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ONTARIO ENERGY BOARD

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November 9, 2009

VIA MAIL and E-MAIL

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

*10/31/09*

Dear Ms. Walli:

**Re: Vulnerable Energy Consumers Coalition (VECC)  
Notice of Intervention: EB-2009-0332  
Horizon Utilities Corporation – Application Relating to the Recovery of  
Foregone Revenue**

Please find enclosed the interrogatories of the Vulnerable Energy Consumers Coalition (VECC) in the above-noted proceeding.

Thank you.

Yours truly,

Michael Buonaguro  
Counsel for VECC  
Encl.

*EB-2009-0332*

OEB BOARD SECRETARY	
File No:	Sub File: <i>8</i>
Panel	<i>PN/CC</i>
Licensing	<i>M. Davies</i>
Other	<i>:DC</i>
00/04	

**HORIZON UTILITIES CORPORATION**  
**Z-FACTOR APPLICATION (EB-2009-0332)**

**VECC'S INTERROGATORIES**

**Question #1**

**Reference:** Application Summary, paragraphs 1 c) and 2 a) & b)

- a) Please clarify which Rate Rider approach Horizon is requesting the OEB to approve – the Variable Rider or the Fixed Rider.

**Question #2**

**Reference:** Manager's Summary, paragraphs 1.8 and 3.3

- a) Please provide a copy of Horizon's December 23, 2008 letter to the Board and any other correspondence from Horizon to the Board regarding this issue prior to the September 2009 Application.

**Question #3**

**Reference:** Manager's Summary, paragraphs 2.2 -2.4 and 3.7

- a) Please confirm that Horizon filed its responses to interrogatories regarding its 2008 EDR Application in January 2008.
- b) Please confirm that Horizon's forecast for 2008 loads for the Subject Customer were based on the 2006 average monthly value of 96,206 kW (per Table 2).
- c) Please confirm that actual 2007 average monthly use by the Subject Customer was 83,683 kW (per Table 1).
- d) Please confirm that Horizon did not update/revise its 2008 EDR Application to reflect the lower demands of the Subject Customer throughout 2007 and, if not, explain why.

#### **Question #4**

**Reference:** Manager's Summary, paragraphs 2.5 - 2.6 and 4.7

- a) Please recalculate the Actual and Anticipated Distribution Revenue Deficiency (Table 3) assuming the increase in load to 12,000 kW only lasts until December 2009.
- b) Based on the results in part (a) please re-calculate the Rate Rider per Table 5.

#### **Question #5**

**Reference:** Manager's Summary, paragraph 2.7

- a) What were Horizon's overall distribution sales (kWh's) for the 2008 rate year and what, if any, was the overall distribution revenue short-fall for the 2008 rate year (i.e., across all customer classes)?
- b) What actions did Horizon take during the 2008 rate year (i.e. May 1, 2008 to April 30, 2009) to reduce costs and help offset the impact of this reduced revenue? What were the associated capital and operating cost reductions for the 2008 rate year?
- c) Please provide Horizon Utilities Corporation's audited financial statements for 2008.
- d) What actions has Horizon taken and what action is it planning on taking for the 2009 rate year to reduce costs and help offset the impact of this reduced revenue? What are the associated capital and operating cost reductions?

#### **Question #6**

**Reference:** Manager's Summary, paragraph 3.1

- a) The Z-Factor provision is an element of the Board's 3<sup>rd</sup> Generation IRM Plan. Why is it appropriate for Horizon to apply for a Z-Factor relief for the 2008 rate year which, for Horizon, was based on Cost of Service and not IRM.

### **Question #7**

**Reference:** Manager's Summary, paragraph 3.7

- a) What is basis for Horizon's view that Z-Factor adjustments apply to "events" that impact on electricity distributor's revenues as well as events that impact on costs?
- b) Is it Horizon's view that the loss of revenue from any single customer (relative to that included in the rebasing application) that is sufficient to meet the materiality criteria should be considered eligible for a Z-Factor adjustment? Please explain your answer.
- c) If the answer to part (b) is (generally) yes, should utilities be required to report and apply for Z-Factor adjustments in cases where the gain in revenue from a single customer relative to that included in the rebasing application (e.g. through expansion of an existing customer or addition of a new customer) is sufficient to meet the materiality criteria? Please explain your answer.

### **Question #8**

**Reference:** Manager's Summary, paragraph 3.9

- a) How was the "approved" distribution revenue for 2009 determined?

### **Question #9**

**Reference:** Manager's Summary, paragraph 3.11

- a) Please demonstrate that the short-fall in distribution revenue is required to "provide the cash necessary to finance Horizon Utilities' investment in capital, operations and maintenance".

### **Question #10**

**Reference:** Manager's Summary, paragraph 4.3

- a) Please re-do Table 4 but use as the allocator the distribution revenues received from each class over the period May 2008 to April 2009.
- b) Over the May 2008 to April 2009 period what portion of Horizon's distribution revenues were from fixed charges (i.e, the MSC) and what portion was from variable charges?

### **Question #11**

**Reference:** Manager's Summary, paragraphs 4.4 – 4.6

- a) Please confirm that the average monthly use for a Residential customer of Horizon is roughly 640 kWh (calculated from Table 4 and Appendix B, Table 1) as opposed to the 800 kWh per month. What is the bill impact under each of the two approaches for this customer?

### **Question #12**

**Reference:** Manager's Summary, paragraphs 6.1 and 7.1

- a) Does Horizon agree that the allowed ROE included in its approved revenue requirement includes an allowance for business risk? If not, why not?
- b) Does Horizon agree that the Board's approval of its revenue requirement does not represent a guarantee by the Board that it will actually earn either the approved revenue or the approved ROE? If not, why not?
- c) Does Horizon agree that its current fixed capital investment and operating costs are recovered from customers through a combination of fixed and variable charges?