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File 01626.00019

August 19, 2014

Kirsten Walli
Board Secretary
Ontario Energy Board
Suite 2701
2300 Yonge Street
Toronto ON M4P 1E4

Dear Ms Walli:

Re: EB-2014-0002/Responses to Interrogatories Directed to the City of Hamilton from the Vulnerable Energy Consumers Coalition

We are counsel to the City of Hamilton in this matter. On behalf of our client we enclose herewith its Responses to interrogatories directed to it from the Vulnerable Energy Consumers Coalition.

Yours truly,

WeirFoulds LLP

Robert B. Warren

RBW/dh

cc: City of Hamilton
cc: Michael Janigan
cc: All parties
6719590.1

HORIZON UTILITIES CORPORATION
2015-2019 RATE APPLICATION
EB-2014-0002

RESPONSES TO

VECC INTERROGATORIES RE:

CITY OF HAMILTON EVIDENCE BY WATTSWORTH ANALYSIS

CoH – VECC - 93

Reference: WattsWorth Evidence, Figure 4

a) Please confirm that the growth in revenue requirement will be influenced not only by increases in the cost of providing a "unit of service" but also by the annual change in the number of units of service provided (e.g. # of customers served, # of kWh delivered, kW of peak load served).
b) Please confirm that the "Revenue Requirement following OEB Published Inflation" line in the Figure does not account for year over year changes in the "units of service" provided.

Response:

a) WW does not know what is meant by "units of service" for the purpose of this question. Local Distribution Company ("LDC") revenue requirement growth can be influenced by a number of factors such as those listed as examples.
b) WW does not know what is meant by "units of service" for the purpose of this question. The "Revenue Requirement following OEB Published Inflation" line in Figure 4 projects a revenue requirement based only on an assumed rate of inflation and does not consider the impact of unforeseen factors.

CoH – VECC - 94

Reference: WattsWorth Evidence, Figure 5 and Figure 13

a) Please explain why it is relevant to compare percentage revenue requirement attributable to a particular customer class with its percentage of total kWh.
b) Why is this more appropriate than comparing percentage of revenue requirement to a particular customer class' percentage of system peak load or percentage of total service connections'

Response:

a) The purpose of Figure 5 and Figure 13 is to present revenue and consumption information relative to Horizon Utilities Corporation's ("HUC") street light rate class.

The Report of the Board: Review of the Board's Cost Allocation Policy for Unmetered Loads (EB-2012-0383) states in its Executive Summary:

"The Board remains concerned with the allocation of costs to daisy-chain configured systems. The disparity in the cost allocation result between a street lighting customer configuration with multiple devices per connection and a street lighting customer with a device to connection ratio close to 1:1 appears to be disproportionate when compared to actual costs to serve the street lighting rate class. The board believes that further investigation is necessary before making a determination."

In light of this, Figures 5 of the Report simply presents an alternative means to examine the rate class by comparing the measure of energy consumed by the street light rate class (kWh) with the % of revenue requirement it attracts – in the scenario where cost allocation was derived using a ~1.3:1 device to connection ratio (close to 1:1). Figure 13 does the same, but includes another rate class that shares the distribution system with the street light rate class.

The delivery of power to customers (resulting in the consumption of energy) is a prime function of the electrical distribution system. Therefore, comparing relative usage in terms of rate class consumption (kWh) of the power delivered (by HUC) to the overall revenue that the same rate class contributes in order to maintain the electrical distribution system (that is shared by other rate classes) is a comparison that should be examined.

b) In general, the street light rate class primarily represents an off-peak load and typically has zero (or very low) load during an LDC's peak demand hours.

With respect to service connections, The Report of the Board: Review of the Board's Cost Allocation Policy for Unmetered Loads (EB-2012-0383) states in its Executive Summary:

"The Board remains concerned with the allocation of costs to daisy-chain configured systems. The disparity in the cost allocation result between a street lighting customer configuration with multiple devices per connection and a street lighting customer with a device to connection ratio close to 1:1 appears to be disproportionate when compared to actual costs to serve the street lighting rate class. The board believes that further investigation is necessary before making a determination."

HUC's stated device to connection ratio is ~1.3:1 which is close to 1:1.

For these reasons, it was more appropriate to perform the analysis that appears in the Report.

CoH – VECC - 95

Reference: WattsWorth Evidence, Section 3-I

a) Does WattsWorth have any information to suggest that Horizon's device to connection ratio is other than the 1.3141:1 value used by the utility in its Application? If so, please provide.

Response:

No.

CoH – VECC - 96

Reference: WattsWorth Evidence, Section 3-III

a) In WattsWorth's view, is it appropriate for Horizon to create two separate Large Use customer classes?
b) If so, have the costs been appropriately allocated to each and what changes, if any, would Wattsworth suggest should be made to the Cost Allocation?

Response:

a) WW has no opinion on this question. WW has simply assessed the impact of the cost allocation changes to the Large Use rate classes.
b) Please see response to (a) above.

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