



BORDEN
LADNER
GERVAIS

Borden Ladner Gervais LLP
Lawyers • Patent & Trade-mark Agents
Scotia Plaza, 40 King Street West
Toronto, Ontario, Canada M5H 3Y4
tel.: (416) 367-6000 fax: (416) 367-6749
www.blgcanada.com

JAMES C. SIDLOFSKY
direct tel.: 416-367-6277
direct fax: 416-361-2751
e-mail: jsidlofsky@blgcanada.com

January 25, 2008

Delivered by E-mail and Courier

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, Ontario M4P 1E4

Dear Ms. Walli:

**Re: EB-2007-0697 – Horizon Utilities Corporation
Application to the Ontario Energy Board (the “OEB”) for Electricity
Distribution Rates and Charges as of May 1, 2008 – Responses to Energy
Probe Interrogatories**

We are counsel to Horizon Utilities Corporation (“Horizon Utilities”) with respect to the above-captioned matter. Please find accompanying this letter two hard copies of Horizon Utilities’ responses to the interrogatories of Energy Probe in this proceeding, together with an electronic copy of same.

Please note that Attachment B to Horizon Utilities’ responses to the Energy Probe, which is a copy of a Simul/UtilityPULSE survey questionnaire, is being filed in confidence for the reasons set out in the response to Energy Probe Question 4. Horizon Utilities is prepared to provide copies of the questionnaire to parties’ counsel and experts or consultants provided that they have executed the OEB’s form of Declaration and Undertaking with respect to confidentiality and that they comply with the Practice Direction, subject to Horizon Utilities’ right to object to the OEB’s acceptance of a Declaration and Undertaking from any person. To date, Horizon Utilities has a copy of the signed Declaration and Undertaking from counsel to Schools, and will be providing a copy to him with the hard copy of the responses. In keeping with the requirements of the OEB’s Practice Direction on Confidential Filings, Horizon Utilities is filing a confidential unredacted version of the questionnaire. The unredacted version of the document has been placed in a sealed envelope marked “Confidential”.

Yours very truly,
BORDEN LADNER GERVAIS LLP

Original Signed by James C. Sidlofsky

James C. Sidlofsky

Vancouver
•
Toronto
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Ottawa
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Montréal
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Calgary



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cc: Max Cananzi, Horizon Utilities Corporation
John Basilio, Horizon Utilities Corporation
Cameron McKenzie, Horizon Utilities Corporation
Intervenors of Record

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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 or fixing just and reasonable rates and other service charges for the distribution of electricity as of May 1, 2008.

HORIZON UTILITIES CORPORATION

2008 ELECTRICITY DISTRIBUTION RATE APPLICATION

**RESPONSES TO ENERGY PROBE
INTERROGATORIES**

FILED: JANUARY 25, 2008

Applicant

Horizon Utilities Corporation
55 John Street North
PO Box 2249, Station LCD 1
Hamilton, Ontario L8N 3E4

Cameron McKenzie

Director, Regulatory Services
Tel: (905) 317-4785
Fax: (905) 522-6570
cameron.mckenzie@horizonutilities.com

Counsel to the Applicant

Borden Ladner Gervais LLP
Scotia Plaza, 40 King Street West
Toronto, Ontario M5H 3Y4

J. Mark Rodger

Tel: (416) 367-6190
Fax: (416) 361-7088
mrodger@blgcanada.com

James C. Sidlofsky

Tel: (416) 367-6277
Fax: (416) 361-2751
jsidlofsky@blgcanada.com

EB-2007-0697

HORIZON UTILITIES CORPORATION

2008 ELECTRICITY DISTRIBUTION RATE APPLICATION

RESPONSES TO ENERGY PROBE INTERROGATORIES

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Responses to Energy Probe Interrogatories

Attachments

Reference:

A

Energy Probe Question 3

B

Energy Probe Question 4 **(BEING FILED IN CONFIDENCE)**

MANAGEMENT STRATEGIES & OBJECTIVES

Interrogatory # 1

Ref: Exhibit A, Tab 2, Schedule 1, page 1

Please provide empirical data i.e. quantitative and qualitative information (e.g. survey results, consultants' reports, focus group research, performance indicators, ratios etc.) to demonstrate that Horizon Utilities has been or is able to become "a best-in-class performer with respect to its customers, shareholders, and similar empirical data to demonstrate that Horizon is or can be "the best managed utility," "easy to do business with," and "a great place to work" consistent with its corporate objectives.

Response:

Horizon Utilities' corporate objectives are set so as to inspire and to motivate employees to do better in achieving their goals. Horizon Utilities cannot prove nor does it have any evidence that it will be successful in becoming the "best managed utility".

Horizon Utilities is providing the following evidence that it is recognized by the sector as being well managed. Horizon Utilities is striving to become a "best-in-class performer" by being "the best managed utility", "easy to do business with" and "a great place to work":

Horizon Utilities was the recipient of the Electricity Distributors Association 2006 Local Distribution Company Performance Excellence Award. This award was presented to Horizon Utilities by its industry peers in recognition of its outstanding success in 2005 and 2006 in the following areas:

- Occupational Health and Safety
- Operational Excellence
- Financial Operations
- Retail Strategies for Conservation and Demand Management
- Contribution to Community

1 In addition, Horizon conducts an annual Customer Satisfaction survey through a third party
2 consultant – and continues to experience positive trending on its customer satisfaction
3 score results. Please refer to Horizon Utilities response to EP Question 4 below.

4

1 **Interrogatory # 2**

2 **Ref: Exhibit A, Tab 2, Schedule 1, page 1**

3 Please provide evidence that Horizon Utilities is “self aware,” “embrace(s) policies and
4 processes,” and “takes steps to implement improvements on a continuous basis” i.e.
5 engages in continuous organizational improvement (e.g. Total Quality Management
6 (TQM)), if it does.

7 **Response:**

8 Horizon Utilities provides the following evidence that it takes step to implement and support
9 continuous improvement in its business decisions towards providing better customer
10 service and a safe and challenging work environment for its employees.

11 **New ERP Software Solution**

12 Benefits of this project are provided in the ERP Business Case in Exhibit B/Tab 3/Schedule
13 1/Appendix E/Sections 3.1, 3.2 and 3.3.

14 **Asset Management Business Processes**

15 Horizon Utilities is undertaking an initiative to determine best practices in asset
16 management that will assist in directing its current and future capital investments to ensure
17 safe and reliable distribution of electricity, to its customers, in the most cost effective and
18 efficient manner. The program is outlined in the Distribution System Capital and
19 Maintenance Programs in Exhibit B/Tab 1/Schedule 1/Appendix A.

20 **ISO Certification**

21 Please refer to Horizon Utilities response to EP Question 6 below.

Interrogatory # 3

Ref: Exhibit A, Tab 2, Schedule 1, page 1

Please provide evidence that Horizon Utilities has “an engaged workforce”, and treats its employees as “its most important valued asset”.

Response:

Horizon Utilities is providing the following evidence that it has an engaged workforce and treats its employees as its most important valued asset.

Employee Health & Safety

Horizon Utilities most important priority is safety - Safety of the public and safety for employees. Horizon Utilities emphasizes safety to all employees and provides training and awareness for safety related matters in regular communications.

Horizon Utilities engages volunteer employees as trainers, problem solvers, committee participants and for community outreach. In 2006, 42% of employees volunteered for one or more health and safety initiative. This is clear evidence that Horizon Utilities' employees are engaged.

Training & Development

Horizon Utilities has a high percentage of skilled trades and professionals in its workforce. Retaining and keeping employees engaged is in part attributable to the development opportunities Horizon Utilities provides. Trades groups are provided apprenticeship programs supplemented with formal in-classroom education.

Horizon Utilities also offers its employees the opportunity to advance their development and supports their progress through an education reimbursement plan. The plan provides for reimbursements of 50% to 100% of tuition costs, for studies considered to be of

1 relevance to Horizon Utilities business.

2 **Employee Events to Bolster Engagement**

3 Horizon Utilities provides employee events and opportunities for employees to interact,
4 learn more about the business and exchange ideas throughout the year. Such
5 events/opportunities include;

- 6 • Volunteer opportunities (42% of Horizon Utilities employees volunteered in internal
7 and community events in 2006)
- 8 • Annual Family Day Picnic
- 9 • Annual Christmas Pancake Breakfast
- 10 • United Way BBQ events and fundraisers
- 11 • Multitude of joint management/union committees, teams and focus groups operating
12 throughout the organization
- 13 • Annual Children and Adult Christmas Events

14 **Effective Employee Communication**

15 Horizon Utilities considers an engaged workforce to be one that understands the reasons
16 the business exist and what drives its strategies and decisions. A Communications
17 Audit/Survey, provided as Attachment A, was conducted in 2007, which resulted in 83% of
18 employees reporting that communications efforts in 2006/2007 had increased their
19 understanding of the business strategies and key initiatives.

Interrogatory # 4

Ref: Exhibit A, Tab 2, Schedule 1, page 2

Please provide detailed survey research evidence that Horizon Utilities “puts customers first” and “continues to achieve high customer satisfaction through and independent industry survey.” Name the “independent” surveyor; provide dates and the methodology (ies) of the survey(s) including the surveyor’s specific interview schedules (i.e. questionnaires) and sample sizes.

Response:

For the past 7 years, Horizon Utilities and its predecessor Hamilton Hydro Inc. have participated in the annual Electric Utility Customer Satisfaction Survey for Electric Utilities in Ontario and across Canada, which was conducted by Simul Corporation/UtilityPULSE.

The UtilityPULSE survey is conducted annually between March and May. The survey creates an Ontario benchmark and Canada-wide benchmark for Electric Utilities through independently interviews with customers.

The 2007 survey was based on telephone interviews conducted by Simul/UtilityPULSE between April 9 and May 2, 2007. Horizon Utilities provided its list of phone numbers for Residential and small to medium size commercial customers to Simul/UtilityPULSE. From such list, Simul/Utility/PULSE randomly selected a statistically significant sample to support the survey, thereby ensuring that each customer had an equal chance of being selected. The survey included 402 Horizon Utilities customers who either pay or look after the electricity bills. In sampling theory, in 19 cases out of 20 or 95% of the polls, the results, based on a random sample of 402 from a population of 231,000 residential and commercial customers will differ by no more than ± 4.9 percent, where opinion is evenly split.

Horizon Utilities’ target objective was to achieve a 2% satisfaction rating above the Ontario benchmark of 83%. The results of the 2007 survey indicate that Horizon Utilities has achieved its corporate objective in this regard, with a customer satisfaction rating of 86% -

3% above the Ontario benchmark. More importantly, Horizon Utilities continues to demonstrate an upward trend and continuous improvement in customer satisfaction. The table below illustrates Horizon Utilities' performance since 2004.

	2004*	2005*	2006	2007
Horizon Utilities	73%	81%	84%	86%
Ontario	71%	79%	82%	83%

*results of former HHI used

Simul Corporation is a corporation which is engaged in competitive businesses. The disclosure of the terms of the Simul/UtilityPULSE questionnaire could reasonably be expected to prejudice the economic interest of, significantly prejudice the competitive position of, cause undue financial loss to, and be injurious to the financial interest of Simul Corporation since it would enable its competitors to ascertain the survey methodology used by Simul. The OEB's Practice Direction on Confidential Filings (the "Practice Direction") recognizes that these are among the factors that the Board will take into consideration when addressing the confidentiality of filings. They are also addressed in section 17(1) of the Freedom of Information and Protection of Privacy Act ("FIPPA"), and the Practice Direction notes (at Appendix C of the Practice Direction) that third party information as described in subsection 17(1) of FIPPA is among the types of information previously assessed or maintained by the OEB as confidential.

Accordingly, Horizon Utilities requests that the Simul/UtilityPULSE questionnaire be kept confidential. Horizon Utilities is prepared to provide copies of the questionnaire to parties' counsel and experts or consultants provided that they have executed the OEB's form of Declaration and Undertaking with respect to confidentiality and that they comply with the Practice Direction, subject to Horizon Utilities' right to object to the OEB's acceptance of a Declaration and Undertaking from any person. To date, Horizon Utilities has a copy of the signed Declaration and Undertaking from counsel to Schools.

1 In keeping with the requirements of the Practice Direction, Horizon Utilities is filing a
2 confidential unredacted version of the questionnaire. The unredacted version of the
3 document has been placed in a sealed envelope marked "Confidential". Horizon Utilities
4 has designated the Simul/UtilityPULSE questionnaire as Attachment B to these responses.

1 **Interrogatory # 5**

2 **Ref: Exhibit A, Tab 2, Schedule 1, page 4**

3 Please provide all labour productivity performance indicators and results for these
4 indicators related to all sub-departmental work carried out by employees and supervisors
5 (presumable in teams), including work in wires & distribution, technical work, and clerical
6 work, for the latest three fiscal years, assuming the results from these referenced indicators
7 are collected. If the data is collected and analyzed, what use is made of this information
8 and analysis?

9 **Response:**

10 Horizon Utilities does not track labour productivity in this way. Results from the indicators
11 referenced in the question are not collected. Horizon Utilities has established internal
12 performance targets for the SQIs in order to measure its performance and improvements
13 and to meet the OEB's reporting requirements.

14 Horizon Utilities utilizes its computer resources to track and monitor areas such as service
15 orders issued and completed, telephone response times, written inquiries and systems
16 outage and response in order to prepare the SQIs.

17 Horizon Utilities regularly reviews the SQI results in order to ensure compliance with OEB
18 standards but more importantly to ensure continuous improvement in achieving its service
19 quality targets and therefore customer satisfaction.

1 **Interrogatory # 6**

2 **Ref: Exhibit A, Tab 2, Schedule 1**

3 Please provide evidence whether Horizon Utilities or any of its affiliates is ISO-certified,
4 when the ISO certification took place, if it did, and when updates to the certification took
5 place, if they did. Please provide internal organization ISO certification summary reports, if
6 they exist.

7 **Response:**

8 Horizon Utilities Customer Connections department was ISO-9001 certified by ITS Testing
9 Services on February 26th, 2003. Yearly surveillance audits have been conducted with the
10 last full recertification in November 2006.

11 Additionally, Horizon Utilities Customer Connections department has been registered as an
12 Accredited Meter Verifier with Measurement Canada since May 1999, and follows the
13 same 3-year recertification process as outlined in the IESO standards. Horizon Utilities
14 latest recertification took place in August 2005.

15 Confirmation of Horizon Utilities certification and its registration information may be found
16 on Measurement Canada's website:

17 <http://strategis.ic.gc.ca/epic/site/mc-mc.nsf/en/lm02566e.html>

18 and the ISO Registrar's website:

19 [http://www.intertek-](http://www.intertek-sc.com/how_to_get/certifiedcompanies/certifiedcompanies/?uword=rate&Search=Submit)
20 [sc.com/how_to_get/certifiedcompanies/certifiedcompanies/?uword=rate&Search=Submit.](http://www.intertek-sc.com/how_to_get/certifiedcompanies/certifiedcompanies/?uword=rate&Search=Submit)

21 Horizon Utilities does not have internal organization ISO certification summary reports.

COST ALLOCATION

Interrogatory # 7

Ref: Exhibit H, Tab 1, Schedule 2

The evidence in Table 3 shows that the Revenue to Cost Ratio for the Residential Rate Classification with Adjustment for Transformer Allowance is 123.6%. In Table 6 the Proposed Revenue to Cost Ratio is shown as 112.44%.

Please produce a revised Table 6 with the Residential Class Revenue to Cost Ratio reallocated to 110%.

Response:

Horizon Utilities does not propose the allocation set out below and maintains that the cost allocation-related adjustments set out in its pre-filed evidence are appropriate and should be accepted by the OEB. For the purposes of responding to this question, Horizon Utilities has provided a revised Table 6 below with the Residential Class Revenue to Cost Ratio reallocated to 110%. The resulting change in revenue requirement has been allocated evenly across the remaining customer classes.

Proposed Revenue to Cost Ratio Ranges			
Customer Class	Low	High	Horizon Utilities
Residential	80%	120%	110.00%
GS <50 kW	80%	120%	94.00%
GS>50 kW	80%	180%	87.30%
Large Use >5MW	80%	180%	94.96%
Street Light	70%	120%	29.94%
Sentinel	70%	120%	486.20%
Unmetered Scattered Load	80%	120%	108.16%
Back-up/Standby Power	80%	180%	94.24%

RATE DESIGN

Interrogatory # 8

Ref: Exhibit I, Tab 1, Schedule 1, Page 15 of 17

The evidence beginning on Line 8 indicates that the Applicant wishes to provide the convenience of payment by credit card for customers in arrears, allowing them to pay the outstanding account balance and thereby avoid disconnection.

Please advise the manner in which the Applicant determined its estimation of a 5% take-up by customers of this offer.

Response:

The estimated take-up rate of 5% was based on internal discussions between Finance and Customer Service and a best estimate given Horizon Utilities' staff knowledge and understanding of its customer base.

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ATTACHMENT A

REFERENCE: ENERGY PROBE QUESTION 3

2007 Employee Communications Strategy

May 2007

2007 Employee Communications Strategy

If employees have a good understanding of Horizon's business strategies and key initiatives, they are likely to be:

- More resilient to change
- More productive (understand their contribution to overall success)
- More willing to foster an environment of respect and trust.

Communications Strategy Objectives

- Raise awareness of Horizon's key initiatives and how their success will benefit employees and the company.
- Raise awareness of industry changes and issues.
- Educate employees on department / position roles & responsibilities

Communications Strategy Objectives

- Create a sense of pride among employees.
- Motivate employees - recognize individual contributions.
- Inspire employees to perform to the best of their abilities.
- Reduce the “lack of trust”.
- Reinforce why Horizon is a great place to work.

Challenges / Issues

- Employees spread out among multiple locations in different cities
- Limited online reach - outside workers do not have email & have limited access to HUCnet
- Multiple formats need to be utilized to reach all employees – electronic & print
- No single way to deliver an “instant” communication to all employees

Challenges / Issues

- Tone and content of communications must appeal to a wide demographic – workforce varies in age and skill set
- Limited formal distribution processes in place



Key Messages

Horizon Utilities:

1. Believes it is important to keep employees well informed of key initiatives and business strategies.
2. Values its employees
3. Uses various tactics to effectively communicate with employees.

Support for Key Messages

1. Horizon clearly conveys its business strategies and key initiatives

- Each area of the four areas of our balanced scorecard represented in all *Current* issues
- Minimum of two key initiative articles in each issue of *Current*
- Key initiatives & projects in support of balanced scorecard clearly identified in *Current*



Support for Key Messages

1. Horizon clearly conveys its business strategies and key initiatives

- Bulletins distributed via email and bulletin boards throughout all stages of key initiative projects (ERP, Smart Meters)
- Key initiative updates provided at semi-annual CEO update meetings
- Key initiatives section on HUCnet

Support for Key Messages

2. Horizon uses various tactics to effectively communicate with employees

A. Face-to-face

- CEO updates
- Lunch and learn sessions – Q2 & Q4
 - Financial Planning, Electrical Safety, CDM Programs
- Employee Recognition – Building on Success

CEO Update - Preferred type of location

- Off-site location 90%
- Horizon Facility 10%



CEO Update –Most interesting

- All of it
- Question and answer period
- Info on mergers and acquisitions
- Industry update
- Energy conservation/smart meters
- The location – “everyone under one roof”
- Employee recognition

Support for Key Messages

2. Horizon uses various tactics to effectively communicate with employees

B. Electronic

- All user emails
- Intranet site (HUCnet) – brand refresh Q4
- Reference to public site – www.horizonutilities.com



Support for Key Messages

2. Horizon uses various tactics to effectively communicate with employees

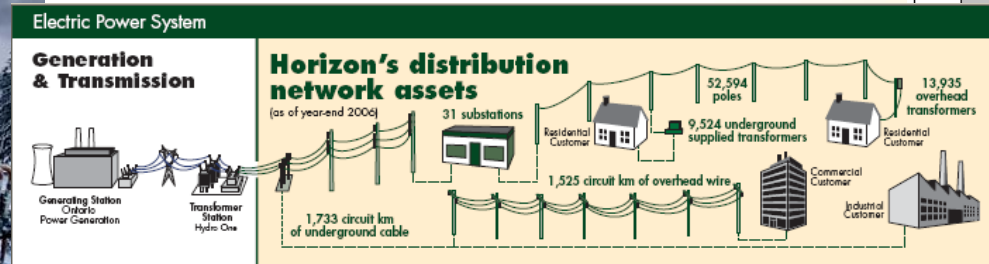
C. Print

- Employee newsletter - seasonally
- Community Report
- Annual Report
- Pay stub attachments



2. Horizon uses various tactics to effectively communicate with employees

- Vivid photographs in *Current*, Community Report, Annual Report, on office walls and on HUCnet
- Detailed diagrams, PowerPoint presentations
- Bulletin boards



Support for Key Messages

3. Values its employees

- Recognizes employee contributions - in bulletins, company newsletter, at events (Building on Success, CEO updates), through celebrations – Fruit Week
- Provides opportunity for input – surveys, Max mail
- Strives to educate employees on industry issues – newsletter, online communications, lending of educational material (Kill-a-Watt meter, An Inconvenient Truth DVD)

Support for Key Messages

3. Values its employees

- Develops initiatives designed to improve employee skills – i.e. Apprenticeship Programs, Leadership Challenge
- Offers free value-added employee events – lunch and learn sessions, information sessions (smart meters)
- Supports health & wellness of employees – reimbursement program, EAP, committees, sponsorship of events (Big Bike, Commuter Challenge)

Measurements of Success – Current readership survey

- Employee newsletter (Current) readership survey
 - Gauge response to first issue
 - Solicit ideas/preferred topics for future issues
 - Establish benchmarks to compare to the year-end survey
 - Ex. “What are two of Horizon’s key initiatives for 2007?”

Survey Results

- **243 responses – 67% of employees**
 - 80% of attendees completed survey
 - detailed answers to open ended questions

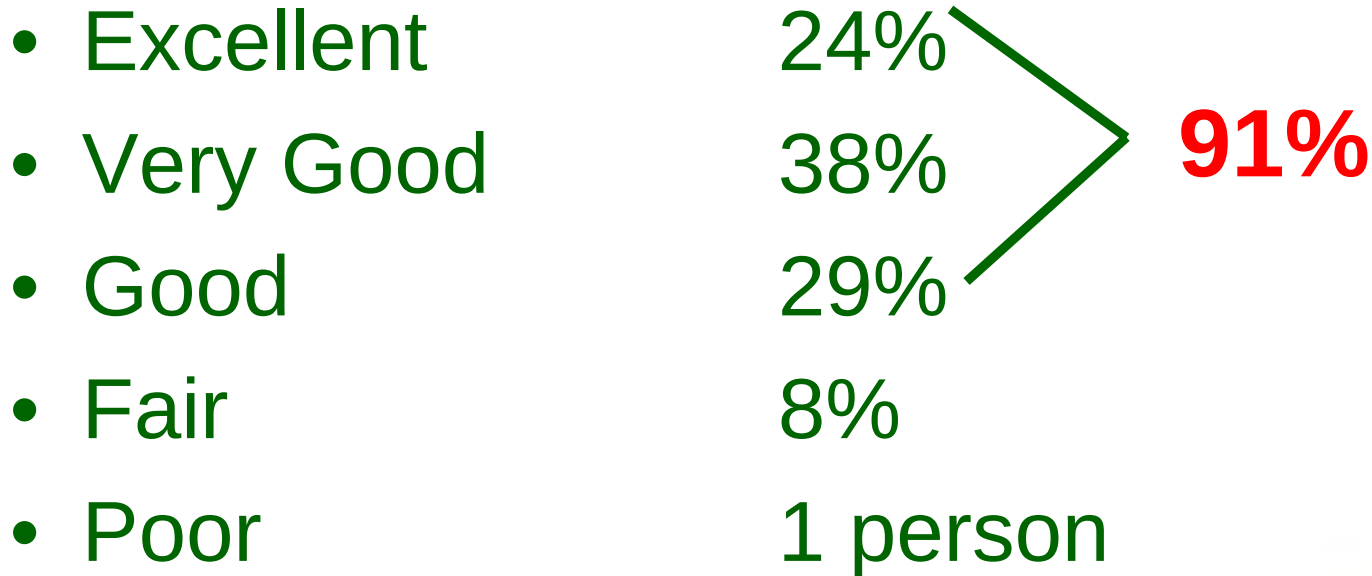


How much did you read?

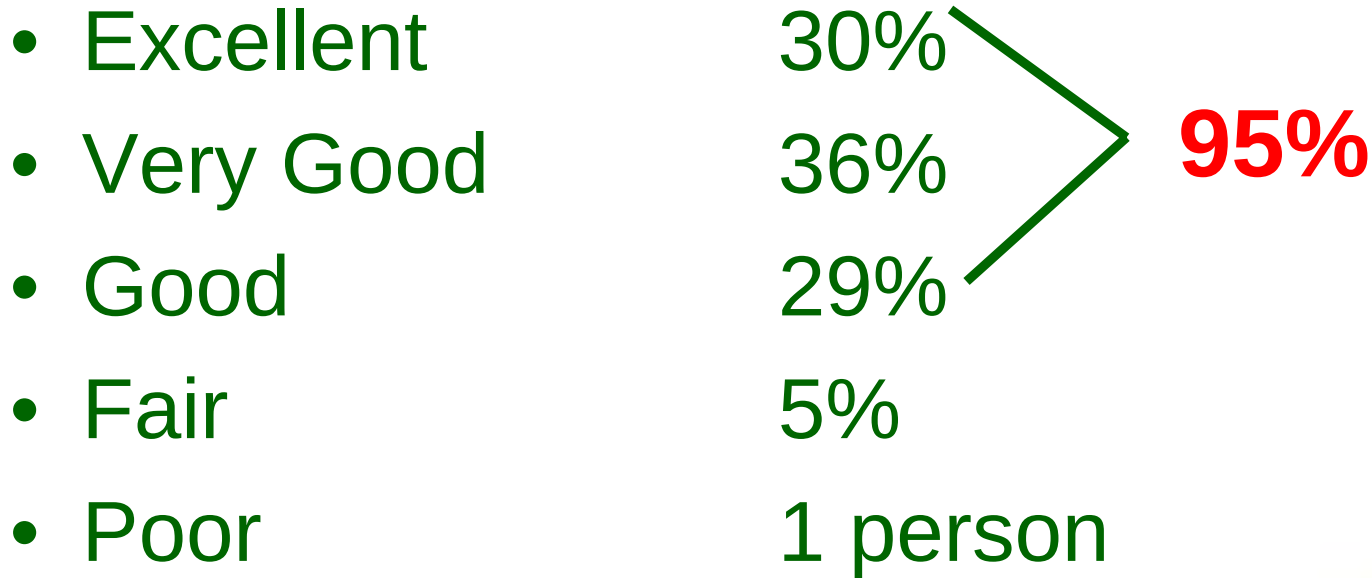
• All	40%	>	65%
• Most	25%		
• Some	17%		
• Skimmed	13%		
• None	5%		



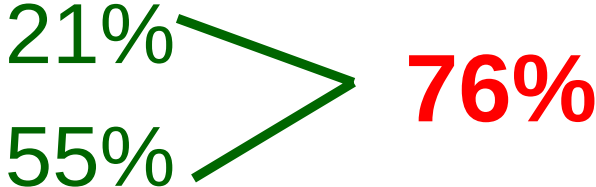
How would you rate the content?



How would you rate the look/design?



Is current helpful/educational?

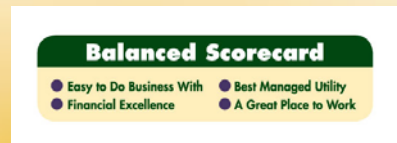
- Strongly agree 21%
 - Agree 55%
 - Undecided 21%
 - Disagree 3% - 7 people
 - Strongly disagree 1 person
- 
- 76%

Current = More informed of Horizon's business strategies & initiatives

- Strongly agree 17%
 - Agree 54%
 - Undecided 25%
 - Disagree 3% - 9 people
 - Strongly disagree 1% - 3 people
- 71%

Two key initiatives

- Majority of responses
 - Mergers & Acquisitions
 - ERP
 - Smart Meters
 - Asset Management
 - Balanced Scorecard areas – “Easy to Do Business With”, “Customers”, “Employees”



Did family & friends read Current?

- Yes – 50%
- No – 50%



What did you like the most?

- Pictures
- Layout/style/look
- Employee recognition
- Diversity of articles – “all areas of the utility”
- Informative
 - Company initiatives
 - Learning what other areas do
 - Events

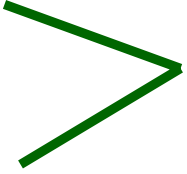
Suggestions for improvement

- More pictures of “my location/department”
- Continued employee achievements/highlights
- Photos of employees in action

Future topics

- Employee & department profiles/stories
- Operational strategies
- Conservation info
- Smart Meters
- Asset Management Plan/AM/FM GIS
- Safety/Wellness
- Day-to-day issues
- Human interest stories

In past year have communications increased your understanding of business strategies & key initiatives?

- Strongly agree 17%
 - Agree 66%
 - Undecided 14%
 - Disagree 3% - 7 people
 - Strongly disagree 1 person
- 
- 83%**

Measurements of Success – Employee Communications Survey

- Communications Survey – Q4 2007
 - Questions on the source, quality and quantity of info.
 - Online for email users, hard copy for outside workers
 - Use some of the same questions as 2006 survey for comparison
 - Gauge response to specific initiatives
 - Ex. Bulletin Boards – “Are the new Corporate & Safety Bulletin Boards a more effective source of information than the previous boards?”

2007 Employee Communications Strategy

May 2007

ATTACHMENT B

REFERENCE: ENERGY PROBE QUESTION 4

(BEING FILED IN CONFIDENCE)