

**Horizon Utilities Corporation  
2011 Cost of Service Application  
EB-2010-0131**

**Questions for the Technical Conference from Board staff**

**1. Ref: AMPCO IRs # 7 and # 8**

In its response to AMPCO IR # 7, Horizon states that it has not tracked productivity in the manner of labour productivity or Total Factor Productivity as referenced in AMPCO's interrogatory. Horizon then gives examples of what are cost efficiencies. Horizon also discusses productivity in its response to AMPCO IR # 8.

Please explain Horizon's understanding of productivity versus cost efficiency, and how it is using the term "productivity" in its Application.

**2. Ref: AMPCO IR # 20**

Horizon documents a cost of \$0.37 per retail meter read for a typical outside residential meter read. Please provide the basis for that estimate.

**3. Ref: CCC IR # 3 – Fiscal Year Alignment and Regulatory Risk**

Horizon states that regulatory risk of the misalignment of the fiscal and rate year creates investment risk for a utility.

- a) Even if the rate year and fiscal calendar year were aligned, would the time horizon for many capital projects, particularly for pre-ordering large capital items or components such as vehicles, transformers, etc., be such that the investment risk would still be there (i.e. the utility would have pre-ordered the equipment and committed to the investment before a decision that might result in disallowance of such capital costs)?
- b) Please provide evidence that Horizon has of investment risk due to capital cost disallowances due to the fiscal and rate year misalignment.
- c) Please provide any evidence that Horizon has of investors and/or rating agencies requiring a premium or altering Horizon's or its parent corporation credit rating due to this regulatory/investment risk associated with the fiscal and rate year misalignment.

**4. Ref: CCC IR # 24 – Web Site Redesign**

In its application for an increase to its Smart Meter Funding Adder, being considered under EB-2010-0292, in response to Board staff IR # 10 in that proceeding, Horizon stated:

Ongoing operating and maintenance expenses associated with the customer communication plan including web presentment as noted in Table 7 of this Application [i.e. for the Smart Meter Funding Adder], is budgeted at \$500,000 for 2010, 2011 and beyond.

- a) Does the proposed budget for the website redesign include any of the costs for web presentment that Horizon has included in the requested increased Smart Meter Funding Adder? Please explain your response.
- b) Is the estimated budget for the website redesign “one-time” or ongoing. Please explain your response.

**5. Ref: CCC IR # 28**

Horizon estimates that meter reading expenses will decline to \$322,000 for 2011, roughly 50% of meter reading expenses of \$627,773 in 2008. Horizon states that this is due, in large part to the deployment of smart meters and the communications infrastructure to remotely read and communicate usage data. Horizon also states that:

With respect to the current meter read contract, conventional 1 meter reading costs per meter may increase as efficiencies associated with read routes are lost. However, overall costs for conventional meter reading are expected to decrease each year. Horizon Utilities anticipates issuing a competitive Request for Proposal (“RFP”) process for any conventional meter reading services required beyond the term of the current contract.

- a) With respect to evidence on Smart Meter deployment filed in Exhibit 9 and in the separate application for an increased Smart Meter Funding Adder under File No. EB-2010-0292, Horizon has largely completed deployment to residential and small commercial customers by the end of 2011. Horizon also expects to implement TOU pricing in 2011. Given all of this, why is the estimated meter reading expense for 2011 of \$322,000 only about 10% lower than the average of 2009 (\$348,453) and 2010 (\$366,256)?
- b) What is the term of the current meter read contract? In other words, is the \$322,000 expected to be a reasonable estimate of meter reading expenses beyond 2011 and, if so, for what period of time?

**6. Ref: CCC IR # 36 – Operating Expenses**

Is the \$300,000 identified for consulting services related to the Industrial and Finance Systems in 2011 a one-time cost or ongoing? Please explain your response.

**7. Ref: Board Staff IR # 23 – One Time Costs**

Horizon notes that the projects listed in response to Board Staff IR #23 are multi-year projects and include both OM&A and capital expenditures. For each of the projects provided listed, please identify the OM&A and capital expenditure figures.

**8. Ref: Board Staff IR # 27 – Purchases from Non-Affiliates**

Horizon has provided tables of purchases from non-affiliates up until the 2010 bridge year. No information is provided for the 2011 Test Year. Please provide details and forecasted amounts for the 2011 Test Year.

**9. Ref: Board Staff IR # 41 – Next Rebasing Application**

Horizon Utilities expects to incur \$960,000 in costs in respect of the completion of the 2011 EDR COS Application including its preparation and the proceeding that will follow.

In its response to the above referenced interrogatory, Horizon Utilities has indicated that it intends to file its next rebasing application in 2014 for 2015 rates. Please confirm whether Horizon Utilities is applying to amortize the regulatory costs associated with this rebasing application over 3 or 4 years. Please explain your response.

**10. Ref: SEC IR # 13a – Customer Service Business Plan**

Horizon Utilities has planned for an increase of 25% in call volumes to support the migration of customers to TOU rates through 2010 and 2011.

- a) Please provide the number of total calls, by month, for the 2009 and 2010 calendar years.
- b) What is the basis or evidence that Horizon has used to identify that call volumes are expected to increase by 25% due to the implementation of TOU rates?
- c) Does Horizon expect this increased volume of customer inquiries related to TOU rate implementation to continue beyond 2011, or to decrease to levels closer to 2009 and 2010? Please explain your response.