

**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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**TECHNICAL CONFERENCE QUESTIONS OF  
ENERGY PROBE RESEARCH FOUNDATION  
("ENERGY PROBE")**

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**August 13, 2014**

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

**ENERGY PROBE RESEARCH FOUNDATION  
TECHNICAL CONFERENCE QUESTIONS**

**EXHIBIT 1 – ADMINISTRATIVE DOCUMENTS**

**1-Energy Probe-58TC**

**Ref: 1-Energy Probe-3**

- a) **Please confirm that Attachment 2 shows that the cumulative revenue requirement over 2015 through 2019 based on the Horizon proposal is about \$24.6 million higher than under a price cap approach using the inflation and productivity assumptions used.**
- b) **Please confirm that Attachment 1 shows that the cumulative OM&A over 2015 through 2019 based on the Horizon proposal is about \$23.1 million higher than under the price cap approach using the assumptions used.**
- c) **Please confirm that Attachment 4 shows that the cumulative OM&A difference noted above in part (b) would be \$29.0 million when the base productivity of -0.72% for 2012 and 2013 is included.**

**1-Energy Probe-59TC**

**Ref: 1-Energy Probe-5**

- a) **With respect to the annual adjustment applicable to long term debt, is Horizon requesting that the Board approve the timing and amount of forecasted long term debt issued in 2015 through 2019 now, or will this be part of the annual filing each year?**
- b) **Please explain why an adjustment related to CDM results is required if there is an LRAM variance account in place.**
- c) **Would any variance in the CDM results from that forecast in each of 2015 through 2019 also result in an adjustment to the working capital related to the cost of power?**
- d) **Would the tax rate change adjustment also include changes to CCA rates, and tax credits?**

**1-Energy Probe-60TC**

**Ref: 1-CCC-4**

**Please explain, with references to the evidence, how the Horizon custom IR filing addresses each of the three bullet points noted in the statement.**

**1-Energy Probe-61TC**

**Ref: 1-CCC-10**

- a) Is Horizon proposing a capital expenditures variance account to provide a level of protection against unacceptable risk?**
- b) Has Horizon considered any other type of mechanism that would protect ratepayers from forecast risk while at the same time providing an incentive to Horizon to meet its forecasts?**

**1-Energy Probe-62TC**

**Ref: 1-CCC-11**

**Given the recent Decision for Enbridge Gas Distribution in EB-2012-0459, has Horizon changed its position on an earnings sharing mechanism?**

**1-Energy Probe-63TC**

**Ref: 1-VECC-1**

**Please provide Horizons expectations with regard to the material that would be filed in each of the annual adjustment applications with the Board and intervenors.**

**1-Energy Probe-64TC**

**Ref: 1-STAFF-1**

- a) Please explain how the administrative process proposed for setting rates for 2016 through 2019 would allow the Board and intervenors the opportunity to review and provide alternatives for the need for and cost of long term debt and any additional annual adjustments as identified by the Board, among other things.**

- b) Does Horizon agree that any reopeners would require a rate filing and a review of the evidence and proposals by the Board and intervenors? If not, why not?

**1-Energy Probe-65TC**

**Ref: 1-STAFF-8**

The response indicates that the non-labour inflation index of 1.50% is 0.5% below the most recent GDPIPIFDD estimate provided in Appendix B of the report referenced and the Bank of Canada target for inflation.

- a) Please confirm that the most recent GDPIPIFDD figure used by the Board to set the 2014 price escalator is 1.8% as shown in Appendix C to the EB-2010-0379 Report of the Board dated November 21, 2013.
- b) Please confirm that the Bank of Canada inflation target is based on the consumer price index and not the GDPIPIFDD.
- c) Please provide the actual increase in the GDPIPIFDD for each of 2012 and 2013, as well as the year over year increase for the first quarter of 2014.

**EXHIBIT 2 – RATE BASE**

**2-Energy Probe-66TC**

**Ref: 2-Energy Probe-10**

Please explain why it takes 3 days to mail a bill from the billing date.

**2-Energy Probe-67TC**

**Ref: 2-Energy Probe-11**

What assumptions did Horizon make with respect to postage and envelope costs with respect to the potential to shift more customers from receiving a hard copy of their bill to being sent it by e-mail or logging on to the Horizon website and downloading a copy?

## 2-Energy Prober-68TC

Ref: 2-Energy Probe-13

- a) **Would one component of the annual working capital adjustment proposed by Horizon include any change to the average lead time for interest expenses based on new debt instruments added in 2015 through 2019?**
- b) **The response associated with the average payment lead times for computer maintenance indicates that it is based on a 3 year contract that was paid at the beginning of the term of the agreement that ends March 31, 2015. How has Horizon forecast the computer maintenance costs going forward in terms of a new agreement with payment terms?**

## 2-Energy Probe-69TC

Ref: 2-Energy Probe-15

**If Horizon recovered the NBV of \$7,974,590 at the end of 2014 through a rate rider, please calculate the monthly rate rider by rate class if the amount was recovered over a 12 month period or over a 24 month period.**

## 2-Energy Probe-70TC

Ref: 2-SIA-10

**The response indicates that Horizon is prepared to recover the NBV of the stranded meters through a rate rider over an extended period of time (five years or eight years) provided that the recovery includes a regulatory rate of return.**

**Please provide a list of other distributors (including file numbers) where the Board has approved recovery the NBV of the stranded meters including a regulatory rate of return.**

## 2-Energy Probe-71TC

Ref: 2-SEC-20 &  
1-Staff-15

- a) **Please provide a table for 2015 through 2019 that shows the O&M reductions from distribution system capital investments in the same level of detail as provided in part (c) of the response. Please also provide a total line in the table.**

- b) Please incorporate a second part to the table requested in part (a) above that reflects the incremental cost savings after 2013 as shown in Table 1 to the response to 1-Staff-15 (at the level of construction & maintenance, customer service, supply chain management, etc.), as well as any other reductions in OM&A not included in responses to 2-SEC-20 and 1-STAFF-15.
- c) Please confirm that incremental savings between 2013 and 2014 as shown in the response to 1-Staff-15 is about \$1.46 million.

### **EXHIBIT 3 – OPERATING REVENUE**

#### **3-Energy Probe-72TC**

Ref: 3-Energy Probe 18c

What is the impact on the load forecast (by rate class) and on the revenue requirement for each of 2015 through 2019 if the most recent Conference Board forecasts are used?

### **EXHIBIT 4 – OPERATING COSTS**

#### **4-Energy Probe-73TC**

Ref: Exhibit 4, Tab 2, Schedule 2, Table 4-17

Table 4-17 shows the new business requirements actually incurred in 2011. Were any of these new business requirements included in the Board approved 2011 figure?

#### **4-Energy Probe-74TC**

Ref: 4-Energy Probe-27d&e

The response to part (d) indicates that the cost of the KPMG report was \$27,000 and was incurred in 2013. The response to part (e) indicates that Horizon plans to amortize this cost over 2015 through 2019.

- a) Please confirm that the total cost of the KPGM report is \$27,000, so the amortized amount in each of 2015 through 2019 is \$5,400.
- b) Please confirm that the \$27,000 shown for 2013 is not included in Table 4-20 for 2013, but is reflected in the 2015 through 2019 figures.

**4-Energy Probe-75TC**

**Ref: 4-Energy Probe-28**

**Please provide the number of major storm events for each of 2011 through 2013 and year to date in 2014.**

**4-Energy Probe-76TC**

**Ref: 4-Energy Probe-29**

**The response indicates that the updated 2014 forecast for total compensation is lower by about \$1.6 million from the original forecast. How much of this reduction is related to a decrease in the amount expensed and how much is related to a decrease in the amount capitalized?**

**4-Energy Probe-77TC**

**Ref: 4-Energy Probe-41**

**Please explain when any change in tax rates for 2015 would be determined by the Board.**

**EXHIBIT 8 - RATE DESIGN**

**8-Energy Probe-78TC**

**Ref: 8-SIA-32**

- a) **Please provide all the information used in Schedule 11-2 to determine the calculated rates shown in Table 1.**
- b) **Do wage rates make up a significant component in how these rates are set? What other costs are used in the determination of these rates?**
- c) **What wage rates (year) were used in determining the current rates for the services shown in Table 1?**