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**BY E-MAIL**

September 18, 2009

Kirsten Walli  
Board Secretary  
Ontario Energy Board  
P.O. Box 2319, 27th Floor  
2300 Yonge Street  
Toronto ON M4P 1E4

Dear Ms. Walli:

**Re: Horizon Utilities Corporation  
Board File Nos. EB-2009-0158 & EB-2009-0192**

Dear Ms. Walli:

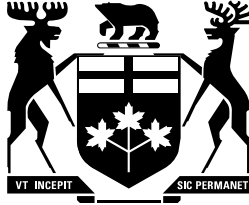
Please find attached the Board Staff submission for the above proceeding. Please forward the attached document to Horizon Utilities Corporation and all intervenors in this proceeding.

Yours truly,

*Original Signed By*

Marc Abramovitz  
Case Manager

Attach.



# **ONTARIO ENERGY BOARD**

## **STAFF SUBMISSION**

### **2009 DISTRIBUTION RATE RIDER APPLICATION**

#### **Horizon Utilities Corporation**

**EB-2009-0158**

**EB-2009-0192**

**September 18, 2009**

## **INTRODUCTION**

This document provides the Ontario Energy Board (the “Board”) with the submissions of Board staff after its review of the evidence filed in two distribution rate rider applications by Horizon Utilities Corporation (“Horizon” or the “Applicant”) filed on May 21, 2009 and June 25, 2009. In these applications, Horizon has requested an increase to its utility-specific smart meter funding adder (EB-2009-0158) and the recovery of LRAM and SSM amounts related to its third tranche and Ontario Power Authority’s Conservation and Demand Management (“CDM”) activities for the 2007 and 2008 calendar years (EB-2009-0192).

The Board determined that it would consider the two applications in one proceeding. On July 30, 2009, the Board issued a Notice of Application. The Board received only one intervention from the Vulnerable Energy Consumers Coalition (“VECC”). Board staff and VECC posed interrogatories (“IRs”) to Horizon on August 21, 2009. On September 4, 2009, Horizon filed with the Ontario Energy Board (the “Board”) its responses to the written interrogatories from Board staff and VECC

This submission reflects observations and concerns arising from Board staff’s review of Horizon’s pre-filed evidence and interrogatory responses, and is intended to assist the Board in adjudicating on Horizon’s applications.

## **THE APPLICATIONS**

### **1. Utility Specific Smart Meter Funding Adder**

#### ***Background***

Horizon has requested an increase to its current smart meter funding adder from \$0.82 per metered customer per month to \$1.56. The Applicant has forecasted that it will install 86,525 meters in 2009. These will consist of smart meters and interval meters for about 80,000 residential, 4,525 General Service (“GS”) < 50 kW, and approximately 2,000 GS > 50 kW customers). Horizon estimates that, by December 31, 2009, about 99% of all residential and small general service customers will have smart meters.

Horizon has calculated the smart meter recovery to the end of August 2009 on the assumption that the application was approved for implementation on September 1, 2009.

## ***Discussion and Summary***

Board staff acknowledges that Horizon is authorized, explicitly by name, in O. Reg. 427/06 to engage in smart metering activities. Horizon has previously had smart meter costs to April 30, 2007 reviewed and approved by the Board in the combined Smart Meter proceeding (EB-2007-0063). In this application, Horizon has filed with the Board a model that, using more recent data, demonstrates the derivation of the proposed smart meter funding adder. Board staff observes that the model methodology is analogous to what the Board has considered for Horizon and for other distributors in the combined Smart Meter proceeding and in subsequent applications. Board staff notes that Horizon's application complies with *Guideline G-2008-0002: Smart Meter Funding and Cost Recovery*. In summary, Board staff takes no issue with Horizon's proposal to amend its Smart Meter funding adder.

## **2. Recovery of LRAM/SSM Amounts**

### ***Background***

Horizon has requested disposition of LRAM and SSM amounts totaling \$1,197,045 related to its third tranche and Ontario Power Authority's CDM activities for the 2007 and 2008 calendar years. The Applicant stated that, when it rebased in 2008, it did not factor in the impacts of CDM in its 2008 approved load forecast; it is now proposing to recover the LRAM amounts of \$1,182,463 related to the entire load reductions associated with the 2008 calendar year. Horizon's calculations of the SSM amounts follow the methodology set out in the Total Resource Cost ("TRC") Guide, as presented in Appendix A of the CDM guidelines. An SSM rate of 5% has been applied to the net TRC benefits. The total SSM recovery requested is \$14,582.

Horizon seeks to recovery these amounts by way of a combined volumetric rate rider (see table 1) commencing October 1, 2009, for a 7 month period.

Horizon Utilities is also requesting a true-up and is proposing that the recoveries associated with any approved LRAM and SSM amounts be tracked in a variance account for disposition at a later date.

**Table 1: Proposed LRAM and SSM Rate Riders**

<b><i>Rate Riders (7 month period)</i></b>				
		<b><i>LRAM</i></b>	<b><i>SSM</i></b>	<b><i>Combined Rate Rider</i></b>
<b>Residential and Small Commercial &lt; 50 kW</b>	<b>\$/kWh</b>	<b>0.0008</b>	<b>-</b>	<b>0.0008</b>
<b>Commercial, Industrial and Institutional</b>	<b>\$/kW</b>	<b>0.0089</b>	<b>-</b>	<b>0.0089</b>
<b>Unmetered Scattered Load</b>	<b>\$/kW</b>	<b>0.0031</b>	<b>0.0073</b>	<b>0.0104</b>

### ***Discussion and Summary***

Board staff notes that Horizon has submitted a third party review conducted by the SeeLine Group Ltd. Board staff notes that an independent third party review is not required, but submits that this supporting evidence was helpful in this application. As well, Board staff submits that Horizon has complied with all filing requirements. In summary, Board staff has reviewed Horizon's application and interrogatory responses and takes no issue with the application.

### **Combined Bill Impacts**

Board staff notes that, if both applications are approved as filed, a residential customer consuming 1,000 kWh per month would experience an approximate 1.39% increase in the current delivery charges. This is an increase of \$1.54 per month on their bill. A GS < 50 kW customer consuming 2,000 kWh per month would experience an approximate 2.10% increase in its current delivery charges; this is a \$2.34 per month increase on its bill.

Given the date of this submission, Board staff notes that an implementation date of September 1 or October 1 is not practical. Therefore, Board Staff recommends an implementation date of November 1, 2009 for both the smart meter rate adder and LRAM/SSM rate rider. However, Board staff recommends that altering the proposed sunset dates for the smart meter rate adder and LRAM/SSM rate rider of, respectively,

April 30, 2011 and April 30, 2010, may not be necessary. Board staff views that the one or two months of revenues are not material, and that, since the amounts are tracked in established deferral/variance accounts and subject to true-up upon subsequent review and disposition, Horizon and its ratepayers will be held harmless in the long run.

- All of which is respectfully submitted -