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October 14, 2015

BY FAX & BY COURIER

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge St, Suite 2701
Toronto ON M4P 1E4

Dear Ms. Walli:

Board File No. EB-2015-0075
Horizon Utilities Corporation --- 2016 CIR Annual Filing
Energy Probe – Technical Conference Questions

Pursuant to the Procedural Order No. 1, issued October 7, 2015, please find attached the Technical Conference Questions of Energy Probe Research Foundation (Energy Probe) in the EB-2015-0075 proceeding.

Should you require additional information, please do not hesitate to contact me.

Yours truly,

David S. MacIntosh
Case Manager

cc. Indy Butany-DeSouza, Horizon Utilities (By email)
James C. Sidlofsky, Borden Ladner Gervais LLP (By email)
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Ontario Energy Board

IN THE MATTER OF the *Ontario Energy Board Act, 1998*,
S.O. 1998, c. 15, (Schedule B), as amended;

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, 2016.

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

October 14, 2015

**HORIZON UTILITIES CORPORATION
2016 RATES CASE
EB-2015-0075**

**ENERGY PROBE RESEARCH FOUNDATION
TECHNICAL CONFERENCE QUESTIONS**

Annual Adjustments

Energy Probe-1

Ref: Annual Update Filing, page 5

Please provide a live Excel spreadsheet that shows the rates and volumes used to calculate the cost of power. Please show how the volumes used tie back into Table 29 in the EB-2014-0002 Settlement Proposal.

Request for an Accounting Order to Establish a New Deferral Account

Energy Probe - 2

Ref: Annual Update Filing, pages 44-45

Horizon Utilities is requesting an Accounting Order to establish a “*Deferral Account 1508 – Monthly Billing Costs*” with sub accounts for “*Capital*”; and “*Operations, Maintenance and Administration*” to record incremental costs related to the implementation of monthly billing.

- a) What plans does Horizon have to expand the number of customers on electronic billing in order to mitigate some of the increase in postage and mailing costs associated with moving residential and GS < 50 customers to monthly billing?**
- b) How will these reductions be captured in the above requested deferral account?**
- c) When has or will Horizon begin converting the 218,109 customers noted that are on bi-monthly billing to monthly billing?**
- d) When does Horizon expect to have all residential and GS < 50 customers converted to monthly billing?**

- e) **Please provide a schedule that shows by month the number of customers billed bi-monthly and the number of customers billed monthly in each of 2015 and 2016 that shows the expected progress in moving customers to monthly billing. Please provide this information for both the residential and GS < 50 classes separately.**
- f) **How will Horizon track the impact on cash flow based on the movement of customers to monthly billing in 2016?**
- g) **Please confirm that based on the response to 2-Staff-23a in EB-2014-0002 that the current approved working capital allowance is 12.0% and is based on the mixture of monthly and bi-monthly billing as existed at the time of the lead lag study undertaken by Navigant.**
- h) **Please confirm that based on the response to 2-EP-11 in EB-2014-0002, if the residential and GS < 50 customers were billed on a monthly basis, the working capital allowance would decrease from 12.0% to 8.7%.**
- i) **Does Horizon propose to change the working capital allowance from 12.0% to 8.7% or to the default Board policy figure of 7.5% when all residential and GS < 50 customers are moved to monthly billing, or is Horizon planning on filing an updated lead lag study? Please explain fully.**
- j) **What is the impact on the 2016 revenue requirement of reducing the working capital allowance from 12.0% to 8.7%? Please show all calculations and assumptions used.**
- k) **Horizon has quoted to the response to 2-Energy Probe-11, part (b) in EB-2014-0002 in its evidence related to the one-time costs and the ongoing operating costs that it wishes to include in the requested deferral account. Please confirm that the interrogatory response in part (b) goes on to state the following:**

Horizon Utilities has estimated the net impact on Revenue Requirement (summarized in Table 2 below) resulting from:

- i) The reduction in Revenue Requirement corresponding to the reduction in Working Capital Allowance provided in Table 1 above (Refer to Table 3 below);*
- ii) The ongoing increase in Revenue Requirement corresponding to an increase in annual operating expenditures necessary to support monthly billing (Refer to Table 4 below);*
- iii) The increase in Revenue Requirement from 2015 to 2019 corresponding to the recovery of implementation costs for monthly billing (Refer to Table 5 below).*

Table 2
Impact on Revenue Requirement from Change to Monthly Billing
(\$000s)

	<i>Reference</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>Totals</i>
Impact on Revenue Requirement							
<i>Reduction of Working Capital Allowance</i>	<i>Table 3</i>	<i>(1,358)</i>	<i>(1,407)</i>	<i>(1,460)</i>	<i>(1,528)</i>	<i>(1,592)</i>	<i>(7,346)</i>
<i>Increase in OM&A</i>	<i>Table 4</i>	<i>1,409</i>	<i>1,437</i>	<i>1,466</i>	<i>1,495</i>	<i>1,525</i>	<i>7,332</i>
<i>Implementation Impact</i>	<i>Table 5</i>	<i>(6)</i>	<i>74</i>	<i>157</i>	<i>150</i>	<i>143</i>	<i>520</i>
<i>Net Increase/ (Decrease)</i>		<i>44</i>	<i>104</i>	<i>163</i>	<i>117</i>	<i>76</i>	<i>505</i>

Table 2 demonstrates that Revenue Requirement 1 would increase approximately \$0.5MM across 2015 to 2019 as a result of implementing monthly billing. Thereafter, the outcome is marginally positive to ratepayers following the full amortization of one-time implementation costs and under the cost and inflation assumptions identified above and in Tables 3 through 5 below. Horizon Utilities submits that there is relative ratepayer indifference to monthly billing insofar as the impact on their distribution rates.

- l) Please confirm that Horizon agreed in the response to 2-Energy Probe-11, part (c), in EB-2014-0002 that in response to whether or not the change in the working capital allowance percentage would be part of the annual adjustment to the working capital calculation if it moved customers to monthly billing in 2015-2019, and that it was "*Horizon Utilities' expectation that it would commence recovery of one-time and ongoing incremental costs identified in b) at the same time as the adjustment to working capital.*"**

- m) Does Horizon believe that the adjustment to the working capital allowance percentage meets the criteria of Section 2.12.7 of the "*Filing Requirements for Electricity Distribution Rate Applications 2014 Edition for 2015 Rates Applications*", issued July 18, 2014 of causation, materiality and prudence? If not, please explain fully.**