

1 In the third reference, Horizon indicates that “Further, since the time of filing this Cost of
2 Service application, there have been discussions with one of Horizon Utilities Large Use
3 customers, a release from the Large Use customer and media coverage of a previously
4 unanticipated shutdown, the effects of which will be a further significant reduction in
5 load and revenue”.

6 **a)** Please provide an explanation of the further losses anticipated.

7 **b)** Please quantify the further significant reductions in load and revenue anticipated
8 in the fourth quarter of 2010 and 2011.

9 **c)** Has Horizon had discussions with any of the remaining 11 Large Use customers
10 prior to filing this application and subsequently?

11 **i)** If yes, please provide a summary of the discussions with the “subject customers”
12 and the impact on the current application?

13 **ii)** If no, why not?

14 **Response:**

15 **a)** Horizon Utilities submits that the “further losses” anticipated represent the
16 deficiency between forecast load for the commercial and large use class and the load
17 underlying the load forecast approved in the 2008 cost of service application
18 (“2008EDR”). Such loss of load directly and adversely impacts the amount of revenue
19 anticipated in its 2008EDR application to finance its related capital and operating
20 programs.

21 **b)** Horizon Utilities forecast Large Use consumption for 2010 to be 3,044,901kWs.
22 Actual Large Use consumption for 2010 was 2,884,523 kWs. This represents a 5.6%
23 decline in forecast consumption.

24 In the current Application, Horizon Utilities has forecast Large Use consumption for
25 2011 to be 3,044,901kWs. The Large Use consumption forecast for the test year in
26 2008EDR was 3,873,319. Therefore, relative to 2008 levels and those underlying its
27 current rates and revenues, Horizon Utilities anticipates a 21.4% decline in forecast
28 consumption.

1 **c)** Horizon Utilities contacted all Large Use customers on September 10th, 2010 by
2 written letter. Follow up telephone calls were thereafter made to schedule meetings
3 between the Large Use customer and Horizon Utilities Senior Leadership Team to
4 discuss the proposed rates in the Cost of Service Application that had recently been
5 submitted to the Board. Five Large Use customers responded to either the letter or the
6 follow up telephone call and scheduled meetings. During the discussions with the Large
7 Use customers, Horizon Utilities' staff reviewed the proposed changes to Large Use
8 rates, including some basic analysis on the customer specific rate increase based on
9 the customer's load profile. Horizon Utilities' staff also detailed the regulatory process
10 for the Application before the Board and the process to finalize the proposed rates.
11 Horizon Utilities' staff also provided customers with information if they wished to
12 participate in the process directly.

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**HORIZON UTILITIES CORPORATION (“HORIZON UTILITIES”)
RESPONSES TO
ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO
INTERROGATORIES**

DELIVERED: January 24th, 2011

Question 2

**Reference: # 3: Horizon Response to Board Staff Interrogatory # 4 a) Page 16
(lines 23 to 27) on the Preliminary Issue dated November 8, 2010**

Horizon indicates that “The decline in demand for the Large User customer class was detailed on page 5 of the Manager’s Summary of Horizon Utilities Z-factor application (EB-2009-0332; “For the fourteen month period from May 2008 to June 2009. Horizon Utilities distribution revenue, from its Large Use class, has decreased by a total of \$1,823,474...”

Please provide a copy of the Manager’s Summary referred to above. (AMPCO was unable to locate the document on the Board’s website).

Response:

As requested, please find a pdf version of Horizon Utilities Z-factor Application (EB-2009-0332) appended to this response, in which you will find the Manager’s Summary on page 17.

Appendix 1

Borden Ladner Gervais LLP
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**BORDEN
LADNER
GERVAIS**

September 3, 2009

Delivered by Courier and E-mail

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, Ontario
M4P 1E4

Dear Ms. Walli:

Re: Horizon Utilities Corporation – Rate Rider Application to address an unforeseen and significant loss of distribution revenue

We are counsel to Horizon Utilities Corporation (“Horizon Utilities”) in the above captioned matter. Horizon Utilities is a licensed electricity distribution company operating in the City of Hamilton and the City of St. Catharines under Ontario Energy Board (the “OEB” or the “Board”) Electricity Distribution Licence ED-2006-0031.

Please find accompanying this letter two hard copies of Horizon Utilities’ Application to the Board for an order or orders granting approval for the recovery of certain amounts related to an unforeseen and significant loss of revenue due to a change in operations on the part of one of its Large Use customers (the “Subject Customer” – who will not be named in this Application in order to respect the confidentiality of its information). The Application addresses the recovery of \$744,824 in forgone distribution revenue for the rate year May 1, 2008 to April 30, 2009, and an additional \$2,105,662 that Horizon Utilities anticipates will be forgone for the period May 1, 2009 to April 30, 2011, bringing the total forgone distribution revenue for the three rate years to \$2,850,486.

Horizon Utilities proposes to recover this forgone revenue through a Z-Factor-related rate rider (the “Rate Rider”) that would take effect January 1, 2010 and would remain in place until the rate order arising out of Horizon Utilities’ next forward test year cost of service distribution rate application takes effect. Horizon Utilities anticipates that the requested Rate Rider will be in place until April 30, 2011, as Horizon Utilities is currently planning to file a 2011 cost of service distribution rate application in August of 2010, with rates to be effective May 1, 2011.

Horizon Utilities also requests in this Application that it be permitted to establish a variance account to track the difference between the anticipated distribution revenue from the Subject Customer and the actual amount of distribution revenue received from the

Vancouver
•
Toronto
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Ottawa
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Montréal
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Calgary



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GERVAIS
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Subject Customer during the same period, to be recorded in the variance account 1572, for disposition at a date to be determined. The use of the variance account provides an appropriate safeguard to ensure that Horizon Utilities does not over- or under-recover the revenue lost as a result of the change in the Subject Customer's operations. Horizon Utilities submits that this approach is just and reasonable in respect of both the utility and its customers.

Included with the Application is Horizon Utilities' Manager's Summary in support thereof. The Manager's Summary explains the circumstances surrounding this reduction in revenue and Horizon Utilities' approach to the proposed Rate Rider.

We ask that copies of all correspondence and orders pertaining to this proceeding be delivered to the following individuals:

Indy Butany-DeSouza
Vice President, Regulatory and Government Affairs
Horizon Utilities Corporation
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Hamilton, Ontario L8N 3E4
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Fax: 1-905-522-6570
E-mail: indy.butany@horizonutilities.com

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Partner
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Scotia Plaza, 40 King Street West
Toronto, ON M5H 3Y4
Tel: 416-367-6277
Fax: 416-361-2751
E-mail: jsidlofsky@blgcanada.com

We thank you for your attention to this matter. Should you have any questions or require any further information in this regard, please do not hesitate to contact me.

Yours very truly,
BORDEN LADNER GERVAIS LLP

Original signed by James C. Sidlofsky
James C. Sidlofsky
JCS

cc. Max Cananzi, Horizon Utilities Corporation
John Basilio, Horizon Utilities Corporation
Indy Butany-DeSouza, Horizon Utilities Corporation

::ODMA\PCDOCS\TOR01\4165897\1

IN THE MATTER OF the *Ontario Energy Board Act, 1998*,
being Schedule B to the *Energy Competition Act, 1998* S.O.
1998, c. 15;

AND IN THE MATTER OF an Application by Horizon Utilities
Corporation to the Ontario Energy Board for an Order or
Orders approving the recovery of amounts related to a
significant decrease in distribution revenue from a single
Large User customer.

**APPLICATION TO THE ONTARIO ENERGY BOARD
FOR A Z-FACTOR-RELATED RATE RIDER**

September 3, 2009

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Counsel to the Applicant

IN THE MATTER OF the *Ontario Energy Board Act, 1998*,
being Schedule B to the *Energy Competition Act, 1998* S.O.
1998, c. 15;

AND IN THE MATTER OF an Application by Horizon Utilities
Corporation to the Ontario Energy Board for an Order or
Orders approving the recovery of amounts related to a
significant decrease in distribution revenue from a single
Large User customer.

I N D E X

DESCRIPTION	TAB
APPLICATION	1.
Schedule A, Proposed Variable Rate Rider	A.
Schedule B, Alternative Rate Rider based on Fixed Charge	B.
MANAGER'S SUMMARY	2.
Appendix A, Proposed Variable Rate Rider impacts	A.
Appendix B, Alternative Rate Rider based on Fixed Charge, and impacts	B.

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, being Schedule B to the *Energy Competition Act, 1998 S.O. 1998, c. 15*;

AND IN THE MATTER OF an Application by Horizon Utilities Corporation to the Ontario Energy Board for an Order or Orders approving the recovery of amounts related to a significant decrease in distribution revenue from a single Large User customer.

Title of Proceeding: An Application by Horizon Utilities Corporation to the Ontario Energy Board for an Order or Orders approving the recovery of amounts related to a significant decrease in distribution revenue from a single Large User customer.

Applicant's Name: **Horizon Utilities Corporation**
(the "Applicant")

Applicant's Address: 55 John Street North
PO Box 2249, Station LCD 1
Hamilton, Ontario
L8N 3E4

Attention: Indy Butany-DeSouza
Vice-President, Regulatory and Government Affairs

Telephone: (905) 317-4765
E-mail: indy.butany@horizonutilities.com

Applicant's Counsel: James C. Sidlofsky
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Date: September 3, 2009

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, being Schedule B to the *Energy Competition Act, 1998* S.O. 1998, c. 15;

AND IN THE MATTER OF an Application by Horizon Utilities Corporation to the Ontario Energy Board for an Order or Orders approving the recovery of amounts related to a significant decrease in distribution revenue from a single Large User customer.

APPLICATION SUMMARY

1. Introduction:

- (a) Horizon Utilities Corporation (“the Applicant”) hereby applies to the Ontario Energy Board (the “OEB”) pursuant to section 78 of the *Ontario Energy Board Act, 1998* (the “OEB Act”) for approval of a proposed rate rider (the “Rate Rider”), effective January 1, 2010, as set out in Schedule "A" attached to this Application.
- (b) As discussed below and in the Manager’s Summary that accompanies this Application, the Application is made to address the significant reduction in electricity consumption by one of the Applicant’s "Large User" customers (referred to as the “Subject Customer” – who will not be named in this Application to respect the confidentiality of its information).
- (c) Specifically, the Applicant seeks recovery of \$926,075, being the actual distribution revenue deficiency forgone by the Applicant for the period May 2008 to June 2009 and the anticipated distribution revenue deficiency of \$1,924,411 for the period July 2009 to April 30, 2010, for a total of \$2,850,486, through a Z-Factor Adjustment. The Applicant has proposed to recover the Z-Factor Adjustment through a Variable Rate Rider as the distribution revenue deficiency is related to the decline in the Subject Customer’s load and therefore variable distribution revenue. However, the Applicant has also, in Schedule B to this Application, provided the calculations to support a Fixed Rate Rider which the Applicant suggests better reflects the recovery of the distribution revenue deficiency required to continue to meet the fixed capital investment and ongoing

operating costs of providing distribution service to the Subject Customer. The Applicant submits that the Fixed Rate Rider is the appropriate method to recover the distribution revenue deficiency and seeks the OEB's consideration and direction on the recovery methodology.

- (d) The Applicant seeks recovery, by way of a Rate Rider for the sixteen month period commencing January 1, 2010 and ending April 30, 2011. Schedule "A" to this Application provides the proposed Variable Rate Rider by customer class. Schedule "B" provides an alternative Rate Rider based on a Fixed Charge per month.
- (e) The Applicant also requests that it be permitted to establish a variance account to track the difference between the anticipated distribution revenue from the Subject Customer, at a baseline volume of 12,000 kW per month during the period of the Rate Rider, and the actual amount of distribution revenue received from the Subject Customer during the same period, to be recorded in the variance account 1572, for disposition at a date to be determined.

2. Proposed Distribution Rates and Other Charges:

- (a) The amount of the Rate Rider applicable to each of the Applicant's customer classes is identified in Schedule "A" attached to this Application.
- (b) The Applicant has also included an alternate Rate Rider calculation, which the Applicant submits is more representative of the recovery of its fixed costs to service the Subject Customer, in Schedule "B" to the Application, for the OEB's consideration.
- (c) The Applicant is proposing no other changes to its current OEB-approved electricity distribution rates and charges.
- (d) The Manager's Summary accompanying this Application sets out the Applicant's approach to the proposed Rate Rider and variance account.

3. Proposed Effective Date of Order:

- (a) The Applicant requests that the OEB make its Rate Order effective January 1, 2010.

4. The Grounds for this Application are as Follows:

- (a) On October 22, 2007, the Applicant submitted a Cost of Service Electricity Distribution Rate Application (the "2008 EDR Application") to the OEB pursuant to Section 78 of the OEB Act for approval of just and reasonable rates effective May 1, 2008 (OEB File No. EB-2007-0697). In Exhibit C of the 2008 EDR Application, the Applicant provided detailed explanations for the determination of the load forecast to be used in setting the 2008 Rates. The Applicant's 2008 load forecast for Large Use customers was based on 2006 actual load data.
- (b) The total kilowatts ("kW") load used to establish the Applicant's 2008 revenue requirement from the Large User class, based on 2006 Actual as discussed above, was 3,876,319 kW of annual billed demand. Of the total 2006 Large User load, the Subject Customer represented 1,154,467 kW of annual billed demand or 30% of the total billed demand. Subsequent to the filing of the Applicant's 2008 EDR Application, a U.S. based company purchased the Subject Customer. Since the purchase, the Subject Customer has gradually reduced its load, and in November 2008, the Subject Customer further reduced its load as it discontinued specific components of its Hamilton operations. In March 2009, the Subject Customer announced plans to temporarily shut down its Hamilton operations indefinitely. A minimum monthly base load requirement of approximately 9,000 kW is now being maintained, down from approximately 100,000 kW in 2006.
- (c) The Subject Customer's shutdown has had a significant impact on the Applicant's OEB Approved distribution revenue. For the fourteen month period from May 2008 to June 2009, the Applicant's distribution revenue from its Large User class has decreased by a total of \$1,823,474, of which \$926,075, or 51%, is due entirely to the Subject Customer's shutdown. The Applicant confirms that it

is only seeking a Rate Rider related to the reduction in revenue from the Subject Customer.

- (d) The Applicant has been advised by the Subject Customer that certain facilities at its Hamilton operations will be brought back into production during the late summer of 2009, adding an additional load of 3,000 kW. This will bring the expected load for the balance of the indefinite shutdown to 12,000 kW. This continues to be significantly lower than the 2006 load of approximately 100,000 kW. Furthermore, the material to be produced by these facilities in Hamilton, which is an input to the production of finished materials, is to be shipped to one of the Subject Customer's plants in the United States for use in production of finished materials at that plant. The Applicant understands that the activity in Hamilton will continue until such time as the Subject Customer completes construction of a facility for the production of this input to be located adjacent to the plant in the United States, at which time the new plant will supply the United States plant. The new facility is expected to commence operations in the fall of 2009. Accordingly, even this small increase in load may only be temporary.
- (e) Distribution revenue received from the Subject Customer decreased by \$744,824 for the rate year May 1, 2008 to April 30, 2009, from that approved by the OEB in the Applicant's 2008 EDR Application. The Applicant anticipates that the indefinite shutdown will continue through 2009, 2010 and 2011, such that the Applicant will lose an additional \$2,105,662 for the period May 1, 2009 to April 30, 2011, bringing the total forgone distribution revenue reduction for the three rate years to \$2,850,486. This assumes that the Subject Customer's Hamilton facilities maintain a base load of 12,000 kW and do not lose the input material production through this period.
- (f) The Applicant's approved distribution revenue is required, among other purposes, to finance its investment in capital, operations, and maintenance expenditures in support of the safe and reliable supply of electricity. The Applicant has realized an actual distribution revenue deficiency for the 2008 rate

year in the amount of \$744,824, and \$181,251 for the first two months of the 2009 rate year, for a total of \$926,075. The Applicant anticipates an additional distribution revenue deficiency for the balance of the 2009 rate year in the amount of \$868,179 for a total 2009 rate year distribution revenue deficiency of \$1,049,430. The Applicant submits that the loss of distribution revenue for the rate years 2008 and 2009, in the amount of \$1,794,254, is significant to its regulated operations and cash flow. This has made it necessary for the Applicant to review its expenditures in order to determine which projects may be deferred without incurring any risk to system reliability or customer safety. Furthermore, the deferral of any project from 2009 to 2010 is only a short term deferral – any project being deferred is still necessary and must be completed in 2010, a year in which the Applicant anticipates a further loss of distribution revenue of \$1,056,232. In addition, the impact of the distribution revenue deficiency now requires the Applicant to consider a plan to accelerate the filing of its next cost of service application to August 2010 for implementation May 1, 2011. The Applicant submits that, despite such deferral, it will not achieve its maximum allowable return on equity, and that such deferrals are necessary as prudent measures in relation to available regulated cash flows.

- (g) Among other Board documents, the July 14, 2008 *Report of the Board on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors* (the "3GIRM Report") and the September 17, 2008 *Supplemental Report of the Board on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors* including Appendix B: Amended Filing Guidelines, Z-Factors (the "Supplemental 3GIRM Report"), provide for the recovery of amounts related to unforeseen events through the application of a Z-Factor Adjustment. At page 35 of the 3GIRM Report, the Board wrote:

"The Board has determined that the eligibility criteria [Causation, Materiality and Prudence, addressed at pages iv and v to the Appendix to the 3GIRM Report and pages vi and vii of Appendix B to the Supplemental 3GIRM Report] are sufficient to limit Z-factors to events genuinely external to the regulatory regime and beyond the control of management and the Board."

- (h) The Applicant has complied with the OEB's 3GIRM and Supplemental 3GIRM Reports as they pertain to the recovery of amounts related to unforeseen events. The Applicant gave notice to the OEB on December 23, 2008, advising of its concerns with the Large User shutdowns and impacts on the Applicant's ability to meet its revenue requirement, and advised the OEB that "The persistence of the Large User shutdowns noted [in the letter] will result in a Z-factor claim by Horizon Utilities"; and the Applicant has met the OEB's three criteria for eligibility for Z-Factor Adjustments – Causation; Materiality; and Prudence. The Applicant has addressed these matters in the Manager's Summary accompanying this Application.
- (i) The Application for a Z-Factor-related Rate Rider includes an assumption as to the Subject Customer's load for the period July 1, 2009 to April 30, 2011 based on the load currently being used (9,000 kW) plus 3,000 kW, estimated by the Customer to be the load required to operate the facility that will produce inputs for the finished materials to be manufactured in the Subject Customer's plant in the United States. While this shutdown is for an indefinite period of time, in the event that the Subject Customer does resume part or all of its previous operations, the Applicant may recover additional variable distribution revenue over and above the anticipated revenue that formed the basis for the Rate Rider. Conversely, if the Subject Customer further reduces its operations in Hamilton, the Applicant may experience an even greater revenue shortfall on account of the Subject Customer than that anticipated in this Application. The Applicant submits that it would be inappropriate to implement the proposed Rate Rider and realize a gain in revenue through unanticipated additional load from the Subject Customer, or a further loss in revenue through further unanticipated reductions in load from the Subject Customer. The Applicant therefore proposes that the difference between the anticipated distribution revenue from the Customer, at a baseline volume of 12,000 kW per month during the period of the Rate Rider, and the actual amount of distribution revenue received from the Subject Customer during the same period be recorded in the variance account 1572, for

disposition at a date to be determined. The 3GIRM Report and the Supplemental 3GIRM Report provide for the use of Account 1572, Extraordinary Event Costs, to track eligible Z-Factor amounts.

- (j) In this Application, the Z-Factor event consists of both the past reduction in revenue due to the shutdown, and the anticipated forgone revenue through the 2010 rate year. The Applicant submits that it is appropriate to treat both the past loss of the Subject Customer's load and the anticipated ongoing reduction of the Customer's load as a single event. A Z-Factor application for revenue forgone to date, and another form of application for a rate adjustment for anticipated forgone revenue creates unnecessary complexity and a multiplicity of proceedings. The use of the variance account, as proposed in this Application, provides an appropriate safeguard to ensure that the Applicant does not over- or under-recover the revenue lost as a result of the change in the Subject Customer's operations. The Applicant submits that this approach is just and reasonable in respect of both the utility and its customers.
- (k) Such further and other grounds as may be set out in the Manager's Summary accompanying this Application.

5. Relief Sought

- (a) The Applicant hereby applies to the OEB pursuant to section 78 of the OEB Act for approval of a proposed Rate Rider, effective January 1, 2010, as set out in Schedule "A" attached to this Application or alternatively, as set out in Schedule "B", also attached to this Application.

6. Method of Disposition

- (a) The Applicant proposes that this Application be disposed of by way of a written hearing.

Dated at Toronto, Ontario this 3rd day of September, 2009.

All of which is respectfully submitted,

BORDEN LADNER GERVAIS LLP

Original Signed by James C. Sidlofsky

James C. Sidlofsky

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Scotia Plaza
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Counsel to Horizon Utilities Corporation

SCHEDULE "A"
HORIZON UTILITIES CORPORATION

PROPOSED VARIABLE RATE RIDER
EFFECTIVE JANUARY 1, 2010 THROUGH APRIL 30, 2011

Customer Class	Billing Determinant	Monthly Variable Rate Rider
Residential	kWh	\$0.0004
General Service <50 kW	kWh	\$0.0004
General Service >50 kW	kW	\$0.1393
Large User	kW	\$0.1908
Unmetered & Scattered Load	kWh	\$0.0004
Sentinel Lights	kW	\$0.1291
Street Lighting	kW	\$0.1343

SCHEDULE "B"
HORIZON UTILITIES CORPORATION

PROPOSED MONTHLY FIXED RATE RIDER
EFFECTIVE JANUARY 1, 2010 THROUGH APRIL 30, 2011

Customer Class	Monthly Fixed Rate Rider
Residential	\$0.24
General Service <50 kW	\$1.03
General Service >50 kW	\$27.71
Large User	\$3,942.06
Unmetered & Scattered Load	\$0.12
Sentinel Lights	\$0.04
Street Lighting	\$0.02

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, being Schedule B to the *Energy Competition Act, 1998* S.O. 1998, c. 15;

AND IN THE MATTER OF an Application by Horizon Utilities Corporation to the Ontario Energy Board for an Order or Orders approving the recovery of amounts related to a significant decrease in distribution revenue from a single Large User customer.

HORIZON UTILITIES CORPORATION

MANAGER'S SUMMARY

Filed: September 3, 2009

Indy Butany-DeSouza, MBA
Vice-President, Regulatory and Government Affairs
Horizon Utilities Corporation
55 John Street North
P. O. Box 2249, Station LCD 1
Hamilton, Ontario
L8N 3E4

Tel: 905-317-4765
indy.butany@horizonutilities.com

MANAGER'S SUMMARY

1. Introduction

- 1.1 Horizon Utilities Corporation ("Horizon Utilities") is a licensed electricity distribution company operating in the City of Hamilton and the City of St. Catharines under Ontario Energy Board (the "OEB" or the "Board") Electricity Distribution Licence ED-2006-0031.
- 1.2 Horizon Utilities is making an Application to the OEB for an order or orders pursuant to Section 78 of the *Ontario Energy Board Act, 1998*, as amended (the "OEB Act") approving or fixing just and reasonable rates for the distribution of electricity.
- 1.3 Specifically, Horizon Utilities is applying for an order or orders granting approval for the recovery of certain amounts related to an unforeseen and significant loss of revenue due to a change in operations on the part of one of its Large Use customers the ("Subject Customer" – who will not be named in this Application to respect the confidentiality of its information). Horizon Utilities proposes to recover this forgone revenue through a Z-Factor-related rate rider (the "Rate Rider") that would remain in place until the rate order arising out of Horizon Utilities' next forward test year cost of service distribution rate application takes effect. Horizon Utilities anticipates that the requested Rate Rider will be in place until April 30, 2011, as Horizon Utilities is currently planning to file a 2011 cost of service distribution rate application in August of 2010, with rates to be effective May 1, 2011.
- 1.4 In support of this Application, Horizon Utilities is providing the specific details, data, and relevant calculations together with plans for addressing the unforeseen event and support for the Rate Rider. This Application includes the manner in which Horizon Utilities proposes to allocate the Rate Rider to the various customer classes and the rationale for the selected approach.
- 1.5 In this Application, Horizon Utilities proposes a Rate Rider to recover both the distribution revenue deficiency that has been realized to date as a result of the reduction in actual load of the Subject Customer and the continued anticipated distribution revenue deficiency due to the continued shutdown of the Subject Customer's operations. Horizon Utilities has calculated the actual distribution revenue deficiency for the Subject

Customer based on the load approved in its 2008 EDR Application and the actual load consumed by the Customer to June 30, 2009. The anticipated distribution revenue deficiency, for the subsequent period July 1, 2009 to April 30 2011, has been calculated as the difference in the 2008 OEB approved load forecast and a baseline volume of 9,000 kW, being the current load established during the shutdown, adjusted for the announced startup of a small portion of the Subject Customer's operations, as discussed below, for a total baseline volume of 12,000 kW. The Rate Rider will re-establish a significant portion of Horizon Utilities' OEB approved Large User distribution revenue requirement that is required to carry on its operations and that is not being realized through the shutdown of the Subject Customer.

- 1.6 Horizon Utilities also requests that it be permitted to establish a variance account to track the difference between the anticipated distribution revenue from the Subject Customer, at a baseline volume of 12,000 kW per month during the period of the Rate Rider, and the actual amount of distribution revenue received from the Subject Customer during the same period, to be recorded in the variance account 1572, for disposition at a date to be determined.
- 1.7 In making this Application, Horizon Utilities has considered the OEB's initial Electricity Distribution Rate Handbook; the July 14, 2008 *Report of the Board on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors* (the "3GIRM Report") and the September 17, 2008 *Supplemental Report of the Board on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors* including Appendix B: Amended Filing Guidelines, Z-Factors (the "Supplemental 3GIRM Report") for the recovery of amounts related to unforeseen events. At page 35 of the 3GIRM Report, the Board wrote:

"The Board has determined that the eligibility criteria [Causation, Materiality and Prudence, addressed at pages iv and v to the Appendix to the 3GIRM Report and pages vi and vii of Appendix B to the Supplemental 3GIRM Report] are sufficient to limit Z-factors to events genuinely external to the regulatory regime and beyond the control of management and the Board."
- 1.8 In addition, Horizon Utilities notes that it provided notice to the OEB on December 23, 2008 expressing its ongoing concerns regarding the announced shutdowns of three Large User Customers and the consequences of the events and advised the OEB that

“The persistence of the Large User shutdowns noted [in the letter] will result in a Z-factor claim by Horizon Utilities.”

- 1.9 Horizon Utilities has considered the Board's eligibility criteria for Z-factor claims, and has addressed them below. Horizon Utilities submits that it has met the Board's Z-factor eligibility criteria, and that the circumstances that give rise to this Application are, in the words of the Board, “genuinely external to the regulatory regime and beyond the control of management and the Board”.

2. Overview

- 2.1 On October 22, 2007, Horizon Utilities submitted a Cost of Service Electricity Distribution Rate Application (the “2008 EDR Application”) to the OEB pursuant to Section 78 of the OEB Act for approval of just and reasonable rates effective May 1, 2008 (OEB File No. EB-2007-0697).
- 2.2 In Exhibit C of the 2008 EDR Application, Horizon Utilities provided detailed explanations for the determination of the load forecast to be used in setting the 2008 Rates. Horizon Utilities' 2008 load forecast for Large Use customers was based on 2006 actual load data, with 2008 being the most current Board-Approved year. The load data for the 2006 Actual, 2007 Bridge Year, and 2008 Test Year was weather normalized using the latest Hydro One forecast that was specific to Horizon Utilities and utilized in Horizon Utilities' Cost Allocation Informational Filing submitted March 30, 2007. The Hydro One model identified that, among others, the Large User customer class load was not weather sensitive and, as stated in Horizon Utilities' 2008 EDR Application at Exhibit C/Tab 2/Schedule 2/Page 4, “The kWhs for the Large Use class, Unmetered/Scattered Load and Sentinel Lighting are not weather sensitive and are not expected to differ significantly in 2007 or 2008”. As such, Horizon Utilities' load forecast for the Large User class for setting 2008 Rates was based on the 2006 actual load for this class. Horizon Utilities' load forecast was accepted by the OEB in its Decision on Horizon Utilities' 2008 EDR Application.
- 2.3 The total kilowatts (“kW”) used to establish Horizon Utilities' 2008 revenue requirement from the Large User class, based on 2006 Actual as discussed above, was 3,876,319 kW of annual billed demand. Of the total 2006 Large User load the Subject Customer

represented 1,154,467 kW of annual billed demand or 30% of the total billed demand. Subsequent to the filing of Horizon Utilities' 2008 EDR Application, a U.S. based company purchased the Subject Customer. Since the purchase, the Subject Customer has gradually reduced its load, and in November 2008, the Subject Customer further reduced its load as it discontinued specific components of its Hamilton operations. In March 2009, the Subject Customer announced plans to temporarily shut down its Hamilton operations indefinitely. A minimum monthly base load requirement of approximately 9,000 kW is now being maintained, down from approximately 100,000 kW in 2006. The following Table 1 provides the kW load for the Subject Customer's plant from 2006, being the load approved by the OEB in Horizon Utilities 2008 EDR Application, to June 2009.

Table 1
The Subject Customer's kW History – January 2006-June 2009

Month	2006	2007	2008	2009
January	97,884	102,101	77,774	47,178
February	98,779	102,147	75,851	47,739
March	102,686	94,952	76,800	42,917
April	99,784	92,220	75,242	21,120
May	97,062	84,301	71,629	9,669
June	97,043	77,399	70,851	8,991
July	98,896	78,438	69,522	
August	95,348	75,150	74,172	
September	103,295	74,696	67,092	
October	90,378	73,232	69,989	
November	79,205	75,407	53,514	
December	94,106	74,148	50,280	

2.4 The Customer's shutdown has had a significant impact on Horizon Utilities' OEB Approved distribution revenue. For the fourteen month period from May 2008 to June 2009, Horizon Utilities' distribution revenue, from its Large User class, has decreased by a total of \$1,823,474, of which \$926,075, or 51%, is due entirely to the Subject Customer's shutdown. Horizon Utilities confirms that it is only seeking a Rate Rider related to the reduction in revenue from the Subject Customer. Table 2 below illustrates the impact of the Subject Customer's load reduction on Horizon Utilities' distribution revenue to June 2009.

Table 2
Distribution Revenue Reduction Attributable to the Subject Customer

Month	2006 Customer Demand kW	2008 Customer Demand kW	2009 Customer Demand kW	Reduction in kW Usage - 2006 vs. 2008	Reduction in kW Usage - 2006 vs. 2009	2008 Rates - Jan - Nov IRM Dec CofS	2009 Rates - Jan - Apr CofS May - Dec IRM	2008 Distribution Revenue Reduction	2009 Distribution Revenue Reduction
January	97,884	77,774	47,178	(20,111)	(50,706)	0.9236	2.0227		(102,563)
February	98,779	75,851	47,739	(22,928)	(51,040)	0.9236	2.0227		(103,239)
March	102,686	76,800	42,917	(25,885)	(59,769)	0.9236	2.0227		(120,895)
April	99,784	75,242	21,120	(24,542)	(78,664)	0.9236	2.0227		(159,113)
May	97,062	71,629	9,669	(25,433)	(87,392)	0.9236	1.0331	(23,490)	(90,285)
June	97,043	70,851	8,991	(26,192)	(88,052)	0.9236	1.0331	(24,191)	(90,966)
July	98,896	69,522		(29,374)		0.9236		(27,130)	
August	95,348	74,172		(21,176)		0.9236		(19,558)	
September	103,295	67,092		(36,203)		0.9236		(33,437)	
October	90,378	69,989		(20,389)		0.9236		(18,831)	
November	79,205	53,514		(25,691)		0.9236		(23,728)	
December	94,106	50,280		(43,826)		2.0227		(88,647)	
								Total to Date	(926,075)

Note to Table 2: Horizon Utilities 2008 distribution rates were implemented on December 1, 2008. The OEB Decision allowed for the recovery of forgone distribution revenue for the period May 1, 2008 to November 30, 2008 and therefore provided for an additional variable distribution rate of \$1.0009 per kW to be included in Horizon Utilities total variable distribution rate for the period December 2008 to April 30, 2009. This amount is included in the \$2.0227 per kW variable distribution rate for the period December 2008 to April 2009.

2.5 Horizon Utilities has been advised by the Subject Customer that certain facilities at its Hamilton operations will be brought back into production during the late summer of 2009, adding an additional load of 3,000 kW. This will bring the expected load for the balance of the indefinite shutdown to 12,000 kW. As mentioned above, this continues to be significantly lower than the 2006 load of approximately 100,000 kW. Furthermore, the material to be produced by these facilities in Hamilton, which is an input to the production of finished materials, is to be shipped to one of the Subject Customer's plants in the United States for use in production of finished materials at that plant. Horizon Utilities understands that the activity in Hamilton will continue until such time as the Subject Customer completes construction of a facility for the production of this input to be located adjacent to the plant in the United States, at which time the new plant will

additional distribution revenue deficiency for the balance of the 2009 rate year in the amount of \$868,179 for a total 2009 rate year distribution revenue deficiency of \$1,049,430. Horizon Utilities submits that the loss of distribution revenue for the rate years 2008 and 2009, in the amount of \$1,794,254, is significant to its regulated operations and cash flow. This has made it necessary for Horizon Utilities to review its expenditures in order to determine which projects may be deferred without incurring any risk to system reliability or customer safety. Furthermore, the deferral of any project from 2009 to 2010 is only a short term deferral – any project being deferred is still necessary and must be completed in 2010, a year in which the Applicant anticipates a further loss of distribution revenue of \$1,056,232. In addition, the impact of the distribution revenue deficiency now requires Horizon Utilities to consider a plan to accelerate the filing of its next cost of service application to August 2010 for implementation May 1, 2011. Horizon Utilities submits that, despite such deferral, it will not achieve its maximum allowable return on equity, and that such deferrals are necessary as prudent measures in relation to available regulated cash flows.

- 2.8 The OEB's Initial (2000) Electricity Distribution Rate Handbook, the 3GIRM Report and the Supplemental 3GIRM Report provide for the treatment of unforeseen events through the application of a Z-Factor Adjustment. Horizon Utilities has complied with the OEB's 3GIRM and Supplemental 3GIRM Reports for the recovery of amounts related to unforeseen events as discussed below.

3. Filing Guidelines and Eligibility Criteria

- 3.1 As noted above, the treatment of unforeseen events through a Z-Factor Adjustment has been incorporated into the rate setting process as a mechanism to address unforeseen or extraordinary events outside of management's control. In general, the unforeseen event must be material and the causation clear. The 3GIRM Report and Supplemental 3GIRM Report provide that the distributor must report events promptly to the OEB and must meet three criteria in order to be eligible for a Z-Factor Adjustment. These requirements are discussed in further detail below.

Notice

3.2 Horizon Utilities provided advance notice to the OEB on December 23, 2008 advising of its concerns with the Large User shutdowns and that the resulting load reduction may require a Z-Factor Adjustment.

3.3 In particular, the notice stated that:

“Horizon Utilities submitted its 2008 Forward Test Year Electricity Distribution Rate (“2008 EDR”) Application on October 22, 2007 and received its OEB approved distribution Rate Order on November 13, 2008. Horizon Utilities’ final approved distribution revenue requirement was \$86,661,248. Horizon Utilities’ 2008 EDR Application allocated the approved distribution revenue requirement across customer classes based on the revenue to cost ratios derived from Horizon Utilities’ OEB-approved cost of service model. The fixed and variable distribution rates were then determined based on the customer count and load forecast calculated from historical data and information available to Horizon Utilities at the time of preparing its 2008 EDR Application.

Horizon Utilities’ customer base includes twelve Large Users. The Large User customer class accounts for 20% of Horizon Utilities’ kWh throughput; 39% of kW demand; and 7% of Horizon Utilities’ distribution revenue.

Horizon Utilities’ 2008 EDR forecast did not consider the current adverse economic impacts confronting its Large User industrial sector. Horizon Utilities did identify, in its November 3, 2008 Reply Submission to Comments on its Amended Draft Rate Order (“Reply Submission”), that two large users announced temporary shutdowns due to economic conditions and that such represented a significant risk to the recovery of costs allocated to such users under the 2008 EDR Application [Reply Submission, pages 10 – 11]. The OEB did not agree that this economic downturn and the resulting risk of lost revenue was an acceptable reason to provide for alternative treatment for the recovery of Horizon Utilities’ distribution revenue shortfall. Since the filing of Horizon Utilities’ Reply Submission, a third Large User had announced a complete shutdown for at least the month of January 2009.

Horizon Utilities’ approved distribution revenue is required to finance its investment in capital, operations, and maintenance expenditures in support of the safe and reliable supply of electricity. The aforementioned Large User risk is a serious concern for Horizon Utilities.”

3.4 Subsequent to the December 23, 2008 notice to the Board, the Subject Customer extended its shutdown indefinitely.

Eligibility Criteria

3.5 The 3GIRM Report sets out three criteria for eligibility for Z-factor adjustments:

Causation – Amounts should be directly related to the Z-factor event. The amount must be clearly outside of the base upon which rates were derived.

Materiality – The amounts must exceed the Board-defined materiality threshold and have a significant influence on the operation of the distributor; and

Prudence – The amount must have been prudently incurred. This means that the distributor's decision to incur the amount must represent the most cost-effective option (not necessarily least initial cost) for ratepayers.

3.6 Horizon Utilities has addressed these criteria in the following sections.

- **Causation:**

3.7 Horizon Utilities has twelve Large Users operating seven days a week, twenty-four hours a day. This results in a very steady load pattern that is not susceptible to the effects of weather. Horizon Utilities set 2008 distribution rates based on the Large User load forecast derived from 2006 actual quantities. The Subject Customer accounts for 30% of the total Large User load. As indicated in Table 1 above, the Subject Customer's load began to decline in 2007 and then dropped significantly toward the end of 2008 and into 2009. The Subject Customer's Hamilton plant has been shut down for an indefinite period of time.

3.8 Horizon Utilities submits that the indefinite shutdown of the Subject Customer and the resulting reduction in distribution revenue is a single event clearly outside of the Large User load base upon which rates for 2008 and the 3rd Generation IRM period have been set.

- **Materiality:**

3.9 Horizon Utilities' OEB approved distribution revenue for 2008 was \$86,661,000 and for 2009 is \$87,577,000 resulting in materiality thresholds of \$433,305 and \$437,885 respectively. As discussed above, Horizon Utilities distribution revenue received from the Subject Customer has decreased by \$744,824 in the 2008 rate year, and Horizon Utilities is expecting to forgo \$1,049,430 for the 2009 rate year on account of the Subject

Customer's shutdown. The forgone revenue is expected to be \$1,056,232 in the 2010 rate year. The reduction for each of these rate years significantly exceeds the OEB's materiality threshold. Horizon Utilities submits, however, that the revenue decline from the Customer's shutdown represents a single event valued at \$2,850,486 in lost revenue. There is no question that this meets the materiality requirements for a Z-Factor Adjustment.

- 3.10 Horizon Utilities must continue to provide a reliable distribution system to the Subject Customer despite its corporate decision to shut down indefinitely. The costs of providing distribution service to the Subject Customer, as a member of the Large User customer class, were supported in Horizon Utilities' Cost Allocation Informational Filing submitted to the OEB on March 30, 2007. These costs do not cease to exist because of the Subject Customer's decision to indefinitely shut down much of its production.
- 3.11 As discussed above, Horizon Utilities' distribution revenue, derived from the Large User class, has decreased by a total of \$1,823,474, of which \$926,075, or 51%, is due entirely to the Subject Customer's shutdown. The Z-Factor Adjustment, which Horizon Utilities again notes is related only to revenue lost and anticipated to be lost from the Subject Customer, is required to provide the cash necessary to finance Horizon Utilities' investment in capital, operations and maintenance and to ensure that the projects deferred from 2009 are completed in 2010 in addition to 2010 required projects.
- **Prudence:**
- 3.12 The definition of prudence implies that the distributor has incurred costs that must be properly supported. In the case of the indefinite shutdown of the Subject Customer the situation is a matter of Horizon Utilities not attaining its distribution revenue requirement as approved by the OEB. As discussed above, Horizon Utilities' approved distribution revenue is required to finance its investment in capital, operations, and maintenance expenditures in support of the safe and reliable supply of electricity. This event is clearly beyond the control of Horizon Utilities and as such, beyond the ability of Horizon Utilities to take any prudent action to prevent the indefinite shutdown of the Customer. Horizon Utilities submits, however, that it is acting prudently in making this Application, which has

minimal impacts on its customers while recovering revenue necessary to maintain the safe and reliable supply of electricity to Horizon Utilities' customers.

4. Z-Factor Rate Rider

- 4.1 Horizon Utilities acknowledges that events that result in Z-Factor applications are often one-time events (such as ice storms or other natural disasters). In this Application, the Z-Factor event effectively consists of both the past reduction in revenue due to the shutdown, and the anticipated forgone revenue through the 2010 rate year (as mentioned previously, Horizon Utilities expects to adjust its rates to account for this loss of load as part of a 2011 forward test year cost of service application that Horizon Utilities expects to file in August of 2010). Horizon Utilities submits that it is appropriate to treat both the past loss of the Subject Customer's load and the anticipated ongoing reduction of the Customer's load as a single event. Horizon Utilities notes that other types of events that may lead to Z-Factor applications, such as changes in tax policy, may have prospective consequences for utilities, and the circumstances of this Application are similar in that respect. Moreover, Horizon Utilities submits that a Z-Factor application for revenue forgone to date, and another form of application for a rate adjustment for anticipated forgone revenue creates unnecessary complexity and a multiplicity of proceedings. Horizon Utilities submits that the variance account proposed below (in the "Accounting Treatment" section) provides an appropriate safeguard to ensure that it does not over- or under-recover the revenue lost as a result of the change in the Subject Customer's operations.
- 4.2 Horizon Utilities reviewed several methodologies in order to determine an appropriate mechanism to allocate the \$2,850,486 in a just and reasonable manner. As the indefinite shutdown of the Customer is out of the control of any single customer or customer class, Horizon Utilities believes that it is appropriate to allocate the decline in distribution revenue from this single event to all customer classes.
- 4.3 In order to do so there must be a common factor across all customer classes. Horizon Utilities considered class demand as an allocator but the kW demand for the Residential and General Service < 50 kW customer classes was not available. Another possible approach was to allocate based on the proportionate number of customers. Horizon

Utilities determined that this methodology would allocate a disproportionate dollar amount to the Residential class as this class has the largest number of customers. As all customer classes are billed for energy on the basis of kilowatt-hours, Horizon Utilities has chosen to use the customer class proportionate share of total kilowatt-hours based on the actual class kWh consumption for the rate period May 2008 to April 2009 as being the best means of allocating the Z-Factor Adjustment. The following Table 4 provides the allocation of the proposed Z-Factor Adjustment.

Table 4
Allocation of Proposed Z-Factor Adjustment

Customer Class	kWhs	% of kWhs	Z-Factor Amount for Recovery \$\$\$
Residential	1,621,860,796	28.43%	810,351
General Service <50 kW	593,721,422	10.41%	296,649
General Service >50 kW	1,921,754,265	33.69%	960,191
Large User	1,514,832,589	26.55%	756,875
Unmetered & Scattered Load	12,897,864	0.23%	6,444
Sentinel Lights	552,351	0.01%	276
Street Lighting	39,427,420	0.69%	19,700
Totals	5,705,046,707	100.00%	2,850,486

- 4.4 As discussed above, Horizon Utilities has proposed to allocate the amount of the Z-Factor across all customer classes. The actual and anticipated distribution revenue deficiency is the result of the reduced load of the Subject Customer that has resulted in the reduction of Horizon Utilities variable distribution revenue. As such, Horizon Utilities has calculated the recovery of the Z-Factor amount across all customer classes as a Variable Rate Rider. However, Horizon Utilities submits that, despite the reduction in load by the Subject Customer, Horizon Utilities' costs of providing distribution services to the Subject Customer have not declined but are in fact fixed.
- 4.5 The total bill impact, using the Variable Rate Rider, for a Residential customer using 800 kWh per month is 0.33% and for a General Service < 50 kW customer using 2,000 kWh per month the total bill impact is 0.36%. Horizon Utilities has provided total bill impacts for all customer classes in the attached Appendix A.

- 4.6 As discussed above, Horizon Utilities' cost of providing distribution services to the Subject Customer are fixed and as such, Horizon Utilities submits that in setting just and reasonable rates for the recovery of the \$2,850,486, it is more appropriate to calculate the Rate Rider as a fixed customer charge. Horizon Utilities has provided the Rate Rider calculated as a Fixed Charge, and the associated customer bill impacts, in the attached Appendix B, for the consideration of the OEB as an alternative to the Variable Rate Rider. Horizon Utilities would note that a Fixed Rate Rider results in a lower total bill impact for a Residential customer using 800 kWh per month at 0.25% and a slightly higher impact for a General Service < 50 kW customer using 2,000 kWh per month than a Variable Rate Rider.
- 4.7 Horizon Utilities further proposes that the Rate Rider be implemented January 1, 2010 for the sixteen month period ending April 30, 2011. Table 5 below provides the Variable charge, by customer class, for the sixteen month period of the Rate Rider.

Table 5
Proposed Variable Rate Rider – January 1, 2010 to April 30, 2011

Customer Class	Z-Factor Amount	Consumption/ Demand Over 16 Months	Billing Determinant	Variable Distribution Rate
Residential	810,351	2,162,481,061	kWh	\$0.0004
General Service <50 kW	296,649	791,628,562	kWh	\$0.0004
General Service >50 kW	960,191	6,891,168	kW	\$0.1393
Large User	756,875	3,966,314	kW	\$0.1908
Unmetered & Scattered Load	6,444	17,197,152	kWh	\$0.0004
Sentinel Lights	276	2,138	kW	\$0.1291
Street Lighting	19,700	146,731	kW	\$0.1343
Totals	2,850,486			

5. Accounting Treatment

- 5.1 Horizon Utilities recognizes that this Application for a Z-Factor-related Rate Rider includes an assumption as to the Customer's load for the period July 1, 2009 to April 30, 2011 based on the load currently being used (9,000 kW) plus 3,000 kW, estimated by the Customer to be the load required to operate the facility that will produce inputs for the finished materials to be manufactured in the Subject Customer's plant in the United

States. Horizon Utilities also recognizes that, while this shutdown is for an indefinite period of time, in the event that the Subject Customer does resume part or all of its previous operations Horizon Utilities may recover additional variable distribution revenue over and above the anticipated revenue that formed the basis for the Rate Rider. Conversely, if the Subject Customer further reduces its operations in Hamilton, Horizon Utilities may experience an even greater revenue shortfall on account of the Subject Customer than that anticipated in this Application. Horizon Utilities submits that it would be inappropriate to implement the proposed Rate Rider and realize a gain in revenue through unanticipated additional load from the Subject Customer, or a further loss in revenue through further unanticipated reductions in load from the Subject Customer. Horizon Utilities therefore proposes to track any changes in the variable distribution revenue of the Customer in a variance account. The 3GIRM Report and the Supplemental 3GIRM Report provide for the use of Account 1572, Extraordinary Event Costs, to track eligible Z-Factor amounts. As noted above, Horizon Utilities proposes that the difference between the anticipated distribution revenue from the Customer, at a baseline volume of 12,000 kW per month during the period of the Rate Rider, and the actual amount of distribution revenue received from the Subject Customer during the same period be recorded in the variance account 1572, for disposition at a date to be determined

- 5.2 The tracking of this difference using Account 1572, for reconciliation at a later date, will ensure that there are no under- or over-recoveries of distribution revenue related to the Subject Customer's load. Horizon Utilities submits that this approach is just and reasonable in respect of both the utility and its customers.

6. Conclusion

- 6.1 The OEB has approved a level of revenue requirement for Horizon Utilities in order that Horizon Utilities may finance its investment in capital, operations, and maintenance expenditures in support of the safe and reliable supply of electricity. The indefinite shutdown of the Subject Customer has resulted in Horizon Utilities not realizing its approved distribution revenue requirement to date, and it does not expect to do so through the 2010 rate year.

6.2 Horizon Utilities submits that the reduced load from the indefinite shutdown of the Subject Customer is clearly outside of the load forecast used in Horizon Utilities' 2008 EDR Application. Throughout this Application, Horizon Utilities has provided evidence on the impact of the Subject Customer's indefinite shutdown on Horizon Utilities' distribution revenue, and Horizon Utilities has demonstrated that this event meets all of the OEB's eligibility criteria to qualify for a Z-Factor Adjustment.

7. Relief Requested

7.1 Horizon Utilities seeks recovery of \$926,075, being the actual distribution revenue deficiency forgone by Horizon Utilities for the period May 2008 to June 2009 and the anticipated distribution revenue deficiency of \$1,924,411 for the period July 2009 to April 30, 2010, for a total of \$2,850,486, through a Z-Factor Adjustment. Horizon Utilities has proposed to recover the Z-Factor Adjustment through a Variable Rate Rider as the distribution revenue deficiency is related to the decline in the Subject Customer's load and therefore variable distribution revenue. However, Horizon Utilities has also, in Appendix B, provided the calculations to support a Fixed Rate Rider to better reflect the recovery of the distribution revenue deficiency required to continue to meet the fixed capital investment and ongoing operating costs of providing distribution service to the Subject Customer. Horizon Utilities submits that the Fixed Rate Rider is the appropriate method to recover the distribution revenue deficiency and seeks the OEB's consideration and direction on the recovery methodology.

7.2 Horizon Utilities seeks recovery by way of a Rate Rider for the sixteen month period commencing January 1, 2010 and ending April 30, 2011. The following Table 6 provides the proposed Variable Rate Rider by customer class. Appendix B provides the alternative Rate Rider based on a fixed monthly charge..

Table 6
Proposed Z-Factor Rate Riders

Customer Class	Billing Determinant	Monthly Variable Rate Rider
Residential	kWh	\$0.0004
General Service <50 kW	kWh	\$0.0004
General Service >50 kW	kW	\$0.1393
Large User	kW	\$0.1908
Unmetered & Scattered Load	kWh	\$0.0004
Sentinel Lights	kW	\$0.1291
Street Lighting	kW	\$0.1343

7.3 In order to ensure that only an amount that accurately reflects the revenue forgone as a result of the change in the Subject Customer's operations is recovered through the Rate Rider, Horizon Utilities proposes that that the difference between the anticipated distribution revenue from the Customer at a baseline volume of 12,000 kW per month during the period of the Rate Rider, and the actual amount of distribution revenue received from the Customer during the same period be recorded in the variance account 1572, for disposition at a date to be determined.

Respectfully submitted,

Original signed by Indy Butany-DeSouza

Indy Butany-DeSouza,
 Vice President, Regulatory and Government Affairs
 Horizon Utilities Corporation

**Appendix A
 BILL IMPACTS (Monthly Consumptions)**

		RESIDENTIAL								
		Existing Rates			Proposed Z-Factor			IMPACT		
		Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	\$	%	% of Total Bill
Consumption	Monthly Service Charge (&SSS)			12.90			12.90	0.00	0.00%	0.00%
250 kWh	Distribution (kWh)	250	0.0127	3.18	250	0.0127	3.18	0.00	0.00%	0.00%
	Smart Meter Rider (per month)			0.82			0.82	0.00	0.00%	0.00%
	LRAM & SSM Rider (kWh)	250	0.0002	0.05	250	0.0002	0.05	0.00	0.00%	0.00%
	Z-Factor Rider	250	0.0000	0.00	250	0.0004	0.10	0.10		0.26%
	Regulatory Assets (kWh)	250	(0.0003)	-0.08	250	(0.0003)	(0.08)	0.00	0.00%	0.00%
	Sub-Total			16.87			16.97	0.10	0.59%	0.26%
	Other Charges (kWh)	261	0.0233	6.07	261	0.0233	6.07	0.00	0.00%	0.00%
	Cost of Power Commodity (kWh)	261	0.0570	14.85	261	0.0570	14.85	0.00	0.00%	0.00%
	Cost of Power Commodity (kWh)	0	0.0660	0.00	0	0.0660	0.00	0.00		0.00%
	Total Bill			37.79			37.89	0.10	0.26%	0.26%

		RESIDENTIAL								
		Existing Rates			Proposed Z-Factor			IMPACT		
		Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	\$	%	% of Total Bill
Consumption	Monthly Service Charge (&SSS)			12.90			12.90	0.00	0.00%	0.00%
500 kWh	Distribution (kWh)	500	0.0127	6.35	500	0.0127	6.35	0.00	0.00%	0.00%
	Smart Meter Rider (per month)			0.82			0.82	0.00	0.00%	0.00%
	LRAM & SSM Rider (kWh)	500	0.0002	0.10	500	0.0002	0.10	0.00	0.00%	0.00%
	Z-Factor Rider	500	0.0000	0.00	500	0.0004	0.20	0.20		0.31%
	Regulatory Assets (kWh)	500	(0.0003)	-0.15	500	(0.0003)	(0.15)	0.00	0.00%	0.00%
	Sub-Total			20.02			20.22	0.20	1.00%	0.31%
	Other Charges (kWh)	521	0.0233	12.14	521	0.0233	12.14	0.00	0.00%	0.00%
	Cost of Power Commodity (kWh)	261	0.0570	14.85	261	0.0570	14.85	0.00	0.00%	0.00%
	Cost of Power Commodity (kWh)	261	0.0660	17.19	261	0.0660	17.19	0.00	0.00%	0.00%
	Total Bill			64.21			64.41	0.20	0.31%	0.31%

		RESIDENTIAL								
		Existing Rates			Proposed Z-Factor			IMPACT		
		Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	\$	%	% of Total Bill
Consumption	Monthly Service Charge (&SSS)			12.90			12.90	0.00	0.00%	0.00%
800 kWh	Distribution (kWh)	800	0.0127	10.16	800	0.0127	10.16	0.00	0.00%	0.00%
	Smart Meter Rider (per month)			0.82			0.82	0.00	0.00%	0.00%
	LRAM & SSM Rider (kWh)	800	0.0002	0.16	800	0.0002	0.16	0.00	0.00%	0.00%
	Z-Factor Rider	800	0.0000	0.00	800	0.0004	0.32	0.32		0.33%
	Regulatory Assets (kWh)	800	(0.0003)	-0.24	800	(0.0003)	(0.24)	0.00	0.00%	0.00%
	Sub-Total			23.80			24.12	0.32	1.34%	0.33%
	Other Charges (kWh)	834	0.0233	19.42	834	0.0233	19.42	0.00	0.00%	0.00%
	Cost of Power Commodity (kWh)	261	0.0570	14.85	261	0.0570	14.85	0.00	0.00%	0.00%
	Cost of Power Commodity (kWh)	573	0.0660	37.83	573	0.0660	37.83	0.00	0.00%	0.00%
	Total Bill			95.90			96.22	0.32	0.33%	0.33%

		RESIDENTIAL								
		Existing Rates			Proposed Z-Factor			IMPACT		
		Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	\$	%	% of Total Bill
Consumption	Monthly Service Charge (&SSS)			12.90			12.90	0.00	0.00%	0.00%
1,000 kWh	Distribution (kWh)	1,000	0.0127	12.70	1,000	0.0127	12.70	0.00	0.00%	0.00%
	Smart Meter Rider (per month)			0.82			0.82	0.00	0.00%	0.00%
	LRAM & SSM Rider (kWh)	1,000	0.0002	0.20	1,000	0.0002	0.20	0.00	0.00%	0.00%
	Z-Factor Rider	1,000	0.0000	0.00	1,000	0.0004	0.40	0.40		0.36%
	Regulatory Assets (kWh)	1,000	(0.0003)	-0.30	1,000	(0.0003)	(0.30)	0.00	0.00%	0.00%
	Sub-Total			26.32			26.72	0.40	1.52%	0.36%
	Other Charges (kWh)	1,042	0.0233	24.28	1,042	0.0233	24.28	0.00	0.00%	0.00%
	Cost of Power Commodity (kWh)	800	0.0570	45.60	800	0.0570	45.60	0.00	0.00%	0.00%
	Cost of Power Commodity (kWh)	242	0.0660	15.98	242	0.0660	15.98	0.00	0.00%	0.00%
	Total Bill			112.18			112.58	0.40	0.36%	0.36%

GENERAL SERVICE < 50 kW										
Consumption		Existing Rates			Proposed Z-Factor			IMPACT		
		Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Change \$	Change %	% of Total Bill
2,000 kWh	Monthly Service Charge (&SSS)			27.63			27.63	0.00	0.00%	0.00%
	Distribution (kWh)	2,000	0.0073	14.60	2,000	0.0073	14.60	0.00	0.00%	0.00%
	Smart Meter Rider (per month)			0.82			0.82	0.00	0.00%	0.00%
	Z-Factor Rider	2,000	0.0000	0.00	2,000	0.0004	0.80	0.80	0.00%	0.36%
	Regulatory Assets (kWh)	2,000	(0.0005)	-1.00	2,000	(0.0005)	(1.00)	0.00	0.00%	0.00%
	Sub-Total			42.05			42.85	0.80	1.90%	0.36%
	Other Charges (kWh)	2,084	0.0223	46.48	2,084	0.0223	46.48	0.00	0.00%	0.00%
	Cost of Power Commodity (kWh)	750	0.0570	42.75	750	0.0570	42.75	0.00	0.00%	0.00%
	Cost of Power Commodity (kWh)	1,334	0.0660	88.06	1,334	0.0660	88.06	0.00	0.00%	0.00%
	Total Bill			219.33			220.13	0.80	0.36%	0.36%

GENERAL SERVICE < 50 kW										
Consumption		Existing Rates			Proposed Z-Factor			IMPACT		
		Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Change \$	Change %	% of Total Bill
5,000 kWh	Monthly Service Charge (&SSS)			27.63			27.63	0.00	0.00%	0.00%
	Distribution (kWh)	5,000	0.0073	36.50	5,000	0.0073	36.50	0.00	0.00%	0.00%
	Smart Meter Rider (per month)			0.82			0.82	0.00	0.00%	0.00%
	Z-Factor Rider	5,000	0.0000	0.00	5,000	0.0004	2.00	2.00	0.00%	0.39%
	Regulatory Assets (kWh)	5,000	(0.0005)	-2.50	5,000	(0.0005)	(2.50)	0.00	0.00%	0.00%
	Sub-Total			62.45			64.45	2.00	3.20%	0.39%
	Other Charges (kWh)	5,211	0.0223	116.19	5,211	0.0223	116.19	0.00	0.00%	0.00%
	Cost of Power Commodity (kWh)	750	0.0570	42.75	750	0.0570	42.75	0.00	0.00%	0.00%
	Cost of Power Commodity (kWh)	4,461	0.0660	294.39	4,461	0.0660	294.39	0.00	0.00%	0.00%
	Total Bill			515.79			517.79	2.00	0.39%	0.39%

GENERAL SERVICE > 50 kW										
Consumption		Existing Rates			Proposed Z-Factor			IMPACT		
		Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Change \$	Change %	% of Total Bill
15,000 kWh 60 kW	Monthly Service Charge (&SSS)			249.95			249.95	0.00	0.00%	0.00%
	Distribution (kWh)			0.00			0.00	0.00	0.00%	0.00%
	Distribution (kW)	60	1.8167	109.00	60	1.8167	109.00	0.00	0.00%	0.00%
	Smart Meter Rider (per month)			0.82			0.82	0.00	0.00%	0.00%
	Z-Factor Rider	60	0.0000	0.00	60	0.1393	8.36	8.36	0.00%	0.46%
	Regulatory Assets (kW)	60	(0.2502)	-15.01	60	(0.2502)	-15.01	0.00	0.00%	0.00%
	Sub-Total			344.76			353.12	8.36	2.42%	0.46%
	Other Charges (kWh)	15,632	0.0135	211.03	15,632	0.0135	211.03	0.00	0.00%	0.00%
	Other Charges (kW)	60	3.5029	210.17	60	3.5029	210.17	0.00	0.00%	0.00%
	Cost of Power Commodity (kWh)	750	0.0570	42.75	750	0.0570	42.75	0.00	0.00%	0.00%
Cost of Power Commodity (kWh)	14,882	0.0660	982.18	14,882	0.0660	982.18	0.00	0.00%	0.00%	
Total Bill			1,790.89			1,799.25	8.36	0.47%	0.46%	

GENERAL SERVICE > 50 kW										
Consumption		Existing Rates			Proposed Z-Factor			IMPACT		
		Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	\$	%	% of Total Bill
100,000 kWh 350 kW	Monthly Service Charge (&SSS)			249.95			249.95	0.00	0.00%	0.00%
	Distribution (kWh)			0.00			0.00	0.00	0.00%	0.00%
	Distribution (kW)	350	1.8167	635.85	350	1.8167	635.85	0.00	0.00%	0.00%
	Smart Meter Rider (per month)			0.82			0.82	0.00	0.00%	0.00%
	Z-Factor Rider	350	0.0000	0.00	350	0.1393	48.76	48.76	0.00%	0.56%
	Regulatory Assets (kW)	350	(0.2502)	-87.57	350	(0.2502)	(87.57)	0.00	0.00%	0.00%
	Sub-Total			799.05			847.80	48.76	6.10%	0.56%
	Other Charges (kWh)	104,210	0.0135	1,406.84	104,210	0.0135	1,406.84	0.00	0.00%	0.00%
	Other Charges (kW)	350	3.5029	1,226.02	350	3.5029	1,226.02	0.00	0.00%	0.00%
	Cost of Power Commodity (kWh)	0	0.0500	0.00	0	0.0500	0.00	0.00	0.00%	0.00%
Cost of Power Commodity (kWh)	104,210	0.0500	5,210.50	104,210	0.0500	5,210.50	0.00	0.00%	0.00%	
Total Bill			8,642.40			8,691.15	48.76	0.56%	0.56%	

LARGE USER (> 5000 kW)										
Consumption	Monthly Service Charge (&SSS)	Existing Rates			Proposed Z-Factor			IMPACT		
		Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Change \$	Change %	% of Total Bill
		2,800,000 kWh			11,123.44			11,123.44	0.00	0.00%
6,500 kW	Distribution (kWh)		0.00			0.00	0.00	0.00%	0.00%	
	Distribution (kW)	6,500	1.0331	6,715.15	6,500	1.0331	6,715.15	0.00	0.00%	0.00%
	Smart Meter Rider (per month)			0.82			0.82	0.00	0.00%	0.00%
	Z-Factor Rider	6,500	0.0000	0.00	6,500	0.1908	1,240.20	1,240.20		0.56%
	Regulatory Assets (kW)	6,500	(0.1972)	-1,281.80	6,500	(0.1972)	(1,281.80)	0.00	0.00%	0.00%
	Sub-Total			16,557.61			17,797.81	1,240.20		7.49%
	Other Charges (kWh)	2,818,760	0.0135	38,053.26	2,818,760	0.0135	38,053.26	0.00	0.00%	0.00%
	Other Charges (kW)	6,500	4.0132	26,085.80	6,500	4.0132	26,085.80	0.00	0.00%	0.00%
	Cost of Power Commodity (kWh)	0	0.0500	0.00	0	0.0500	0.00	0.00	0.00%	0.00%
	Cost of Power Commodity (kW)	2,818,760	0.0500	140,938.00	2,818,760	0.0500	140,938.00	0.00	0.00%	0.00%
	Total Bill			221,634.67			222,874.87	1,240.20		0.56%

LARGE USER (> 5000 kW)										
Consumption	Monthly Service Charge (&SSS)	Existing Rates			Proposed Z-Factor			IMPACT		
		Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Change \$	Change %	% of Total Bill
		20,000,000 kWh			11,123.44			11,123.44	0.00	0.00%
40,000 kW	Distribution (kWh)		0.00			0.00	0.00	0.00%	0.00%	
	Distribution (kW)	40,000	1.0331	41,324.00	40,000	1.0331	41,324.00	0.00	0.00%	0.00%
	Smart Meter Rider (per month)			0.82			0.82	0.00	0.00%	0.00%
	Z-Factor Rider	40,000	0.0000	0.00	40,000	0.1908	7,632.00	7,632.00		0.51%
	Regulatory Assets (kW)	40,000	(0.1972)	-7,888.00	40,000	(0.1972)	(7,888.00)	0.00	0.00%	0.00%
	Sub-Total			44,560.26			52,192.26	7,632.00		17.13%
	Other Charges (kWh)	20,134,000	0.0135	271,809.00	20,134,000	0.0135	271,809.00	0.00	0.00%	0.00%
	Other Charges (kW)	40,000	4.0132	160,528.00	40,000	4.0132	160,528.00	0.00	0.00%	0.00%
	Cost of Power Commodity (kWh)	0	0.0500	0.00	0	0.0500	0.00	0.00	0.00%	0.00%
	Cost of Power Commodity (kW)	20,134,000	0.0500	1,006,700.00	20,134,000	0.0500	1,006,700.00	0.00	0.00%	0.00%
	Total Bill			1,483,597.26			1,491,229.26	7,632.00		0.51%

Street Lighting										
Billing Determinants	Monthly Service Charge (&SSS)	Existing Rates			Proposed Z-Factor			IMPACT		
		Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Change \$	Change %	% of Total Bill
		36,000 Connections			70,920.00			70,920.00	0.00	0.00%
2,400,000 kWh	SSS Administration		0.25			0.25	0.00	0.00%	0.00%	
6,800 kW	Distribution (kWh)		0.00			0.00	0.00	0.00%	0.00%	
	Distribution (kW)	6,800	5.3687	36,507.16	6,800	5.3687	36,507.16	0.00	0.00%	0.00%
	Z-Factor Rider	6,800	0.0000	0.00	6,800	0.1343	913.24	913.24		0.28%
	Regulatory Assets (kW)	6,800	(0.2276)	-1,547.68	6,800	(0.2276)	(1,547.68)	0.00	0.00%	0.00%
	Sub-Total			105,879.73			106,792.97	913.24		0.86%
	Other Charges (kWh)	2,501,040	0.0135	33,764.04	2,501,040	0.0135	33,764.04	0.00	0.00%	0.00%
	Other Charges (kW)	6,800	2.7531	18,721.08	6,800	2.7531	18,721.08	0.00	0.00%	0.00%
	Cost of Power Commodity (kWh)	750	0.0570	42.75	750	0.0570	42.75	0.00	0.00%	0.00%
	Cost of Power Commodity (kW)	2,500,290	0.0660	165,019.14	2,500,290	0.0660	165,019.14	0.00	0.00%	0.00%
	Total Bill			323,426.74			324,339.98	913.24		0.28%

Street Lighting										
Billing Determinants	Monthly Service Charge (&SSS)	Existing Rates			Proposed Z-Factor			IMPACT		
		Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Change \$	Change %	% of Total Bill
		15,000 Connections			29,550.00			29,550.00	0.00	0.00%
850,000 kWh	SSS Administration		0.00			0.00	0.00	0.00%	0.00%	
2,400 kW	Distribution (kWh)		0.00			0.00	0.00	0.00%	0.00%	
	Distribution (kW)	2,400	5.3687	12,884.88	2,400	5.3687	12,884.88	0.00	0.00%	0.00%
	Z-Factor Rider	2,400	0.0000	0.00	2,400	0.1343	322.32	322.32		0.27%
	Regulatory Assets (kW)	2,400	(0.2276)	-546.24	2,400	(0.2276)	(546.24)	0.00	0.00%	0.00%
	Sub-Total			41,888.64			42,210.96	322.32		0.77%
	Other Charges (kWh)	885,785	0.0135	11,958.10	885,785	0.0135	11,958.10	0.00	0.00%	0.00%
	Other Charges (kW)	2,400	2.7531	6,607.44	2,400	2.7531	6,607.44	0.00	0.00%	0.00%
	Cost of Power Commodity (kWh)	750	0.0570	42.75	750	0.0570	42.75	0.00	0.00%	0.00%
	Cost of Power Commodity (kW)	885,035	0.0660	58,412.31	885,035	0.0660	58,412.31	0.00	0.00%	0.00%
	Total Bill			118,909.24			119,231.56	322.32		0.27%

Unmetered/Scattered Load

	Existing Rates			Proposed Z-Factor			IMPACT		
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	\$	%	% of Total Bill
Billing Determinants									
1 Connections									
511 kWh									
Monthly Service Charge (&SSS)	1	9.8100	9.81	1	9.81	9.81	0.00	0.00%	0.00%
Distribution (kWh)	511	0.0150	7.67	511	0.0150	7.67	0.00	0.00%	0.00%
LRAM & SSM Rider (kWh)	511	0.0001	0.05	511	0.0001	0.05	0.00	0.00%	0.00%
Z-Factor Rider	511	0.0000	0.00	511	0.0004	0.20	0.20		0.34%
Regulatory Assets (kWh)	511	(0.0006)	-0.31	511	(0.0006)	(0.31)	0.00	0.00%	0.00%
Sub-Total			17.22			17.42	0.20	1.19%	0.34%
Other Charges (kWh)	533	0.0225	11.98	533	0.0225	11.98	0.00	0.00%	0.00%
Cost of Power Commodity (kWh)	533	0.0570	30.35	533	0.0570	30.35	0.00	0.00%	0.00%
Total Bill			59.55			59.76	0.20	0.34%	0.34%

Appendix B

- 1.1 As discussed in the Manager's Summary accompanying this Application, Horizon Utilities is submitting, for OEB review and consideration, the Z-Factor Rate Rider calculated as a Fixed Rate Rider. Horizon Utilities submits that despite the reduction in load by the Subject Customer, Horizon Utilities' costs of providing distribution services to the Subject Customer have not declined and are fixed and it is therefore more appropriate to recover the Z-Factor amount of \$2,850,486 through a Rate Rider calculated as a fixed customer charge.
- 1.2 The following Table 1 provides the fixed monthly charge, by customer class, for the sixteen month period of the Rate Rider. The allocation of the Z-Factor in the amount of \$2,850,486 across the customer classes does not change from the methodology discussed in the Application

Table 1
Proposed Monthly Fixed Rate Rider – January 1, 2010 to April 30, 2011

Customer Class	Z-Factor Amount	Customer Count	Monthly Fixed Charge
Residential	810,351	211,080	\$0.24
General Service <50 kW	296,649	17,973	\$1.03
General Service >50 kW	960,191	2,166	\$27.71
Large User	756,875	12	\$3,942.06
Unmetered & Scattered Load	6,444	3,263	\$0.12
Sentinel Lights	276	459	\$0.04
Street Lighting	19,700	52,177	\$0.02
Totals	2,850,486		

- 1.3 The attached Exhibit 1 to this Appendix B provides the total bill impacts for all customer classes.

BILL IMPACTS (Monthly Consumptions)

RESIDENTIAL										
		Existing Rates			Proposed Z-Factor			IMPACT		
		Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	\$	%	% of Total Bill
Consumption	Monthly Service Charge (&SSS)			12.90			12.90	0.00	0.00%	0.00%
250 kWh	Distribution (kWh)	250	0.0127	3.18	250	0.0127	3.18	0.00	0.00%	0.00%
	Smart Meter Rider (per month)			0.82			0.82	0.00	0.00%	0.00%
	LRAM & SSM Rider (kWh)	250	0.0002	0.05	250	0.0002	0.05	0.00	0.00%	0.00%
	Z-Factor Rider			0.00			0.24	0.24		0.63%
	Regulatory Assets (kWh)	250	(0.0003)	-0.08	250	(0.0003)	(0.08)	0.00	0.00%	0.00%
	Sub-Total			16.87			17.11	0.24	1.42%	0.63%
	Other Charges (kWh)	261	0.0233	6.07	261	0.0233	6.07	0.00	0.00%	0.00%
	Cost of Power Commodity (kWh)	261	0.0570	14.85	261	0.0570	14.85	0.00	0.00%	0.00%
	Cost of Power Commodity (kWh)	0	0.0660	0.00	0	0.0660	0.00	0.00		0.00%
	Total Bill			37.79			38.03	0.24	0.64%	0.63%

RESIDENTIAL										
		Existing Rates			Proposed Z-Factor			IMPACT		
		Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	\$	%	% of Total Bill
Consumption	Monthly Service Charge (&SSS)			12.90			12.90	0.00	0.00%	0.00%
500 kWh	Distribution (kWh)	500	0.0127	6.35	500	0.0127	6.35	0.00	0.00%	0.00%
	Smart Meter Rider (per month)			0.82			0.82	0.00	0.00%	0.00%
	LRAM & SSM Rider (kWh)	500	0.0002	0.10	500	0.0002	0.10	0.00	0.00%	0.00%
	Z-Factor Rider			0.00			0.24	0.24		0.37%
	Regulatory Assets (kWh)	500	(0.0003)	-0.15	500	(0.0003)	(0.15)	0.00	0.00%	0.00%
	Sub-Total			20.02			20.26	0.24	1.20%	0.37%
	Other Charges (kWh)	521	0.0233	12.14	521	0.0233	12.14	0.00	0.00%	0.00%
	Cost of Power Commodity (kWh)	261	0.0570	14.85	261	0.0570	14.85	0.00	0.00%	0.00%
	Cost of Power Commodity (kWh)	261	0.0660	17.19	261	0.0660	17.19	0.00	0.00%	0.00%
	Total Bill			64.21			64.45	0.24	0.37%	0.37%

RESIDENTIAL										
		Existing Rates			Proposed Z-Factor			IMPACT		
		Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	\$	%	% of Total Bill
Consumption	Monthly Service Charge (&SSS)			12.90			12.90	0.00	0.00%	0.00%
800 kWh	Distribution (kWh)	800	0.0127	10.16	800	0.0127	10.16	0.00	0.00%	0.00%
	Smart Meter Rider (per month)			0.82			0.82	0.00	0.00%	0.00%
	LRAM & SSM Rider (kWh)	800	0.0002	0.16	800	0.0002	0.16	0.00	0.00%	0.00%
	Z-Factor Rider			0.00			0.24	0.24		0.25%
	Regulatory Assets (kWh)	800	(0.0003)	-0.24	800	(0.0003)	(0.24)	0.00	0.00%	0.00%
	Sub-Total			23.80			24.04	0.24	1.01%	0.25%
	Other Charges (kWh)	834	0.0233	19.42	834	0.0233	19.42	0.00	0.00%	0.00%
	Cost of Power Commodity (kWh)	261	0.0570	14.85	261	0.0570	14.85	0.00	0.00%	0.00%
	Cost of Power Commodity (kWh)	573	0.0660	37.83	573	0.0660	37.83	0.00	0.00%	0.00%
	Total Bill			95.90			96.14	0.24	0.25%	0.25%

RESIDENTIAL										
		Existing Rates			Proposed Z-Factor			IMPACT		
		Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	\$	%	% of Total Bill
Consumption	Monthly Service Charge (&SSS)			12.90			12.90	0.00	0.00%	0.00%
1,000 kWh	Distribution (kWh)	1,000	0.0127	12.70	1,000	0.0127	12.70	0.00	0.00%	0.00%
	Smart Meter Rider (per month)			0.82			0.82	0.00	0.00%	0.00%
	LRAM & SSM Rider (kWh)	1,000	0.0002	0.20	1,000	0.0002	0.20	0.00	0.00%	0.00%
	Z-Factor Rider			0.00			0.24	0.24		0.21%
	Regulatory Assets (kWh)	1,000	(0.0003)	-0.30	1,000	(0.0003)	(0.30)	0.00	0.00%	0.00%
	Sub-Total			26.32			26.56	0.24	0.91%	0.21%
	Other Charges (kWh)	1,042	0.0233	24.28	1,042	0.0233	24.28	0.00	0.00%	0.00%
	Cost of Power Commodity (kWh)	800	0.0570	45.60	800	0.0570	45.60	0.00	0.00%	0.00%
	Cost of Power Commodity (kWh)	242	0.0660	15.98	242	0.0660	15.98	0.00	0.00%	0.00%
	Total Bill			112.18			112.42	0.24	0.21%	0.21%

GENERAL SERVICE < 50 kW										
Consumption		Existing Rates			Proposed Z-Factor			IMPACT		
		Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Change \$	Change %	% of Total Bill
2,000 kWh	Monthly Service Charge (&SSS)			27.63			27.63	0.00	0.00%	0.00%
	Distribution (kWh)	2,000	0.0073	14.60	2,000	0.0073	14.60	0.00	0.00%	0.00%
	Smart Meter Rider (per month)			0.82			0.82	0.00	0.00%	0.00%
	Z-Factor Rider			0.00			1.03	1.03	1.03	0.47%
	Regulatory Assets (kWh)	2,000	(0.0005)	-1.00	2,000	(0.0005)	(1.00)	0.00	0.00%	0.00%
	Sub-Total			42.05			43.08	1.03	2.45%	0.47%
	Other Charges (kWh)	2,084	0.0223	46.48	2,084	0.0223	46.48	0.00	0.00%	0.00%
	Cost of Power Commodity (kWh)	750	0.0570	42.75	750	0.0570	42.75	0.00	0.00%	0.00%
	Cost of Power Commodity (kWh)	1,334	0.0660	88.06	1,334	0.0660	88.06	0.00	0.00%	0.00%
	Total Bill			219.33			220.36	1.03	0.47%	0.47%

GENERAL SERVICE < 50 kW										
Consumption		Existing Rates			Proposed Z-Factor			IMPACT		
		Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Change \$	Change %	% of Total Bill
5,000 kWh	Monthly Service Charge (&SSS)			27.63			27.63	0.00	0.00%	0.00%
	Distribution (kWh)	5,000	0.0073	36.50	5,000	0.0073	36.50	0.00	0.00%	0.00%
	Smart Meter Rider (per month)			0.82			0.82	0.00	0.00%	0.00%
	Z-Factor Rider			0.00			1.03	1.03	1.03	0.20%
	Regulatory Assets (kWh)	5,000	(0.0005)	-2.50	5,000	(0.0005)	(2.50)	0.00	0.00%	0.00%
	Sub-Total			62.45			63.48	1.03	1.65%	0.20%
	Other Charges (kWh)	5,211	0.0223	116.19	5,211	0.0223	116.19	0.00	0.00%	0.00%
	Cost of Power Commodity (kWh)	750	0.0570	42.75	750	0.0570	42.75	0.00	0.00%	0.00%
	Cost of Power Commodity (kWh)	4,461	0.0660	294.39	4,461	0.0660	294.39	0.00	0.00%	0.00%
	Total Bill			515.79			516.82	1.03	0.20%	0.20%

GENERAL SERVICE > 50 kW										
Consumption		Existing Rates			Proposed Z-Factor			IMPACT		
		Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Change \$	Change %	% of Total Bill
15,000 kWh 60 kW	Monthly Service Charge (&SSS)			249.95			249.95	0.00	0.00%	0.00%
	Distribution (kWh)			0.00			0.00	0.00	0.00%	0.00%
	Distribution (kW)	60	1.8167	109.00	60	1.8167	109.00	0.00	0.00%	0.00%
	Smart Meter Rider (per month)			0.82			0.82	0.00	0.00%	0.00%
	Z-Factor Rider			0.00			27.71	27.71	27.71	1.52%
	Regulatory Assets (kW)	60	(0.2502)	-15.01	60	(0.2502)	-15.01	0.00	0.00%	0.00%
	Sub-Total			344.76			372.47	27.71	8.04%	1.52%
	Other Charges (kWh)	15,632	0.0135	211.03	15,632	0.0135	211.03	0.00	0.00%	0.00%
	Other Charges (kW)	60	3.5029	210.17	60	3.5029	210.17	0.00	0.00%	0.00%
	Cost of Power Commodity (kWh)	750	0.0570	42.75	750	0.0570	42.75	0.00	0.00%	0.00%
Cost of Power Commodity (kWh)	14,882	0.0660	982.18	14,882	0.0660	982.18	0.00	0.00%	0.00%	
Total Bill			1,790.89			1,818.60	27.71	1.55%	1.52%	

GENERAL SERVICE > 50 kW										
Consumption		Existing Rates			Proposed Z-Factor			IMPACT		
		Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	\$	%	% of Total Bill
100,000 kWh 350 kW	Monthly Service Charge (&SSS)			249.95			249.95	0.00	0.00%	0.00%
	Distribution (kWh)			0.00			0.00	0.00	0.00%	0.00%
	Distribution (kW)	350	1.8167	635.85	350	1.8167	635.85	0.00	0.00%	0.00%
	Smart Meter Rider (per month)			0.82			0.82	0.00	0.00%	0.00%
	Z-Factor Rider			0.00			27.71	27.71	27.71	0.32%
	Regulatory Assets (kW)	350	(0.2502)	-87.57	350	(0.2502)	(87.57)	0.00	0.00%	0.00%
	Sub-Total			799.05			826.76	27.71	3.47%	0.32%
	Other Charges (kWh)	104,210	0.0135	1,406.84	104,210	0.0135	1,406.84	0.00	0.00%	0.00%
	Other Charges (kW)	350	3.5029	1,226.02	350	3.5029	1,226.02	0.00	0.00%	0.00%
	Cost of Power Commodity (kWh)	0	0.0500	0.00	0	0.0500	0.00	0.00	0.00%	0.00%
Cost of Power Commodity (kWh)	104,210	0.0500	5,210.50	104,210	0.0500	5,210.50	0.00	0.00%	0.00%	
Total Bill			8,642.40			8,670.11	27.71	0.32%	0.32%	

LARGE USER (> 5000 kW)										
Consumption	Monthly Service Charge (&SSS)	Existing Rates			Proposed Z-Factor			IMPACT		
		Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Change \$	Change %	% of Total Bill
		2,800,000 kWh			11,123.44			11,123.44	0.00	0.00%
6,500 kW	Distribution (kWh)		0.00			0.00	0.00	0.00%	0.00%	
	Distribution (kW)	6,500	1.0331	6,715.15	6,500	1.0331	6,715.15	0.00	0.00%	0.00%
	Smart Meter Rider (per month)			0.82			0.82	0.00	0.00%	0.00%
	Z-Factor Rider			0.00			3,942.06	3,942.06		1.75%
	Regulatory Assets (kW)	6,500	(0.1972)	-1,281.80	6,500	(0.1972)	(1,281.80)	0.00	0.00%	0.00%
	Sub-Total			16,557.61			20,499.67	3,942.06		23.81%
	Other Charges (kWh)	2,818,760	0.0135	38,053.26	2,818,760	0.0135	38,053.26	0.00	0.00%	0.00%
	Other Charges (kW)	6,500	4.0132	26,085.80	6,500	4.0132	26,085.80	0.00	0.00%	0.00%
	Cost of Power Commodity (kWh)	0	0.0500	0.00	0	0.0500	0.00	0.00	0.00%	0.00%
	Cost of Power Commodity (kW)	2,818,760	0.0500	140,938.00	2,818,760	0.0500	140,938.00	0.00	0.00%	0.00%
	Total Bill			221,634.67			225,576.73	3,942.06	1.78%	1.75%

LARGE USER (> 5000 kW)										
Consumption	Monthly Service Charge (&SSS)	Existing Rates			Proposed Z-Factor			IMPACT		
		Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Change \$	Change %	% of Total Bill
		20,000,000 kWh			11,123.44			11,123.44	0.00	0.00%
40,000 kW	Distribution (kWh)		0.00			0.00	0.00	0.00%	0.00%	
	Distribution (kW)	40,000	1.0331	41,324.00	40,000	1.0331	41,324.00	0.00	0.00%	0.00%
	Smart Meter Rider (per month)			0.82			0.82	0.00	0.00%	0.00%
	Z-Factor Rider			0.00			3,942.06	3,942.06		0.27%
	Regulatory Assets (kW)	40,000	(0.1972)	-7,888.00	40,000	(0.1972)	(7,888.00)	0.00	0.00%	0.00%
	Sub-Total			44,560.26			48,502.32	3,942.06		8.85%
	Other Charges (kWh)	20,134,000	0.0135	271,809.00	20,134,000	0.0135	271,809.00	0.00	0.00%	0.00%
	Other Charges (kW)	40,000	4.0132	160,528.00	40,000	4.0132	160,528.00	0.00	0.00%	0.00%
	Cost of Power Commodity (kWh)	0	0.0500	0.00	0	0.0500	0.00	0.00	0.00%	0.00%
	Cost of Power Commodity (kW)	20,134,000	0.0500	1,006,700.00	20,134,000	0.0500	1,006,700.00	0.00	0.00%	0.00%
	Total Bill			1,483,597.26			1,487,539.32	3,942.06	0.27%	0.27%

Street Lighting										
Billing Determinants	Monthly Service Charge (&SSS)	Existing Rates			Proposed Z-Factor			IMPACT		
		Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Change \$	Change %	% of Total Bill
		36,000 Connections			70,920.00			70,920.00	0.00	0.00%
2,400,000 kWh	SSS Administration		0.25			0.25	0.00	0.00%	0.00%	
6,800 kW	Distribution (kWh)		0.00			0.00	0.00	0.00%	0.00%	
	Distribution (kW)	6,800	5.3687	36,507.16	6,800	5.3687	36,507.16	0.00	0.00%	0.00%
	Z-Factor Rider	36,000	0.0000	0.00	36,000	0.0200	720.00	720.00		0.22%
	Regulatory Assets (kW)	6,800	(0.2276)	-1,547.68	6,800	(0.2276)	(1,547.68)	0.00	0.00%	0.00%
	Sub-Total			105,879.73			106,599.73	720.00		0.68%
	Other Charges (kWh)	2,501,040	0.0135	33,764.04	2,501,040	0.0135	33,764.04	0.00	0.00%	0.00%
	Other Charges (kW)	6,800	2.7531	18,721.08	6,800	2.7531	18,721.08	0.00	0.00%	0.00%
	Cost of Power Commodity (kWh)	750	0.0570	42.75	750	0.0570	42.75	0.00	0.00%	0.00%
	Cost of Power Commodity (kW)	2,500,290	0.0660	165,019.14	2,500,290	0.0660	165,019.14	0.00	0.00%	0.00%
	Total Bill			323,426.74			324,146.74	720.00	0.22%	0.22%

Street Lighting										
Billing Determinants	Monthly Service Charge (&SSS)	Existing Rates			Proposed Z-Factor			IMPACT		
		Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Change \$	Change %	% of Total Bill
		15,000 Connections			29,550.00			29,550.00	0.00	0.00%
850,000 kWh	SSS Administration		0.00			0.00	0.00	0.00%	0.00%	
2,400 kW	Distribution (kWh)		0.00			0.00	0.00	0.00%	0.00%	
	Distribution (kW)	2,400	5.3687	12,884.88	2,400	5.3687	12,884.88	0.00	0.00%	0.00%
	Z-Factor Rider	15,000	0.0000	0.00	15,000	0.0200	300.00	300.00		0.25%
	Regulatory Assets (kW)	2,400	(0.2276)	-546.24	2,400	(0.2276)	(546.24)	0.00	0.00%	0.00%
	Sub-Total			41,888.64			42,188.64	300.00		0.72%
	Other Charges (kWh)	885,785	0.0135	11,958.10	885,785	0.0135	11,958.10	0.00	0.00%	0.00%
	Other Charges (kW)	2,400	2.7531	6,607.44	2,400	2.7531	6,607.44	0.00	0.00%	0.00%
	Cost of Power Commodity (kWh)	750	0.0570	42.75	750	0.0570	42.75	0.00	0.00%	0.00%
	Cost of Power Commodity (kW)	885,035	0.0660	58,412.31	885,035	0.0660	58,412.31	0.00	0.00%	0.00%
	Total Bill			118,909.24			119,209.24	300.00	0.25%	0.25%

Unmetered/Scattered Load

	Existing Rates			Proposed Z-Factor			IMPACT		
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	\$	%	% of Total Bill
Billing Determinants									
1 Connections									
511 kWh									
Monthly Service Charge (&SSS)	1	9.8100	9.81	1	9.81	9.81	0.00	0.00%	0.00%
Distribution (kWh)	511	0.0150	7.67	511	0.0150	7.67	0.00	0.00%	0.00%
LRAM & SSM Rider (kWh)	511	0.0001	0.05	511	0.0001	0.05	0.00		0.00%
Z-Factor Rider	1	0.0000	0.00	1	0.1200	0.12	0.12		#DIV/0!
Regulatory Assets (kWh)	511	(0.0006)	-0.31	511	(0.0006)	(0.31)	0.00	0.00%	0.00%
Sub-Total			17.22			17.34	0.12	0.70%	0.20%
Other Charges (kWh)	533	0.0225	11.98	533	0.0225	11.98	0.00	0.00%	0.00%
Cost of Power Commodity (kWh)	533	0.0570	30.35	533	0.0570	30.35	0.00	0.00%	0.00%
Total Bill			59.55			59.67	0.12	0.20%	0.20%

HORIZON UTILITIES CORPORATION (“HORIZON UTILITIES”)
RESPONSES TO
ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO
INTERROGATORIES

DELIVERED: January 24th, 2011

Question 3

Reference: 2006 Electricity Distribution Rate (EDR) Handbook, Chapter 9 Cost Allocation, Page 76 to 77

As part of calculating the appropriate share of 2006 Revenue Requirement for each class, sub-class or group, the 2006 EDR Handbook states...“there may be a fundamental shift in the revenue base, such as the gain or loss of a major industrial customer. A Materiality threshold of 2% of distribution revenue should be used as a guide for a distributor to consider making adjustments to the allocations”.

a) Has Horizon considered making any adjustments to its rate class allocations?

i) If yes, please provide details.

ii) If not, why not?

b) Has Horizon examined the rate class structure for other large Ontario distributors (e.g. Toronto-Hydro Electric System Limited)? If yes, please provide details.

Response:

a) No Horizon Utilities has not considered making any adjustments to its rate class allocations in accordance with the reference material. As outlined in the 2006 Electricity Distribution Rate (EDR) Handbook; Chapter 9 Cost Allocation; Section 9.2 Determination of the Appropriate Share of the 2006 Revenue Requirement for Each Class, Sub-Class, or Group; Page 76; first paragraph of the section it states:

"In the absence of a cost allocation study, the following methodology has been established to determine the appropriate proportion of the total distribution revenue to be recovered from each class, sub-class, or group. The intention of this cost allocation

1 *model is to allocate costs to customer classes in the same proportions as costs were*
2 *allocated on average in 2002 through 2004, but with adjustments where the number of*
3 *customers or the throughput of any class has undergone a material change."*

4 The purpose of section 9.2 of the 2006 EDR Handbooks was to provide guidance on
5 how to allocate the 2006 revenue requirement to rate classes in the absence of a cost
6 allocation study. However, Horizon Utilities in its 2011 cost of service application has
7 conducted a cost allocation study which reflects 2011 costs, number of customers and
8 load by rate class. As a result, the allocation of cost to rate classes by the cost
9 allocation model will automatically address any fundamental shift in the revenue base,
10 such as the gain or loss of a major industrial customer.

11 **b)** Please see response to Board staff 47a.

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3 **HORIZON UTILITIES CORPORATION (“HORIZON UTILITIES”)**
4 **RESPONSES TO**
5 **ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO**
6 **INTERROGATORIES**

7 **DELIVERED: January 24th, 2011**

8 **Question 4**

9 **Reference: Exhibit 4, Tab 2, Schedule 10, Page 21**

10 The evidence indicates that “A key Accounts Representative is required to respond to
11 the changing needs of larger commercial customers....typically, key account customers
12 include customers in excess of 1 MW in size”.

13 How many Horizon customers are in excess of 1 MW in size?

14 **Response:**

15 Horizon Utilities has 67 customers in excess of 1000kW. The Key Account
16 Representative will initially concentrate on building stronger relations with our 12 large
17 users and then extend to the other large customers as well as chain accounts and the
18 municipalities of Hamilton and St. Catharines.

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3 **HORIZON UTILITIES CORPORATION (“HORIZON UTILITIES”)**
4 **RESPONSES TO**
5 **ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO**
6 **INTERROGATORIES**

7 **DELIVERED: January 24th, 2011**

8 **Question 5**

9 What are the implications if one or more large user customer’s demand falls below the
10 5000 kW threshold?

11 **Response:**

12 There are no implications where a Large Use customer’s demand falls below the
13 5000kW threshold for one month. However, a persisting decline in demand over a five
14 month period or more could have implications and may warrant a reclassification
15 review. It is Horizon Utilities’ practice, based on direction within Section 2.5.1 of the
16 *Distribution System Code* (“DSC”), to review customer consumption data on an annual
17 basis for reclassification.

18 DSC, Section 2.5.1 states, as follows:

19 “A distributor shall, at least once in each calendar year, review each non-residential
20 customer’s rate classification to determine whether, based on the rate classification
21 requirements set out in the distributor’s rate order, the customer should be assigned to
22 a different rate class.”

23 Additionally, once in a calendar year, a customer may request that Horizon Utilities
24 review its rate classification, .as per section 2.5.2 of the DSC, as follows:

25 “A distributor shall review a non-residential customer’s rate classification upon being
26 requested to do so by the customer to determine whether, based on the rate
27 classification requirements set out in the distributor’s rate order, the customer should be
28 assigned to a different rate class. Subject to section 2.5.4, a distributor is not required to
29 respond to more than one such request in any calendar year.”

1 The DSC further directs in Section 2.5.4:

2 “A distributor shall review a non-residential customer’s rate classification upon being
3 requested to do so by the customer at any time if the customer’s demand falls outside
4 the upper or lower limits applicable to the customer’s current classification for a period
5 of five consecutive months.” [emphasis added]

6 In the event of such reclassification, Horizon Utilities would notify the Large Use
7 customer in writing as per section 2.55 of the DSC.

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**HORIZON UTILITIES CORPORATION (“HORIZON UTILITIES”)
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Question 6

Reference: Exhibit 4, Tab 2, Schedule 10

Please complete the following Table:

	2007	2008	2009	2010
# of Employees Eligible for Undiscounted Retirement				
# of Employees that actually retired				

12
13
14

Response:

Please see Horizon Utilities response to Energy Probe Interrogatory 50 a).

HORIZON UTILITIES CORPORATION (“HORIZON UTILITIES”)
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Question 7

Reference: A scan of the filed application and evidence reveals the use of the word "productivity" 59 times.

Please provide a table that numerically illustrates Horizon's progress in improving labour productivity since 2008 (i.e., cost savings achieved from productivity improvements or increased productive time per employee or a change to total factor productivity).

Response:

Horizon Utilities has not tracked productivity in the manner suggested by the question and cannot provide such a table.

However, as an example of productivity, Horizon Utilities references Exhibit 4, Tab 2, Schedule 8, Page 1, Table 4-11. Such table reports OM&A Cost per FTEE growth from \$105,297 to \$111,068 during the period from 2008 through the Test Year. The cumulative average annual growth rate of this statistic is 1.8%, well less than wage inflation which is approximately 3% per year for the same period.

The 2009 Yearbook of Electricity Distributors published on August 25, 2010 provides that Horizon Utilities' OM&A per customer is \$165.25. This result is among the lowest in the province and one indicator that Horizon Utilities is a relatively efficient Ontario electricity distributor. The same result for 2011 is \$202.29, which is still comparable with Horizon Utilities' industry peers.

Horizon Utilities offers that 56 of the 59 uses of “productivity” within its Application are with respect to expected outcomes of costs and investments contemplated in the Application. The other three references are with respect to the development of

- 1 measurement tools to track productivity. As such, the context of “productivity” in the
- 2 Application is forward-looking based on 2011 investments.
- 3 Please also refer to Horizon Utilities’ responses to Energy Probe Interrogatories 24, 26,
- 4 47, and 49, and School Energy Coalition Interrogatories 30, 31, and 32.

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Question 8

Reference: Exhibit 4, Tab 2, Schedule 8, Exhibit 3, Tab 2 Schedule 2

The table in Exhibit 4 shows an increase in customers served between 2008 and 2011 of slightly less than 1% (233,177 to 235,000) and a growth in FTEEs from 368 to 428, an increase of slightly more than 16%. The load forecast also projects a decline in both energy and demand supplied over this period. On the surface, this does not appear to be a plan for improving productivity.

Please identify how Horizon plans to improve total factor productivity while increasing staff in a period of slow or no growth.

Response:

Energy and demand supplied is only one of several factors that drive cost. The nature of electricity distribution has changed dramatically over the last ten years with respect to new systems, processes, and resulting investment requirements. Horizon Utilities has submitted in its pre-filed evidence (Exhibit 1, Tab 2, Schedule 1, Page 6) that there is an urgent requirement to renew and increase skilled trades positions within the workforce and other administrative functions in support of growth and change in the electricity distribution business.

In this respect, there has been a structural deficiency of investment in FTEEs to address changes in the business and regulatory environment and the deferrals and growth in investment requirements contemplated in this Application. This deficiency is, in part, related to the need to defer expenditure over the past three years in relation to foregone revenue and cash flow; much of which is attributable to declining loads in the larger user

1 classes.

2 As Horizon Utilities has detailed in its responses to the Z-factor Interrogatories (EB-
3 2009-0332, Board Staff Interrogatory 2 and 9) capital costs are fixed, as any fluctuations
4 of the customer's demand does not alter Horizon Utilities' capital cost requirements for
5 customers, or its obligations to deliver load as required. Similarly, operating costs relate
6 to the distribution facilities constructed and to the addition of any new customers. Once
7 the system is constructed, it must be maintained. As such, it is not clear that the
8 number of employees correlate as closely to either number of customers or to
9 fluctuations in energy and demand supplied as the question would imply.

10 Horizon Utilities' comprehensive Asset Management Plan (Exhibit 2, Tab 3, Schedule 2,
11 Appendix 2-1) has clearly indicated an immediate and ongoing need to invest in the
12 aging infrastructure. This necessitates increasing staff levels.

13 OM&A costs have similarly increased; a significant component of which is labour. The
14 requirement for such increases is driven by many factors including skilled trade
15 requirements, information system resources, and other operations and administrative
16 capacity. Please refer to the detailed explanation in Exhibit 4, Tab 2, Schedule 6
17 Page 9-10 in which the many increasing industry requirements are provided.

18 Against this backdrop of increasing the number of employees, Horizon Utilities submits
19 that it has not been increasing staff "in a period of slow or no growth." Rather, as set
20 out in the pre-filed evidence at Ex.4/Tab 2/Schedule 9/Page 7, Horizon Utilities had
21 deferred new hires and the filling vacant positions, pending the proposed and then failed
22 merger with Guelph Hydro Electric Systems Inc. Some of the growth in FTEEs as
23 evidenced in the above-captioned references has been to address these deferrals.

24 Horizon Utilities plans to improve productivity through its investments within this
25 Application. With reference to AMPCO 7 (please refer to such), there are 56 references
26 to productivity within the business and investment plans within the Application. Horizon
27 Utilities specifically refers AMPCO to the business plans in E1/T2/S2/Appendix 1-9 and
28 more generally to Exhibits 2 and 4.

**HORIZON UTILITIES CORPORATION (“HORIZON UTILITIES”)
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Question 9

Reference: Exhibit 3, Tab 1, Schedule 2, Page 2,

Table 3-1 – Summary of Operating Revenue

Please complete the following table based on Table 3-1 in the evidence to show more details on the operating revenue for GS>50 kW customers. If a different breakdown of customer size is more suitable, please revise the table accordingly.

Summary of Operating Revenue (\$)

Customer Size	2007 Actual	2008 Approved	2008 Actual	2009 Actual	2010 Forecast	2010 Actual	2011 Forecast
50 kW – 499 kW							
500 kW- 999 kW							
1000 kW - 2999 kW							
3000 kW- 4999 kW							
Total							

Response:

Horizon Utilities is not able to show more details on the operating revenue for GS>50 kW based on the above Table, Summary of Operating Revenue (\$) as our statistics are aggregated based on the rate class GS>50 kW. Further granularity of the revenue data for this class is not available.

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Question 10

**Reference: Exhibit 3, Tab 2, Schedule 1, Page 4, Table 3-6 Billed Energy and
 Number of Customers/Connections by Rate Class**

Please complete the following table based on Table 3-6 in the evidence to show more details on for the GS>50 kW customers. If a different breakdown of customer size is more suitable, please revise the table accordingly.

Year	50 kW – 499 kW	500 kW- 999 kW	1000 kW -2999 kW	3000 kW- 4999 kW	Total
<i>Billed Energy (GWH)</i>					
2008 Board Approved					
2003 Actual					
2004 Actual					
2005 Actual					
2006 Actual					
2007 Actual					
2008 Actual					
2009 Actual					
2010 Normalized Bridge					
2010 Actual					
2011 Normalized Test					
Year	50 kW – 499 kW	500 kW- 999 kW	1000 kW -2999 kW	3000 kW- 4999 kW	Total
<i>Number of Customers</i>					
2003 Actual					
2004 Actual					

2005 Actual					
2006 Actual					
2007 Actual					
2008 Actual					
2009 Actual					
2010 Normalized Bridge					
2010 Actual					
2011 Normalized Test					

1

2 **Response:**

3 Horizon Utilities does not keep records in the granularity requested in the table and
4 therefore is not able to provide a response.

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Question 11

Reference: Exhibit 3, Tab 2, Schedule 2, Page 8, Table 3-11 – Growth Rate in Customer/connections

Please complete the following table based on table 3-11. If a different breakdown of customer size is more suitable, please revise the table accordingly.

Table with 6 columns: Year, 50 kW – 499 kW, 500 kW- 999 kW, 1000 kW -2999 kW, 3000 kW- 4999 kW, Total. Rows include Growth Rate in Customers (%), 2008 Board Approved, 2003 Actual, 2004 Actual, 2005 Actual, 2006 Actual, 2007 Actual, 2008 Actual, 2009 Actual, Geometric Mean, 2010 Forecast, 2010 Actual, 2011 Forecast.

Response:

Horizon Utilities does not keep records in the granularity requested in the table and therefore is not able to provide a response.

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Question 12

Reference:

Please complete the following table to show load forecast details for GS>50 customers.
If a different breakdown of customer size is more suitable, please revise the table
accordingly.

Summary of Forecast (GS>50 kW Customers)

Table with columns: Year, 50 kW – 499 kW, 500 kW- 999 kW, 1000 kW -2999 kW, 3000 kW- 4999 kW, Total. Rows include General Service Forecast, 2008 Board Approved, 2003-2010 Actual, 2010 Weather Normalized Bridge, 2010 Actual, 2011 Weather Normalized Test.

Response:

Horizon Utilities does not keep records in the granularity requested in the table and
therefore is not able to provide a response.

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Question 13

Reference: Exhibit 7, tab 1, Schedule 1, Page 1

Horizon states in its evidence, “It is the long-term objective of Horizon Utilities to allocate its distribution costs in such a manner that ultimately achieves revenue to cost ratios approaching 100% for each rate class. Such objective ensures that costs are allocated fairly to each customer class based on its respective class utilization of the distribution system.”

Please provide details on Horizon’s plans to meet this long – term objective including timelines.

Response:

Horizon Utilities’ evidence with respect to the appropriateness of moving toward parity is provided in Exhibit 7, Tab 1, Schedule 1 and Schedule 2. At page 3 of Schedule 1, Horizon Utilities writes:

“Horizon Utilities submits that a managed transition towards 100% revenue to cost ratios for rate classifications continues to be fair and reasonable for the following reasons:

- Customer class revenues will more closely reflect the actual costs of providing distribution service to that class;
- Rate impacts on total bill will be mitigated for certain classes; and
- Partial reallocation provides time for further refinement of the cost allocation model and movement between classes.”

At this time, Horizon Utilities has not determined the extent or timing of further moves toward parity. The Board has initiated a consultation process to review its electricity distribution cost allocation policy. Among the items to be reviewed, the Board is

- 1 considering narrowing the revenue to cost ranges for various classes. Many parties
- 2 involved in the consultation have indicated support for narrower ranges, but until the
- 3 Board's consultation process is complete, Horizon Utilities is not in a position to provide
- 4 a timeline associated with the referenced long term objective.

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Question 14

**Reference: Exhibit 8, Tab 1, Schedule 1, Page 8, Table 8-7 – Proposed Fixed
 Distribution Charge**

Horizon is proposing to maintain the current fixed and variable proportion of its rates except for the Large Use class. For the Large User, Horizon is proposing to increase the current fixed proportion from 34.3% to 49.4%.

Please recalculate Table 8-7 keeping the fixed proportion for the Large Use class at its current level.

Response:

Please find below Table 8-7 recalculated keeping the fixed proportion for the Large User class at its current level of 34.3%.

Customer Class	Total Base Revenue Requirement	Fixed Revenue	Fixed Revenue Proportion	2011 Test Year Customers	Proposed Fixed Distribution Charge
Residential	60,820,363	37,900,234	62.32%	214,658	14.71
GS < 50 kW	12,191,419	7,287,459	59.78%	17,931	33.87
GS >50	18,409,499	9,094,292	49.40%	2,279	332.54
Large Use	7,782,749	2,669,483	34.30%	12	18,538.08
Sentinel Lights	52,965	32,129	60.66%	501	5.34
Street Lighting	2,754,541	1,870,578	67.91%	52,388	2.98
USL	636,137	424,167	66.68%	3,228	10.95
Standby Power	578,297	0	0.00%	0	0.00
TOTAL	103,225,970	59,278,342		290,997	

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Question 15

Reference: Exhibit 8, Tab 1, Schedule 1, Pages 4 to 9

Horizon’s evidence compares the current Fixed and Variable Split proportions by rate class with those proposed by Horizon for 2011 but a comparison with the model results is not included.

Please complete Schedule 10-1 (Page 97) of the 2006 EDR Handbook to show the Fixed and Variable rates determined by the model compared to those proposed by Horizon. Please include a detailed explanation and justification for not using the Fixed/Variable splits as determined by the Model.

Response:

Attached is the completed Schedule 10-1 (Page 97) of the 2006 EDR Handbook to show the Fixed and Variable rates determined by the model compared to those proposed by Horizon Utilities.

Table with 5 columns: Customer Class, Determined by Model (Fixed, Variable), and As Proposed (Fixed, Variable). Rows include Residential, GS < 50 kW, GS >50, Large Use, Sentinel Lights, Street Lighting, USL, and Standby Power.

- 1 Table 8-6 in the Application provides the Current Fixed and Variable Split between all
2 customer classes based on the legacy rates applicable for Horizon Utilities. The
3 average Fixed /Variable split is 60/40 except for the Large Use Customers which have a
4 Fixed component of 34.3% and the GS >50 kW at 49.4%. Horizon Utilities requests
5 that the Fixed component of Large Use customers moves to be comparable to the GS
6 >50 customer class at 49.4%. As per Horizon Utilities 2011 COS Application (EB-2010-
7 013), Exhibit 8, Tab 1, Schedule 1, Page 5, "Horizon Utilities submits that in the context
8 of this Application, it is appropriate to increase the "Monthly Service Charge", or "MSC"
9 for the Large Use class to a level equivalent to that of the GS > 50 kW class –
10 specifically, 49.4% - for the following reasons: (EB-2010-0131, Exhibit 8, Tab 1,
11 Schedule 1, Page 6-7).
- 12• Horizon Utilities has experienced a significant loss of revenue from its Large Use class
13 since its last rebasing, in large part due to the economic downturn in recent years. In its
14 recent Z-factor application (EB-2009-0332), Horizon Utilities submitted that its forecast
15 distribution revenues from the Large Use class for 2010 would be significantly lower
16 than the Board-approved levels for the 2008 Test Year, which formed the basis for 2008
17 distribution rates;
- 18• Horizon Utilities submits that the costs of providing distribution services are, for the most
19 part, fixed, regardless of the level of consumption/demand, and that large declines in
20 distribution revenue can result from significant reductions in commercial consumption
21 when a significant component of such are recovered through a volumetric rate
22 component (Horizon Utilities Z-factor Oral Hearing transcript, January 28, 2010, Basilio,
23 p 66, line 27 – p.67, line 7).
- 24• While the Large Use class appears to be the most susceptible to economic downturns,
25 it is the customer class with the lowest proportion of distribution rate recovered through
26 an MSC. With the exception of the Large Use class at 34.3% and the GS > 50 kW class
27 at 49.4%, the next lowest proportion of MSC to volumetric charge is found in the GS <
28 50 kW class, over 23% higher than the Large Use class, at 59.8%.

- 1• Horizon Utilities submits that it is therefore appropriate to increase the proportion of
2 Large Use class revenue being recovered through the MSC. It is Horizon Utilities'
3 intention to increase the fixed portion of the Large Use class to a percentage equal to
4 the General Service < 50 kW customer class – that is, 49.4%.

- 5• Horizon Utilities appreciates that it will likely be some time before the “Distribution
6 Revenue Decoupling” proceeding (EB-2010-0060) will be complete. However, Horizon
7 Utilities submits that it would be inappropriate to maintain the same fixed/variable
8 proportions assumed in the current rates for the Large Use customer class for 2011
9 (and for the years following 2011, until Horizon Utilities' next rebasing), as such exposes
10 Horizon Utilities to unacceptable risk of revenue shortfall as experienced in 2008 and
11 2009 with the same condition forecast for 2010. Horizon Utilities has proposed an
12 updated (and reduced) load forecast in this Application. However, the mismatch
13 between forecast and actual consumption for this class has been clear for several years
14 (Horizon Utilities Z-factor application, Board Staff interrogatory response #3), and while
15 the first six months of actual consumption for 2010 increased by 25.14% over 2009
16 actual consumption (this increase is used in forecasting the Large Use load for both
17 2010 and 2011), the consumption levels for this class continue to show only a partial
18 recovery in 2010 toward those anticipated in the 2008 EDR COS Application. As
19 provided in Exhibit 3 Tab 2 Schedule 1 – Weather Normalized Load and
20 Customer/Connection Forecast, actual 2009 consumption for the Large Use class
21 decreased by 26.3% from 2008 actual consumption and 37.2% compared to 2008
22 Board Approved. (2008 Board Approved kW was 3,876,319; Actual kW in 2008 was
23 3,299,915; and, 2009 Actual kW was 2,433,218).”

- 24 Please refer to Horizon Utilities' response to Board Staff Interrogatory #47(b) for further
25 evidence to support its proposal that the fixed charge revenue split for the Large Use
26 and GS > 50 kW classes should be equal.

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Question 16

How has Horizon considered the impacts of promoting efficiency and demand management in the design of its distribution rates?

Response:

Horizon Utilities has historically reviewed the fixed/variable split for its distribution rates. In its distribution rate application in 2001, Horizon Utilities’ predecessor, Hamilton Hydro Inc. proposed that distribution rates should be 100% fixed, but this proposal was not approved by the Board. In its 2009 Z-Factor Application, Horizon Utilities proposed a 100% fixed charge as an alternative means of designing rates that would recover the revenue losses attributable to one of its Large Use customers. As the Board rejected the Z-Factor Application, the issue of the 100% fixed charge alternative was not adjudicated.

In the current Application, Horizon Utilities once again considered proposing a 100% fixed charge in order to address the volume risk associated with some of its customers. There is support for such a position. The Executive Summary on the Review of Distribution Revenue Decoupling Mechanisms, commissioned by the Board and undertaken by Pacific Economics Group in the Board’s Distribution Revenue Decoupling proceeding (EB-2010-0060), states that “The cost of energy distribution and customer care is driven, in the short run, chiefly by customer growth and is largely fixed with respect to system use.” (p.iii, paragraph 2) However, Horizon Utilities is proposing to maintain the current fixed/variable split for all classes except the Large Use class. In

1 order to address the volume and concentration risk associated with the Large Use
2 class, Horizon Utilities is proposing to move the fixed/variable split to the same
3 proportions as the General Service < 50 kW customer class. Horizon Utilities submits
4 that this proposal leaves the utility and its broader customer base with disproportionate
5 risk with respect to the amount of distribution revenue requirement that remains based
6 on the distribution volumetric charge. This notwithstanding, such level of volumetric
7 charge, as proposed in this Application supports, to some extent, efficiency and demand
8 management in the design of the distribution rates in that as customers use less
9 electricity they will reduce their overall distribution charges and distribution system
10 utilization.

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9 **Question 17**

10 Please provide details of how Horizon costs for the Large User class break down
11 between fixed costs and variable costs.

12 **Response:**

13 Horizon Utilities submits that costs to provide service to Large Use customers are all
14 fixed since capital assets are constructed in response to customers’ long term
15 requirements. The distribution system is built to withstand the capacity requirements for
16 those times when usage spikes significantly. Horizon Utilities’ costs are fixed as any
17 fluctuation of Large User demand does not alter Horizon Utilities’ capital cost
18 requirements for customers, or its obligations to deliver such load as required.

19 Similarly, operating costs relate to the distribution facilities constructed and the addition
20 of any new Large Use customers. Once the system is constructed, it must be
21 maintained. Costs may vary in response to the number of Large Use customers, but
22 not in response to the capacity used by customers.

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9 **Question 18**

10 Given the significant increase in Large User rates proposed by Horizon, the possibility
11 exists that these customers may consider other service options.

12 What would be the impact beyond 2011 if a Large User customer with an average
13 monthly demand of 65,000 kW were to cease to be a Horizon Distribution customer?

14 **Response:**

15 If a Large Use customer with average monthly demand of 65,000 kW ceased to be a
16 Horizon Utilities’ customer beyond 2011, Horizon Utilities would lose total distribution
17 revenue in the amount of \$1,329,164. This total is comprised of fixed distribution
18 revenue in the amount of \$320,390 (12 months at the proposed January 1, 2011
19 monthly Service Charge Rate of \$26,699.15) and variable revenue of \$1,008,774
20 (65,000kW for 12 months at the proposed January 1, 2011 Variable Charge Rate of
21 \$1.2933 per kW).

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Question 19

Reference: Exhibit 8, Tab 1, Schedule 2, Page 1

With respect to rate mitigation, Horizon submits that no further mitigation is necessary. For the Large User class, Horizon is proposing to increase the Fixed rate in 2011 by 139.43% and the Volumetric rate by 27.76%, compared to 2010 rates.

Has Horizon considered mitigating this increase for the Large User class?

i) If yes, please provide details.

ii) If no, why not?

Response:

Horizon Utilities has not considered further rate mitigation for the Large Use class because the total bill impacts at all Large Use consumption levels presented in Exhibit 8 are less than 10%.

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Question 20

Reference: Exhibit 7, Tab 1, Schedule 2, Appendix 7-1, Updated Cost Allocation Study

a) How many of Horizon's large user class customers are supplied with power from Horizon's substations, versus directly supplied by lines from Hydro One's transformer station (e.g., supplied at 13.8, 27.6 or 44kv from a Hydro One transformer station)?

b) Are any of Horizon's Large User class customers served on a line from a Hydro One transformer station that in normal operation does not also serve any Horizon customers that are not Large Users?

Please provide the calculations and source data that produce the meter read cost weighting of 109.82 for Large Users.

Response:

a) Horizon Utilities does not have any large users that are supplied from Horizon substations. All of the large users are fed from the Hydro One transformer stations.

b) There are 8 Horizon Utilities Large Users customers that are served directly from a line from a Hydro One station that does not also feed any other Horizon customers.

c) The meter reading cost weighting factor of 109.82 for Large Users reflects the relative cost of reading an interval meter used by Large Users compared to the cost of reading an outside Residential meter. In other words, for every \$1 it costs Horizon Utilities to read an outside Residential meter, it will cost Horizon Utilities \$109.82 to read an interval meter. This value is consistent with the meter reading cost for an interval meter assumed in Horizon Utilities original cost allocation study filed with the Board on

- 1 March 30, 2007 and used to support Horizon Utilities' approved 2008 distribution rates.
- 2 The following table outlines the calculation of the 109.82 weighting factor.

Interval Meter Reading Data for 2004				
Description	SCH	Hamilton	Total	%age
Retail	62	190	252	67.925%
Wholesale	4	69	73	19.677%
MSP	0	46	46	12.399%
Total	66	305	371	100.000%
Total Costs for MV90			181,343.58	
MV90 costs to read retail meters @ 67.925%			123,176.77	(A)
Interval Meter Cost per retail meter(per month)			40.73	(B) = (A)/252/12
Cost to read retail meter			0.37	(C)
Weighting factor			109.82	(B)/(C)

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Question 21

Are all the 36 meters for large users owned by Horizon? If not, please indicate quantities.

Response:

Of the 36 large user metering points, 10 have customer owned meters that are Independent Electrical System Market Operator (“IESO”) registered metering points and one is currently owned by Hydro One which is scheduled to be transferred to Horizon Utilities in March 2011.