**EB-2014-0002**

# Ontario Energy Board

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

**AND IN THE MATTER OF** an application by Horizon Utilities Corporation for an order approving just and reasonable rates and other charges for electricity distribution to be effective January 1, 2015 and for each following year through to December 31, 2019.

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**INTERROGATORIES OF**
**ENERGY PROBE RESEARCH FOUNDATION**
**("ENERGY PROBE")**

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**July 4, 2014**

**HORIZON UTILITIES CORPORATION**
**2015 RATES REBASING CASE**
**EB-2014-0002**

**ENERGY PROBE RESEARCH FOUNDATION**
**INTERROGATORIES**

## EXHIBIT 1 – ADMINISTRATIVE DOCUMENTS

### 1-Energy Probe-1

**Ref: Exhibit 1**

**Horizon has labelled its application and evidence as a five year custom incentive regulation cost of service distribution rate application.**

a) **Please explain how an incentive regulation application can also be a cost of service application.**

b) **Would Horizon agree with the characterization that the 2015 test year is a cost of service rebasing application, followed by four years based on a custom incentive regulation model? If not, why not?**

### 1-Energy Probe-2

**Ref: Exhibit 1, Tab 2, Schedule 6**

a) **Are the figures shown in Table 1-9.1 for 2011 Board approved based on CGAAP or MIFRS?**

b) **If the response to part (a) above is CGAAP, please provide a version of Table 1-9.1 that reflects MIFRS figures for the 2011 Board approved column.**

### 1-Energy Probe-3

**Ref: Exhibit 1, Tab 2, Schedule 6, Table 1-10**

a) **Please expand Table 1-10 to include a column for actual 2011 data (MIFRS).**

b) **Please provide a version of Table 1-10 that includes a productivity factor of 0.72% for 2012 and 2013.**

**c) Please explain how the line titled "Price Cap Index - Adjusted for Customer Growth" has been calculated.**

**d) Please provide a live Excel version of Table 1-10.**

**e) How many months of actual data are included in Table 1-10 for the 2014 bridge year?**

**f) Please provide an updated version of Table 1-10 that includes actual 2011 data as requested in part (a), and an updated forecast for the 2014 bridge year based on the most recent year-to-date actuals available, along with a forecast for the remainder of the year.**

**1-Energy Probe-4**

**Ref: Exhibit 1, Tab 9, Schedule 2**

**Are there any costs included in the revenue requirement for Horizon Utilities associated with any payments made to the other entities shown in Figure 1-6 associated with the Board of Directors for these other entities? If yes, please quantify for each test year.**

**1-Energy Probe-5**

**Ref: Exhibit 1, Tab 12, Schedules 1 & 2**

**a) For each of the bullet points listed in Schedule 1, please provide a complete description of the adjustment that would be made, the timing of the adjustment and the basis for the adjustment being made.**

**b) Changes in tax rates are listed as both an adjustment (Schedule 1) and a reopener (Schedule 2). Please explain.**

**c) Please provide examples for each of the bullet points shown as reopeners in Schedule 2 where a full explanation has not already been provided.**

## EXHIBIT 2 – RATE BASE

**2-Energy Probe-6**

**Ref: Exhibit 2, Tab 1, Schedule 1, Table 2-6**

**a) How many months of actual capital expenditures are included in the 2014 bridge year forecast in Table 2-6?**

**b) Does Horizon have an updated forecast for 2014? If yes, please update Table 2.6.**

**c) Please explain why Horizon plans to spend significantly more in 2013, 2014 and 2015 than in the other years and why the expenditures were not divided more evenly over all years, about a level of about $2.75 million per year.**

**d) Which expenditures forecast for 2014 and 2015 could be delayed for a year or more without causing any significant impact on the overall project?**

**e) What is the status of each of the projects shown for 2014? In particular, has the work commenced or been contracted out at the present time and are each of the projects still scheduled to be completed in 2014?**

**2-Energy Probe-7**

**Ref: Exhibit 2, Tab 1, Schedule 1, Table 2-7**

**What would be the possible implications if Horizon delayed the phone system upgrade shown in Table 2-7 from 2015 to 2016?**

**2-Energy Probe-8**

**Ref: Exhibit 2, Tab 1, Appendix 2-1**

**a) Please update Table 5 to reflect actual capital additions closed to rate base in 2014 along with the forecast for the remainder of the year. Please indicate how many months of actual capital additions are included in the updated forecast compared to the original forecast.**

**b) The cost disposals shown for each of the years is significantly higher than the corresponding adjustment to the accumulated depreciation disposals, implying that these assets being disposed of are not near the end of life, at least from an accounting perspective. Please explain why the assets being disposed of do not appear to have any significant amounts of depreciation associated with them. For example, in the 2015 test year there is only an adjustment to accumulated depreciation of $187,423 on assets with a cost of $2,089,496, or about 9% of the cost.**

**2-Energy Probe-9**

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

**a) The evidence indicates that Horizon is proposing that the working capital calculation would be updated annually with rates as published by the Board for the cost of power. Please provide a comprehensive list of all changes that Horizon is proposing would be updated as part of the update to the working capital calculation.**

**b) Does Horizon propose to update the cost of power annually to reflect any changes in the ratio of RPP to non RPP volumes?**

**c) Please provide all the data used to provide the estimates for future adjustments to the RPP price in November 2014 through 2019 (i.e. the RPP prices from May 2006 to November 2013).**

**d) Please provide a sample calculation using the data from part (c) above for the RPP price. In particular please show the derivation of the RPP figure of $0.09440 used for 2015 for residential customers.**

**e) Please provide the data and calculations used to calculate the ratio of the non-RPP price to the RPP price (May 2009 through November 2013) in a table.**

**f) Please provide the calculation based on the data in part (e) that results in the non-RPP price of $0.05133 for residential customers in 2015.**

**g) Please explain why the RPP and non-RPP prices are different by rate class and for each rate class please show the derivation of RPP and non-RPP prices shown for 2015. If a spreadsheet exists that does this calculation, please provide a live Excel version of it.**

**2-Energy Probe-10**

**Ref: Exhibit 2, Tab 4, Appendix 2-3**

**a) Please provide the data and calculations used to arrive at the service lag of 27.06 days.**

**b) Please provide the data and calculations used to arrive at the billing lag of 18.98 days.**

**c) Is the billing lag based on revenue weights?**

**d) The evidence states that the 18.98 days for the billing lag is for both residential and general service customers. In this context, does general service include all non-residential rate classes such as GS>50, large user, streetlighting, etc.? If not, what rate classes are included?**

**e) Please provide the data and calculations used to arrive at the 21.77 day collection lag.**

**f) Please provide the data and calculations that result in the 1.54 day payment processing lag.**

**2-Energy Probe-11**

**Ref: Exhibit 2, Tab 4, Appendix 2-3**

**a) Does Horizon have any plans to move customers from bi-monthly to monthly billing?**

**b) If all customers were moved to monthly billing, please show the impact on the overall working capital percentage along with the changes in days for the components of the revenue lag and expense lead, and any change associated with the HST.**

**c) If Horizon does move some or all customers to monthly billing in 2015-2019, would this adjustment be part of the annual adjustment to the working capital calculation? If not, why not?**

**2-Energy Probe-12**

**Ref: Exhibit 2, Tab 4, Appendix 2-3**

**a) Tables 5 and 6 appear to ignore the fact that 2012 was a leap year, using service lead times of 14 days rather than 14.5 days. Please explain.**

**b) Please identify any other calculations associated with expense leads that did not take into account that 2012 was a leap year.**

**2-Energy Probe-13**

**Ref: Exhibit 2, Tab 4, Appendix 2-3**

**a) With respect to regular payroll, please define the term of the prior week's services. For example is the work week defined as Monday through Sunday?**

**b) Please explain why the average service lead time is 15.23 days for Great West Life - Health Care Spending, WSIB and OMERS instead of 15.25 days as it is for the other 2 categories shown page 12.**

**c) Please show the derivation of 373.61 days for the average service lead time and for the -731.16 days for the average payment lead time for computer maintenance.**

**d) Please provide the data and calculations that resulted in the (210.66) days for the annual payment lead time for property taxes.**

**e) Please explain why an average service lead time of 15.21 days was used for PILs instead of 15.25 days for the leap year?**

**f) Please provide the data and calculations that were used to derive the average payment lead time of (158.65) days for interest expense.**

**g) Have there been any changes since 2012 related to the payment timing or frequency of PILs, HST or interest expenses? If so, please provide details.**

**h) Please explain why there is no calculation of the expense lead associated with the payment of dividends, while there is for interest payments.**

**2-Energy Probe-14**

**Ref: Exhibit 2, Tab 4, Appendix 2-3**

**a) Please show the derivation of the HST revenue lead days of (21.08) and show how this figure relates to the components of the revenue lag.**

**b) Please show the derivation of the HST cost of power lead days of 43.73 and show how this figure relates to the cost of power lead time of 32.86 days.**

**2-Energy Probe-15**

**Ref: Exhibit 2, Tab 5, Schedule 1**

**a) Please confirm that the stranded meters would be fully depreciated by the end of 2022 if left in rate base. If this cannot be confirmed, please extend Table 2-43 to the year when the stranded meters are fully depreciated if left in rate base.**

**b) Please confirm that the second option noted on page 4 assumes the $7,974,590 shown in Table 2-42 is transferred to Account 1555 at the end of 2014 and carrying costs are calculated based on the Board approved rate applicable for deferral and variance accounts. If this cannot be confirmed, please indicate what assumptions have been made in calculating the applicable rate riders by rate class.**

**c) Please explain why the 'revenue requirement' is higher in the second option relative to the first option in Table 2-43. Does the 'revenue requirement' for the second option include the revenue from the rate rider? If yes, what other revenue is included in the second option line, since there would be no true revenue requirement associated with the stranded meters if they are removed from rate base.**

**d) Please explain how the recovery of $7,974, 590 in stranded assets through a rate rider results in the recovery of more than $9.4 million over the 2015 to 2019 period.**

**e) Please show the calculation of the rate riders for 2015 and the resulting collection of $2,107,094 in that test year.**

**2-Energy Probe-16**

**Ref: Exhibit 2, Appendix 2-4, Appendix G**

**Has Horizon filed Material Capital Project Templates for the 2014 bridge year? If yes, please identify where in the evidence they are located. If not, please file them.**

## EXHIBIT 3 – OPERATING REVENUE

**3-Energy Probe-17**

**Ref: Exhibit 3, Tab 1, Schedule 2**

**It does not appear that Horizon has provided spreadsheets that show the estimation of the equations reported in the evidence.**

a) **Please provide one live Excel spreadsheet for each regression equation that includes all of the data used to estimate the equation, along with the forecast of the explanatory variables used to generate the forecasts, the estimated equations and the forecasts generated by the equations that match the figures shown in the evidence.**

b) **For each of the above noted spreadsheets, please provide the actual and forecasted number of customers by month in the live spreadsheets.**

**3-Energy Probe-18**

**Ref: Exhibit 3, Tab 1, Schedule 2**

a) **Please explain why the 20 year average monthly degree days is based on 1993-2012 data (page 7), while the 10 year average and 20 year trend use data up to the end of 2013 (page 32).**

b) **The evidence states that the regression equations do not need to include the number of customers as an explanatory variable because the impact of the number of customers is captured in the population explanatory variable. However, it does not appear that there is a population explanatory variable included in the equations. Please reconcile and explain.**

**c) The evidence (page 6) indicates that the forecasts are based on the July 2012 economic outlook from the Conference Board of Canada. Please provide a table that shows each variable used in the regression equations derived from the Conference Board July 2012 forecast and the corresponding value of each of the variables based on the most recent Conference Board forecast available.**

**3-Energy Probe-19**

**Ref: Exhibit 3, Tab 1, Schedule 2**

**a) Please explain the theory behind a positive coefficient on the RPDI variable in the equation and a negative coefficient on the RPDI trend variable. Does this mean that as real personal disposable income increases, residential consumption increases, but if the trend is for increased real personal disposable income, there is a corresponding decrease in residential consumption?**

**b) Please explain the same concept as in part (a) with respect to the GDP and GDP trend variables in the GS < 50 equation. Does this imply that when GDP grows slower electricity consumption in the GS < 50 class increases, and vice versa?**

**c) Please show mathematically how each of the RDPI and GDP trend variables is calculated.**

**3-Energy Probe-20**

**Ref: Exhibit 3, Tab 1, Schedule 2**

**Please provide the corresponding data in the same format as Tables 3-13 and 3-14 that shows the development of the kW forecast for the sentinel and street lighting classes.**

**3-Energy Probe-21**

**Ref: Exhibit 3, Tab 2, Schedule 1**

**Please provide live Excel spreadsheets that contain the estimated equations, historical data and forecasted explanatory variable that result in the customer forecast shown for residential, GS < 50 and GS > 50 customers.**

**3-Energy Probe-22**

**Ref: Exhibit 3, Tab 3, Schedule 2**

a) **Please confirm that the 2013 column in Table 3-41 is an actual figure.**

b) **Please explain why there is no interest income forecast for 2015 through 2017.**

**3-Energy Probe-23**

**Ref: Exhibit 3, Tab 3, Schedule 1**

a) **How many months of actual revenues are reflected in the 2014 bridge year column in Table 3-40?**

b) **Please provide a table in the same level of disaggregation as Table 3-40 that shows the most recent year-to-date figures for 2014 in one column and the figures for the corresponding period in 2013 in another column.**

c) **Please explain the increase in 2013 and subsequent decrease in 2014 in rent from electric property by showing the components of this revenue along with an explanation from any one-time revenue received in 2013.**

d) **Please explain the drop in revenue in 2014 from revenues from merchandise.**

e) **Please explain the decrease in late payment charges forecast for 2014 and then remaining at this level in 2015 through 2019 despite an increase forecast for bad debt expense over this period.**

## EXHIBIT 4 – OPERATING COSTS

**4-Energy Probe-24**

**Ref: Exhibit 4, Tab 1, Schedule 1 &**
**Exhibit 4, Tab 2, Schedule 3**

a) **Please explain the difference in the customer numbers between Tables 4-2 and 4-20.**

b) **Please provide a version of Table 4-2 that reflects the customer numbers used in Table 4-20.**

**c) Please explain the source of the historical non-labour inflation index used for 2012 and 2013.**

**d) Please explain the source of the historical and forecast labour inflation index used.**

**4-Energy Probe-25**

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

**a) How many months of actual expenses are included in Table 4-8 for the 2014 bridge year?**

**b) Please provide an updated version of Table 4-8 that reflects actual year-to-date OM&A expenses incurred and the forecast for the rest of the year.**

**c) Please provide a table in the same level of detail as found in Table 4-8 that shows the most recent year-to-date OM&A expenses available, along with the figures for the corresponding period in 2013.**

**d) Do the donations shown in Table 4-8 include any donations other than those related to LEAP? If yes, please identify and quantify by year any other donations included in the table.**

**4-Energy Probe-26**

**Ref: Exhibit 4, Tab 2, Schedule 2**

**a) Please provide a disaggregation of the $2,759,704 third party costs associated with the 2015 Custom IR application and the year in which the costs were or are forecasted to be incurred.**

**b) Please confirm that the cost incurred or forecast to be incurred before 2015 are not included in 2012, 2013 or 2014 in the data shown in Table 4-20, but only in 2015 through 2019 at a cost of $551,941. If this cannot be confirmed, please indicate the amount included in 2012, 2013 and 2014 associated with this total cost.**

**4-Energy Probe-27**

**Ref: Exhibit 4, Tab 2, Schedule 2**

**a) Table 4-17 shows levels of expenditures in 2015 through 2019 of $551,941 for the 2015 Custom IR application. What was the amount embedded in 2011 base rates from the last COS application for that application? Please confirm that these costs were amortized over the 2011 through 2014 period. If not, please explain how these costs were recovered.**

**b) What were the costs associated with the last collective agreement bargaining process?**

**c) For each of the new business items shown in Table 4-17 please provide the reduction in OM&A costs (if any) built into each of 2015 through 2019 and provide details of the value to be received by customers for each of the items.**

**d) Please provide the cost of the Kinetrics and KPMG studies noted on page 26 and the year in which those costs are included in Table 4-20.**

**e) Please explain why Horizon is not proposing to amortize the costs associated with the ACA studies over the 2015 through 2019 period, or the 2014 through 2019 period.**

**f) A number of the new business requirements shown in Table 4-17 appear to be one-time costs incurred in the historical or bridge years, with no costs shown for any of the test years. Is this a fair characterization of these costs? If not, why not?**

**g) For each of the new business requirements shown in the 2014 bridge year, please provide a status update on the projects, including the most recent year-to-date forecast of actual expenditures and a forecast for the remainder of the bridge year.**

**4-Energy Probe-28**

**Ref: Exhibit 4, Tab 3, Schedule 3**

**What is the level of OM&A and capital additions included in the each of the 2014 bridge year and 2015 through 2019 test years associated with forecasted storm events?**

**4-Energy Probe-29**

**Ref: Exhibit 4, Tab 4, Schedule 2**

**a) Please update Table 4-53 to reflect year-to-date data for 2014, along with a forecast for the remainder of the year.**

**b) Please add a line to Tables 4-53 and 4-54 that shows total compensation per FTE.**

**c) Do the FTE's shown in Tables 4-53 and 4-54 reflect any vacancies in each of the years shown? If yes, please explain why these vacant positions have been included and for each year, please show the number of vacant FTE's.**

**d) If the FTE figures for 2014 through 2019 in Tables 4-53 and 4-54 include vacant positions, what dollar figures have been included in the costs associated with these vacant positions?**

**e) Please provide a table that shows for 2011 actual though 2019 forecast the amount of incentive pay included in the OM&A expenses. Please also provide a line that shows the total potential incentive payment for each year and a third line that shows the actual/forecast incentive cost as a percentage of the total potential incentive available.**

**4-Energy Probe-30**

**Ref: Exhibit 4, Tab 4, Schedule 2**

**a) Please provide a table that shows the reduction in OM&A costs and capitalized costs if the average wage increase was reduced by one percentage point from that forecast by Horizon shown in Table 4-2 in each of 2015 through 2019 on a cumulative basis. Please include any impacts on benefits and incentives as well.**

**b) Please provide a separate table to that requested in part (a) above that would reflect the same effect, with the one percent reduction from that forecast in each of 2015 through 2019 applied only to management employees.**

**4-Energy Probe-31**

**Ref: Exhibit 4, Tab 4, Schedule 3**

a) **Please add the 2014 bridge year forecast to Table 4-57.**

b) **Please add a line to Table 4-57 that shows the amount included in the total line that is associated with wages, salaries, benefits and incentives.**

**4-Energy Probe-32**

**Ref: Exhibit 4, Tab 4, Schedule 4**

**Please explain the sole sourcing for the employee retirement plan, the employee benefits program and phone services. In particular, what other organizations or companies would be able to provide these services to Horizon and why has Horizon not approached them to provide these services?**

**4-Energy Probe-33**

**Ref: Exhibit 4, Tab 4, Schedule 6, Table 4-72**

a) **Has Horizon received the 2014 OEB annual assessment? If yes, what is the 2014 amount?**

b) **Please explain the near doubling of costs between 2013 and 2014 associated with OEB section 30 costs (applicant originated).**

c) **Please explain the more than double of costs between 2013 and 2014 associated OEB section 30 costs (OEB initiated).**

d) **Please explain the increase in legal costs shown in line 5A between 2013 and 2014.**

e) **Please explain the increase of more than $130,000 in consulting costs between 2013 and 2014, and the nearly $90,000 increase in 2015 through 2019 relative to 2013.**

f) **What is included in the $527,726 shown for 2013 on line 10?**

**4-Energy Probe-34**

**Ref: Exhibit 4, Tab 4, Appendix 4-3**

**Please provide a table based on the apprentice tables in the Workforce Labour Strategy and Plan that shows the total number of apprentices for the years 2011 through 2019. Please also show the number of apprentices for each year that qualify for the Ontario apprenticeship tax credit.**

**4-Energy Probe-35**

**Ref: Exhibit 4, Tab 2, Schedule 3**

**a) What was the amount included in the Board Approved OM&A forecast for meter reading associated with mechanical meters that were to be replaced with smart meters?**

**b) What is the amount of meter reading expenses included in the actual OM&A figures shown in Table 4-20 associated with mechanical meters that have now been eliminated due to the move to smart meters?**

**c) Do any of the smart meter costs shown for 2011 Board Approved, 2011 actual or subsequent years include costs cleared from the smart meter deferral accounts? If yes, please quantify the amount of OM&A expenses incurred in previous years that was recorded in OM&A in a subsequent year. Please also identify the year in which these expenses were recorded for accounting purposes.**

**4-Energy Probe-36**

**Ref: Exhibit 4, Tab 4, Appendix 4-6.1**

**Please confirm that the revenue generated by the services provided by EDO to the other entities is reflected through a reduction in OM&A costs and not by showing this revenues as Other Revenues with the costs included in OM&A.**

**4-Energy Probe-37**

**Ref: Exhibit 4, Tab 5, Schedule 2**

**Does the derecognition of assets as described on page 10 include the disposal of readily identifiable assets such as individual vehicles? If not, why not and how are the disposals of these vehicles treated for accounting purposes and where is any revenue associated with the sale of used vehicles accounted for?**

**4-Energy Probe-38**

**Ref: Exhibit 4, Tab 5, Schedule 4**

**a) It is not clear if Horizon uses the half year rule for depreciation expense associated with forecast years. If Horizon does not use the half year rule for the forecast years, please explain how Horizon determines the month in which each individual capital addition goes into service for the purpose of calculation depreciation.**

**b) For each of 2011 (MIFRS) and 2012 and 2013 actuals, please provide the total depreciation calculated using the method that is used by Horizon (i.e. depreciation from the month an asset is available for use and enters service), along with the depreciation that would have been recorded if Horizon had used the half year rule for those years.**

**4-Energy Probe-39**

**Ref: Exhibit 4, Tab 5, Schedule 7**

**a) Please confirm that Horizon is using the depreciation expense calculated in the continuity schedules (Appendix 2-BA) rather than the figures calculated in Tables 4-80 through 4-88.**

**b) If the above is not confirmed, please indicate why not.**

**4-Energy Probe-40**

**Ref: Exhibit 4, Tab 5, Schedule 7**

**Please provide a live Excel spreadsheet that shows the calculation of the depreciation expense in Tables 4-80 through 4-88 for account 1925 (computer software) for the 2011 through 2019 years based on the opening balance shown in Table 4-80 and the additions shown for each year in the tables. For example, it is not clear why the depreciation expense shown in Table 4-88 for 2019 is $1,526,047 based on the calculations or $972,973 based on the continuity schedules, whereas based on the additions shown for 2016 through 2019, the depreciation would appear to be about $892,000.**

**4-Energy Probe-41**

**Ref: Exhibit 4, Tab 6, Schedule 1**

**Please provide a revised Table 4-89 assuming that Horizon is no longer eligible for the small business deduction that reduces PILs by $35,000 per year.**

**4-Energy Probe-42**

**Ref: Exhibit 4, Tab 6, Schedule 5**

a) **Please explain the significant reduction in the Ontario apprenticeship tax credit between 2013 and 2014.**

b) **Please provide the number of positions that qualified for each of the apprenticeship job creation and Ontario apprenticeship training tax credits in each of 2011, 2012 and 2013.**

**4-Energy Probe-43**

**Ref: Exhibit 4, Tab 6, Schedule 8**

**Please provide a copy of the 2013 Corporate Tax Return.**

## EXHIBIT 5 - COST OF CAPITAL AND RATE OF RETURN

### 5-Energy Probe-44

**Ref: Exhibit 5, Tab 1, Schedule 5**

a) **Please explain why Tables 5-5 through 5-7 shows a return on equity different from that approved by the Board for 2011 of 9.58%.**

b) **Please confirm that the rates charged in 2012 through 2014 had a return on equity of 9.58% embedded in the base rates set for 2011.**

### 5-Energy Probe-45

**Ref: Exhibit 5, Tab 1, Schedule 3**

a) **Please explain fully why Horizon believes the cost of long term debt should be adjusted in future years (2016-2019) for any new debt forecast to be issued and the rates to be used, rather than using the current forecasts and rates included in this application.**

b) **Please provide a table that shows the calculation of the Excess Deemed Long-Term Debt as noted on page 3, for each of 2011 Board Approved and 2011 through 2019.**

### 5-Energy Probe-46

**Ref: Exhibit 5, Tab 1, Schedule 5**

**The tables show that Horizon has actual long term debt that is substantially below the deemed levels in the historical and bridge years by about $50 to $70 million. In particular, in the 2014 bridge year, actual long term debt is about $72 million lower than the deemed amount.**

a) **Please explain why Horizon is not proposing to narrow the long term debt shortfall now, rather than wait until 2018 and/or 2019 to obtain more long term debt.**

b) **Does Horizon believe that long term debt rates will be higher in 2018 and 2019 than they are today? Please provide Horizon's long term debt rate forecast for new debt obtained in future years by term of loan for terms of 10, 20 and 30 years. If the forecast is equivalent to the 4.88% used in Tables 5-21 and 5-22, please explain why the Board should consider this a forecast, since it is the current deemed long term debt rate issued by the Board.**

**c) What is the current rate that Horizon could obtain from Infrastructure Ontario for loans of 10, 20 and 30 years in length?**

**d) What is the impact on the revenue requirement in each of 2015 through 2019 if Horizon borrowed $75 million in 2014 from Infrastructure Ontario for a 10 year term rather than waiting to 2018 and 2019 using the 10 year rate requested in part (c) above?**

## EXHIBIT 6 - CALCULATION OF REVENUE DEFICIENCY OR SUFFICIENCY

### 6-Energy Probe-47

**Ref: Exhibit 6, Tab 2, Schedule 1**

**a) Please provide all details such as amount, length of construction, interest rate, capitalized interest, etc., that Horizon has or expects to capitalize interest on qualifying projects for 2013 and 2014.**

**b) Does Horizon expect to have any capitalized interest in projects in 2015 through 2019? If yes please provide full details and calculations of the amounts.**

## EXHIBIT 7 – COST ALLOCATION

### 7-Energy Probe-48

**Ref: Exhibit 7, Tab 1, Schedule 1**

**a) For each year shown in Table 7-1 please show the re-allocation of the revenue difference to the other rate classes. For example, in 2015, the proposed LU (2) class reduces the allocation of costs to these customers by $3,605,389, so these costs are re-allocated to other rate classes. Please show this re-allocation.**

**b) Did Horizon consider phasing in the reduction to the Large Use (2) revenue to cost ratio over a number of years, given the significant increase in cost allocated to other rate classes? If not, why not?**

**c) Are there other customers that are served directly off of the primary system, but are included in rate classes that are also allocated secondary system costs? If yes, please explain why Horizon is not proposing a separate rate class for those customers.**

**7-Energy Probe-49**

**Ref: Exhibit 7, Tab 1, Schedule 2**

**a) Please explain why the proposed ratios for 2015 in Table 7-5 for the GS<50, GS>50, street lighting and sentinel lighting all have increases in their ratios that are different and result in different proposed ratios.**

**b) Please provide a version of Table 7-5 where the above noted ratios for the four classes are set equal to one another at a ratio that results in the recovery of the total costs. The proposed ratios for the residential, large use classes, USL and standby should be maintained as proposed.**

**7-Energy Probe-50**

**Ref: Exhibit 7, Tab 1, Schedule 2**

**With respect to the status quo ratios found in the tables for 2016 through 2019, do they represent revenues at proposed rates for the previous year? For example, does the 74.86% shown for Large Use (2) for 2016 (Table 7-9) reflect revenues at the proposed 2015 rates? If not, please explain how the status quo ratios have been calculated.**

**7-Energy Probe-51**

**Ref: Exhibit 7, Tab 1, Schedule 2**

**The proposed ratios in Table 7-5 for 2015 and the status quo ratios found in Tables 7-9, 7-13, 7-17 and 7-21 for 2016 through 2019, respectively are all relatively stable with the following exceptions:**

**i) GS>50 drops to 90.11% in 2018 compared to 93% to 94% in all other years; and**
**ii) the Large Use (2) ratio drops from 115% in 2015 to 74.86% in 2016, to 65.85% in 2017, and then increases to 91.33% in 2018 and 96.86% in 2019.**

**For each of the changes noted above, please explain the drivers that are affecting the significant changes in the ratios.**

**7-Energy Probe-52**

**Ref: Exhibit 7, Tab 1, Schedule 2**

**With respect to Table 7-18 please explain why many of the rate classes have proposed revenue to cost ratios in 2016 that are further from unity than the proposed ratios for 2015.**

**7-Energy Probe-53**

**Ref: Exhibit 7, Tab 1, Schedule 1**

**a) For each of the weighting factors noted on page 7 that have changed, please provide a table that shows the weighting factors used in the last cost of service allocation and those proposed in the current allocation.**

**b) For each of the new weightings, please provide all data and calculations used to arrive at the new weightings.**

**EXHIBIT 8 - RATE DESIGN**

**8-Energy Probe-54**

**Ref: Exhibit 7, Tab 1, Appendix 7-1 &**
**Exhibit 8, Tab 1, Schedule 2**

**Please explain why the existing rates shown in Table 14 of the Elenchus report found in Exhibit 7, Tab 1, Appendix 7-1 do not match the existing rates found in Table 8-12 in Exhibit 8, Tab 1, Schedule 2. Which is the correct set of existing monthly fixed charges?**

**8-Energy Probe-55**

**Ref: Exhibit 8, Tab 1, Schedule 7**

**Has Horizon reflected any cost reductions for bad debt, disconnect, collection costs etc. associated with customers using the Paymentus system? If yes, please quantify the savings that have been built into each of 2015 through 2019.**

**8-Energy Probe-56**

**Ref: Exhibit 8, Tab 4, Schedule 1**

**Please provide a version of Tables 8-40 through 8-43 that shows the impacts of the revenue to cost ratios requested above in 7-Energy Probe-49, part (b).**

## EXHIBIT 9 - DEFERRAL AND VARIANCE ACCOUNTS

**9-Energy Probe-57**

**Ref: Exhibit 9, Tab 6, Schedule 2**

**Account 1555 is listed under accounts not proposed for disposition. However, the evidence states that Horizon is seeking approval for final disposition of its smart meter implementation costs. Please reconcile.**