interrogatory 8.

**EB-2010-0131**

**HORIZON UTILITIES CORPORATION ("HORIZON UTILITIES")**
**RESPONSES TO**
**VULNERABLE ENERGY CONSUMERS COALITION INTERROGATORIES**

**DELIVERED: January 24th, 2011**

**Question 17**

**Reference: Exhibit 1/Tab 2/Schedule 1, page 6, lines 16-18**

**Preamble:** The pre-filed evidence states that "[a]n urgent requirement to renew and increase skilled trades positions within the workforce and other administrative functions in support of growth and change in the electricity distribution business."

**a)** When did Horizon first notice this urgent requirement that needed addressing?

**b)** When did Horizon begin to address this problem?

**c)** Are ongoing OM&A savings related to the replacement of more senior personnel with more junior personnel expected and reflected in this application?

**Response:**

**a)** Horizon Utilities has been reviewing its pending skilled trades requirements since 2006, and such was reported in Horizon Utilities' 2008 Electricity Distribution Rate Application (EB-2007-0697). Given the changes in the industry over the past five years and the large number of pending retirements in the trades and technical areas, Horizon Utilities introduced a more sophisticated approach to reviewing such requirements, first in 2008 and since then by making enhancements in its 2010 Workforce Planning activities. Such activity has evolved to include the development of a model that not only takes into consideration retirements, but also general turnover, promotions, and the years required to become fully competent and proficient in the job. Such considerations are reflected in the Workforce Labour Strategy and Plan. Analysis for 2010 provides a more comprehensive outlook of future requirements and necessary advance hiring that will ensure a fully competent workforce that delivers safe and reliable service to Horizon Utilities' customers.

**b)** Please refer to 17a).

**c)** No, OM&A savings have not been achieved by hiring junior apprentices to replace more senior lines people. Savings could only be achieved if a senior linesperson left the organization and was replaced immediately with a more junior linesperson. The Workforce Labour Strategy and Plan (Appendix 4-2 Exhibit 4, Tab 2) demonstrates that Horizon Utilities is investing in advance hiring of apprentices to provide sufficient time for such apprentices to become fully competent and proficient, prior to senior lines people leaving the organization.

Consistent with the Workforce Labour Strategy and Plan, apprentices require a minimum of 5 years practical and educational training in order to become competent and proficient. This investment has been identified as a cost driver in Exhibit 4, Tab 2, Schedule 5, page 2, Table 4-2.

**HORIZON UTILITIES CORPORATION ("HORIZON UTILITIES")**
**RESPONSES TO**
**VULNERABLE ENERGY CONSUMERS COALITION INTERROGATORIES**

**DELIVERED: January 24th, 2011**

## Question 18

**Reference:** Exhibit 1/Tab 2/Schedule 1, page 13

**Preamble:**

The evidence states that a driver of OM&A increases is wage inflation: "Approximately $3.7MM of wage and price inflation estimated at a cumulative growth rate of 3% per year. Wage inflation in collective agreements has exceeded such rate of growth."

**a)** Please explain why the collective agreements have provided for wage inflation in excess of 3% annually.

**Response:**

In 2008, Horizon Utilities engaged in collective bargaining with the IBEW Local 636 which resulted in a three week labour disruption. After lengthy negotiations and in an effort to mitigate potential impacts to customers, an agreement was reached at slightly above the 3 per cent wage inflation level. The settled 3 year collective agreement included a wage adjustment of 3.35%, 3.35% and 3% respectively for 2008-2010. The current collective agreement expires on May 31, 2011.

**EB-2010-0131**

**HORIZON UTILITIES CORPORATION ("HORIZON UTILITIES")**
**RESPONSES TO**

**VULNERABLE ENERGY CONSUMERS COALITION**

**DELIVERED: January 24th, 2011**

## Question 19

**Reference:** Exhibit 1/Tab 2/Schedule 2, Appendix 1-9(a), Horizon Group of Companies Business Development Business Plan – Fiscal 2011

**a)** Please provide the allocation of costs for the BD unit among the Horizon Group for each year that the BD unit has existed.

**b)** Are there any metrics against which the BD unit's actual performance can be judged in attaining its objectives as listed on page 5?

**c)** Are there any metrics against which the utility's actual performance can be or are judged in attaining the Horizon Utilities Strategic Business Objectives as listed on page 6?

**d)** Please expand the tables shown on page 9 to (i) include budgeted and actual spending for each year that the Sustainability initiative and Business Development have existed and for which actual figures are known and (ii) add an extra row in each for "Salaries/Benefits."

**e)** Please define and provide examples of "Distributable Expenses." Are they included in Total Operating Expenses?

**f)** Please explain why salaries and benefits of $43,601 were not utilized for the 2010 Sustainability Initiative.

**g)** With respect to the three-year plan summary on page 15, please explain why <u>total operating expenses</u> are forecast to increase by 6% in each of the three years.

**h)** On page 11, it states that Incremental Initiatives/Projects "have already been allocated for in budget." Please break out the specific Incremental Initiatives/Projects that have already been allocated for in budget for each of the three years of the plan, i.e., what are the specific incremental initiatives/projects and how much are each of them forecasted to cost.

**i)** Please provide a copy of the most recent three-year plan that was superseded by the plan that was filed.

**Response:**

**(a)** The following is the allocation of costs for the Business Development unit among the Horizon Group for each year that the Business Development unit existed:

Allocation of Costs to Horizon Group of Companies

| | 2007A | 2008A | 2009A | 2010B | 2011T |
|---|---|---|---|---|---|
| Horizon Utilities Corporation | | | | | |
| Sustainability (note 1) | - | - | - | 143 | 143 |
| Business Development | 244 | 552 | - | - | 344 |
| | 244 | 552 | - | 143 | 487 |
| Horizon Holdings Inc. | - | - | 572 | 677 | 351 |
| Total Business Development | 244 | 552 | 572 | 820 | 838 |

Notes:

(1) Third party costs incurred to develop the Sustainability Report w ere recorded in Horizon Holdings Inc.

(2) Business Development costs for 2009 and 2010 w ere not allocated to Horizon Utilities as a result of the Board's decision in the 2008 EDR Cost of Service Application (EB-2007-0697 Decision, p 15).

**b)** Horizon Utilities does not have specific metrics on which actual performance can be judged in attaining Business Development objectives as listed on page. This is matter that maybe reviewed in future. However, the Business Development objectives align closely to the corporate objectives described in c). Business Development is assessed more broadly relative to its contribution to the corporate objectives through direct contributions to specific underlying projects and enhancing the strategic capacity and corporate development expertise of the Executive Management Team. This need is a function of business scale and does not come at the expense of customers. Horizon Utilities' controllable costs per customer per year of $165 compare well the sector average of $257. (Source: OEB 2009 Yearbook).

**c)** Horizon Utilities' Strategic Objectives align to its corporate objectives, against which the corporation assesses its performance each year. Horizon Utilities measures its performance relative to the corporate objectives as presented in its Corporate Metrics, annually. For illustrative purposes, Horizon Utilities attaches its 2010 Corporate Metrics.

Horizon Utilities Corporation
2010 **DRAFT** Corporate Metrics

**FINANCIAL**
*Return on Equity (ROE)*
Objective ROE metric corresponds with the approved 2010 budget. A composite metric for measuring how well we manage the financial business overall including balance sheet, income, cash and our ability to deliver dividends.
ROE Employed Target = 6.46% Threshold = 5.46%
*Controllable Cost per Customer*
Achievement of controllable cost per customer as provided in the 2010 budget, isolating for extraordinary one-time expenditures.
$ CC per C Target = $177.04 Threshold = $182.04

**CUSTOMER (VALUE PROPOSITION)**
*Ease of Doing Business*
Target - 3% above the Ontario average (Horizon end of interview score)
Threshold - meet Ontario average (Horizon end of interview score)

*Reliability & Service*
A Composite Index based on a combination of reliability and service performance indicators to provide one index to assess reliability and customer service performance. The Composite Index is based on three contributing measurement indicator groups – short term system performance based on SAIDI and SAIFI, longer term system performance based on historic reliability trends benchmarked to a larger utility group, and current PBR Service Quality Measures.

2010 Target = 0.75 Threshold = 0.66

**OPERATIONAL EXCELLENCE**

Continuous Improvement:

Achievement of deliverables identified in the 2010 Process Improvement Initiatives. Continue with improving the *new* customer power connection process to be timelier, less costly and a better experience for the customer.

a. Ninety percent of new customer capital projects under $100,000 (recoverable work) estimated within 10% of actual costs, or $1000, whichever is greater. Threshold within 12.5%.

b. Ninety percent of new customer projects reconciled, closed and invoiced within 60 business days of service completion. Threshold within 70 business days.

c. The five current Customer Connection Process KPIs reported by 7th business day of month. Threshold - by 7th business day for 10 of 12 months.

d. Implementation of additional KPIs identified in the 2009 process improvement work. Reporting commence in Q3.

Customer Service Excellence:

Achievement of deliverables as identified in Business Planning process with associated targets and thresholds.

1. Implementation of Time-of-Use Rates
2. E-Mobile Services (Automation of Meter Service Orders):
3. Telephone System Upgrade:

**LEARNING AND GROWTH**

*Leading Indicator Safety Program*

Continuous improvement in program initiatives, training and matrix results and implementation of multi-year Safety Plan.

Target: 88%

Threshold: 84%

*Labour/Employee Relations*

Demonstrated commitment to engage employees, develop consultative action plans and execute on plans, both corporately and departmentally

2010 – Conduct two mini-engagement surveys (at CEO Updates) to gauge employee morale based on 'improvements' in the right direction.

Target: Discretionary and based on evidence of a 'material' move towards improvement in employee morale

Threshold: Discretionary and based on at a minimum a 'marginal' move towards improvement in employee morale

**d)** The following is a summary of the budgeted and actual spending for the Sustainability initiative and Business Development for the years 2007 through 2011, where applicable.

**2007**

| | 2007A | | | | 2007B | | | |
|---|---|---|---|---|---|---|---|---|
| | Salaries & Benefits | Operating Exp | Distributables | Total | Salaries & Benefits | Operating Exp | Distributables | Total |
| Horizon Utilities Corporation | | | | | | | | |
| Sustainability (note 1) | - | - | - | - | - | | | |
| Business Development | 190 | 29 | 25 | 244 | - | | | |
| | 190 | 29 | 25 | 244 | - | - | - | - |
| Horizon Holdings Inc. | - | - | - | - | - | - | - | - |
| Total Business Development | 190 | 29 | 25 | 244 | - | - | - | - |

Note: Sustainability and Business Development were not separated in 2007 and 2008.

# 2008

| | 2008A | | | | 2008B | | | |
|---|---|---|---|---|---|---|---|---|
| | Salaries & Benefits | Operating Exp | Distributables | Total | Salaries & Benefits | Operating Exp | Distributables | Total |
| Horizon Utilities Corporation | | | | | | | | |
| Sustainability (note 1) | - | - | - | - | - | | | |
| Business Development | 373 | 172 | 7 | 552 | 561 | 287 | 6 | 854 |
| | 373 | 172 | 7 | 552 | 561 | 287 | 6 | 854 |
| Horizon Holdings Inc. | - | - | - | - | - | - | - | - |
| Total Business Development | 373 | 172 | 7 | 552 | 561 | 287 | 6 | 854 |

Note: Sustainability and Business Development were not separated in 2007 and 2008.

**2009**

| | 2009A | | | | 2009B | | | |
|---|---|---|---|---|---|---|---|---|
| | Salaries & Benefits | Operating Exp | Distributables | Total | Salaries & Benefits | Operating Exp | Distributables | Total |
| Horizon Utilities Corporation | | | | | | | | |
| Sustainability (note 1) | - | - | - | - | 54 | 89 | - | 143 |
| Business Development | - | - | - | - | - | - | - | - |
| | - | - | - | - | 54 | 89 | - | 143 |
| Horizon Holdings Inc. | 411 | 143 | 18 | 572 | 392 | 267 | 16 | 675 |
| Total Business Development | 411 | 143 | 18 | 572 | 446 | 356 | 16 | 818 |

**e)** Distributable expenses are OM&A expenditures that are incurred by other cost centres that provide a direct service to other internal cost centres. Examples include:

- The Information Systems Technology department which provides support to all departments within the organization;
- The Facilities Maintenance department which provides support to all of the distribution centres and office buildings.

The total OM&A expenditures of the support department is distributed to other internal cost centers based on identified cost drivers (e.g. square footage, number of personal computers, etc.).

Yes, distributable expenses are included in total operating expenses.

**f)** The amount of $43,601 for salaries and benefits in 2010 represents a budget for contract labour, which is not anticipated to be utilized for 2010.

**g)** As noted on Page 14 of the Business Plan, total operating expenses are forecast to increase by 3% per year for wage and benefit inflation, and an additional 3% for incremental expenditures.

**h)** There were no specific expenditures included in the 2011 budget for incremental initiatives or projects. The projects referred to in the Business Plan reflect those activities that are considered core activities to this department. The 2011 Budget expenditures are expected to be similar to 2010 Budget expenditures.

**i)** The plan filed in the Application is the most recent and has not been superseded.

**EB-2010-0131**

**HORIZON UTILITIES CORPORATION ("HORIZON UTILITIES")**
**RESPONSES TO**
**VULNERABLE ENERGY CONSUMERS COALITION INTERROGATORIES**

**DELIVERED: January 24th, 2011**

## Question 20

**Reference:** Exhibit 1/Tab 2/Schedule 2, Appendix 1-9(b),

Corporate Communications Business Plan – 2011

**a)** Please provide the cost of producing the Corporate Communications Business Plan and also the allocation of this cost among the Horizon Group of Companies.

**b)** The figures for the 2010 and 2011 budgets shown on pages 16 and 17 appear to be the total amounts for the Horizon Group. Are all of the 2011 costs included in the utility revenue requirement? If not, please provide the allocation of the 2010 and 2011 budgets to non-utility entities.

**c)** Please define and provide examples of "Distributable Expenses." Are they included in Total Operating Expenses?

**d)** For the table at the top of page 17, please add (i) an extra row breaking out Salaries/Benefits, and (ii) actual and budgeted information for all other years that Horizon has had a Corporate Communications Business Plan.

**e)** Please explain how each of the line items for the table requested in d) have been allocated among the Horizon Group.

**f)** For the Project/Initiative described on page 17, please indicate the amounts of the $335K allocated to 2010 and 2011.

**Response:**

**a.)** The Corporate Communications Business Plan was developed internally by Horizon Utilities' staff and therefore there were no external costs to create this business plan. The Plan is a Horizon Utilities Corporation Plan and contains only costs related to the regulated utility.

**b)** The referenced figures on pages 16 and 17 are costs related to the regulated utility. Further to the response to a) above, any communications costs specifically related to the non-regulated businesses, such as advertising, media relations, etc. are borne directly by the non-regulated businesses.

**c)** Distributable expenses are expenditures incurred by support cost centres which provide a direct service to other internal departments. For example, Information Services and Technology provides support to operations and administration departments. The Facilities Maintenance department provides support to the building and offices. The expenditure of those support departments is distributed to other cost centers/departments, within Horizon Utilities, that derive a benefit from the support cost centres, based on identified cost drivers. Yes, distributable expenses are included in total operating expenses.

**d)**

**Budget Summary 2008**

| | Actual | Budget |
|---|---|---|
| Salaries and benefits | 323,852 | 285,326 |
| Operating expenses | 378,263 | 352,350 |
| Distribution cost | 128,263 | 211,558 |
| Total cost | 830,378 | 849,234 |

**Budget Summary 2009**

| | Actual | Budget |
|---|---|---|
| Salaries and benefits | 332,214 | 284,998 |
| Operating expenses | 391,363 | 497,200 |
| Distribution cost | 86,089 | 70,316 |
| Total cost | 809,666 | 852,514 |

**Budget Summary 2010**

| | Forecast | Budget |
|---|---|---|
| Salaries and benefits | 294,440 | 371,909 |
| Operating expenses | 492,700 | 557,229 |
| Distribution cost | 111,610 | 118,728 |
| Total cost | 898,750 | 1,047,866 |

**Budget Summary 2011**

| | | Budget |
|---|---|---|
| Salaries and benefits | | 322,425 |
| Operating expenses | | 847,575 |
| Distribution cost | | 139,688 |
| Total cost | | 1,309,398 |

**e)** As per Horizon Utilities' response to b) Corporate Communication costs are related to Horizon Utilities, the regulated utility and therefore there is no allocation to other Horizon Group of Companies.

**f)** For the project described on page 17 of the Communications Business Plan, the full amount is allocated to 2011.

**HORIZON UTILITIES CORPORATION (“HORIZON UTILITIES”)**
**RESPONSES TO**
**VULNERABLE ENERGY CONSUMERS COALITION INTERROGATORIES**

**DELIVERED: January 24th, 2011**

## Question 21

**Reference:** Exhibit 2/Tab 2/Schedule 2

**a)** Please indicate how Horizon treats sale/salvage/trade-in proceeds from the disposal of assets such as transportation equipment and how any such amounts are reflected in the revenue requirement.

**b)** Please provide the sale/salvage proceeds from the disposal of transportation equipment for each year 2007-2010 and provide vehicular details of the transportation equipment disposed of (type, vintage, model, mileage, etc.)

**c)** Please explain why no disposals are shown for any assets in 2010 and 2011, including transportation equipment.

**d)** Please explain why Contributions and Grants are expected to be lower in 2011 than in 2010.

**Response:**

**a)** Any gains on disposals (proceeds received less net book value) are recorded as Other Revenue and reflected in account 4355, Gain on Disposition of Utility and Other Property. There are no such gains projected in 2011, thus there is no impact to Horizon Utilities’ revenue requirement.

**b)** The table below summarizes the sale proceeds from the disposal of transportation equipment for each year from 2007 to 2010.

**Horizon Utilities Corporation - Transportation Equipment Sales Report 2007 to 2010**

| Description | Reason for Selling Vehicle | Mileage (km) | Date Sold | Remaining Book Value | Net Sell Price | Agency Fee / Commission | Sale Price | Sold By |
|---|---|---|---|---|---|---|---|---|
| 1994 GMC Top Kick Tandem Axle Cab & Chassis c/w | Met Replacement Criteria - Replaced with new Truck #269 | 75,958 | 22-Mar | $0 | $40,280 | $4,028 | $36,252 | RBS Fleet Services |
| 1989 International Model 4900 single bucket | Met Replacement Criteria - Replaced with new Truck #354 | 133,689 | 18-Apr | $0 | $24,380 | $2,438 | $21,942 | RBS Fleet Services |
| 1991 GMC Top Kick single bucket boom truck | De-commissioned-Not Replaced | 103,387 | 24-Apr | $0 | $23,320 | $2,332 | $20,988 | RBS Fleet Services |
| 1997 International Model 4900 single axle cab | Met Replacement Criteria - Replaced with new Truck #358 | 188,987 | 01-May | $0 | $12,720 | $1,272 | $11,448 | RBS Fleet Services |
| 1989 Chev 3500 Dump Truck | Met Replacement Criteria - Replaced with new Truck #204 | 175,792 | 08-May | $0 | $7,000 | $735 | $6,265 | Ritchie Bros Auction |
| 1994 Jeep Cherokee Sport Utility 4 x 4 | Met Replacement Criteria - Replaced with new Truck #280 | 126,570 | 18-Sep | $0 | $3,417 | $377 | $3,040 | Ritchie Bros Auction |
| 1994 Jeep Cherokee Sport Utility 4 x 4 | Met Replacement Criteria - Replaced with new Truck #317 | 115,897 | 18-Sep | $0 | $3,417 | $377 | $3,040 | Ritchie Bros Auction |
| 1995 Jeep Cherokee Sport Utility 4 x 4 | Met Replacement Criteria - Replaced with new Truck #316 | 130,582 | 18-Sep | $0 | $3,417 | $377 | $3,040 | Ritchie Bros Auction |
| 1997 Freightliner Model FL80 single bucket | De-commissioned-Not Replaced | 67,107 | 12-Nov | $0 | $39,220 | $3,922 | $35,298 | RBS Fleet Services |
| Pole Trailer | Met Replacement Criteria - Replaced with new Truck #402 | n/a | 31-Oct | $0 | $424 | $42 | $382 | RBS Fleet Services |
| **2007 Total** | | | | **$0** | **$157,594** | **$15,899** | **$141,695** | |
| Chev 3500 Cheyenne Utility Truck | Met Replacement Criteria - Replaced with new Truck #223 | 181,379 | 04-Mar | $0 | $2,860 | $390 | $2,470 | Ritchie Bros Auctions |
| 92 GMC P/U | Written off by Insurance Company-Replaced with new Truck #266 | 241,932 | Apr-23 | | $125 | $0 | $125 | Gordon Eaton Enter prized Ltd |
| International Digger Derrick | Met Replacement Criteria - Replaced with new Truck #342 | 220,673 | Sep-17 | $0 | $5,175 | $575 | $4,600 | Ritchie Bros Auctions |
| Western Star 3864S T/A Cab & Chasis | Met Replacement Criteria - Replaced with new Truck #271 | 213,119 | Dec-08 | $0 | $13,500 | $1,209 | $12,291 | Ritchie Bros Auctions |
| International 1954 S/A Digger Derrick Truck | Met Replacement Criteria - Replaced with new Truck #215 | 120,923 | Dec-08 | $0 | $8,000 | $1,209 | $6,791 | Ritchie Bros Auctions |
| **2008 Total** | | | | **$0** | **$29,660** | **$3,382** | **$26,278** | |
| International 2654 T/A Bucket Truck | Met Replacement Criteria - Replaced with new Truck #399 | 106,110 | May-09 | $0 | $18,000 | $842 | $17,158 | Ritchie Bros Auctions |
| International F2654 T/A Vacuum Truck | Met Replacement Criteria - Replaced with new Truck #230 | 382,208 | May-09 | $0 | $23,000 | $842 | $22,158 | Ritchie Bros Auctions |
| Chev Lumina Automobile | De-commissioned-Not Replaced | 92,931 | May-09 | $0 | $1,000 | $842 | $158 | Ritchie Bros Auctions |
| International 4900 S/A Bucket Truck | De-commissioned-Not Replaced | 46,105 | May-09 | $0 | $7,000 | $842 | $6,158 | Ritchie Bros Auctions |
| International 1954 S/A Reel Truck | Met Replacement Criteria - Replaced with new Truck #351 | 489,545 | May-09 | $0 | $2,500 | $842 | $1,658 | Ritchie Bros Auctions |
| AB Chance 14x4 Ft. Utility Trailer | De-commissioned-Not Replaced | n/a | May-09 | $0 | $200 | $842 | ($642) | Ritchie Bros Auctions |
| GMC 2500 SL Extended Cab 4x4 Pickup | De-commissioned-Not Replaced | 181,657 | May-09 | $0 | $1,000 | $842 | $158 | Ritchie Bros Auctions |
| International 2654 T/A Bucket Truck | Met Replacement Criteria - Replaced with new Truck #224 | 23,954 | May-09 | $0 | $14,000 | $842 | $13,158 | Ritchie Bros Auctions |
| AB Chance 14x4 Ft. Utility Trailer | De-commissioned-Not Replaced | n/a | May-09 | $0 | $200 | $842 | ($642) | Ritchie Bros Auctions |
| GMC Safari Cargo Van | Met Replacement Criteria - Replaced with new Truck #111 | 138,540 | Dec-09 | $0 | $1,000 | $283 | $717 | Ritchie Bros Auctions |
| GMC 3500 SL Crew Cab 4x4 Cab & Chassis | Met Replacement Criteria - Replaced with new Truck #385 | 106,829 | Dec-09 | $0 | $1,500 | $283 | $1,217 | Ritchie Bros Auctions |
| GMC Safari Cargo Van | Met Replacement Criteria - Replaced with new Truck #352 | 158,978 | Dec-09 | $0 | $1,000 | $283 | $717 | Ritchie Bros Auctions |
| International 4900 S/A Tension Truck | Met Replacement Criteria - Replaced with new Truck #208 | 237,680 | Dec-09 | $0 | $4,000 | $283 | $3,717 | Ritchie Bros Auctions |
| GMC Safari Cargo Van | Met Replacement Criteria - Replaced with new Truck #356 | 143,288 | Dec-09 | $0 | $1,250 | $283 | $967 | Ritchie Bros Auctions |
| International 4900 S/A Bucket Truck w/Asplundh | Met Replacement Criteria - Replaced with new Truck #258 | 154,798 | Dec-09 | $0 | $3,000 | $283 | $2,717 | Ritchie Bros Auctions |
| T/A Pole Trailer | De-commissioned-Not Replaced | n/a | Dec-09 | $0 | $900 | $283 | $617 | Ritchie Bros Auctions |
| **2009 Total** | | | | **$0** | **$79,550** | **$9,561** | **$69,989** | |
| 2003 Ford F550 XL Super Duty 4x4 Bucket Truck | Met Replacement Criteria - Replaced with new Truck #270 | 245,578 | May-10 | $0 | $19,000 | $2,120 | $16,880 | Ritchie Bros Auctions |
| GMC P30 Step Side Utility Van Truck | Met Replacement Criteria - Replaced with new Truck #243 | 180,944 | May-10 | $0 | $1,750 | $195 | $1,555 | Ritchie Bros Auctions |
| GMC P30 Step Side Utility Van Truck | Met Replacement Criteria - Replaced with new Truck #260 | 153,927 | May-10 | $0 | $4,500 | $205 | $4,295 | Ritchie Bros Auctions |
| International 4900 S/A Dogger Derrick Truck | Met Replacement Criteria - Replaced with new Truck #348 | 137,358 | May-10 | $0 | $9,500 | $1,357 | $8,143 | Ritchie Bros Auctions |
| 1991 Cat VC60D 5,900 lb Forklift | Met Replacement Criteria - Replaced with new Truck #S1281 | 4,774 | Dec-10 | $0 | $6,000 | $689 | $5,311 | Ritchie Bros Auctions |
| 1995 GMC 3500 SL Crew Cab & Chassis | Met Replacement Criteria - Replaced with new Truck #378 | 129,070 | Dec-10 | $0 | $2,500 | $339 | $2,161 | Ritchie Bros Auctions |
| 1986 International 1954 w/Asplundh Bucket Truck | Met Replacement Criteria - Replaced with new Truck #207 | 176,614 | Dec-10 | $0 | $4,500 | $539 | $3,961 | Ritchie Bros Auctions |
| 1992 Ford F450 Utility/Dump Truck | Met Replacement Criteria - Replaced with new Truck #278 | 125,495 | Dec-10 | $0 | $4,250 | $514 | $3,736 | Ritchie Bros Auctions |
| 1997 GMC P30 Step Side Utility Van | Met Replacement Criteria - Replaced with new Truck #251 | 157,872 | Dec-10 | $0 | $5,500 | $639 | $4,861 | Ritchie Bros Auctions |
| 1997 GMC P30 Step Side Utility Van | Met Replacement Criteria - Replaced with new Truck #210 | 176,270 | Dec-10 | $0 | $5,500 | $639 | $4,861 | Ritchie Bros Auctions |
| 2001 Moffat Fab T/A Dump Utility Trailer | De-commissioned-Not Replaced | n/a | Dec-10 | $0 | $3,500 | $439 | $3,061 | Ritchie Bros Auctions |
| 1998 Lode-King 38 ft T/A Step Deck Trailer | Met Replacement Criteria - Replaced with new Trailer #430 | n/a | Dec-10 | $0 | $1,750 | $264 | $1,486 | Ritchie Bros Auctions |
| 1986 Trail mobile 48 ft 5/Axel Hiboy | De-commissioned-Not Replaced | n/a | Dec-10 | $0 | $8,000 | $889 | $7,111 | Ritchie Bros Auctions |
| **2010 Total** | | | | **$0** | **$76,250** | **$8,828** | **$67,422** | |
| **Grand Total** | | | | **$0** | **$343,054** | **$37,670** | **$305,384** | |

**c)** There are no disposals shown for any assets in 2010 and 2011because Horizon Utilities does not project disposals for end-of-life assets. Any retirements of fully depreciated assets would have no impact on the revenue requirement. Horizon Utilities has not projected any gains on the sale of transportation equipment in 2010 or 2011.

**d)** The Contributions and Grants are expected to be lower in 2011 than in 2010because they are driven by customer demand projects and Horizon Utilities is forecasting less customer demand projects in 2011. Further, there are no large user projects scheduled for 2011 compared to 2010 where there were new feeders required for two hospitals. Such projects contribute larger amounts towards Contributions and Grants.

**HORIZON UTILITIES CORPORATION ("HORIZON UTILITIES")**
**RESPONSES TO**
**VULNERABLE ENERGY CONSUMERS IN CANADA INTERROGATORIES**

**DELIVERED: January 24th, 2011**

## Question 22

**Reference:** Exhibit 2/Tab 3/Schedule 1, pages 94-95

**a)** For the nine vehicles that Horizon plans to buy in 2011 that are not shown in Table 2-48, please confirm that the average cost per vehicle is over $71.7K.

**b)** For each of the twelve vehicles that are being replaced, please provide the estimated sale/salvage/trade-in value and indicate how these proceeds have been recognized in the 2011 revenue requirement. Please provide a brief description of the nine vehicles, not shown in table 2-48, that are to be replaced.

**c)** Please provide a brief description of the nine vehicles, not shown in table 2-48, that are to be replaced.

**d)** Please confirm that all vehicles referred to are to be used solely for use in providing electricity distribution service in Horizon's service area. If unable to so confirm, please explain.

**e)** Please provide details of the fleet in rate base (type, model, vintage, mileage, purpose) for each year 2008-2011 inclusive.

**Response:**

**a)** The average cost per vehicle of the 9 units not shown in Table 2-48, that Horizon Utilities is planning to purchase in 2011, is approximately $63K.

**b)** The estimated sale values and brief description of all twelve Transportation Equipment being replaced in 2011 are listed in Table 1. Please see Horizon Utilities' response to Vulnerable Energy Coalition Interrogatory 21a) on the recognition of disposal proceeds in the revenue requirement.

1 **Table 1**

| Horizon Utilities Corporation - 2011 Replacement & Additional Transporation Equipment Report | | | |
|---|---|---|---|
| **Replacement & Additions** | **Estimated Costs** | **Transportation Equipement Description** | **Estimated Sales Value** |
| Additional Crew Support | $85,000 | F550 4X4 with aluminum box and storage cabinets | Additional |
| Replacing 364 O/H Pickup | $65,000 | 2001 Ford Ranger | $1,500 |
| Additional Pickup | $50,000 | 4X4 Full size extended Cab Pickup | Additional |
| Replacing 383 O/H Digger | $320,000 | 1991 International 4900 | $4,500 |
| Trailer Replacement / Refurbish | $50,000 | Sand blast, paint and rewi | $500 |
| Additional Crew Support | $85,000 | F550 4X4 with aluminum box and storage cabinets | Additional |
| Replacing 202 Single Bucket | $260,000 | 1996 Freightliner FL80 | $5,000 |
| Replacing 219 Knuckle Crane | $220,000 | 1992 International F2654 | $4,500 |
| Replacing 246 O/H Pickup | $65,000 | 1998 Ford F250 Pickup | $1,000 |
| Replacing 262 U/G Pickup | $65,000 | 1999 GMC Sonoma Pickup | $1,000 |
| Replacing 264 Meter Van | $50,000 | 1997 GMC Safari | $1,000 |
| Replacing 316 Meter Van | $50,000 | 2000 GMC Safari | $1,000 |

2

3

**c)** The nine vehicles (all less than $200,000), not shown in Table 2-48, are provided Table 2.

**Table 2**

| Horizon Utilities Corporation - 2011 Replacement & Additional Transporation Equipment Report | |
|---|---|
| **Replacement & Additions** | **Transportation Equipement Description** |
| Additional Crew Support | F550 4X4 with aluminum box and storage cabinets |
| Replacing 364 O/H Pickup | 2001 Ford Ranger |
| Additional Pickup | 4X4 Full size extended Cab Pickup |
| Trailer Replacement / Refurbish | Sand blast, paint and rewire older trailers |
| Additional Crew Support | F550 4X4 with aluminum box and storage cabinets |
| Replacing 246 O/H Pickup | 1998 Ford F250 Pickup |
| Replacing 262 U/G Pickup | 1999 GMC Sonoma Pickup |
| Replacing 264 Meter Van | 1997 GMC Safari |
| Replacing 316 Meter Van | 2000 GMC Safari |

**d)** All Transportation Equipment purchased during 2011 are be used solely for the provision of electricity distribution services in Horizon Utilities service areas.

**e)** Table 3 below summarizes the details of the fleet inventory in rate base for each year, 2008-2011, inclusive.

# Table 3

**Horizon Utilities Vehicle Inventory from 2008 to 2010**

| UNIT # | MILEAGE 2008 | MILEAGE 2009 | MILEAGE 2010 | YEAR | MAKE / MODEL | DESCRIPTION | DEPT |
|---|---|---|---|---|---|---|---|
| **110** | N/A | 1911 | 7036 | 2009 | CHEV EXPRESS | FULL SIZE VAN | METER-HAM |
| **111** | N/A | 3418 | 11805 | 2009 | CHEV EXPRESS | CARGO VAN | METER-HAM |
| **112** | N/A | 5798 | 24131 | 2009 | FORD ESCAPE HYBRID | MULTI PURPOSE VEHICLE HYBRID 4WD | CAP PROJ |
| **114** | N/A | N/A | 6412 | 2010 | CHEV EXPRESS | FULL SIZE VAN | METER-HAM |
| **202** | 182649 | 189409 | 195845 | 1996 | F/LIN FL80 | 35,000 lb. GVW S/A AUTO | O/H-HAM |
| **203** | 19643 | 22761 | 28229 | 2006 | CHEV COLORADO | MID SIZED EXT. CAB PICKUP 4WD | SUBSTATIONS |
| **204** | 21098 | 31167 | 44170 | 2006 | FORD F550 | 19,000 lb. GVW MINI DUMP 4WD | U/G-HAM |
| **206** | 167341 | 178479 | 189111 | 1997 | F/LINER FL80 | 35,000 lb. GVW S/A AUTO | O/H-HAM |
| **207** | 3824 | 8037 | 11291 | 2007 | F/LINER M2-106 | 64,000 LB. GVW T/A AUTO | O/H-S/C |
| **208** | N/A | 5433 | 15146 | 2007 | F/LINER M2-106 | 35,000 LB GVW T/A AUTO | U/G-HAM |
| **209** | 77416 | 137069 | 177404 | 2006 | FORD F350 | 10,400 lb. GVW EXT. CAB TRBL TRK 4WD | O/H-HAM |
| **211** | 150476 | 162319 | 174616 | 1998 | DODGE B250 | FULL SIZED VAN C/W RAISED ROOF | O/H-HAM |
| **213** | 128709 | 138661 | 148423 | 2000 | CHEV S10 | MID SIZE EXT. CAB PICKUP 4WD | O/H-HAM |
| **214** | 35682 | 50651 | 58746 | 2006 | CHEV COLORADO | MID SIZE EXT. CAB PICKUP 4WD | LOGISTICS-HAM |
| **215** | N/A | 2757 | 5457 | 2007 | F/LINER M2-106 | 62,000 LB GVW T/A AUTO | O/H-S/C |
| **216** | 160671 | 174918 | 182368 | 1995 | GMC SAFARI | MID SIZE VAN | O/H-S/C |
| **217** | 87606 | 91175 | 99183 | 2000 | F/LINER FL80 | 64,000 lb. GVW T/A STD | O/H-S/C |
| **219** | 179594 | 189351 | 199736 | 1992 | INTL F2654 | 64,000 lb. GVW T/A STD./DUMP BODY | U/G-HAM |
| **220** | 78316 | 87694 | 98123 | 1997 | F/LINER FL80 | 64,000 lb. GVW T/A AUTO | O/H-HAM |
| **223** | 18445 | 27021 | 38756 | 2006 | FORD F550 | 19,000 Lb. GVW FLAT DECK 4WD/LIFTGAT | LOGISTICS-HAM |
| **224** | 18252 | 28063 | 38176 | 2006 | F/LINER M2-106 | 64,000 lb. GVW T/A AUTO | O/H-HAM |
| **226** | 39369 | 48367 | 55901 | 2006 | FORD ESCAPE HYBRID | MULTI PURPOSE VEHICLE HYBRID 4WD | U/G-HAM |
| **227** | 43384 | 50461 | 59152 | 2006 | FORD ESCAPE HYBRID | MULTI PURPOSE VEHICLE HYBRID 4WD | FACILITIES |
| **228** | 38180 | 50721 | 62891 | 2006 | FORD ESCAPE HYBRID | MULTI PURPOSE VEHICLE HYBRID 4WD | FLEET |
| **230** | 2483 | 12283 | 20885 | 2006 | F/LINER M2-112 | 66,000 lb. GVW T/A STD | U/G-HAM |
| **234** | 72614 | 78171 | 82273 | 1999 | GMC SAVANNA | FULL SIZE VAN | METER-HAM |
| **236** | 279178 | 283003 | 289440 | 1999 | FORD F 350 | 9900 lb. GVW EXT. CAB/SNOW PLOUGH | O/H-S/C |
| **237** | 16408 | 43877 | 69553 | 2006 | F/LINER M2-106 | 35,000 lb. GVW S/A AUTO | O/H-S/C |
| **241** | 109214 | 119281 | 128823 | 1998 | PLYM VOYAGER | 7 PASSENGER MINI VAN | O/H-HAM |
| **243** | N/A | 2332 | 13046 | 2010 | FREIGHTLINER MT-55 | STEP VAN UNDG SPLICER TRUCK | U/G-HAM |
| **244** | 44388 | 59018 | 72554 | 2006 | FORD ESCAPE HYBRID | MULTI PURPOSE VEHICLE HYBRID 4WD | CAP PROJ |
| **245** | 36071 | 41087 | 48191 | 2006 | FORD ESCAPE HYBRID | MULTI PURPOSE VEHICLE HYBRID 4WD | METER |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **246** | 198845 | 220588 | 244099 | 1998 | FORD F 250 | 7200 lb. GVW EXT. CAB PICK UP 4WD | O/H-HAM |
| **247** | 21556 | 29917 | 37296 | 2006 | FORD ESCAPE HYBRID | MULTI PURPOSE VEHICLE HYBRID 4WD | METER-S/C |
| **248** | 114186 | 118567 | 130197 | 1997 | F/LINER FLD112SD | 66,000 lb. GVW T/A STD. TRACTOR | U/G-HAM |
| **250** | N/A | N/A | 3121 | 2011 | F/LINER MT55 | STEP VAN UNDG SPLICER TRUCK | U/G-HAM |
| **251** | N/A | N/A | 3085 | 2011 | F/LINER MT55 | STEP VAN UNDG SPLICER TRUCK | U/G-HAM |
| **252** | 31433 | 46969 | 63246 | 2006 | CHEV EXPRESS | FULL SIZE VAN | METER-S/C |
| **253** | 254049 | 264150 | 278598 | 1986 | INTL 1954 | 35,000 lb. GVW S/A AUTO | U/G-HAM |
| **257** | 64015 | 65596 | 66892 | 1999 | F/LINER FL80 | 62,000 lb. GVW T/A STD. | O/H-HAM |
| **258** | 2152 | 3690 | 6025 | 2007 | F/LINER M2-106 | 64,000 LB GVW T/A AUTO | O/H-S/C |
| **259** | 9973 | 17777 | 23782 | 1997 | F/LINER FL80 | 64,000 lb. GVW T/A AUTO | O/H-HAM |
| **260** | N/A | N/A | 12490 | 2010 | F/LINER MT-55 | STEP VAN UNDG SPLICER TRUCK | U/G-HAM |
| **261** | 129021 | 140378 | 149949 | 2000 | CHEV S10 | MID SIZE EXT. CAB PICKUP 4WD | O/H-HAM |
| **262** | 196344 | 215386 | 234699 | 1999 | GMC SONOMA | MID SIZE EXT. CAB PICKUP 4WD | U/G-HAM |
| **264** | 121294 | 130060 | 135969 | 1997 | GMC SAFARI | MID SIZE VAN | METER-S/C |
| **265** | 34065 | 51059 | 67569 | 2006 | CHEV EXPRESS | FULL SIZED VAN | METER-S/C |
| **266** | 4541 | 13759 | 23055 | 2008 | CHEV SILVERADO | 9200 lb. GVW REG CAB PICK UP 4WD | O/H-HAM |
| **267** | 109541 | 121380 | 133646 | 1999 | FORD F 550 | 17,500 lb. GVW 6 MAN FLAT DECK 4WD | O/H-HAM |
| **268** | 45024 | 59591 | 76148 | 2006 | FORD ESCAPE HYBRID | MULTI PURPOSE VEHICLE HYBRID 4WD | CAP PROJ |
| **269** | N/A | 3883 | 10935 | 2007 | F/LINER M2-106 | 64,000 LB GVW T/A AUTO | O/H-HAM |
| **270** | N/A | N/A | 49475 | 2009 | F/LINER M2-106 | 17,000 LB GVW S/A AUTO TROUBLE TRUC | O/H-HAM |
| **271** | N/A | 6758 | 19076 | 2007 | F/LINER M2-106 | 64,000 LB GVW T/A AUTO | U/G-HAM |
| **273** | 50845 | 64868 | 81196 | 2006 | CHEV COLORADO | MID SIZE EXT. CAB PICKUP 4WD | O/H-S/C |
| **275** | 186319 | 194933 | 203157 | 1996 | F/LINER FL80 | 35,000 lb. GVW S/A AUTO | O/H-HAM |
| **277** | 88212 | 92026 | 96097 | 2000 | F/LINER FL80 | 62,000 lb. GVW T/A STD. | O/H-HAM |
| **279** | 94916 | 108948 | 120319 | 2001 | F/LINER FCCC MT55 | STEP VAN UNDG SPLICER VAN | U/G-HAM |
| **280** | 73833 | 85646 | 95787 | 2001 | TOYOTA PRIUS | 4 DR PASS SEDAN HYBRID ELECTRIC | CAP PROJ |
| **281** | 75803 | 88862 | 102108 | 2001 | F/LINER FCCC MT55 | STEP VAN UNDG SPLICER VAN | U/G-HAM |
| **282** | 119949 | 139652 | 160843 | 2002 | CHEV S10 | MID SIZE EXT. CAB PICKUP 4WD | O/H-HAM |
| **283** | 86647 | 96677 | 106856 | 2002 | CHEV ASTRO | 5 PASSENGER MID SIZED VAN | METER-HAM |
| **284** | 45900 | 53744 | 60362 | 2002 | CHEV ASTRO | 5 PASSENGER MID SIZED VAN | METER-HAM |
| **285** | 126016 | 147533 | 169689 | 2002 | F/LINER FL80 | 62,000 lb. GVW T/A AUTO | O/H-HAM |
| **286** | 111950 | 129494 | 143103 | 2002 | F/LINER FL80 | 62,000 lb. GVW T/A AUTO | O/H-HAM |
| **287** | 93631 | 113349 | 135673 | 2002 | F/LINER FL80 | 62,000 lb. GVW T/A AUTO | O/H-HAM |
| **288** | 62166 | 68768 | 73674 | 2001 | F/LINER FL80 | 64,000 lb. GVW T/A STD | O/H-HAM |
| **289** | 45995 | 51579 | 57166 | 2002 | F/LINER FL80 | 6 MAN CREW CAB C/W BODY | U/G-HAM |
| **291** | 62657 | 74683 | 88932 | 2003 | FORD F 550 | 17,500 lb. GVW 6 MAN FLAT DECK 4WD | O/H-HAM |
| **292** | 132500 | 152892 | 171283 | 2002 | CHEV S10 | MID SIZE EXT. CAB PICKUP 4WD | U/G-HAM |
| **293** | 75857 | 87708 | 100321 | 2000 | FORD F 550 | 17,500 lb. GVW 3 MAN FLAT DECK 4WD | O/H-HAM |
| **294** | 53295 | 63415 | 74966 | 2003 | FORD F 550 | 17,500 lb. GVW EXT. CAB FLAT DECK 4W | O/H-HAM |
| **295** | 61976 | 74356 | 85804 | 2003 | FORD F 550 | 17,500 lb. GVW 6 MAN FLAT DECK 4WD | O/H-HAM |
| **296** | 105182 | 122208 | 143238 | 2002 | CHEV ASTRO | MID SIZE VAN | METER-HAM |
| **297** | 55551 | 67676 | 79948 | 2003 | FORD F 550 | 17,500 lb. GVW EXT. CAB FLAT DECK 4W | U/G-HAM |
| **298** | 78690 | 91586 | 105288 | 2000 | FORD F 550 | 17,500 lb. GVW 3 MAN FLAT DECK 4WD | O/H-HAM |
| **307** | 31877 | 40148 | 46923 | 2005 | CHEV EXPRESS | FULL SIZE VAN | SUBSTATIONS |
| **308** | 35733 | 42779 | 51975 | 2004 | F/LINER FL80 | 6 MAN CREW CAB C/W BODY | U/G-HAM |
| **309** | 244273 | 250993 | 267751 | 2002 | FORD F 550 | 17,500 lb. GVW TROUBLE TRUCK 4WD | O/H-HAM |
| **310** | 153471 | 162284 | 176922 | 1995 | GMC 2500 | 8600 lb GVW REG CAB PICKUP | U/G-HAM |
| **314** | 28333 | 35310 | 42820 | 2005 | CHEV EXPRESS | FULL SIZE VAN / CABLE TEST SET | U/G-HAM |
| **316** | 230642 | 257044 | 272801 | 2000 | GMC SAFARI | MID SIZE VAN | METER-HAM |
| **317** | 60346 | 68018 | 75149 | 2001 | F/LINER FL80 | 62,000 lb GVW T/A AUTO | O/H-HAM |
| **318** | 93486 | 97729 | 99502 | 1995 | F/LINER FL80 | 56,000 lb. GVW T/A AUTO | O/H-HAM |
| **319** | 152807 | 159309 | 165886 | 1999 | FORD F 150 | 6600 lb GVW EXT.CAB PICKUP | O/H-S/C |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **321** | 146163 | 155642 | 161530 | 1998 | GMC SAFARI | 5 PASSENGER MID SIZE VAN | U/G-HAM |
| **322** | 168939 | 190412 | 199339 | 1996 | GMC SAFARI | MID SIZE VAN | METER-HAM |
| **323** | 138339 | 152781 | 171662 | 1999 | GMC SAFARI | MID SIZE VAN | METER-HAM |
| **324** | 159709 | 177863 | 196824 | 2000 | CHEV. ASTRO | MID SIZE VAN | METER-HAM |
| **325** | 38453 | 55725 | 73460 | 2006 | CHEV COLORADO | MID SIZED EXT. CAB PICKUP 4WD | O/H-S/C |
| **326** | 72458 | 80245 | 87777 | 2002 | KIA SPORTAGE | MULTI PURPOSE VEHICLE 4WD | CAP PROJ |
| **327** | 63865 | 72136 | 80726 | 2002 | KIA SPORTAGE | MULTI PURPOSE VEHICLE 4WD | CAP PROJ |
| **330** | 39158 | 46410 | 56241 | 2003 | FORD F 550 | UNDG DIGGING CREW REG CAB 4WD | U/G-HAM |
| **331** | 11987 | 17957 | 25801 | 2006 | CHEV EXPRESS | FULL SIZE VAN C&DM EVENTS UNIT | C.D.M |
| **332** | 57965 | 70722 | 83283 | 2004 | CHEV EXPRESS | FULL SIZE VAN | SUBSTATIONS |
| **333** | 42027 | 49351 | 59574 | 2003 | F/LINER FL80 | 66,000 lb. GVW T/A STD | U/G-HAM |
| **334** | 69033 | 75628 | 88932 | 2003 | DODGE CARAVAN | 7 PASSENGER MINI VAN | FLEET |
| **335** | 64938 | 87080 | 112483 | 2006 | CHEV COLORADO | MID SIZED EXT. CAB PICKUP 4WD | O/H-S/C |
| **337** | 19900 | 25562 | 31164 | 2006 | F/LINER M2-106 | 35,000 lb. GVW T/A AUTO | O/H-S/C |
| **338** | 103532 | 122941 | 143380 | 2003 | CHEV S-10 | MID SIZE EXT. CAB PICKUP 4WD | U/G-HAM |
| **340** | 39305 | 47872 | 53924 | 2004 | CHEV EXPRESS | FULL SIZE VAN | SUBSTATIONS |
| **342** | 5151 | 12608 | 18439 | 2005 | F/LINER M2-106 | 64,000 lb. GVW T/A AUTO | O/H-HAM |
| **345** | 52525 | 61821 | 72346 | 2003 | FORD F 550 | 17,500 lb. GVW 6 MAN FLAT DECK 4WD | O/H-HAM |
| **346** | 31604 | 38581 | 45134 | 2004 | F/LINER FL80 | 64,000 lb. GVW T/A AUTO | O/H-HAM |
| **347** | 43265 | 54039 | 68608 | 2004 | CHEV ASTRO | MID SIZE VAN | METER-HAM |
| **348** | 2737 | 6894 | 11550 | 2006 | F/LINER M2-106 | 56,000 lb. GVW T/A AUTO | O/H-S/C |
| **349** | 42561 | 57590 | 72190 | 2005 | CHEV EXPRESS | FULL SIZE VAN | FACILITIES |
| **350** | 48821 | 62094 | 74005 | 2004 | CHEV EXPRESS | FULL SIZE VAN | FACILITIES |
| **351** | 11133 | 20287 | 30244 | 2005 | F/LINER M2-106 | 64,000 lb. GVW T/A AUTO | U/G-HAM |
| **352** | 66175 | 77553 | 90579 | 2004 | CHEV ASTRO | MID SIZE VAN | METER-HAM |
| **353** | 79691 | 99516 | 134028 | 2003 | CHEV S-10 | MID SIZE EXT. CAB PICKUP 4WD | U/G-HAM |
| **354** | 2261 | 11499 | 21410 | 2006 | F/LINER M2-106 | 64,000 lb. GVW T/A AUTO | O/H-HAM |
| **355** | 66434 | 78740 | 91482 | 2004 | CHEV EXPRESS | FULL SIZE VAN | SUBSTATIONS |
| **356** | 58500 | 69950 | 77223 | 2004 | CHEV ASTRO | MID SIZE VAN | METER-HAM |
| **357** | 86864 | 111803 | 139479 | 2005 | CHEV COLORADO | MID SIZED EXT. CAB PICKUP 4WD | CONTRACTORS |
| **358** | 39958 | 48451 | 59950 | 2003 | FORD F 550 | UNDG DIGGING CREW REG CAB 4WD | U/G-HAM |
| **359** | 68311 | 83088 | 105065 | 2005 | CHEV COLORADO | MID SIZE EXT. CAB PICKUP 4WD | CONTRACTORS |
| **360** | 53962 | 62985 | 69634 | 2005 | FORD ESCAPE HYBRID | MULTI PURPOSE VEHICLE HYBRID 4WD | CAP PROJ |
| **361** | 32408 | 38379 | 44303 | 2006 | F/LINER M2-106 | 37,000 lb. GVW S/A AUTO | O/H- S/C |
| **364** | 160473 | 177712 | 192976 | 2001 | FORD RANGER | MID SIZE PICK-UP | O/H- S/C |
| **365** | 57500 | 62543 | 71015 | 2004 | F/LINER M2-106 | 25,500 lb. GVW S/A AUTO | O/H- S/C |
| **366** | 75518 | 82390 | 88591 | 2001 | FORD E 150 VAN | FULL SIZE VAN | METER-S/C |
| **368** | 59540 | 69928 | 86162 | 2004 | GMC SAFARI | MID SIZE VAN | O/H-S/C |
| **369** | 41566 | 46310 | 51263 | 2004 | DODGE 2500 | FULL SIZE PICK-UP | FLEET |
| **371** | 35582 | 43832 | 51116 | 2004 | FORD E 350 CUBE VAN | CUBE VAN | U/G-S/C |
| **372** | 31424 | 34173 | 39473 | 2004 | FORD E 350 CUBE VAN | CUBE VAN | U/G-S/C |
| **374** | N/A | N/A | 4633 | 2009 | F/LINER HYBRID | 40,000 LB GVW TANDEM AXLE | O/H-S/C |
| **378** | N/A | N/A | 2405 | 2011 | FORD F550 | 17,500 lb. GVW EXT. CAB FLAT DECK 4W | O/H-S/C |
| **380** | 69169 | 75397 | 81807 | 2001 | GMC SIERRA | FULL SIZE PICK-UP | METER-S/C |
| **383** | 148378 | 151231 | 154544 | 1991 | INTL 4900 | 35,000 lb. GVW S/A AUTO | O/H-S/C |
| **386** | 46556 | 51670 | 56744 | 2001 | FORD F 250 | FULL SIZE PICK-UP | LOGISTICS-S/C |
| **387** | 108263 | 115998 | 122971 | 1998 | GMC 3500 SIERRA | 4X4 DUMP BODY C/W SNOW PLOW | O/H-S/C |
| **389** | 140354 | 144232 | 144788 | 1986 | INTL 1954 | 28,000 lb. GVW S/A AUTO | O/H-S/C |
| **392** | 94602 | 102568 | 108669 | 2002 | FORD F 150 | FULL SIZE PICK-UP | O/H-S/C |
| **393** | 101034 | 105223 | 107887 | 1991 | INTL 4900 | 35,000 lb. GVW S/A AUTO | O/H-S/C |
| 397 | N/A | N/A | 1997 | 2011 | FORD F550 | 19,000 lb. GVW MINI DUMP 4X2 WD | O/H-S/C |
| 399 | N/A | 7230 | 16828 | 2007 | F/LINER M2-106 | 64,000 lb. GVW T/A AUTO | O/H-HAM |

# HORIZON UTILITIES CORPORATION ("HORIZON UTILITIES") RESPONSES TO VULNERABLE ENERGY CONSUMERS COALITION INTERROGATORIES

**DELIVERED: January 24th, 2011**

**Question 23**

**Reference:** Exhibit 2/Tab 3/Schedule 1, page 96

**a)** How old are the two-way radio systems that Horizon proposed to replace? Please provide their original cost, age of equipment, and accumulated depreciation.

**b)** Please provide details of the enterprise fleet communications equipment to be purchased and indicate how the cost estimate was determined, e.g., third-party RFP, sole-source, etc.

**Response:**

**a)** Horizon Utilities' two-way radio systems are estimated to be over 25 years old. Purchasing documentation of the two-way radio systems used by Horizon Utilities is not available as the systems were procured prior to the mergers between St. Catharines Hydro and Hamilton Hydro. The current two-way radio systems are fully depreciated.

**b)** Sourcing for the replacement of Horizon Utilities current two-way radio system was conducted by Horizon Utilities' Procurement group by issuing a Request for Information ("RFI") to qualified 3rd party providers and within the terms of Horizon Utilities' Procurement Policies and Procedures. The selected enterprise fleet communication solution and supplier for implementation and support of the solution was determined by a selection team of Horizon Utilities' resources from the Procurement, Fleet, Construction, Operations and IT groups. The Motorola Connect Plus enterprise fleet communication solution was selected to better support Horizon Utilities' current and future requirements.

# HORIZON UTILITIES CORPORATION ("HORIZON UTILITIES") RESPONSES TO VULNERABLE ENERGY CONSUMERS COALITION INTERROGATORIES

## DELIVERED: January 24th, 2011

**Question 24**

**Reference:** Exhibit 2

**a)** Please provide the capital budgets as approved by the utility's Board of Directors for each year 2008-2011 inclusive, indicating the date on which each was approved.

**b)** Did Horizon apply for any federal or provincial infrastructure loans to finance capital projects?

**Response:**

**a)** The following table shows the capital budgets for the rate-regulated operations, approved by Horizon Utilities' Board of Directors:

**2008-2011 BUDGET CAPITAL EXPENDITURES**
**($000s)**

| | Budget | | | |
|---|---|---|---|---|
| | **2008** | **2009** | **2010** | **2011** |
| *Approval Date* | *13-Dec-07* | *26-Feb-09* | *10-Dec-09* | *28-Jul-10* |
| **Total Capital Expenditures Approved (Electricity Distribution)** | 40,131 | 42,446 | 38,294 | 45,749 |
| Less: Smart Meters | (10,573) | (8,082) | (701) | (1,578) |
| Less: Non-regulated | | | | (179) |
| **Total Capital Expenditures (excluding Smart Meters)** | **29,558** | **34,364** | **37,593** | **43,992** |

**b)** Horizon Utilities has not applied for any federal or provincial infrastructure loans to finance capital projects. Please refer to Horizon Utilities' response to Energy Probe Interrogatory 35.

**EB-2010-0131**

**HORIZON UTILITIES CORPORATION ("HORIZON UTILITIES") RESPONSES TO VULNERABLE ENERGY CONSUMERS COALITION INTERROGATORIES**

**DELIVERED: January 24th, 2011**

**Question 25**

**Reference:** Exhibit 2/Tab 3/Schedule 3

**a)** Does Horizon foresee any utility issues with respect to its capitalization policy and the implementation of IFRS?

**Response:**

In accordance with the Report of the Board "Transition to International Financial Accounting Standards" dated July 28, 2009, and as subsequently amended on November 8, 2010 (EB-2008-0408), Horizon Utilities will adhere to the Board Policy with respect to regulatory accounting and reporting using modified IFRS.

As documented in Appendix I to EB-2008-0408, "IFRS Consultation – List of Issues" the implementation of IFRS will result in changes to the accounting for Property, Plant, and Equipment for all utilities, including Horizon Utilities.

In particular, as outlined in Section 3.3 of EB-2008-0408, "The Board will require utilities to adhere to IFRS capitalization accounting requirements for rate making and regulatory reporting purposes after the date of adoption of IFRS. The utility will file a copy of its capitalization policy, identifying any updates to the policy, as part of its first cost of service rate filing after IFRS adoption".

Horizon Utilities has deferred the implementation date of IFRS to January 1, 2012. Horizon Utilities expects that it will file a revised capitalization policy as part of its next cost of service rate filing.

**HORIZON UTILITIES CORPORATION ("HORIZON UTILITIES")**
**RESPONSES TO**
**VULNERABLE ENERGY CONSUMERS COALITION INTERROGATORIES**

**DELIVERED: January 24th, 2011**

## Question 26

**Reference:** Exhibit 3/Tab 3/Schedule 3, page 4

**a)** Please expand Table 3-28 to include the fees collected in the years 2007, 2008, and 2009.

**Response:**

Please see the following table:

| Description | 2007 | 2008 | 2009 | 2010 Bridge | 2011 Test |
|---|---|---|---|---|---|
| Hamilton Utilities Corporation | 19,467 | 17,292 | 19,467 | 19,200 | 19,776 |
| Hamilton Hydro Services Inc. - Hamilton Community Energy | 89,636 | 86,304 | 63,968 | 52,800 | 54,384 |
| Hamilton Hydro Services Inc. - Water Heater Rental | 14,396 | 16,944 | 25,000 | 25,000 | 25,750 |
| Hamilton Hydro Services Inc. - Fib rewired | 248,647 | - | - | - | - |
| Horizon Utilities - Non-Regulated Billing Services | 488,806 | 556,224 | 583,000 | 583,000 | 600,490 |
| St. Catharine's Hydro Inc. | 90,862 | 80,496 | 71,976 | 81,365 | 84,115 |
| Total | 951,814 | 757,260 | 763,411 | 761,365 | 784,515 |

Note: The 2010 Bridge and 2011 Test Year amounts for St. Catharines Hydro Inc. have been amended. Please refer to Horizon Utilities' response to Board staff Interrogatory 18.

**EB-2010-0131**

**HORIZON UTILITIES CORPORATION ("HORIZON UTILITIES")**
**RESPONSES TO**
**VULNERABLE ENERGY CONSUMERS COALITION INTERROGATORIES**

**DELIVERED: January 24th, 2011**

## Question 27

**Reference:** Exhibit 3/Tab 3/Schedule 3, Appendix 3-3 and Schedules A and B

**a)** Do the cost recoveries from provision of the shared services include a return on the assets used? If yes, how is it determined?

**Response:**

No, the cost recoveries from the provision of the shared services do not include a return on the assets used. For the services provided, as outlined in Exhibit 3, Tab 3, Schedule 3, Appendix 3-3, Schedules A and B, any assets used would principally be related to information technology costs such as computer hardware and software. All shared services costs include an allocation of information technology costs, including all related operating licenses and fees.

**HORIZON UTILITIES CORPORATION ("HORIZON UTILITIES")**
**RESPONSES TO**
**VULNERABLE ENERGY CONSUMERS COALITION INTERROGATORIES**

**DELIVERED: January 24th, 2011**

**Question 28**

**Reference:** Exhibit 4/Tab 1/Schedule 1, page 3

**Preamble:** The pre-filed evidence states that "thirteen of the twenty-six planned new trade hires are directly related to planned capital investments.

**a)** Given that Horizon has elsewhere described itself as a low growth utility, did Horizon consider using contracted labour as opposed to new hires for the positions related to planned capital investments? If not, why not?

**Response:**

In order to meet Horizon Utilities' Asset Management needs, the current business model relies on a highly skilled core of technical and trades staff to perform the majority of its work. The services of contractors are used for work that is not electrical utility specific (civil construction and tree trimming). Additionally, contractors are used to assist in managing varying seasonal work requirements and to construct large non-complex projects, such as distribution system expansions and pole replacement projects. Resource utilization and work schedules can be better optimized through the use of a mix of Horizon Utilities' staff and third party service providers.

The Workforce Labour Strategy and Plan document (Exhibit 4, Tab 2, Schedule 6, Page 1, Appendix 4-2) details the assumptions for contracted capital work. Such plan identifies the assumption that 50% of the increased capital work will be built using contracted labour.

**HORIZON UTILITIES CORPORATION ("HORIZON UTILITIES")
RESPONSES TO
VULNERABLE ENERGY CONSUMERS COALITION INTERROGATORIES**

**DELIVERED: January 24th, 2011**

**Question 29**

**Reference:** Exhibit 4/Tab 2/Schedule 1, page 2, Table 4-1

**a)** As compared to 2008, please explain why the 2011 amounts for Accounts 5605 and 5610 have increased by about 50%.

**b)** As compared to 2008, please explain why the 2011 amounts for Account 5620 have approximately tripled.

**Response:**

**a)** **Account 5605** (Executive Salaries and Expenses)

As provided in Exhibit 4, Tab 2, Schedule 10, Page 14, Table 4-26, the increase in Account 5605 is principally attributable to the addition of two new executive positions since 2008 – the Vice President, Regulatory and the Vice President, Finance. Merit increases and inflationary benefit increases for existing Executives from 2009 through to 2011 are also reflected.

**Account 5610** (Management Salaries and Expenses)

As documented in Exhibit 4, Tab 2, Schedule 10, Page 13, there has been a significant change in the workforce year-over-year, resulting in a 16.6% planned increase in the number of employees at Horizon Utilities. A significant portion of the increase from 2008 to 2011 is directly attributable to the fact that in 2008 Horizon Utilities adopted a temporary hiring freeze in an attempt to minimize potential layoffs and terminations from a potential merger with Guelph Hydro Electricity Systems Inc. This resulted in a 10% vacancy rate, principally in the non-union staff. These positions would principally have been reflected in Account 5610. Please refer to Exhibit 4, Tab 2, Schedule 10, Page 14, Table 4-26 for a complete listing of management positions added from 2008 to 2011.

Merit increases and inflationary benefit increases for existing management employees from 2009 through to 2011 are also reflected. Please see Horizon Utilities' response to Energy Probe 24 for information concerning year-over-year percentage increases.

**b) Account 5620** (Office Supplies and Expenses)

As documented in Exhibit 4, Tab 2, Schedule 9, Page 29, the following is the explanation for the increase in office supplies:

*"Office supplies and expenses (Account 5620) will increase by $1.7MM from 2008 Actuals to 2011 Test Year. This account includes all of the information technology costs, including wages and benefits for information technology staff, net of amounts allocated to capital expenditures. Since 2008, Horizon Utilities has invested in internal systems and processes in order to build the foundation to support: replacement of technologies that are beyond their useful life; enabling processes arising under regulatory requirements; and managing business risks associated with data management, cyber security, and the protection of customer information. These activities are also central to improving operational efficiency and effectiveness. Costs associated with supporting and maintaining technology investments are a significant driver in Horizon Utilities' OM&A expenses. Details of specific information technology projects to be completed in 2011are also provided in Table 4-9, IT Enablers. "*

Please refer to Exhibit 4, Tab 2, Schedule 10, Page 14, Table 4-26 for a complete listing of Information Technology positions added from 2008 to 2011.

**EB-2010-0131**

**HORIZON UTILITIES CORPORATION ("HORIZON UTILITIES")**
**RESPONSES TO**
**VULNERABLE ENERGY CONSUMERS COALITION INTERROGATORIES**

**DELIVERED: January 24th, 2011**

## Question 30

**Reference:** Exhibit 4/Tab 2/Schedule 6, pages 2-3

**a)** Does or has Horizon applied for any tax credits under federal apprenticeship programs?

**Response:**

**a)** Please see Horizon Utilities' response to Energy Probe Interrogatory 29a).

**HORIZON UTILITIES CORPORATION (“HORIZON UTILITIES”)**
**RESPONSES TO**
**VULNERABLE ENERGY CONSUMERS COALITION INTERROGATORIES**

**DELIVERED: January 24th, 2011**

## Question 31

**Reference:** Exhibit 4/Tab 2/Schedule 7

**a)** Please provide the decrease in expected costs if an oral hearing is not required in this case.

**Response:**

If an oral hearing is not required in this case, Horizon Utilities’ expected decrease in Board costs is estimated at $170,000. This is based on a three day oral hearing, with associated Legal costs of $48,000, Consulting costs of $12,000, Intervenors costs of $100,000 and Board costs of $10,000. Please also refer to Horizon Utilities’ response to Board staff Interrogatory 40 a) and b).

**HORIZON UTILITIES CORPORATION ("HORIZON UTILITIES")**
**RESPONSES TO**
**VULNERABLE ENERGY CONSUMERS COALITION INTERROGATORIES**

**DELIVERED: January 24th, 2011**

## Question 32

**Reference:** Exhibit 4/Tab 2/Schedule 8, Table 4-11

**a)** Please complete the entries in the row "FTEEs/Customer."

**Response:**

The table below sets out FTEE's/Customer as well as Customers/FTEE.

| | Actual 2007 | Actual 2008 | Actual 2009 | Bridge Year 2010 | Test Year 2011 |
|---|---|---|---|---|---|
| FTEE's/Customer | 0.002 | 0.002 | 0.002 | 0.002 | 0.002 |
| Customers/FTEE's* | 635 | 634 | 609 | 586 | 549 |

**EB-2010-0131**

**HORIZON UTILITIES CORPORATION (“HORIZON UTILITIES”)
RESPONSES TO
VULNERABLE ENERGY CONSUMERS COALITION INTERROGATORIES**

**DELIVERED: January 24th, 2011**

**Question 33**

**Reference:** Exhibit 4/Tab 2/Schedule 9, page 5

**Preamble:**

**a)** Please explain why a three-year tree trimming program is required.

**Response:**

Preventative grid tree trimming in the proximity of electrical distribution overhead lines is required every 3 years for the following reasons:

- Improved system reliability performance.
- Protection of the public.
- Legal Requirements (Ontario Regulation 22/04)
- Historical experience regarding vegetation growth patterns in the Horizon Utilities’ service territory.
- Reactive tree trimming is more expensive than planned tree trimming, and the need for reactive trimming has been reduced since Horizon Utilities maintains a 3 year tree trimming cycle.

Much of Horizon Utilities’ service area in Hamilton and St. Catharines is either older residential or rural, with overhead distribution and secondary services, and as such, the forestry is mature with trees growing into and over the hydro lines. Based on past experience, extended periods of time between tree trimming periods (5 years and longer), will present Horizon Utilities and the public with excessive risk from both a reliability and safety perspective. Trees growing into the power lines create public safety hazards such as fallen hydro wires, risks to children climbing trees, and the risk of fire and shocks from tree limbs coming into contact with live wires. During severe thunderstorms, high winds, heavy snow or ice, Horizon Utilities must react more often to power outages resulting from downed tree limbs if tree trimming is stretched beyond a 3 year cycle.

Horizon Utilities has experienced a decrease in the cost of the annual grid trimming program as well as a decrease in reactive tree trimming since the cycle has been reduced to 3 years.

The types and size of trees within the Horizon Utilities service territory are diverse, but generally consists of a combination of larger slow growing species (hard maples, ash, elm, oaks etc.) and larger fast growing species (willows and soft maples). This is based on the mature urban, large forested areas (Niagara escarpment) and rural environments that all exist in our service territory. Horizon Utilities' existing tree trimming frequency has been optimized for this type of vegetation. A 3-year trim cycle is also a common utility practice among other LDC's.

**HORIZON UTILITIES CORPORATION ("HORIZON UTILITIES")**
**RESPONSES TO**
**VULNERABLE ENERGY CONSUMERS COALITION INTERROGATORIES**

**DELIVERED: January 24th, 2011**

## Question 34

**Reference:** Exhibit 4/Tab 2/Schedule 10, page 1

**Preamble:** The evidence states that "[i]n the next five years, 13% of Horizon Utilities employees are eligible for retirement and an additional 18% will be eligible for such within ten years."

**a)** Please briefly discuss the eligibility requirements for retirement for these employees.

**Response:**

The eligibility requirements utilized are those defined by Ontario Municipal Employers' Retirement System ("OMERS") which allow members (employees) to retire with an unreduced pension. OMERS' defines the normal retirement age as the last day of the month in which the employee turns 65. However, employees can become eligible for an unreduced pension if they are at least 55 years of age and have 30 or more years of service or if their age plus service is equal to 90. Retirement eligibility is therefore determined by meeting any one of these three criteria.

**EB-2010-0131**

**HORIZON UTILITIES CORPORATION ("HORIZON UTILITIES")**
**RESPONSES TO**
**VULNERABLE ENERGY CONSUMERS COALITION INTERROGATORIES**

**DELIVERED: January 24th, 2011**

## Question 35

**Reference:** Exhibit 4/Tab 2/Schedule 10, page 11, Table 4-25

**a)** Please explain why "Average Yearly Base Wages" for Executives increased by almost 19% in 2010 over 2009, from $180,450 to $214,206.

## Response:

**a)** Please see Horizon Utilities' response to Energy Probe Interrogatory 47.