

1 REDACTED version based on OEB Decision on confidentiality dated January 18,
2010 and further Decision on confidentiality made during hearing January 28, 2010

EB-2009-0332

2 **IN THE MATTER OF** the *Ontario Energy Board Act, 1998*,
3 S.O. 1998, c. 15, (Schedule B);

4 **AND IN THE MATTER OF** an application by Horizon Utilities
5 Corporation for an order approving the recovery of certain
6 amounts related to an unforeseen loss of revenue to be
7 effective January 1, 2010.

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9 **HORIZON UTILITIES CORPORATION (“HORIZON UTILITIES”)**
10 **CONFIDENTIAL RESPONSES TO**
11 **CONSUMERS COUNCIL OF CANADA INTERROGATORIES**

12 **DELIVERED DECEMBER 2, 2009**

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15 **7. Question Reference:**

16 Please provide all materials provided to Horizon's Board of Directors when it sought
17 approval of the Z-factor application. Please explain the process Horizon went through in
18 seeking approval of its Board for the Z-factor application.

19 **Response:**

20 The approval of the Board of Directors of Horizon Utilities (“Horizon Board”) is not
21 required with respect to applications to the OEB. Such authority is vested with the
22 President and Chief Executive Officer.

23 Horizon Utilities’ management first reported “Potential Regulatory Mitigation” mechanisms
24 to the Horizon Board at its regular meeting on May 14, 2009. That report was a
25 component of a “Financial Results – First Quarter” presentation.

26 The presentation identified the Z-Factor application as a potential regulatory mechanism
27 that might partially mitigate historical and anticipated revenue shortfalls resulting from
28 commercial and other customer consumption that was materially below consumption
29 forecasts underlying the Distribution Revenue Requirement approved by the OEB for
30 Horizon Utilities in its 2008 electricity distribution rate application. The presentation did

not provide any specific details on the potential Z-factor application other than its scope might include the "Subject Customer" and/ or the broader Large User Class.

The Horizon Utilities Board received additional information at its regular meetings on August 13, 2009 and November 12, 2009 within regular "Regulatory Update" reports. Complete excerpts from these reports related to the Z-factor Application are as follows. Please note that the references to "a" and "b" in the excerpt from the August 13, 2009 Regulatory Update Report are references to EB-2009-0158 – Smart Meter funding adder application and EB-2009-0192 – LRAM/ SSM Rate Rider application, respectively.

Excerpt from August 13, 2009 Regulatory Update Report

c. Approval for a Z-Factor Adjustment – Decline in Large User Distribution Revenue

Horizon Utilities met with OEB Staff to discuss the preparation of a Z-Factor Application for recovery of lost distribution revenue resulting from [REDACTED]

[REDACTED] Horizon Utilities will be filing a Z-Factor Application in early August as a separate application from a. and b. above to be heard by the OEB and it is expected that this application will follow the normal rate proceeding process. Horizon Utilities is proposing to file the Z-Factor adjustment for the three rate years 2008, 2009 and 2010 for recoveries of past and forecast declines in distribution revenue, through to its next cost of service filing anticipated to be effective May 1, 2011, in the amount of \$3,000,000.

Summary of Customer Impacts for the applications in a. through c:

The following table provides the customer class total bill impact for each of the above applications and the total impact resulting from all three applications, if all are approved.

Bill Impacts	Smart Meter Adder		LRAM/SSM		Z-Factor Adjustment		Total Impact	
Customer Class	% Impact	\$ Impact	% Impact	\$ Impact	% Impact	\$ Impact	% Impact	\$ Impact
Residential Class, 1,000 kWh	0.66%	\$ 0.74	0.72%	\$ 0.80	0.22%	\$ 0.25	1.59%	\$ 1.79
General Service < 50 kW, 2,000 kWh	0.34%	\$ 0.74	0.73%	\$ 1.60	0.48%	\$ 1.05	1.54%	\$ 3.39
General Service > 50 kW, 100,000 kWh/350 kW	0.01%	\$ 0.74	0.00%	\$ 3.11	0.32%	\$ 28.01	0.33%	\$ 31.86
Large Use (> 5,000 kW) 2,800,000 kWh/6,500 kW	0.00%	\$ 0.74			1.88%	\$ 4,445.62	1.88%	\$ 4,446.36
Street Lighting, 2,400,000 kWh/6,800 kW					0.22%	\$ 720.00	0.22%	\$ 720.00
Street Lighting, 850,000 kWh/2,400 kW					0.25%	\$ 300.00	0.25%	\$ 300.00
Unmetered Scattered Load, 511 kW/1 Connection			8.84%	\$ 5.25	0.22%	\$ 0.13	8.29%	\$ 5.38

Excerpt from November 12, 2009 Regulatory Update Report

d. Approval for a Z-Factor Adjustment – Decline in Large User Distribution Revenue

OEB Reference File: EB-2009-0332

Horizon Utilities filed an application with the OEB on September 3, 2009 seeking recovery of unforeseen loss of revenue due to a change in operations on the part of one of its Large Use customers [REDACTED] in the amount of \$2.8 million for the period May 1, 2008 to April 30, 2011.

In response to the Board's Letter of Direction, Horizon Utilities published the Notice of Application as prescribed. On October 23, 2009, Horizon Utilities received its Procedural Order ("PO") for the above-captioned application. While the PO indicates that, at this time, the Board intends to proceed by way of written hearing, this does not discount the possibility of an oral component in this process. [REDACTED]

The following Table B provides the customer class total bill impact for the proposed Z-Factor application

Table B

Bill Impacts Customer Class	Z-Factor	
	% Impact	\$ Impact
Residential Class, 1,000 kWh	0.36%	\$ 0.40
General Service < 50 kW, 2,000 kWh	0.36%	\$ 0.80
General Service > 50 kW, 100,000 kWh/350 kW	0.56%	\$ 48.76
Large Use (> 5,000 kW) 2,800,000 kWh/6,500 kW	0.56%	\$ 1,240.20
Street Lighting, 2,400,000 kWh/6,800 kW	0.28%	\$ 913.24
Street Lighting, 850,000 kWh/2,400 kW	0.27%	\$ 322.32
Unmetered Scattered Load, 511 kW/1 Connection	0.34%	\$ 0.20