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Michael Janigan
Counsel for VECC

August 14, 2014

VIA E-MAIL

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge St.
Toronto, ON
M4P 1E4

Dear Ms. Walli:

Re: EB-2014-0002 Horizon Utilities Corporation/
Technical Conference August

Please find enclosed the questions/issues VECC seeks to address with Horizon Utilities in the above-noted proceeding. As we continue to review and analyse the responses and the evidence we may have further question at the time of the Technical Conference.

Yours truly,

Michael Janigan
Counsel for VECC

Attachment

cc:
Ms. Indy J. Butany-DeSouza, Horizon Utilities Corporation
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HORIZON UTILITIES CORPORATION'S
2015-2019 DISTRIBUTION CUSTOM RATE APPLICATION
VECC'S TECHNICAL CONFERENCE QUESTIONS

1.0 ADMINISTRATION/PRODUCITVITY/EFFICIENCIES (EXHIBIT 1)

1.0 – VECC - 64TC
Reference: 1-Staff-15 / BOMA-8

a) For the e-mobile efficiencies shown (by reference in the interrogatory response) at E4/T3/S4/pg. 9Table 4-46 please provide the following:
   i. Savings for the reduction of 2 FTEs
   ii. Description of the "Future Costs" that being avoided and why they escalate up to 2014 and then remain at $400k
   iii. Show how the productivity improvement/capacity savings are calculated in each of the years
   iv. Show the derivation of the "realized operating expenditure reductions and why it escalates to $600k in 2014 and remains at that figure onward.

   Please show all assumptions.

2.0 RATE BASE (EXHIBIT 2)

2.0 – VECC - 65TC
Reference: 2-AMPCO-9

a) Chart 3 indicates that the linear trend is calculated with "*2006-2013 Actual and **2013** Forecast*" (emphasis added). Please confirm that the chart uses 2013 forecast and not 2014 forecast as shown in the diagram.
b) Please recalculate and show the trend shown in Chart 3 through 5 starting in 2007 and with the elimination of the 2014 forecast SAIFI/SAIDI&CAIDI service quality indicators.

2.0 – VECC - 66TC
Reference: 2-BOMA-4

a) 3 Versions of the KPMG Assurance Review were produced. Two revisions were made after the original report in order to respond to Horizon feedback. Please provide a list of the (substantive) feedback or changes that were made due to Horizon`s feedback.

2.0 – VECC - 67TC
Reference: 1-Staff-3 /1.0-VECC-1 & 4

Horizon's proposal represents a "regulatory compact" in which, if approved, the regulator would allow Horizon to adjust rates on a pre-determined basis and based (in part) on the reviewed 5 year capital program. It is expected that that the forecast capital budgets/in-service rate base will not be the same as actual experience in any given year due to (1) construction timing; (2) variances in labour and material costs; (3) modifications to project; and (4) project cancellation/replacements due to changes in priorities/need. While some of these variances may be small others could be substantial and materially impact the long-term capital plan being presented in this application.

a) For each of the four categories mentioned above please provide Horizon's view as to what would constitute a material deviation from the proposed plan.
b) For any material deviation in the 5 year capital plan how will Horizon engage the Board and intervenors to seek assurance that it remains within the approved regulatory compact?

2.0 – VECC – 68TC
Reference: 2.0-VECC-6

a) Please amend the Table provide in response to 2.0-VECC-6 to show the percentage of each customer class on monthly or bi-monthly billing.

2.0 – VECC – 69TC
Reference: 2-Staff-22 / 2.0-VECC-7

a) Does Horizon believe its smart meter proposal to leave these assets

in rate base is consistent with current Board policy?

b) Is it Horizon's position that it is entitled to a rate of return on the undepreciated value of conventional meters replaced by smart meters that are no longer used or useful?

3.0 OPERATING REVENUE (EXHIBIT 3)

3.0 –VECC -70TC
Reference: 3-Staff-24 d)

a) Please clarify whether the kWh values provided in the response are before or after the manual adjustment for CDM.

3.0 –VECC -71TC
Reference: 3-Energy Probe-19

Preamble: According to the response to EP-19 (a), one of the reasons for the negative coefficient on the RPDI Trend variable is that is capturing the impact of improving energy efficiency including the impact of "past CDM" activity.

a) Please confirm that in developing the Residential forecast for 2015-2019 Horizon as continued to increase the value of the trend variable throughout this period.
b) Does increasing the trend variable and then also manually adjusting for future CDM programs result in a double counting of the impact of future CDM activity? If not, why not?
c) Please provide an alternative Residential load forecast for 2015-2019 (prior to any CDM adjustment) where the value for the trend variable is held constant at the December 2013 level throughout the projection period.
d) Please also provide alternative GS<50 and GS>50 load forecasts for 2015-2019 where the value for the GDP Trend variable is held constant at the December 2013 level throughout the projection period.

3.0 –VECC -72TC
Reference: 3-Energy Probe-23 d)

a) Given that Revenues from Merchandising have been increasing annually from 2011 through to May 2014, why is it reasonable to base the 2014 budget values on the average over the past 30 months of January 2011 to June 2013)?
b) What would be the annualized value if based on the past thirty months ending May 2014?

3.0 –VECC -73TC
Reference: 3-VECC-14

c) How did Horizon's billing system manage to record actual monthly sales for the Residential and GS<50 classes prior to the introduction of smart meters?

3.0 –VECC -74TC
Reference: 3-VECC-17 c)

a) Please provide a response to the original interrogatory which asked for a schedule showing the persistence of the impact from CDM programs implemented in 2011-2014 (by year) for the test period years of 2015-2019.

3.0 –VECC -75TC
Reference: 3-VECC-17 a) & f)

a) Based on the response to VECC 17 a) does Table 3.5 in the original application need to be revised.
b) Similarly, do the OPA reported results for 2013 (per part (f)) alter Table 3.5 in the original application?
c) If yes for either parts (a) or (b), please provide a revised version for Table 3.5. If not, why not?
d) Does this revision affect any of the other Tables in the Application? If so, please indicate which ones and provide the necessary updates.

3.0 –VECC -76TC
Reference: E9/T5/S1, Tables 9-19 and 9-20

a) Please explain why there are no CDM savings attributed to the LU classes for 2015-2019 when (per Exhibit 9) the LU class contributed to the CDM savings in 2011 and 2012.
b) With respect to Tables 9-19 and 9-20 what are the actual GWh savings associated with the CDM results attributed to the GS>50 and Large User classes by the OPA?

3.0 –VECC -77TC
Reference: 3-VECC-17 d)

a) Please clarify what will be the basis for the 2014 LRAM calculation:
   i. How will the actual savings for 2014 be calculated (i.e., based on what years' program results)? What, if any, of these savings are currently known?
   ii. What is the threshold value that will be used for true-up purposes?

3.0 –VECC -78TC
Reference: 3-VECC-17 e)
3-VECC-18 d)

a) The original question was with regard to the determination of the manual CDM adjustment included in the 2014 load forecast (per Table 3.5) – and not the LRAM threshold as addressed in the response. Please respond to the question originally posed.
b) Please reconcile the 2014 load forecast adjustment of 28.142 GWH per Table 3.5 with the value of 7.035 GWh as shown in VECC 18 d).

3.0 –VECC -79TC
Reference: 3-VECC-18

a) Please explain more fully how the forecast CDM savings from 2015-2019 programs were developed.
b) Please explain how the first year's impacts for the 2014-2019 programs were established (i.e. For 2014 - 7.035,500 kWh versus 28,142,000 kWh for subsequent years and for 2015 – 3,710,968 kWh in the first year versus 19,534,205 in subsequent years).
c) What are the LRAMVA thresholds that Horizon is proposing for 2015-2019? Please provide a kWh breakdown by customer class.

3.0 –VECC -80TC
Reference: 3-VECC-26 b)

a) Where applicable please also provide the actual number of connections by class as of June 2014.

4.0 OPERATING COSTS (EXHIBIT 4)

4.0 -VECC -81TC
Reference: 4.2-VECC-34

a) Please provide a corresponding table showing forecast capital expenditures for storm related damage. Please also show the corresponding actual capital expenditures for 2011 through 2013
b) The forecast OM&A (1,350k) appear to be almost the actual year experience for 2012 and 2013. Please explain why?

4.0 -VECC -82TC
Reference: 4.2-VECC-43

a) The interrogatory incorrectly states the doubling of PC Services is during the rate plan period. It will more than double as compared to actual (and Board approved) expenditures in 2011. What is the reason(s) for the large increase. Please quantify how much of the increase, if any, is related to smart meter related IT investments

4.0 -VECC -83TC
Reference: 4.2-VECC-44

a) Please provide the forecast EDA fees for 2015 through 2019?.

5.0 COST OF CAPITAL AND RATE OF RETURN (EXHIBIT 5)

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6.0 CALCULATION OF REVENUE DEFICIENCY OR SURPLUS

7.0 COST ALLOCATION

7.0 – VECC –84TC
Reference: 8-Staff-33

a) Please confirm that a major reason for the decrease in bills for the LU(2) class in 2015 is the proposed reduction in the class' revenue to cost ratio from 949.12% to 115%.
b) Please confirm that status quo ratio for the LU(2) class falls to 74.86% in 2016, primarily due to capital work in that year on the transformer dedicated to the serving this class.
c) Please confirm that increasing the LU(2) class' 2016 revenue to cost to 85% is one of the main reasons for the rate impacts reported for the class in 2016.
d) What revenue to cost ratio for 2015 would lead to a 2016 status quo LU(2) revenue to cost ratio of 85%?
e) What revenue to cost ratio for 2015 would lead to a 2016 status quo LU(2) revenue to cost ratio of 115%?
f) Assuming the rates for 2016 were set based on a revenue to cost ratio of 115% - what would be the resulting 2017 status quo LU(2) class revenue to cost ratio?

7.0 – VECC –85TC
Reference: C of H – 3

a) Please clarify whether, based on Horizon's definition, a serial connection of streetlights is considered to be a "daisy chain" and treated as one "connection" if the inter-connecting conductor joining the devices is owned by Horizon.
b) If yes and such circumstances exist in Horizon's service area, how would treating each of the devices (i.e. streetlights) in such situations as a separate connection impact the 1.3141:1 device to connection ratio used in the Cost Allocation?

7.0 –VECC -86TC
Reference: 7-Energy Probe-53

a) Please indicate where/how the fact that the IESO undertakes the data verification process for smart meter data (i.e. Residential and GS<50 customers) whereas Horizon must perform this activity itself

for other metered customer classes is taken into account in the development of the Billing and Collecting weighting factors.

7.0 –VECC -87TC
Reference: 7-SEC-46
7-SEC-49
7-VECC-56

a) What is the basis for Horizon picking four years as the minimum amount of Smart Meter data required in order to determine weather-normalized load profiles?
b) With respect to the response to SEC-49, are saturation studies required once sufficient Smart Meter data is available? If so, why?

7.0 –VECC -88TC
Reference: 7-SEC-50

Preamble: The Application indicates (Elenchus Study, page 8) that the load profiles for the LU(1) and LU(2) classes were based on 2012 actual interval data.

a) The 1NCP, 4NCP and 12 NCP values for LU(1) and LU(2) sum to the aggregated LU class value in each case, suggesting that the non-coincident peaks for both sub-classes (i.e. LU(1) and (LU2)) occurred at the same time in all twelve months of 2012. Please confirm that this is the case and provide the supporting data.

7.0 –VECC -89TC
Reference: 7-VECC-56 d) & e)

a) Please confirm that the value reported in the referenced cells J36 and J37 are Gross Book values and not depreciation.
b) Please confirm that the $47,118 in depreciation allocated to LU(2) in 2015 (per Sheet O1) consists of:
    i. $11,893 for Buildings
    ii. $18,530 for Meters
    iii. $16,694 for General Plant
    Note: This can be seen from Sheet O7.
c) If part (b) is confirmed, please provide a response to VECC-56, part (e).

8.0 RATE DESIGN

8.0 –VECC -90TC
Reference: 8-VECC-59 b)

a) Please note the original question asked how the “cost” of the TOA was recover – not which customers received the discount. Please respond to the original question.

8.0 –VECC -91TC
Reference: 8-SIA-33
8-VECC-61

a) How much does it cost Horizon to process a payment received in cash or by cheque versus the estimated cost of $6.70 transaction for a payment received via credit card/Paymentus (including the $5.95 fee) – per VECC 61 c)?

8.0 –VECC -92TC
Reference: 8-VECC-62

a) Please explain why the GS>50 billing kW used to derive the 2015 rates in Table 8-14 (4,510,548) differs from that the forecast values in Table 3-29 and Table 8-35 (5,114,245).

9.0 DEFERRAL AND VARIANCE ACCOUNTS

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