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BY EMAIL and RESS

July 4, 2014
Our File: EB20140002

Ontario Energy Board
2300 Yonge Street
27th Floor
Toronto, Ontario
M4P 1E4

Attn: Kirsten Walli, Board Secretary

Dear Ms. Walli:

Re: EB-2014-0002 – Horizon Utilities Custom IR Application – Interrogatories

We are counsel to the School Energy Coalition (“SEC”). Enclosed please find interrogatories on behalf of SEC.

Yours very truly,
Jay Shepherd P.C.

Original signed by

Mark Rubenstein

cc: Wayne McNally, SEC (by email)
Applicant and intervenors (by email)

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

AND IN THE MATTER OF an Application by Horizon Utilities
Corporation for an Order or Orders approving or fixing just and
reasonable rates and other service charges for the distribution of
electricity as of January 1, 2015.

INTERROGATORIES

ON BEHALF OF THE

SCHOOL ENERGY COALITION

1-SEC-1

[Ex.1] Please explain how this Custom IR application differs from a five-year cost of service application.

1-SEC-2

[Ex.1] Please detail the Applicant's regular annual budgeting process.

1-SEC-3

[Ex.1] Please detail the Applicant's budgeting process for the purpose of this 2015-2019 Custom IR application.

1-SEC-4

[Ex.1] Please provide a copy of all materials provided to the Applicant's Board of Directors in approving this application and the underlying budgets.

1-SEC-5

[Ex. 1-2-6/p.1] Please revise the analysis provided in lines 1 through 7 of page 26, for 2014-2019.

1-SEC-6

[Ex.1-12-2/p.1] Does the Applicant's proposed 'reopeners' includes a materiality threshold?

1-SEC-7

[RRFE Report/p.13] Please provide copies of all benchmarking studies, evaluation, and surveys, undertaken by the Applicant through a third-party or conducted internally, since 2011.

1-SEC-8

[RRFE Report/p.13] For each of the following, please explain how the Applicant has evaluated the reasonableness of its forecasted:

- a) Revenue;
- b) Costs;
- c) Inflation; and
- d) Productivity

1-SEC-9

[RRFE Report/p.13] Please explain the Applicant’s approach to benefit sharing with ratepayers through the test period.

2-SEC-10

[Ex. 2/2/1] Does the Applicant plan to update any other element of the working capital calculation annually in addition to the cost of power? If so, please provide details.

2-SEC-11

[Ex.2-6-1] Please explain the Applicant’s capital expenditure prioritization process.

2-SEC-12

[Ex.2-5-1/p.24] Is it the Applicant’s position that the appropriate capital investment level for any given asset class is to have zero ‘very poor’ assets?

2-SEC-13

[Ex.2-6-1/p.64] Please provide a chart showing total vehicle expenditures (incremental additions to overall fleet and replacement for end-of-life vehicles) for each year between 2011-2019.

2-SEC-14

[Ex.2-6-3/p.2] Although a DSP has not previously been filed before this application, please complete Table-62 (Appendix 2-AB) with planned capital expenditures for 2010-2013 based on internal or Board-approved budgets. Please also provide 2014 forecast actuals based on year-to-date actuals. Please provide plan versus actual variance % for each year between 2010-2014. Please explain material variance between plan and actual capital expenditures.

2-SEC-15

[Ex.2-6-Appendix 2-4] Please provide a list of asset categories that the Applicant runs to failure. Has the Applicant changed which asset categories it runs to failure since its last cost of service application? If so, please provide details.

2-SEC-16

[Ex.2-6-Appendix 2-4/p.100-101] For each class of assets listed, please provide the failure rate.

2-SEC-17

[Ex.2-6-Appendix 2-4/p.208] What is the VOS value for each rate class? Please provide all underlying assumptions and methodology used in calculating the VOS values.

2-SEC-18

[Ex.2-6-Appendix 2-4/p.208] Please provide a copy of the retainer and instructions provided to Innovative Research Group.

2-SEC-19

[Ex.2-6-Appendix 2-4/Appendix D/p.19] Please explain what the Applicant means when it says “[t]his method resulted in a revenue shortfall for us since investments made over time were not recognized and thus did not allow for any adjustments to our growing rate base”. Please also provide the derivation of the ‘Estimated Revenue Requirement’ calculation for 2011-2014.

2-SEC-20

[Ex.2-6-Appendix 2-4/Appendix G] With respect to the Major Capital Project Templates:

- a) Please confirm that not a single major capital project will result in a material reduction on O&M costs in the test year.
- b) Is the materiality threshold utilized by the Applicant for the purposes of determining if there is the material reduction in O&M costs in the test period the same as the materiality threshold set out in the Filing Requirements. If not, please provide the definition of material O&M reduction.
- c) Does the Applicant have a forecast for the aggregate O&M reduction for test year, as a result of proposed major capital projects it proposed to undertake? If so, please provide details. If not, please explain why it is not able to provide this information.

3-SEC-21

[Ex.3-3-1/Table 3-40] Please provide year-to-date actuals.

4-SEC-22

[Ex.4-2-2/p.3] Please provide a copy of the current collective agreement between the Applicant and its union(s).

4-SEC-23

[Ex.4-2-2/p.3] Please provide the cost assumptions embedded in this application regarding the Applicant’s next collective agreement scheduled to take effect in June 1, 2015. If the next collective agreement is not expected to extent to the end of the test period, please provide the cost assumptions underlying the Applicant’s subsequent collective agreement.

4-SEC-24

[Ex.4-2-2/p.10] Please provide further details about the Applicant’s “upgrade of the server environment used to read Smart Meters in order to mitigate business risks related to maintain vendor support”. Specifically, please provide further details about the referenced business risk.

4-SEC-25

[Ex.4-2-2/p.19] Please provide the Applicant’s formal business case regard its CIS/OMS upgrade initiative.

4-SEC-26

[Ex.4-2-2/p.19] Has the Applicant forecasted any productivity savings because of its CIS/OMS upgrade initiative? If so, please provide details.

4-SEC-26

[Ex.4-2-2/p.25] Please provide a breakdown of the Applicant’s third-party costs related to its 2015 Custom IR application.

4-SEC-27

[Ex.4-2-2] Please provide the rationale for all new positions forecasted to be created during the test period.

4-SEC-28

[Ex.4-2-3/p.2] Please explain how the Applicant is continuously improving if its OM&A/customer is increasing each year.

4-SEC-29

[Ex.4-3-3-p.1] Please provide 2014 year-to-date actuals for Table 4-22 and 4-23.

4-SEC-30

[Ex.4-3-4/p.4] For each ‘productivity achievement’ in the test period, is the Applicant able to link the test period productivity savings to a specific planned initiative or project?

4-SEC-31

[Ex.4-4-2] For each of table 4-53 and 4-54, please provide a breakdown of overtime pay for management and non-management FTEs.

4-SEC-32

[Ex.4-4-2/p.1] The Applicant states that “Horizon Utilities participates in a variety of survey and certain of these are of such a confidential nature that we cannot disclose the results but more so we cannot disclose the existence of such survey”. Considering the Board’s recent decisions in EB-2014-0174 (Procedural Order No. 4, dated February 25th 2014), EB-2013-0115 (Procedural Order No. 4, dated March 19th 2014), and EB-2013-0159 (Procedural Order No. 6, dated April 3rd 2014), please provide a copy of the surveys the Applicant has participated in.

4-SEC-33

[Ex.4/4/2/p.8] Please provide a chart showing the Applicant’s year-end headcount (broken out by management and non-management employees).

4-SEC-34

[Ex.4-4-2/p.8] Please provide a chart showing the amount of total compensation costs, for each year between 2011-2019, that the Applicant has or forecasts to capitalize.

4-SEC-35

[Ex.4-4-4/p.1-3] Please provide the justification for the sole source procumbent of employee benefits programs (Great West Life Assurance Co. and The MEARIE Group).

4-SEC-36

[Ex.4-4-3/Appendix 4-3] Please provide a copy of ‘Power in Motion Labour Market Information Study’ (updated in 2012).

4-SEC-37

[Ex.4-4-3-/p.6] With respect to the Applicant’s attrition rate, does the Applicant track formally or informally which other companies hire away its employees? If so, please provide this information.

6-SEC-38

[Ex.6-1-1/p.1] Please confirm that the total revenue requirement for the test period \$605.1 million, which is \$90.7 million or 17.6% higher than revenue at current rates for the same five year period. Please confirm that, but for the impacts of the conversion of MIFRS, as set forth in Ex. 6/2/1, p. 18, the total proposed revenue requirement would be \$25 million more. Please confirm that, under 4th Generation IRM, revenues for the same five years would be \$75 million less, and \$100 million less if the MIFRS adjustment is included. Please provide the main differences between the Applicant and other Ontario electricity distributors that justify incremental rates that are five to seven times as much as those applicable to most electricity distributors.

6-SEC-39

[Ex.6-2-1/ p.8] Please provide a copy of the “analysis of cost eligibility” referred to.

6-SEC-40

[Ex.6-2-1/p.10] Please provide a copy of the “analysis of PP&E componentization requirements” referred to.

6-SEC-41

[Ex.6-2-1/p.12] Please advise the amount of interest capitalized, or expected to be capitalized, in each of 2013 through 2019, and the amount of capitalized interest being closed to rate base in each of those years.

6-SEC-42

[Ex.6-2-1/p.13,16] Please provide details of the loss on disposal of \$1,521,181 in 2011, and the amounts for derecognition of assets in each of 2012 through 2014.

6-SEC-43

[Ex.6-2-1/p.21] Please describe the specific relief the Applicant is requesting from the Board with respect to the taxes payable method of recovering PILs in rates.

7-SEC-44

[Ex.7-1-1/p.3] Please advise which classes will bear the “revenue difference”, and in what proportions, in each year resulting from the decline in revenue requirement for the proposed Large Use (2) class as set out in Table 7-1. Please recalculate rates for each year 2015-2019 on the assumption that the proposed new class is not approved.

7-SEC-45

[Ex.7-1-1/p.3] Please quantify for each year the re-allocation to or from each rate class as a result of the review of the sub-accounts.

7-SEC-46

[Ex.7-1-1/p.5] Please explain why it is appropriate to use custom load profiles for the large use classes, but accept the Hydro One load profiles for all other classes. Please confirm that the data is available to the Applicant to calculate LDC-specific load profiles for all customer classes. If that is not confirmed, please provide details of the barriers to that calculation.

7-SEC-47

[Ex.7-1-2/p.3] Please confirm that the average Large Use (1) class customer is expected to bear 2015 costs of \$284,799, while the average Large Use (2) class customer is expected to bear 2015 costs of \$108,056. Please provide a detailed comparative breakdown of the costs to be borne by these average customers, including an explanation for the major differences between them.

7-SEC-48

[Ex.7-1-2-Appendix 7-1/p.2,4] Please explain how the “collaborative effort” described, and the fairness review “undertaken in with the assistance Elenchus”, are consistent with the expert’s claim of independence.

7-SEC-49

[Ex.7-1-2-Appendix 7-1/p.7] Please explain why saturation surveys are necessary before using updated load profiles for each of the classes other than the large use classes.

7-SEC-50

[Ex.7-1-2-Appendix 7-1/p 8] Please provide details of the material differences between the 2012 large use load profiles, and the load profiles previously used.

8-SEC-51

[8-1-2/p.10] Please confirm that, if the GS>50 fixed monthly charge is set at \$88.24, the volumetric charge would have to be set at \$4.2286/kW to remain revenue neutral in the class.

8-SEC-52

[8-3-1] In EB-2012-0047, Hamilton-Wentworth Catholic District School Board argued successfully to have its Bishop Ryan Collegiate Institute, a high school under construction, with a forecast 630 kW average monthly demand, served by the Applicant rather than Hydro One. Please confirm that the current Application proposes to increase the rates for Bishop Ryan school, now that it has been built and is being served by the Applicant, by 38% by 2019.

Submitted by the School Energy Coalition on this 4th of July, 2014.

Original signed by

Mark Rubenstein
Counsel for the School
Energy Coalition