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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

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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
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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
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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 Partner Borden Ladner Gervais LLP Suite 4100 40 King Street West Toronto M5H 3Y4 Telephone: (416) 367-6277 Fax: (416) 361-2751 E-mail: jsidlofsky@blgcanada.com
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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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

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.

- 2.6 Distribution revenue received from the Subject Customer decreased by \$744,824 for the rate year May 1, 2008 to April 30, 2009, from that which was approved by the OEB in Horizon Utilities' 2008 EDR Application. Horizon Utilities anticipates that the indefinite shutdown will continue through 2009, 2010 and 2011, such that Horizon Utilities 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 as calculated in Table 3 below. 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.

Table 3
Calculation of Subject Customer's Actual and Anticipated Distribution Revenue Deficiency

	2006	2008	2009	2010	2011	Reduction	Reduction	Reduction	Reduction	2008	2009	2010	2011						
	Customer	Customer	Customer	Customer	Customer	in kW	in kW	in kW	in kW	Rates -	Rates -	Rates -	Rates -	2010	2011				April 30
	Demand	Demand	Demand	Demand	Demand	Usage -	Usage -	Usage -	Usage -	Jan - Nov	Jan - Apr	Jan - Apr	Jan - Apr	Rates -	Rates -	2010	2008	2009	2010
	kW	kW	kW	kW	kW	2006 vs.	2006 vs.	2006 vs.	2006 vs.	IRM	CoFS	May - Dec	May - Dec	IRM	IRM +	IRM +	Distribution	Distribution	Distribution
Month	kW	kW	kW	kW	kW	2008	2009	2010	2011	Dec CoFS	Dec IRM	1.18%	1.0%	IRM	1.18%	1.0%	Revenue	Revenue	Revenue
January	97,884	77,774	47,178	12,000	12,000	(20,111)	(50,706)	(85,884)	(85,884)	0.9236	2.0227	1.0331	1.0453	1.0557					
February	98,779	75,851	47,739	12,000	12,000	(22,928)	(51,040)	(86,779)	(86,779)	0.9236	2.0227	1.0331	1.0453	1.0557					
March	102,686	76,800	42,917	12,000	12,000	(25,885)	(59,769)	(90,686)	(90,686)	0.9236	2.0227	1.0331	1.0453	1.0557					
April	99,784	75,242	21,120	12,000	12,000	(24,542)	(78,664)	(87,784)	(87,784)	0.9236	2.0227	1.0331	1.0453	1.0557					
May	97,062	71,629	9,669	12,000		(25,433)	(87,392)	(85,062)		0.9236	1.0331	1.0453	1.0557						
June	97,043	70,861	8,991	12,000		(26,192)	(88,052)	(85,043)		0.9236	1.0331	1.0453	1.0557						
July	98,896	69,522	12,000	12,000		(29,374)	(86,896)	(86,896)		0.9236	1.0331	1.0453	1.0557						
August	95,348	74,172	12,000	12,000		(21,176)	(83,348)	(83,348)		0.9236	1.0331	1.0453	1.0557						
September	103,295	67,092	12,000	12,000		(36,203)	(91,295)	(91,295)		0.9236	1.0331	1.0453	1.0557						
October	90,378	69,989	12,000	12,000		(20,389)	(78,378)	(78,378)		0.9236	1.0331	1.0453	1.0557						
November	79,205	53,514	12,000	12,000		(25,691)	(67,205)	(67,205)		0.9236	1.0331	1.0453	1.0557						
December	94,106	50,280	12,000	12,000		(43,826)	(82,106)	(82,106)		2.0227	1.0331	1.0453	1.0557						

- 2.7 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. Horizon Utilities 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. Horizon Utilities 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. 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

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RESIDENTIAL										
		Existing Rates			Proposed Z-Factor			IMPACT		
		Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	\$	%	% of Total Bill
Consumption 1,000 kWh	Monthly Service Charge (&SSS)			12.90			12.90	0.00	0.00%	0.00%
	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									
		Existing Rates			Proposed Z-Factor			IMPACT	
		Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Change \$	Change %
Consumption	Monthly Service Charge (&SSS)			27.63			27.63	0.00	0.00%
	Distribution (kWh)	2,000	0.0073	14.60	2,000	0.0073	14.60	0.00	0.00%
	Smart Meter Rider (per month)			0.82			0.82	0.00	0.00%
	Z-Factor Rider	2,000	0.0000	0.00	2,000	0.0004	0.80	0.80	0.36%
	Regulatory Assets (kWh)	2,000	(0.0005)	-1.00	2,000	(0.0005)	(1.00)	0.00	0.00%
	Sub-Total			42.05			42.85	0.80	1.90%
	Other Charges (kWh)	2,084	0.0223	46.48	2,084	0.0223	46.48	0.00	0.00%
	Cost of Power Commodity (kWh)	750	0.0570	42.75	750	0.0570	42.75	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%
	Total Bill			219.33			220.13	0.80	0.36%

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

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

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

LARGE USER (> 5000 kW)									
		Existing Rates			Proposed Z-Factor			IMPACT	
		Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Change \$	Change %
								% of Total Bill	
Consumption 2,800,000 kWh 6,500 kW	Monthly Service Charge (&SSS)			11,123.44			11,123.44	0.00	0.00%
	Distribution (kWh)			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%
	Smart Meter Rider (per month)			0.82			0.82	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%
	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%
	Other Charges (kW)	6,500	4.0132	26,085.80	6,500	4.0132	26,085.80	0.00	0.00%
	Cost of Power Commodity (kWh)	0	0.0500	0.00	0	0.0500	0.00	0.00	0.00%
Total Bill				221,634.67			222,874.87	1,240.20	0.56%

LARGE USER (> 5000 kW)									
		Existing Rates			Proposed Z-Factor			IMPACT	
		Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	\$	%
								% of Total Bill	
Consumption 20,000,000 kWh 40,000 kW	Monthly Service Charge (&SSS)			11,123.44			11,123.44	0.00	0.00%
	Distribution (kWh)			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%
	Smart Meter Rider (per month)			0.82			0.82	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%
	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%
	Other Charges (kW)	40,000	4.0132	160,528.00	40,000	4.0132	160,528.00	0.00	0.00%
	Cost of Power Commodity (kWh)	0	0.0500	0.00	0	0.0500	0.00	0.00	0.00%
Total Bill				1,483,597.26			1,491,229.26	7,632.00	0.51%

Street Lighting									
		Existing Rates			Proposed Z-Factor			IMPACT	
		Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Change \$	Change %
								% of Total Bill	
Billing Determinants 36,000 Connections 2,400,000 kWh 6,800 kW	Monthly Service Charge (&SSS)	36,000	1.9700	70,920.00	36,000	1.9700	70,920.00	0.00	0.00%
	SSS Administration			0.25			0.25	0.00	0.00%
	Distribution (kWh)			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%
	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%
	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%
	Other Charges (kW)	6,800	2.7531	18,721.08	6,800	2.7531	18,721.08	0.00	0.00%
	Cost of Power Commodity (kWh)	750	0.0570	42.75	750	0.0570	42.75	0.00	0.00%
Total Bill				323,426.74			324,339.98	913.24	0.28%

Street Lighting									
		Existing Rates			Proposed Z-Factor			IMPACT	
		Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Change \$	Change %
								% of Total Bill	
Billing Determinants 15,000 Connections 850,000 kWh 2,400 kW	Monthly Service Charge (&SSS)	15,000	1.9700	29,550.00	15,000	1.9700	29,550.00	0.00	0.00%
	SSS Administration			0.00			0.00	0.00	0.00%
	Distribution (kWh)			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%
	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%
	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%
	Other Charges (kW)	2,400	2.7531	6,607.44	2,400	2.7531	6,607.44	0.00	0.00%
	Cost of Power Commodity (kWh)	750	0.0570	42.75	750	0.0570	42.75	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.

GENERAL SERVICE < 50 kW

		Existing Rates			Proposed Z-Factor			IMPACT		
		Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Change \$	Change %	% of Total Bill
Consumption	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		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

		Existing Rates			Proposed Z-Factor			IMPACT		
		Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Change \$	Change %	% of Total Bill
Consumption	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		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

		Existing Rates			Proposed Z-Factor			IMPACT		
		Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Change \$	Change %	% of Total Bill
Consumption	Monthly Service Charge (&SSS)			249.95			249.95	0.00	0.00%	0.00%
15,000 kWh	Distribution (kWh)			0.00			0.00	0.00		0.00%
60 kW	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		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

		Existing Rates			Proposed Z-Factor			IMPACT		
		Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	\$	%	% of Total Bill
Consumption	Monthly Service Charge (&SSS)			249.95			249.95	0.00	0.00%	0.00%
100,000 kWh	Distribution (kWh)			0.00			0.00	0.00	0.00%	0.00%
350 kW	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		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%
	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)

LARGE USER (> 5000 kW)

Street Lighting

Street Lighting

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%