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Ontario

ONTARIO ENERGY BOARD

STAFF SUBMISSION

2009 ELECTRICITY DISTRIBUTION RATES

Horizon Utilities Corporation

EB-2008-0183

February 17, 2009

INTRODUCTION

Horizon Utilities Corporation ("Horizon") submitted an application on November 17, 2008, seeking approval for changes to the rates that Horizon charges for electricity distribution, to be effective May 1, 2009. The application is based on the 2009 3rd Generation Incentive Regulation Mechanism ("2009 3rd Gen. IRM").

The purpose of this document is to provide the Ontario Energy Board (the "Board") with the submissions of Board staff based on its review of all the evidence submitted by Horizon.

REVENUE TO COST RATIO ADJUSTMENTS

Background

Horizon commented in its response to Board staff interrogatories that the 2009 3rd Gen. IRM Supplementary Filing Module (the "IRM Module") allocates the transformer allowance "costs" across rate classes in a way that differs from how they were allocated in Horizon's 2008 cost of service application ("2008 CoS").

Discussion and Submission

Board staff confirms Horizon's observation and notes that the same applies to the allocation of low voltage charges. Accordingly, there may be a slight difference in the calculated revenue-to-cost ratio adjustments that would result under each method. Board staff submits that this difference is immaterial and that Horizon's proposed revenue-to-cost ratio adjustments are reasonable and in compliance with its 2008 cost of service Decision (EB-2007-0697).

Board staff notes that the *Report of the Board on the Application of Cost Allocation for Electricity Distributors* dated November 28, 2007 indicated that a range approach for revenue-to-cost ratios was preferable given influencing factors, such as data quality. Accordingly, Board staff submits that the differences in the ratios calculated in the IRM Module and under the 2008 CoS methodology would need to be material for a revision to the proposed revenue-to-cost ratio adjustments to be warranted at this time. As stated earlier, Board staff submits that those differences are immaterial.

SMART METER RATE ADDER

Background

The 2008 cost of service Decision (EB-2007-0697) approved, at page 13, continuation of Horizon's smart meter rate adder. However, the Tariff of Rates and Charges set out in Appendix A of the Rate Order issued on November 13, 2008 described it as a "smart meter rate rider" and was shown as a separate line item. Horizon's 2009 IRM application in turn treated this item as a rate rider.

Discussion and Submission

Board staff submits that there was an inadvertent error in terminology in the 2008 Rate Order and that Horizon's 2009 rate application should be processed on the basis that the item in question is a smart meter rate adder, as approved in the 2008 cost of service Decision. Board staff notes the amount in question is not in dispute and there is no rate impact from the error in description. Board staff further submits that, if the Board approves the continuation of the smart meter rate adder in the current proceeding, the smart meter rate adder should be incorporated in the monthly service charge on the resulting Tariff of Rates and Charges, instead of being shown as a separate line item.

All of which is respectfully submitted.