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
SCHOOL ENERGY COALITION INTERROGATORIES

DELIVERED: January 24th, 2011

Question 1

Reference:

Please confirm that there are 302 publicly-funded schools in the Applicant's franchise area. Please advise the number of schools in each of the GS<50 and GS>50 classes.

Response:

Schools are not uniquely identified in the Horizon Utilities' Customer Information System ("CIS").

However, after a manual review, Horizon Utilities confirms that there are approximately 272 publicly-funded schools in Horizon Utilities' service territory; 109 of which are categorized as General Service less than 50 kW and 163 of which are categorized in the General Service greater than 50 kW rate class.

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HORIZON UTILITIES CORPORATION ("HORIZON UTILITIES")
RESPONSES TO
SCHOOL ENERGY COALITION INTERROGATORIES

DELIVERED: January 24th, 2011

Question 2

Reference: Ex. 1/1/2, p. 2

Please advise whether the Applicant is still seeking a January 1, 2011 effective date for rates, notwithstanding the current timing of this proceeding.

Response:

Horizon Utilities confirms that it is still seeking a January 1, 2011 effective date for rates, notwithstanding the current timing of this proceeding.

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HORIZON UTILITIES CORPORATION ("HORIZON UTILITIES")
RESPONSES TO
SCHOOL ENERGY COALITION INTERROGATORIES

DELIVERED: January 24th, 2011

Question 3

Reference: Ex. 1/1/13, p. 1

Please provide a copy of the partnership agreement for the Solar Sunbelt General Partnership. Please provide copies of any planning memoranda, tax analysis, presentation, or other documentation setting out the rationale for the structure employed. Please provide a full explanation of any direct or indirect impacts on regulated operations resulting from this structure, including the amounts of any financial risks that are shared between regulated and unregulated assets as a result of the solar initiative.

Response:

Please also refer to Board Staff interrogatory 2a) and b).

The document is being filed in confidence for reasons which are outlined in the cover letter accompanying Horizon Utilities' interrogatory responses.

Copies of any planning memoranda, tax analysis, presentation, or other documentation setting out the rationale for the structure employed are not provided. This material is not relevant, or of probative value, to this proceeding for the following three main reasons. First, inclusion of the solar business as part of the distribution business is authorized by legislation. Second, the legislation does not specify a specific structure within the utility. Third, the OEB's *Guideline 2009-0300: Regulatory and Accounting Treatments for Distributor-Owned Generation Facilities* deals specifically with the accounting matters associated with such business and Horizon Utilities will follow these

guidelines - ratepayer interests in electricity distribution activities are segregated from this structure in accordance with Board's Guideline.

In addition, the information requested is commercially sensitive to a non-rate regulated activity of renewable energy generation. Furthermore, there may be confidentiality issues involved. The relative size of the solar business is such that it does not warrant in this case the production of the material requested at the expense of the commercially sensitive and potentially confidential nature of the requested material.

The non-rate regulated solar photovoltaic business is being undertaken in Solar Sunbelt General Partnership ("SSGP"), an entity outside of Horizon Utilities, with investment from Horizon Holdings Inc. through Horizon Utilities as a conduit. The assets, liabilities, revenues, and costs associated with the business undertaken in SSGP are segregated from those of the rate regulated business. Horizon Utilities acknowledges that, at an entity level, all of its business operations are generally liable for the debts and other obligations of a general partnership such as SSGP. However, with consideration for segregation as contemplated by the Board in Guideline 2009-0300, there are no direct or indirect impacts on regulated operations resulting from this structure, and that, in practical terms, there are no shared risks. In that regard, Horizon Utilities has referenced a Standard and Poor's report in Board Staff interrogatory 2b). This report indicates that the high corporate credit rating on Horizon Utilities (through Horizon Holdings Inc.) is unaffected by its solar photovoltaic generation plans to be undertaken in SSGP. Horizon Utilities agrees with that conclusion.

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HORIZON UTILITIES CORPORATION ("HORIZON UTILITIES")
RESPONSES TO
SCHOOL ENERGY COALITION INTERROGATORIES

DELIVERED: January 24th, 2011

Question 4

Reference: Ex. 1/1/15, p. 1

Please confirm that the incremental 2011 ITC has been recorded as an offset to the OM&A expenses. Please advise the amount of that offset. Please confirm that a similar offset has been recorded against 2011 capital expenses. Please advise the amount of that offset.

Response:

Please refer to the response to Board staff Interrogatory 57.

EB-2010-0131

HORIZON UTILITIES CORPORATION ("HORIZON UTILITIES")
RESPONSES TO
SCHOOL ENERGY COALITION INTERROGATORIES

DELIVERED: January 24th, 2011

Question 5

Reference: Ex. 1/2/1

With respect to the Summary of the Application:

a. P. 3. Please provide any memoranda, presentations, or other documentation setting out the Applicant's plans to manage the "concentration risk" and "credit loss risks" associated with large use customers.

b. P. 4. Please estimate, for each year from 2004 through 2009, the amount by which the Applicant underinvested in infrastructure relative to the appropriate level in each year.

c. P. 14. Please advise whether the term "headcount" used on line 3 should be considered to be equivalent to "FTE" as used elsewhere in the Application. If not, please reconcile the 60 headcount increase with the FTE increases reported elsewhere in the Application.

d. P. 14. Please provide details, with associated dollar figures, for the $2.4 million of "OM&A efficiency gains" claimed, or indicate where in the Application these gains are detailed.

Response:

a) Horizon Utilities does not have any of the referred to documentation, other than its policies with respect to securing against large user credit risk. Such policies are regulated by the Board through the *Ontario Energy Board Act, 1998, Section 28*, which stipulates a Distributor's obligation to connect [a customer], as follows:

28. A distributor shall connect a building to its distribution system if,

(a) the building lies along any of the lines of the distributor's distribution system; and

(b) the owner, occupant or other person in charge of the building requests the connection in writing. 1998, c. 15, Sched. A, s. 28.

and the Distribution System Code, Section 2.4.13, Page 19, which states:
where a non-residential customer in any rate class other than a < 50 kW demand rate class has a credit rating from a recognized credit rating agency, the maximum amount of a security deposit which the distributor may require the non-residential customer to pay shall be reduced.

While Horizon Utilities is compliant with these governing policies, such policies, and their enabling and limiting underlying regulation, are generally ineffective at proactively mitigating credit risk for long-established large use customers. As a result of limitations within regulation, there is no practical means for a distributor to proactively secure large user credit risk where there is clear evidence, such as a dramatic decline in credit rating or public information otherwise, of a material deterioration in customer creditworthiness. As a result of regulation, distributors may only endeavour to secure credit risk for large use customers reactively, after a credit event has occurred such as non-payment. Generally speaking, and based on the experience of the applicant, large use customers seek protection under the *Companies Creditors Arrangement Act* in advance of the due date of an electricity bill payment. Such protection restricts the ability of a distributor to obtain security and often results in a default on arrears.

The applicant is unable to manage concentration risk as distributors are required, by regulation, to offer and maintain connection with prospective and existing customers, respectively. In other terms, the applicant is unable to limit the number of large users within its service territory or to selectively determine which prospective large user customers may be accepted for connection.

b) As stated in the Application, Horizon Utilities' Asset Management Plan ("AMP") specifies the age of distribution assets and the backlog of such assets that are beyond

end of life; the AMP was completed in 2009. Such has provided a clear indication of under investment and immediate and ongoing work to be undertaken in order that this may be addressed. A copy of that Plan can be found in the Application at Exhibit, Tab 3, Schedule 2, Appendix 2.

c) Horizon Utilities confirms that the term "headcount" used on line 3 should be considered to be equivalent to "FTE" as used elsewhere in the Application.

d) The $2.4MM "excess" referred to on page 14 is a calculated amount representing the difference between:

i. the OM&A increase from the 2008 Cost of Service Application that is being sought in this Application; and

ii. actual and forecast increases as noted in the three bullets above the reference.

This value as an estimate of OM&A cost that has effectively been taken out of its cost base through both efficiency gains and "other non-recurring expense items, since 2008" (Exhibit 1, Tab 2, Schedule 1, Page 14, line 15).

Horizon Utilities has not separately tracked each instance of efficiency gain and non-recurring expense in the manner implied by the question. The statements in Exhibit 1, Tab 2, Schedule 1, Page 14, lines 14 and 15 are offered in general terms.

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HORIZON UTILITIES CORPORATION ("HORIZON UTILITIES")
RESPONSES TO
SCHOOL ENERGY COALITION INTERROGATORIES

DELIVERED: January 24th, 2011

Question 6

Reference: Ex. 1/3/4, App. 1-14

With respect to the Standard and Poors Rating Report:

a. P. 3. Please provide a copy of the Loan Agreement and a summary of terms for the HHI $100 million bank credit facility. Please advise how the covenants in that facility anticipating a debt: equity ratio of 75:25 affect the regulated subsidiary, the Applicant.

b. P. 7. Please confirm the figures of 62% of distribution revenues from residential and 30% of distribution revenues from general service, assumed in the Report.

c. P. 8. Please confirm the S&P assumption that solar will not consume more than 10% of consolidated assets, EBITDA or cash flow.

Response:

a) The document is being provided in confidence for reasons for which are outlined in the cover letter accompanying Horizon Utilities' interrogatory responses.

Please find attached the Horizon Utilities $95MM inter-company credit facility made available by its parent company, Horizon Holdings Inc. ("HHI"). The Horizon Utilities inter-company credit facility incorporates by reference the HHI $100 million bank credit facility as the terms of the inter-company credit facility are "back-to-back" with the terms underlying the HHI bank credit facility.

As the terms of the Horizon Utilities inter-company credit facility are back-to-back with the HHI bank credit facility, the maximum debt: equity ratio covenant of 75:25 is

applicable to Horizon Utilities. This covenant effectively limits Horizon Utilities borrowings to three times its shareholder's equity.

The following is a summary of the key terms underlying the Horizon Utilities inter-company credit facility:

Summary of Inter-company Credit Facility Terms

Date: June 30, 2010

Parties: Horizon Holdings Inc. and Horizon Utilities Corporation

Amount: $95,000,000 revolving operating credit facility

Maturity: June 30, 2013

Purpose: To finance general corporate and working capital requirements, energy price excursions and capital investments and to satisfy prudential requirements to the IESO.

Interest: Prime rate adjusted by an applicable margin based on the debt rating of the corporation.

b) The figures contained in the S&P report with respect to the % of distribution revenue for residential and commercial customers (62% and 30% respectively) are based on total distribution revenue of $83.58MM as reported in the year-end audited financial statements of Horizon Utilities for fiscal 2009.

c) Horizon Utilities cannot find a reference to an "assumption" as provided in the question. The S&P report provides, on page 4 under "Outlook", that:

"An adverse regulatory ruling or market restructuring (such as the assumption of the obligation to supply), a material increase in leverage beyond the regulator's deemed capital structure or increased exposure to the unregulated business to exceed 10% of consolidated EBITDA or cash flow, could lead to a negative rating action"

Horizon Utilities confirms that its present business plans for Solar are not intended to result in EBITDA or cashflow that exceeds 10% of these amounts on a consolidated Horizon Holdings Inc. basis.

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HORIZON UTILITIES CORPORATION ("HORIZON UTILITIES")
RESPONSES TO
SCHOOL ENERGY COALITION INTERROGATORIES

DELIVERED: January 24th, 2011

Question 7

Reference: Ex. 1/2/2

With respect to Budget Directives:

a) Please provide a description, with examples, of the method by which "indirect costs are allocated to direct costs for budget presentation". Please advise the extent to which that is true in the Application as well.

b) With respect to the 2011 business plan that forms the basis for the Application, please provide details of all $100,000 or greater increases or reductions recommended and implemented at each of the following review levels:

i. Executive Team

ii. CFO

iii. CEO

iv. Board of Directors

Response:

a) With respect to indirect costs, the following is a summary of the indirect costs and the allocation methodology used in the business planning process, as well as incorporated within the Application:

- Costs for Information Technology and Facilities are allocated to other departments based on an a relevant cost driver (e.g. number of computers, square

footage used, etc.,) which are then reflected in the department which received the service as a “Distributable Cost”.

- Procurement costs are allocated to other departments through a burden applied on materials issued from inventory; this allocation ensures that the departmental costs for the department that requisitioned the material includes a contribution to recover the costs of managing the Procurement function.

- Fleet management costs are allocated to other departments by including fleet related costs in the hourly rate charged for vehicle usage, so the cost incurred by the department which used a vehicle includes a contribution to recover the costs of managing the Fleet function.

- Hourly labour rates are established based on payroll costs which are fully burdened for benefits and expected downtime. These rates are then used to charge an employee’s time to projects or work orders. For example, when an employee in Construction Services performs work on a capital project for system renewal, the cost of that employee’s time is credited to Construction Services and charged to Capital Projects.

b) The preparation of the business plans and corresponding budgets and financial plans in any given year is an iterative process that spans a number of management levels in the organization. As part of this iterative process, changes to the business plans are dynamic based on ongoing review of operational requirements, the prioritization of projects based on risk, financial sustainability, while at the same time balancing the interests of customers and shareholders. The culmination of this process is a three year financial plan that is presented to the Board of Directors (“Financial Plan”).

Horizon Utilities does not track all of the changes underlying the Financial Plan through this iterative process, nor does it track all of the changes by authority level or by specific Executive Team Member, other than changes, if any, between the CEO and the Board of Directors.

With respect to the 2011 Financial Plan, Horizon Utilities confirms that there were no changes to that which was recommended by the CEO to the Board of Directors. The Board of Directors approved the 2011 Financial Plan as presented by the CEO.

During the 2011 process leading to the Financial Plan, the following changes > $100,000 were identified between the original budget submissions and the final budget presented to the CEO for approval:

OM&A

- Decrease in consulting costs related to the on-going refinement of the asset management program $100,000; and
- Addition of one FTE – Key Account Representative (Exhibit 4, Tab 2, Schedule 6, Page 9)

Capital

Description	Increase/ (Decrease)
GIS Upgrade	(891,500)
Facilities Upgrades	(1,075,000)
Computer Hardware/Software Upgrades	(1,116,000)
RTUs for Substations	(200,000)
Control Room Projection System	(500,000)
Vehicle Replacements	(1,585,000)
	(5,367,500)

EB-2010-0131

HORIZON UTILITIES CORPORATION ("HORIZON UTILITIES")
RESPONSES TO
SCHOOL ENERGY COALITION INTERROGATORIES

DELIVERED: January 24th, 2011

Question 8

Reference: Ex. 1/2/2, App. 1-9

With respect to the Departmental Business Plans overall:

a. Please provide a table showing all summer students requested, by department, for the Test Year. On that table, please add columns showing, for each department, the actual number of summer students in each of 2007 through 2010. For each year including the Test Year, please advise the dollar cost of all summer students, and split up that dollar cost between OM&A and capital.

b. Please provide a table consolidating the FTE tables for each of the departments in their departmental plans, and reconcile that table to Ex. 4/2/10, p. 11.

c. Please provide a table detailing all amounts transferred from one department to another for 2011. Please provide a table showing the budgets for each department without such transfers, or a consolidated table by function using the departmental budget numbers, but calculating increases without taking budget transfers into account.

d. Please advise which departments currently have written succession plans (excluding for this purpose plans specific to individual employees). Please provide copies of those succession plans.

e. For each of the departments, please provide a table comparing the 2010 actual spending with the 2010 budget included in the Business Plans.

Response:

a)

	Year									
	2007		2008		2009		2010		2011	
Department	**No.**	**Cost**	**No.**	**Cost**	**No.**	**Cost**	**No.**	**Cost**	**No.**	**Cost**
Customer Service	5	$ 31,683	3	$ 16,382	6	$ 35,163	5	$ 36,597	7	$ 43,750
Customer Connections	2	$ 14,374	1	$ 6,729	1	$ 8,016	2	$ 16,003	3	$ 20,744
Facilities	2	$ 13,745	1	$ 5,736	1	$ 7,309	2	$ 14,354	2	$ 12,500
Finance	1	$ 7,172	1	$ 6,388	5	$ 18,953	1	$ 6,653	2	$ 15,500
Engineering & Operating	1	$ 8,463	0	$ -	3	$ 24,053	0	$ -	6	$ 40,500
Supply Chain Management	1	$ 7,255	1	$ 7,030	0	$ -	4	$ 29,048	4	$ 25,000
Information Systems & Technology	0	$ -	1	$ 5,687	0	$ -	0	$ -	1	$ 6,250
Construction & Maintenance Services	6	$ 42,350	5	$ 30,872	5	$ 41,088	8	$ 62,086	8	$ 67,680
Health & Safety	0	$ -	1	$ 6,372	0	$ -	1	$ 6,493	0	$ -
Corporate Services	0	$ -	0	$ -	1	$ 5,601	1	$ 6,527	0	$ -
Total	18	$ 125,041	14	$ 85,195	22	$ 140,184	24	$ 177,761	33	$231,924
OM&A		69%		69%		76%		64%		51%
Capital		31%		31%		24%		36%		49%

* A summer student is defined as a summer term employee (May to August) that is enrolled in a program of study at a post-secondary institution.

b. Total FTE's Reported in each departmental plan

Department	**Total FTE's**
Information Systems & Technology	24
Healthy Workplace & Safety	2
Human Resources	10
Customer Connections	38
Construction & Maintenance Services	147
Customer Service	74
Corporate Communications	3
Finance	18
Regulatory & Government Affairs	11
Engineering, Operating & Operational Improvement	57
Facilities	7.8
Supply Chain Management	30
Executives not included in dept plans above	7

Total FTE's from individual business plans	**428.8**

FTE's reported in Ex. 4/2/10, p. 11 total 428. FTE's reported in each departmental plan total 428.8. The variance of 0.8 is a result of one department reporting a shared resource (80%) while the sharing department did not report the 0.2 FTE (20%) of that same resource. This would bring the total for the departmental plans to 429 FTE's. The additional resource compared to those reported in Ex.4/2/10, p.11 is due to the Regulatory & Government Affairs Department reporting a total of 11 FTE's in the business plan table while the organization chart in the same plan reflects 10 employees. As such, the total number of FTE's in this department should have read 10.

c. With respect the 2011 Business Plans filed with the Application, the following table details the amounts transferred from one department to another for 2011 and provides the total departmental budgets before the amounts transferred, and the variances before the amounts transferred.

	2011 Budget			2010 Budget			Variance		
	As Per Bus Plan	Cost Transfers	Excluding Transfers	As Per Bus Plan	Cost Transfers	Excluding Transfers	As Per Bus Plan	Cost Transfers	Excluding Transfers
Sustainability & BD	837,730	-	837,730	658,388		658,388	179,342	-	179,342
Communication	1,309,398	139,688	1,169,710	1,047,866	118,728	929,138	261,532	20,960	240,572
Construction	12,502,393	1,107,163	11,395,230	12,302,186	1,276,463	11,025,723	200,207	(169,300)	369,507
Customer Connection	3,523,026	1,130,687	2,392,339	2,973,588	716,316	2,257,272	549,438	414,371	135,067
Customer Service (2)	12,037,053	1,856,086	10,180,967	11,628,185	1,316,141	10,312,044	408,868	539,945	(131,077)
EOOI (3)	4,722,381	1,009,406	3,712,975	3,399,346	842,581	2,556,765	1,323,035	166,825	1,156,210
Facilities	4,078,370	263,381	3,814,989	3,557,350	313,891	3,243,459	521,020	(50,510)	571,530
Finance	3,989,377	841,243	3,148,134	2,825,200	766,179	2,059,021	1,164,177	75,064	1,089,113
Human Resources	2,006,117	252,842	1,753,275	1,839,360	221,762	1,617,598	166,757	31,080	135,677
IST	5,948,186	1,224,241	4,723,945	4,624,940	170,688	4,454,252	1,323,246	1,053,553	269,693
Regulatory	2,925,401	54,597	2,870,804	2,496,884	168,931	2,327,953	428,517	(114,334)	542,851
Safety	534,819	12,083	522,736	466,106	26,108	439,998	68,713	(14,025)	82,738
Supply Chain	6,996,312	1,466,362	5,529,950	6,338,685	1,412,991	4,925,694	657,627	53,371	604,256

Notes:

(1) Business Plans include regulated and non-regulated businesses

(2) Business Plan adjusted to exclude the intracompany management fee paid by the LDC (as underlying costs were also included), as follows:

As per Business Plan	20,330,453	19,338,185
Mgmt Fee expense	(8,293,400)	(7,710,000)
	12,037,053	11,628,185

(3) Business Plan adjusted to include net labour charges, as follows:

As per Business Plan	8,813,729	7,334,593
Net Labour charged out	(4,091,348)	(3,935,247)
	4,722,381	3,399,346

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In response to Consumers Council of Canada Interrogatory #27, Horizon Utilities has also provided a table that summarizes the total OM&A for each department and/or Business Plan for the years 2008 through 2011.

d. Non-specific employee succession plans are provided in the Horizon Utilities Workforce Labour Strategy and Plan in Exhibit 4, Tab 2, Schedule 6, Appendix 4-2. Such plans are with respect to management and trades within our skilled trades and technical positions. Such positions are within the Construction & Maintenance, Engineering & Operations and Customer Connections departments.

e. The following is a table that compares the 2010 year-end forecast with the 2010 budget included in the Business Plans. The 2010 year-end forecast is based on the year-end forecast prepared as at September 30, 2010. Actual financial results for 2010 have not been completed at this time.

		2010 Budget			2010 Forecast OM&A	2010 OM&A Variance
		As per Bus Plan (1)	Adjustment	OM&A		
Sustainability & BD	(2)	658,388	(523,023)	135,365	135,365	-
Communication		1,047,866	-	1,047,866	898,749	(149,117)
Construction		12,302,186	(7,539)	12,294,647	11,447,117	(847,530)
Customer Connection		2,973,588	-	2,973,588	2,986,054	12,466
Customer Service	(2)	11,628,185	(3,918,185)	7,710,000	8,110,000	400,000
EOOI *		3,399,346		3,399,346	3,136,558	(262,788)
Facilities	(3)	3,557,350	(2,733,278)	824,072	824,072	-
Finance		2,825,200	-	2,825,200	2,667,087	(158,113)
Human Resources		1,839,360	-	1,839,360	1,750,380	(88,980)
IST	(3)	4,624,940	(4,624,940)	-	-	-
Regulatory		2,496,884	-	2,496,884	2,469,192	(27,692)
Safety		466,106	-	466,106	417,105	(49,001)
Supply Chain	(3)	6,338,685	(5,481,402)	857,283	796,033	(61,250)
		54,158,084	(17,288,367)	36,869,717	35,637,712	(1,232,005)
Other	(4)			3,772,026	3,412,031	(359,995)
TOTAL				**40,641,743**	**39,049,743**	**(1,592,000)**

(1) Customer Service and EOOI figures restated as shown in response to part (c)

(2) Adjustments reflect exclusion of non-regulated costs (related to Water billing services; Business development; etc.)

(3) Adjustments reflect cost recoveries, not included in original Business Plans

(4) Business Plans did not include budgets for Executive (CEO, CFO, VP Corporate Services) and general insurance

(5) OM&A of $40,641,743 includes property taxes; reflected as Other Taxes for purposes of the Application

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EB-2010-0131

HORIZON UTILITIES CORPORATION ("HORIZON UTILITIES")
RESPONSES TO
SCHOOL ENERGY COALITION INTERROGATORIES

DELIVERED: January 24th, 2011

Question 9

Reference: Ex. 1/2/2, App. 1-9(a)

With respect to the Business Development Business Plan:

a. P. 3. Please provide details on the Energy Solutions new product offering.

b. P. 5. Please provide details on the "LDC sector benchmarking data base", including the items benchmarked, the sources of the data, procedures being used to validate the data, any sharing of the data with other utilities, and the uses to which the data is currently or planned to be put.

c. P. 10. Please disaggregate the line "Total operating expenses (including salaries and benefits)" in each table on this page into the component relating to the Energy Solutions initiative, and the remaining budget.

d. P. 13. Please advise where the Energy Solutions management team and staff is found in the departmental budgets for 2011. Please advise the extent to which the Business Development budget for 2011 was reduced as a result of this change.

Response:

a) Horizon Energy Solutions business plans are not relevant, or of probative value, to this proceeding. Such plans, if and when prepared, are in respect of non-regulated business activities that are separate from the regulated electricity distribution operations of Horizon Utilities.

b) The LDC sector benchmarking data base examines rate and cost comparisons of all Ontario LDCs. The data sources are the approved OEB rates, the annual OEB Yearbook of Distributors, and the financial statements of LDCs. Representative samples of the benchmarking that have been published are found in the annual reports of Horizon Holdings Inc., specifically pages 29-35 of the 2009 report and pages 25-29 of the 2008 report.

In addition to these publications, Horizon Utilities also led a coalition of 22 LDCs in the research, writing and stakeholder management for an OEB-filed benchmarking report on 3rd Generation IRM. This coalition represented more than 50% of all LDC customers and 69% of all customers of municipally-owned LDCs. The Horizon-led coalition's submission arrived at 9 recommendations for improvements in the benchmarking underlying 3rd Generation IRM through 48 pages of analysis of LDC benchmarking issues in Ontario. (See EB-2007-0673 submission filed December 16, 2008 as the Coalition for an Effective Incentive Rate Mechanism. Link: http://www.oeb.gov.on.ca/OEB/Industry/Regulatory+Proceedings/Policy+Initiatives+and+Consultations/3rd+Generation+Incentive+Regulation/3rd+Generation+Incentive+Regulation+-+Filings).

This coalition submission, and the presentation that Horizon Utilities gave to the EDA's Regulatory Council on December 9, 2008, was referenced in or its data analysis and recommendations influenced other submissions to the same consultation on the 3GIRM. It was referenced in the submissions of Hydro Ottawa, Kenora Hydro, PowerStream and Toronto Hydro. In addition, its content influenced the content of the EDA's own submission as well as that of Haldimand Hydro and Whitby Hydro.

c) Horizon Energy Solutions management team and staff are not found in the departmental budgets for Horizon Utilities for 2011. The Business Development business plan was prepared at the Horizon Holdings Inc. level. Horizon Utilities utilizes Business Development resources, if and when it requires assistance, to provide regulatory or business support to Horizon Utilities. When this occurs these

charges are attributable to Horizon Utilities on a basis consistent with the *Affiliate Relationship Code for Electricity Distributors and Transmitters*. Horizon Utilities submits that 80% of business development activity in 2011 will be directly attributable to the electricity distribution operations and has been included for recovery in rate base.

Horizon Group of Companies
2011 Departmental Business Plan
Department Name: Business Development

2011 BUDGET

1. Budget Summary

Sustainability Initiative:

	2010 Budget	2010 Forecast	2011 Forecast *	2011 Budget	Inc/ (Dec)	% Inc(Dec)
Revenue						
Operating Expenses, before distributables	99000	35,000	99,000	99,000	0	0
Distributable Expenses						
Total Operating Expenses (Including Salaries & Benefits)	142,601	35,000	142,601	142,601	0	0
Income (Expense) from Operations						

Business Development:

	2010 Budget	2010 Forecast	2011 Forecast *	2011 Budget	Inc/ (Dec)	% Inc(Dec)
Revenue						
Operating Expenses, before distributables	229,724	229,724	229286	229286	(438)	(0.19)
Distributable Expenses	0	0	0	0	0	0
Total Operating Expenses (Including Salaries & Benefits)	623,388	623,388	695,129	695,129	71,740	11.51
Income (Expense) from Operations						

* 2010 Forecast – as per 2009 Budget and Three Year Plan

1

d) The management and staff of Horizon Energy Solutions are not included in the Business Development departmental budget for Horizon Utilities. The Business Development budget for 2011 was not reduced over 2010.

EB-2010-0131

HORIZON UTILITIES CORPORATION ("HORIZON UTILITIES")
RESPONSES TO
SCHOOL ENERGY COALITION INTERROGATORIES

DELIVERED: January 24th, 2011

Question 10

Reference: Ex. 1/2/2, App. 1-9(b)

With respect to the Corporate Communications Business Plan:

a. P. 12. Please provide the full plan for redesign of the website (including all work by or for all departments). Please provide an explanation of the technology foundation of the current website, the ways in which it is outdated, the additional functionality sought in the new website, the technological challenges to be overcome to achieve that additional functionality, and the benefits of those changes.

b. P. 13. Please provide the business case for the website redesign. Please provide all memoranda, presentations and other documentation dealing with the financial benefits of the redesigned website. Please advise how the "measureable ROI" will be created, and provide an example.

c. P. 14. Please provide any RFP or similar document relating to the retention of third party assistance on the website project.

d. P. 14. Please advise why such a high percentage of the development of the new website is OM&A as compared to capital.

e. P. 14. Please advise whether any other departments include costs associated with the website development. If so, please provide a table showing all such costs, and the total cost of the new website.

Response:

a. The RFP for resign of the website is not complete nor has it been issued. A draft Statement of Work is provided under response to c) with the breakdown of the redesign of the website. The first phase of the redesign will include a website strategy for the site, technical architecture and high level navigation.

The current website architecture at Horizon Utilities was implemented in 2003 and utilizes IBM WebSphere Server software running on an IBM iSeries (AS/400) server with an IBM DB2 Database. Developing and maintaining applications in an IBM iSeries environment is more costly as these are not mainstream web technologies. The current software limits Horizon Utilities options when seeking external expertise for assistance in web application development and support, as well as when looking at pre-developed modules for functionality to support energy tracking and billing tools for customers. The continued utilization of such antiquated technology does not allow Horizon Utilities to provide a satisfactory online customer service experience, does not provide the ability for customers to manage their energy usage, and maintaining older technology becomes costly over time as available tech support dissipates.

The additional functionality sought in the new website redesign will improve internal and external business processes through implementation of new web-based functionality. This functionality includes new connection requests from contractors and customers, service disconnection requests from customers, service order tracking capabilities for customers and automated processes for management of contractors used for distribution system maintenance and capital projects.

In addition, there is increasing demand and expectation from customers requesting Horizon Utilities to utilize mainstream social media technologies, such as, Facebook and Twitter to communicate relevant and timely information related to, but not limited to, service changes and outages. Customers also want to manage their energy use online and at their convenience. Using these technologies to communicate service changes and outages could reduce the number of calls to the Horizon Utilities call centre, provide

more timely information to customers and improve a customer's interaction with Horizon Utilities.

A significant driver for a new Horizon Utilities' website architecture is a requirement for an automated content management system that will provide automated routing for content approval and publishing. This is a requirement in order to handle in a timely manner, the large volume of web content generated to support existing and new customer service programs, and applications to improve support for contractor management processes. The existing, antiquated Horizon Utilities web architecture does not provide content management functionality.

The expected benefits of implementing new website architecture at Horizon Utilities include:

1. Improvement of business processes so that Horizon Utilities is "Easy to Do Business With" by providing web-based applications and tools to support Customer Service programs and contractor management programs.
2. Simplified processes for required support content management of Horizon Utilities website allowing Horizon staff to manage the increase in content that is required to support previous mentioned new initiatives.
3. More cost-effective management of the underlying web infrastructure by moving from the IBM iSeries/WebSphere platform to more cost effective mainstream hardware and web server technologies.
4. Improved customer service by providing improvements in customer self-service tools that are more in line with current web technologies and a growing expectation from customers to provide such information 24/7 and at a time convenient for the customer.
5. Improved customer communications by providing functionality to support such areas of social media technologies as an avenue to disseminate relevant and timely information related to services and billing changes, service outages, and energy savings programs.

b) The anticipated Return on Investment (ROI) is expected to be most evident in the additional customer focused functionality that will be added to the website. Customers have a heightened expectation for 24/7 online services and adding web-based functionality, such as real-time management of energy consumption. The current website cannot facilitate online functionality that would be a benefit to customers, such as the ability to make online bill payments. Detailed metrics will be developed during implementation, and as an example may include:

- The number of individual phone calls into the Call Centre on issues that can be quickly and easily managed by customers themselves through a robust online Self-Serve, will decrease by a certain per cent per annum in subsequent years.

Enabling additional self-serve customer interactions will have a positive impact on our operating costs while enhancing customer service.

There are no presentations, memorandums or documentation dealing with the direct financial benefits of the redesigned website.

c) Please see below for the Draft Website Redesign Statement of Work. Such has not been issued as of the date of this response.

DRAFT: Website Redesign - STATEMENT OF WORK

BACKGROUND

The Horizon Utilities websites is in need of updating and evolution so that it can meet and exceed industry benchmarks, and support its brand reputation. Recognizing the increasing societal demand for on-line customer-focused care and service, and anticipating the increased need to market products and services to consumers as a result of the Green Energy Act, the redesigned Horizon Utilities website will respond with agility to changing customer expectations and exploit new web-based business models.

Key internal website stakeholders include the following Horizon departments: Corporate Communications, Information Technology, Conservation and Demand Management, Customer Services and Human Resources.

RFP OBJECTIVE

Horizon Utilities is looking for firms to submit proposals relating to (1) the development of a website strategy and architecture utilizing Microsoft SharePoint, and/or (2) the technical and creative design and maintenance, and website hosting services for Horizon Utilities. Respondants may submit a proposal for

either component or both of them. Each component section must include its own separate proposed budget and timelines/critical path.

Specifically the website redevelopment project will:

- Position Horizon Utilities as an industry leader in using the web to meet and exceed customer expectations;
- Facilitate the organization's ability to be "easy to do business with" and to better satisfy changing (and exceeding) customer needs and expectations;
- Enhance the organization's ability to use online technology to achieve Conservation and Demand Management targets;
- Support the organization's ability to take advantage of new revenue streams that may become available as a result of the Green Energy Act;
- Enable the organization to take advantage of cost improvements that would result from enhanced e-business functionality;
- Allow the organization to fully participate in the rapidly evolving field of social media and community marketing; and
- Allow the organization to position itself as a thought leader in the industry, and in its communities.
- Provide an updated design and architecture that features a clean look, with search engine capabilities, that facilitates quick and direct navigation for users.

LOOKING BEYOND

Several websites for utility companies in the United States, United Kingdom and Australia are state-of-the-art and offer customer-centric features and functionality. Horizon Utilities is redeveloping and rebuilding its "web presence" and has an opportunity to match and exceed those industry standards. The organization has an opportunity to develop its site using advanced site architecture (i.e., for current and future use), modern design, and leading edge applications and functions that will contribute positively to the bottom line and enhance the organization's reputation as a market leader. The new website will become a leading edge site, which features clean layouts and easy navigation, and an effective tool to progress Horizon Utilities marketing, communication and revenue initiatives.

The organization has the opportunity to capitalize on the benefits technology offers as a tool to help current and emerging businesses grow.

PROJECT OUTCOME

A phased Horizon Website Redevelopment Strategy has been developed in consultation with all stakeholders. This strategy focuses on providing a website that will:

- **Increase customer satisfaction** as a result of improved access to services (24/7 self-service), usability, functionality and timeliness of information. This will apply to all classes of customers (e.g., residential, commercial, industrial) and other stakeholders (e.g., developer community, vendors, cities).

- **Postively impact revenue** by enhancing the ability of Conservation & Demand Management (CDM) to achieve program targets while minimizing or reducing marketing expenses through the use of an advanced web-based marketing strategy.

  This strategy will incorporate interactive tools, search engine optimization and marketing, widget marketing, mobile marketing, community marketing and social media optimization, data-mining, microsites and e-commerce. Sophisticated web analytics and tracking mechanisms will provide the ability to quickly track the effectiveness of programs and offer opportunities for cross-promotion of programs to motivated customers.

- **Cost containment** through organizational efficiencies brought about by the use of automated e-business and e-commerce methodologies and by enhancing customer online self-service opportunities and interaction.

- **Help create measurable ROI** through the use of sophisticated website analytics and their application in developing strategies to achieve business goals.

- **Support the company's growth strategy** by providing e-commerce functionality for businesses requiring a different business model than the one commonly experienced in a utility company.

- **Optimize the ability to attract and retain qualified and diverse employees in an increasingly competitive environment** by providing a wider exposure for Horizon's career opportunities, access to a larger pool of better-qualified candidates, a streamlined candidate screening process, and an enhanced application experience for web-savvy candidates. This can be through a custom built solutions or "out of the box".

- **Enhance Horizon Utilities' brand awareness and reputation** as a leader in the industry through the improved look and feel of the site, increased websphere exposure (including blogosphere and Twittersphere), and digital asset optimization (photos, videos, podcasts, etc.).

- **Position Horizon Utilities as a thought leader and innovator** in the industry and the worldwide energy community in the realms of energy conservation, smart grids, energy conservation education for children, renewable energy, building sustainable communities, etc.

- **Optimize the ability to attract qualified and diverse vendors** through the use of on-line supply chain management functionality.

- **Improve enterprise agility** to respond quickly to emerging customer demands, develop new revenue streams and participate in evolving online trends by establishing a flexible, robust site architecture.

- **Provide an enhanced level of service to marginalized customers** by providing specialized services for the visually impaired and customers whose first language is not English.

- **Improve the timeliness and freshness of site content** while maintaining appropriate controls through the use of an easy-to-learn and use distributed content management system with a built-in mechanism for timely updating of content.

- **Provide the ability to benefit from social media** participation as this trend continues to evolve.

PROJECT STRATEGY

This project has been structured in five (5) phases.

Phase I of this project – *The Discovery Phase* – was completed by Horizon Utilities in 2009. It involved interviewing stakeholders to determine current and future business needs, exploring opportunities for workflow/process improvements, determining technical requirements, conducting a digital asset inventory, auditing the existing site, and benchmarking against other utilities' sites and outlining supplier requirements.

This RFP for Website Redevelopment Strategy requires the supplier to bid on and complete phases II through V.

- Phase II is *Strategic Planning* with development of a specific website strategy.
- Phases III to V are (III) *Technical Design; (IV) Creative Design, Content Creation and Testing;* and *(V) Maintenance and Upgrading,* respectively.

Phase II – Strategic Planning Phase | Website Strategy

The first component of this RFP is the strategic planning phase, during which the selected Firm will develop and complete the following *key deliverables:*

- Website strategy
- Compatability with Microsoft SharePoint
- Approval of website strategy and budget allocation.

Deliverables

- Identify and prioritize potential features and functions including e-commerce, e-business and custom applications currently being developed by software developers (e.g., Blackberry, iPhone applications)
- Define functional specifications and technical architecture
- Define client interface requirements and primary operational processes
- Evaluate technical feasibility and required third-party or legacy back-end systems integration (database schema)
- Develop high level navigation structure
- Provide complete site map
- Develop site architecture and screen mock-ups for proposed functionality
- Provide proposal for content management system including definition of process, embedded controls and an outline of the behind-the-scenes document management system for archiving outdated web content
- Provide proposal for hosting requirements
- Define security and privacy strategy
- Define strategy for compliance with web accessibility initiative
- Complete site search functionality
- Provide wireframes for all pages – prior to creative design work
- Provide mocked up screens for selected customer self-service features showing the general design and operation of the features
- Reporting – definition of required web analytics

- User case modelling
- Train users – Content Management System
- Train content creators – Search engine optimization
- Creative design of pages
- Assistance in the development of content to meet search engine optimization requirements.

Additional functionality, to be priced per item, separately from main bid

- A job application section
- A Request for Proposals section
- Design ability to complete and file forms online for all stakeholder groups
- Design ability for interactive programs
- Intergrate exisiting outage notification system, that connects seamlessly to social media tools such as Facebook, Twitter, etc.
- Develop a tool/program that allows for the collection of customer email adresses, on a voluntary basis, for the purposes of using the database to share relevant information with our customers
- Design ability to facilitate e-commerce, including the ability to pay bills online
- Design ability to provide core information in languages other than English.

The second component of this RFP consists of Phases III, IV and V, during which the selected Firm will develop and complete the following *key deliverables:*

Phase III –Technical Design Phase

- Development of site and technical specifications.

Phase IV – Creative Design, Content Creation and Testing

- Creative design of all site pages
- Development of site content
- Testing of site
- Launch of website

Phase V – Maintenance and Upgrading

- On-going maintenance and upgrading of the infrastructure and system**.**

Research

The selected firm(s) will be provided with best practices studies and/or related research which will provide a foundation for the strategic development and construction of the Horizon Utilities website and overall online presence.

The proprietary research documents include:

1. Who's Leading the Industry Online? An Exclusive Research Report on the Best Web 2.0 Practices of Utility Websites
2. Recommendations for Website Redevelopment for Horizon Utilities.

d) Costs to be incurred with the website redevelopment are anticipated to be primarily those generally described as OM&A. The OM&A and capital split for this project is reasonable. Capital costs budgeted are expected to cover any needed hardware, software and the development time for architecture and basic design. The majority of the redesign work is operating, maintenance and administration, and includes, consultation, substantive content review/revision and input, training, and hosting the website internally. The redesign will be introducing a new content management system, which will decentralize the initiation and posting of web content throughout the organization. After content is posted at the department level, through an automated process content will move to the next stage of approval. The writing, posting and approving of content in the content management system that is ultimately selected represents a significant change, and will require training and ongoing support.

e) Corporate Communications is the only department with a website redevelopment budget in 2011.

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HORIZON UTILITIES CORPORATION ("HORIZON UTILITIES")
RESPONSES TO
SCHOOL ENERGY COALITION INTERROGATORIES

DELIVERED: January 24th, 2011

Question 11

Reference: Ex. ½/2, App. 1-9(c)

With respect to the Construction and Maintenance Services Business Plan:

a. P. 3. Please provide the report or reports on the 2010 pilot for the portable office.

b. P. 6. Please confirm that tree trimming costs are reducing because the prior year budget includes backlog from previous years. Please confirm that the transfer to Facilities is not a cost reduction, but a reallocation. Please confirm that 2010 actuals are expected to be $500,000 below budget, and that the $200,000 "Total net incr." figure does not take that $500,000 into account. Please confirm that the "apples to apples" increase in this department's operating budget compared with 2010 actual spend is $1,980,000, or 16.8%.

c. P. 13. Please estimate the impact on the 2011 deficiency of "increased customer paid services". Please advise the impact on this department's budget of this initiative.

d. P. 15. Please provide a copy of the "space study" referred to, if it is different from the study referred to in question 15 below.

e. P. 26. Please reconcile the 25%/75% and 75%/25% assumptions for in-house/contractor work with the assumptions as to contractor percentages in Ex. 4/2/6, App. 4-2.

f. P. 30. Please review the capital plan table and reconcile the totals to the five listed components of those totals. Please advise the amount of budget that was transferred to the IT group.

Response:

a. In 2010, the initiative was a small pilot project with a select group of C&M Services Line Trades trialing the use of laptops with wireless internet communication "sticks". This group included cross-section of Lead Hands, Trouble people, Substation Maintainers and Contractor Inspectors. The pilot team members used their laptops to access SCADA systems, GIS systems, email and other functions to work more efficiently in the field. The following benefits were verified:

- Productivity improvements based on less travel time to/from the office.
- Improved customer response time because Lines Trades can use SCADA and GIS systems directly, rather than calling someone or going back to the office.
- Enhancements to existing work protection safety processes by having SCADA and GIS available in the field.

The group also compared laptop style computers with tablet style computers. Based on this work they have recommended the tablet computers for future implementation based on:

- Ease of use and reliability in all environmental conditions.
- The smaller size, making it easier to use in trucks and on the actual job site.
- Consistency with tablets used by the Connections Group for service orders.

Based on the size of the size and cost of the 2010 trial, a formal report was not written. Based on the very positive results with the small pilot group in 2010, the plan is to proceed with larger pilot group in 2011 and full implementation in 2012. Each step requires purchase tablet computers, training and IT support.

b. Tree Trimming costs have decreased for several reasons:

- A more aggressive program was initiated in 2006 based on a 3 year cycle. Based on this schedule the tree trimming backlog was fully addressed by 2008. As a result the

tree trimming costs for 2009 and 2010 have decreased. We expect this trend to continue in 2011, when the last grid is fully trimmed for the second time.

- Increased competition from Tree trimming companies. We have added new tree trimming contractors to the bidder list.

- As Tree trimming contractors become more experienced with the requirements in the standard bid requirements, they are increasingly efficient in meeting Horizon Utilities' requirements.

The transfer of budget from Construction and Maintenance Services is a reallocation (reduction in budget in one area and an increase in budget in the other).

As of September 30, 2010, the 2010 total tree trimming costs were forecasted to be $500,000 below budget. The $200,000 "Total Net Incr.", as referenced in the table on page 6 of the Construction and Maintenance Business Plan (E1/T2/S2, Appendix 1-9 (c), was calculated based on the assumption that the tree trimming 2011 budget was being reduced by $600,000, such assumption were made in June of 2010 when the business plan was written. As such, the forecasted budget as indicated in September 30, 2010 is most up to date.

The increase in the Construction and Maintenance operating budget compared to 2010 actual spend is approximately 16.8%.

c. There are no financial impacts on the 2011 deficiency of "increased customer paid services" on the department budget. This initiative is expected to improve customer satisfaction as a result of improved timeliness in the closure of customer paid projects, including final invoicing.

d. Please see Horizon Utilities' response to School Energy Coalition Interrogatory 15.

e. The percentage provided in the Construction and Maintenance business plan on page 26, refers to "distribution system large capital projects in overhead". The percentage provided in Exhibit 4, Tab 2, Schedule 6, Appendix 4-2 is for "all distribution

system capital projects". "Distribution system large capital projects in overhead" is subset of the "all distribution system capital projects". Both numbers are correct in the appropriate context for which they are being used.

- In reviewing the capital plan table on page 30 of the Construction and Maintenance business plan, Horizon Utilities has identified a few items that need to be clarified and or corrected. The updated table is shown below.

	2010 Budget	**2011 Budget**	**Increase/Decrease (Dec)**
Distribution System Capital	0	0	0
Meters (including Wholesale)	0	0	0
Smart Meters	0	0	0
Fleet	0	0	0
Buildings/Facilities	$50,000	0	($50,000)
Other:			
Approx. Comp. Hardware/Software	$89,000	$25,000	($64,000)
Approx. Office Furniture & Equipment	$67,000	$35,000	($32,000)
Approx. Communication Equipment	$19,000	$16,000	($3,000)
Approx. Tools & Equipment	$470,000	$390,000	($80,000)
Approx. Other	$200,000	$100,000	($100,000)
TOTAL CAPITAL BUDGET	**$895,650**	**$566,245**	**$330,405**

The note included in the Construction and Maintenance Services Business Plan at Page 30 that indicates that "most of the computer budget has been transferred to the IT Group" is in reference to the corporate computer replacement program. The corporate computer replacement program is now budgeted within the IST department.

The amount of budget that was transferred to the IT group was $64,000.

HORIZON UTILITIES CORPORATION ("HORIZON UTILITIES")
RESPONSES TO
SCHOOL ENERGY COALITION INTERROGATORIES

DELIVERED: January 24th, 2011

Question 12

Reference: Ex. ½/2, App. 1-9(d)

With respect to the Customer Connections Business Plan:

a. P. 4. Please reconcile the statement "this will be managed within the existing headcount" with the increase of 2 FTE on page 25.

b. P. 10. Please advise why the new Key Account Representative is being allocated to Customer Connections Department, as opposed to, for example, Customer Service Department.

c. P. 14. Please provide a copy of the "2010 study of IFS quality module recommendations"

d. P. 21. Please advise where the increase in MSO/MSP external services revenues appears in the Application.

e. P. 21. Please confirm that the "IFS integration $200K" is a one-time cost.

Response:

a) The referenced statement on page 4 "… maintaining a skilled staff complement will be a challenge over the next three years with seven expected retirements. This will be managed within the existing headcount through the prompt filling of vacancies and efficiency improvements …. " refers to the succession planning requirement for the seven skilled unionized staff that are expected to retire over the next three years and will be hired and replaced as the current incumbents retires. The Customers Connections Department is not anticipating pre-hiring for these positions. The increase

of 2 FTEs on page 25 are for management staff including a position for a Key Account Representative and a position is to manage the increased work load with micro/FIT connections. Horizon Utilities has been facilitating renewable connections. Horizon Utilities Basic Green Energy Act Plan forecasted the need for additional resources to facilitate the connection process. Customer's look to Horizon Utilities to assist them with the process from beginning to end as their subject matter expert. In 2010, the OPA received 221 micro/FIT applications for Horizon Utilities service territory of which 36 connections are complete.

b) Key accounts are primarily comprised of our large industrial customers who have issues and concerns that tend to be very technical in nature. This position is being created to better address their issues with a single point of contact and to better understand how their business impacts Horizon Utilities. The Customer Services Division is comprised of Customer Service, Customer Connections and Conservation and Demand Management. The Key Account Representative position is best managed through the Customer Connects Department as its staff has both the technical and business expertise that can best support this position and the customer requirements.

c) A copy of the 2010 study of the IFS quality module recommendations is attached.

d) No MSO/MSP external services revenues /costs are included in the Application.

e) The IFS integration costs of $200K are one-time costs. Please note that the $200K is comprised of both operating and capital expenditures. The amount that is included in OM&A is $70K, as documented in Section 2.3 Incremental Initiatives and Projects on page 22 of the Customer Connections Business Plan. These costs are required to integrate the data from our e-mobile service order automation project with our ERP system to better manage and track our work orders and metering inventory.

IFS Quality Management Module Functionality Review And Implementation Study 2010

Prepared by: _____

Rob Henschel
Manager,
Meter Assets & Inside Services
Customer Connections

Approved by: _____

Jim Patterson
Director,
Customer Connections

Documentation Control

Documentation can be in the form of work instructions, specifications, drawings, etc.

IFS functionality:

- Defines documentation authority i.e. the authorizers, editors, and users.
- Maintains versions and revisions.
- Controls documentation review through pre-set timelines.
- Documentation can be defined for specific user groups.
- Documentation can be connected to work instructions and projects.
- Can be supported by handheld devices.

Benefits:

- Allows for centralized documentation control.
- Reduces the need for hard copy documents to be maintained.
- Reduces paper use.
- Documents are readily available to the user/worker; especially if linked to handheld devices.
- Ensures documents are being reviewed on a predetermined basis.
- Controls the authority to authorize and edit documentation.
- Reduces duplication between working groups.

Reporting

IFS currently supports the reporting of the Health and Safety Incident and Work Site Inspections; nonconformance, corrective, and preventive action reporting can be maintained using a similar process.

Reports are user and departmentally defined however; an identification standard will need to be established which defines whether the report is a nonconformance, a corrective action, or a preventive action.

Added benefits:

- Improved analysis; i.e. trending, preventive maintenance (PM), asset management, etc.
- Supports multiple working groups.
- Report can be attached to work orders.
- Defines process flow and can automatically notify individuals within the defined reporting process flow.
- Eliminates paper.
- Provides a dashboard to senior management.

Asset Management
Data management in IFS Plant Design allows the user to view historical work orders against a particular piece of equipment within the facility.

Benefits:

- Allows the user to determine trends, establish PM schedules, failure rates, etc. Plant Design requires data entry of the assets however; much of this data already exists.
- Using the Search Object Wizard the user can search for objects based on technical attributes or main data.

- Meters
  - SPC test data (IFS Quality Module) can be attached to serialized objects or lot information and follow the object for its operational life.
  - Test data is available to multiple users for reports and enhanced customer information.
  - Analysis can be performed to determine asset failure and predict replacement.
  - Improves budgeting process as it relates to asset replacement.

Statistical Process Control (SPC) and Capability Indices (Cpk)
The IFS Quality Module supports all aspects and fundamental requirements of typical quality management systems. For material control and device testing this review looked at the following:

- Failure Mode and Effects Analysis (FEMA)
- Control Plans
- Recording Test Results (Analysis)
- SPC and Control Charts
- Capability Index Calculation
- Material Review Board (MRB)

Benefits:

- User defined control plans for manufacturing (meter testing etc.), purchasing (incoming inspection etc.), and inventory.
- Unlimited user defined Control plans (meter Inspection plans) can be created and scheduled.
- Enhances continuous improvement efforts by quantifying results through Risk Priority Number (RPN) and established capability indices (Cpk).
- SPC charts support both variable and attribute data.
- Supports the following standard SPC charts: Xbar & R, Xbar & S, and, X and MR – moving range. This will enhance our requirements as they pertain to meters and the new Measurement Canada S-S-06 Compliance Sampling Standard.

- FMEA can be defined to items (part numbers) or processes. Allows for user defined possible causes for failure and quantify their severity as well as define the method for detecting failures. Enhances existing Preventive Action within the current QMS.
- Enhances the process for establishing relevant KPIs.
- User defined sample sizes (Meter sample sizes will be based on the Measurement Canada SS04 and SS06 Standards).
- User defined Upper and Lower Specification Limits (USL, LSL) can be aligned to support Measurement Canada meter tolerances.
- Automatic alarming can be set up based on specification limits.
- Can automatically define process capability by calculating Cpk values which can be used to determine realistic continuous improvement efforts.
- Maintains test results for sample lots and individual serialized parts.
- Can be set up to calculate test results automatically.
- Disposition codes for nonconformances can be defined – allows for quick analysis and disposition.

EMTS

The EMTS provides meter and process tracking as outlined by the QMS for all meters owned by Horizon, or, any Meter Service Organization (MSO) client. Devices are logically segregated and only those devices that are owned by Horizon interact with the CIS and inventory. It supports barcode technology and is used for the issuance and return of meters. Meter devices such as transformers, and, general inventory items are controlled using IFS. IFS meter processing speed has led to the EMTS to be used as an inventory management tool for meter stock.

Benefits:

- Audited and approved system.
- Controls both Horizon and client meters.
- Creates Measurement Canada approved inspection certificates.
- Controls lot formation and statistical sampling for Horizon and client meter fleets.
- Maintains process control and user authorization.
- Maintains transaction records.
- Supported by QMS documentation.

Inventory Controls - IFS

- IFS can support barcode scanning but currently not implemented.
- Supports automatic reordering and quantity on hand.
- Part reservation for project and work order.
- Count and count adjustments.

Recommendations, Requirements, and Conclusions

IFS currently manages a wide range of functions throughout the organization; the systems full functionality can be expanded through a Phase 2 implementation project. Phase 2 should focus on module expansion and enhancements and review of current practices and work instructions. A Phase 2 team should be established and comprised of Business Process Owner (BPO) and stakeholders.
For example; Phase 2, IFS Quality Module BPO team:

- Supply Chain Management (SCM).
- Customer Connections - Inside Services.
- Information Systems and Technology – Programmers and Business Solutions.
- Company asset management personnel.
- IFS Technical Expert.

Recommended Solution

Retain the current EMTS but only implement those IFS quality management functions that add system value with minimal impact to existing programs.
Remove the EMTS / IFS system interfaces and make the EMTS a segregated QMS tool. The EMTS would retain its current process functionality but will no longer update IFS or the Customer Information System (CIS). Within IFS the EMTS would be set up as an inventory Bin Location. This will allow Horizon owned meters to be received into stock using IFS; thus reducing the need for IFS to track multiple internal meter moves. This will also eliminate interface errors and lags. The EMTS will still contain all its' current functionality for process control, lot selection, maintaining MSO client meters, inspection certificate generation, and seal updating into the CIS. The EMTS will no longer be utilized to control inventory transactions; ultimately this will ease the implementation of e-mobile as it related to inventory control.

Recommendation and requirements:
Within a controlled test environment:

- Establish project team: Business Solutions, IFS Technical Expert, Programmers, Customer Connections, SCM, and Finance.
- Map out processes and functions.
- Set up additional IFS bin locations for the EMTS and field staff.
- Establish meter test console test data uploads to IFS SPC charts to track asset test data, however; the ability for IFS to track multiple test point data must be reviewed. Grouped data may be an option (revisit 2012).
- Establish the methodology to calculate process capability and implement process improvements (revisit 2012).
- Create reporting process in IFS for non-conformance, corrective and preventive action reporting.
- Expand the scope of the current work instruction for attaching documents.
- Create the process for documentation control within IFS.

- Create work instructions and QMS documentation.
- Submit documentation to Measurement Canada for approval.
- Schedule Measurement Canada and ISO audits.

Conclusions:

IFS functionality has the potential to be extended to elements of a documented QMS. The system contains a number of functions that directly relate to elements of quality management. If these elements were implemented Horizon could benefit from; centralized documentation control, asset management, relevant Key Performance Indicators (KPIs), process capabilities, realistic budgeting for asset replacement and PM, and reporting. IFS modules can provide these functions across all working groups while providing senior management with the scientific data needed to make accurate and timely decisions.

Customer Connections recommends that the EMTS be retained as it relates to our quality program, however its interface ties with IFS be removed. In 2011, Customer Connections will commence improvements to documentation control and reporting processes within IFS. These improvements will be initiated and phased in over a 14 to 16 month period. It is recommended that the additional IFS quality functions relating to SPC and capability indices be moved to 2012 or 2013.