

August 19, 2014

Robert B. Warren
T: 416-947-5075
rwarren@weirfoulds.com

File 01626.00019

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 Horizon Utilities Corporation

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 Horizon Utilities Corporation (Horizon).

Horizon's interrogatories were directed to the evidence of WattsWorth Analysis Inc. (WattsWorth), filed on behalf of our client. As the enclosed responses indicate, WattsWorth has been advised to decline to respond to a number of the interrogatories. In particular, it has been advised to decline to respond to Horizon's interrogatories number 3, 4, 7 8 and 9. In each of those interrogatories, Horizon asks WattsWorth to provide information that Horizon presumably believes is relevant. It is our position that information of that nature should be provided by Horizon by way of reply evidence. For WattsWorth to supply the information requested would mean that the evidence was that of WattsWorth, and not Horizon, which would preclude us from cross-examining on it. It is inappropriate for Horizon to try to limit in that way our right to cross-examine on evidence Horizon believes to be relevant, and therefore our right to fully represent our client.

If, as noted above, Horizon believes that the information they have asked for is relevant, it can provide it by way of reply evidence, which would then be subject to cross-examination.

Finally, with respect to Horizon interrogatory number 5 b), in which WattsWorth is asked to provide "previous drafts of the report", we have advised WattsWorth to decline to provide any previous drafts. Horizon has not indicated why previous drafts would be relevant. In the absence of its doing so, it is our position that WattsWorth is not required to provide any draft.

Yours truly,

WeirFoulds LLP



Robert B. Warren

RBW/dh

cc: City of Hamilton
cc: Borden Ladner Gervais
Attention: J. Mark Rodger
cc: All parties
6718617.1

HORIZON UTILITIES CORPORATION

2015 RATES REBASING CASE

EB-2014-0002

RESPONSES TO

HORIZON UTILITIES CORPORATION

INTERROGATORIES

TO

WATTSWORTH ANALYSIS FOR CITY OF HAMILTON

CoH-Horizon-1

Preamble:

Section 2 of the WattsWorth evidence cites a Report of the Board “Rate Setting Parameters and Benchmarking under the Renewed Regulatory Framework for Ontario’s Electricity Distributors” (EB-2010-0379 which was released 21 November 2013 and updated 4 December 2013. Figure 3 excerpts Table 2: Two Factor Input Price Index from that report. The evidence comments on this Table stating that “It essentially prescribes a benchmark price index that indicates the effects of inflationary increases (non-labour as well as labour) that are reasonable for LDCs from 2003 through 2012, as per the OEB.”

Question:

a) Please confirm that the Board’s intended use of the Two Factor Input Price Index is stated at page 11 of that report under the heading “2014 Inflation Factor Value” which states:

Consistent with the policy determinations set out in this Report, and the most recent Statistics Canada data available for GDP-IPI (FDD), the Board has calculated the value of the inflation factor for incentive rate setting under Price Cap IR and the Annual Index for rates effective in 2014 to be 1.7%. A detailed calculation is provided in Appendix C.

Reference:http://www.ontarioenergyboard.ca/oeb/_Documents/EB-2010-0379/EB-2010-0379_Report_of_the_Board_20131121.pdf

b) Please confirm that that current Horizon Utilities Custom IR application does not rely on “the value of the inflation factor for incentive rate setting under Price Cap IR and the Annual Index”. Please explain if you do not confirm this statement.

Response:

- a) WattsWorth (“WW”) cannot comment on the Board’s intended use of the Two Factor Input Price Index.
- b) WattsWorth cannot comment on Horizon’s Custom IR’s reliance on “the value of the inflation factor for incentive rate setting under Price Cap IR and the Annual Index”.

CoH-Horizon-2

Preamble:

The WattsWorth evidence states at the end of section 2 that:

2. An adjustment (increase) applied to the streetlight rate class in order to move its Revenue to Cost ratio closer to unity, despite the OEB’s comments that the Revenue to Cost ratio range does not need to be narrowed. (emphasis added)

Table 5 in the Horizon Utilities evidence (Exhibit 7, Tab 1, Schedule 2, page 4) shows that in the absence of rate rebalancing, all classes would have received the same percentage rate increase and the revenue-to-cost ratio for the SL class would decline from the 75.01 ratio that was approved for 2011 to 74.41 in this application. The revenue-to-cost ratio for the SL class is increased to 83.83 as a result of the rate rebalancing that is required to bring the revenue-to-cost ratios for the LU(1), LU(2) and USL classes within the relevant Board-approved ranges. For rate rebalancing all classes with revenue-to-cost ratios less than 100% received identical percentage adjustments to the proposed rate increases.

Question:

- a) Please explain the alternate approach that WattsWorth would recommend for rate rebalancing.
- b) Please comment on the extent to which the proposed alternate approach will ensure that the following guiding principles are respected:
 - The revenue-to-cost ranges for all classes are within the Board-approved ranges;
 - The rates are sufficient to enable Horizon Utilities to recover its revenue requirement in full;
 - No class has a rate rebalancing rate adjustment that moves the revenue-to-cost ratio for the class further way from 100%; and
 - Treats all classes equitably in terms of the rate rebalancing rate adjustment.
- c) If WattsWorth does not agree with the guiding principles set out in part (b) above, please explain that alternate guidance principles that WattsWorth would recommend using when rate rebalancing to bring revenue-to-cost ratios within the Board approved ranges.

Response:

- a) WW was not asked for, and did not provide, any recommendation on rate rebalancing.
- b) Please see response to a) above.
- c) Please see response to a) above.

CoH-Horizon-3

Preamble:

Figure 16 in the WattsWorth evidence presents the SL Revenue Contribution: SL Load Contribution for Horizon Utilities and 8 other distributors that it considers comparable.

Question:

Please provide a graph showing the SL Revenue Contribution: SL Load Contribution ratios on the vertical axis with the nine distributors on the horizontal axis in ascending order of their SL Revenue Contribution: SL Load Contribution ratios.

Response:

On the advice of counsel, WW declines to provide the graph requested.

CoH-Horizon-4

Preamble:

Figure 17 in the WattsWorth evidence presents the SL Revenue per Number of Devices for Horizon Utilities and 8 other distributors that it considers comparable.

Question:

Please provide a modified version of this figure with an additional line showing the SL Revenue per Number of Connections for the nine distributors.

Response:

On the advice of counsel, WW declines to provide a modified version of the figure.

CoH-Horizon-5

- a) Please provide a copy of the retainer, terms of reference, and any instructions provided to WattsWorth Analysis Inc.
- b) Please provide the previous drafts of the report.

Response:

a) WW was retained to do the following:

1. To review the pre-filed evidence of Horizon, as it pertains to the rates for street lighting to be charged to Hamilton;
2. To provide advice with respect to a preliminary meeting between Hamilton and Horizon;
3. To explain the reasons for increases in the rates for street lighting Horizon proposes to charge to Hamilton, if the application is granted;
4. To compare the rates to be charged to Hamilton by Horizon for street lighting to the rates charged to other similarly-situated electricity distribution utilities for street lighting;
5. To assess the reasonableness of Horizon's proposed rates for street lighting, to be charged to Hamilton, in light of the recommendations with respect to cost allocation for unmetered scattered loads in the report of the Ontario Energy Board in EB-2012-0383;
6. To provide us with a written report on your analysis and conclusions for items 1 to 4 above.

b) On the advice of counsel, WW declines to provide a draft of the report.

CoH-Horizon-6

Preamble:

Figure 14 compares the Revenue Requirement contribution per rate class as a percentage between 2011 and 2015.

Question:

- a) Please identify the percentage of 2011 revenue requirement that the SL class contributed.
- b) Please identify the percentage of 2015 revenue requirement that it is proposed that the SL class contribute.
- c) Please compute the difference between 2015 and 2011.

Response:

- a) 2.9%
- b) 2.9%
- c) 0%

CoH-Horizon-7

Preamble:

Figure 11 and 12 provide a comparison of the Residential Class distribution charges to the Street Light distribution charges showing that:

- The proposed 2015 rates have a higher distribution rate increase for the Street Light class than the residential class; and
- The distribution charge component of the total bill is higher for the street light class than the residential class.

Question:

Is the City of Hamilton of the view that the residential class distribution rates should be increased so that the distribution rates for the City of Hamilton may be decreased?

Response:

The question seeks a position that will be provided by Hamilton in argument.

CoH-Horizon-8

Preamble:

Figure 1 provides the actual annual billing for the City of Hamilton for the years 2005 – 2013, and the proposed annual billing amounts for the years 2014 – 2019. The comment on this figure in the WattsWorth report states:

According to Figure 1, Hamilton's distribution-based billing amount from the streetlight class that is projected for 2019, based on HUC's Custom IR, is approximately 15 times higher than it was in 2005 – an increase of > 1400%.

Page 28 of the Ontario Energy Board's Decision with Reasons from EB-2007-0697 dated October 3, 2008 provides the following table:

Revenue to Cost Ratios

Rate Class	Cost Allocation Study Col 1	Application Col 2	Target Range Col 3
Residential	123.6	112.4	85 – 115
GS < 50 kW	92.0	92.5	80 – 120
GS > 50 kW	72.1	86.3	80 – 180
Large Use > 5 MW	49.8	92.1	85 – 115
Street Light	15.6	23.8	70 – 120
Sentinel	34.8	91.5	70 – 120
USL	34.2	88.1	80 – 120
Back-up/Standby	51.0	65.8	n/a

And states that:

The Board concludes that the Streetlighting class should be moved closer to the Board target range. This is consistent with other recent Board decisions on this issue. The revenue to cost ratio will be 43% for Streetlighting in 2008. The Board notes that Horizon did not object to this approach. The Board further directs Horizon to move the ratio to 70% as part of its 2009 IRM application.

Reference: http://www.ontarioenergyboard.ca/oeb/_Documents/EB-2007-0697/dec_reasons_HorizonUtilities_20081003%20%283%29.pdf

Question:

Please confirm that the billing amounts in Figure 1 for 2005 - 2008 are based on revenue to cost ratios: 15.6% for 2007 and prior, and 43% for 2008, all of which are well below the Board's existing floor for the Street Lighting class of 70%.

Response:

On the advice of counsel, WW declines to respond to this question.

CoH-Horizon-9

Preamble:

The WattsWorth Report states:

If the 2015 Revenue to Cost ratio was maintained for 2019, the total revenue that Horizon will require to collect from the streetlight class will go from approximately \$3.2M to \$2.9M, a 10% difference.

Table 7-6 of Horizon Utilities' prefiled evidence provided the proposed Revenue to Cost Ratios for each rate class for the years 2015 – 2019

Table 7-6: Chapter 2 Filing Requirement Appendix 2P (D) – Proposed Revenue-to-Cost Ratios - 2015

Class	Proposed Revenue-to-Cost Ratios					Policy Range
	2015	2016	2017	2018	2019	
	%	%	%	%	%	%
Residential	103.23	104.03	103.77	104.96	103.86	85 - 115
GS < 50 kW	99.49	98.99	99.12	100.95	98.71	80 - 120
GS > 50 kW	94.14	93.34	94.23	90.11	94.34	80 - 120
Large Use (1)	115.00	112.17	111.03	109.45	108.05	85 - 115
Large Use (2)	115.00	85.00	85.00	91.39	96.86	85 - 115
Street Lighting	83.83	82.74	83.56	83.48	83.34	70 - 120
Senior Light Ing	94.29	96.55	95.19	94.80	93.98	80 - 120
Unmetered Scattered Load (USL)	120.00	119.90	119.30	120.00	120.00	80 - 120
Standby	54.44	53.43	52.64	52.29	51.92	Undefined

Question:

Please provide the calculation that shows how maintaining the Revenue to Cost ratio of 83.83% for the 2015 Test Year for each of the subsequent years (2016-2019) has a 10% impact on the Revenue Requirement to be recovered from the Street Lighting class in 2019.

Response:

On the advice of counsel, WW declines to respond to this question.