



February 11, 2011

**BY RESS AND BY COURIER**

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge St., Suite 2700  
Toronto, ON, M4P 1E4

Dear Ms. Walli:

**RE: Horizon Utilities Corporation - Electricity Distributor Licence ED-2006-0031  
EB-2010-0292 Horizon Utilities' Smart Meter Funding Adder Application Reply Submission**

On September 24, 2010, Horizon Utilities Corporation ("Horizon Utilities") filed an Application (the "Application") with the Ontario Energy Board (the "Board") for an adjustment to its Smart Meter Funding Adder. On February 3, 2011, Horizon Utilities received the submission from Board staff in respect of the above-captioned Application.

Attached herewith, please find Horizon Utilities' Reply Submission regarding this Application.

If you have any questions, please do not hesitate to contact me.

Yours Truly,

*Original signed by Indy Butany-DeSouza*

Indy J. Butany-DeSouza  
Vice-President, Regulatory and Government Affairs  
Horizon Utilities Corporation  
Tel: (905) 317-4765



**EB-2010-0292**

**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 or fixing just and reasonable rates with respect to Smart Meters as of December 1<sup>st</sup>, 2010.

**REPLY SUBMISSION OF  
HORIZON UTILITIES CORPORATION**

**FILED: February 11, 2011**

**Applicant:**

Horizon Utilities Corporation  
55 John Street North  
Hamilton, Ontario L8R 3M8

**Indy J. Butany De-Souza**

Vice President, Regulatory and Government Affairs  
Telephone: 905-317-4765  
Facsimile: 905-522-0119  
Email: [indy.butany@horizonutilities.com](mailto:indy.butany@horizonutilities.com)

**Counsel to the Applicant:**

Borden Ladner Gervais LLP  
Scotia Plaza, 40 King Street West  
Toronto, Ontario M5H 3Y4

**James C. Sidlofsky**

Partner  
Telephone: (416) 367-6277  
Facsimile: (416) 361-2751  
Email: [jsidlofsky@blgcanada.com](mailto:jsidlofsky@blgcanada.com)

**INTRODUCTION:**

1. On September 24, 2010, Horizon Utilities Corporation (“Horizon Utilities”) filed with the Ontario Energy Board (the “Board”) a Smart Meter Funding Adder Application (“the Application”) for the consideration and approval of changes to its Utility Specific Smart Meter Funding Adder (the “Adder”) in accordance with the *Smart Meter Funding and Cost Recovery Guideline* issued October 22, 2008 (G-2008-0002). In the Application, Horizon Utilities sought an increase of the approved Smart Meter Funding Adder from \$1.56 per metered customer per month to \$2.45 per metered customer per month, effective December 1, 2010.
2. The Board issued Procedural Order No. 1 (“PO#1”) on December 8, 2010. In PO#1, the Board determined that it would consider the Application by way of a written process, and the Application would be dealt with separately from Horizon Utilities’ application for electricity distribution rates (EB-2010-0131).
3. Board staff interrogatories were issued to Horizon Utilities on December 21, 2010. Horizon Utilities’ responses to Board staff interrogatories were to be filed by January 12, 2011. On January 12, 2011, Horizon Utilities filed a letter with the Board stating that it would not be able to file such interrogatory responses in accordance with the deadline established in PO#1, due to a delay caused by staff illness, but that responses would be filed by January 14, 2011. As a result of such letter, the Board granted a 2-day extension to the submission deadline. Horizon Utilities submitted responses to Board staff interrogatories on January 13, 2011.
4. On January 25, 2011, Board staff submitted a letter to the Board Secretary indicating that consequent to discussions with Horizon Utilities, it was seeking clarification from Horizon Utilities on its response to Board staff Interrogatory 5. Board staff indicated that they would require additional time to formulate their reply submission based on the additional evidence filed by Horizon Utilities. Board staff filed their submission on February 3, 2011.

**BACKGROUND:**

5. Horizon Utilities filed its Smart Meter Investment Plan (“SMIP”) with the Board on December 15, 2006. In the SMIP, Horizon Utilities provided its capital and incremental operating costs based on the information provided in Appendix C-2, Table 2 of the Board’s Smart Meter Investment Plan dated January 26, 2005.
6. Subsequent to the filing of its SMIP, Horizon Utilities filed its 2007 EDR Smart Meter Rate Application on February 9, 2007 (EB-2007-0538). This application provided for a rate adder of \$0.82 per metered customer per month based on a cost of \$146.84 per smart meter installed and a total smart meter cost including computer requirements and incremental operating costs of \$179.26.
7. On May 21<sup>st</sup>, 2009, Horizon Utilities filed a Utility Specific Smart Meter Funding Adder Application (EB-2009-0158). Such application sought an increase to the existing Smart Meter Funding Adder from \$0.82 to \$1.56 per metered customer per month. The revised Smart Meter Funding Adder was required to provide financing for previous and incremental Smart Meter investments and clear large balances in the Smart Meter Variance Accounts. The Board approved both of these applications, as filed.
8. Subsequently, on September 24, 2010, Horizon Utilities filed the current Application in order to “complete the implementation of its SMIP<sup>1</sup>”.
9. In response to Board staff interrogatories, Horizon Utilities revised its proposed Smart Meter Funding Adder. Further, on January 28, 2011, Horizon Utilities filed updated evidence in response to a Board staff interrogatory which resulted in a revised Smart Meter Funding Adder of \$2.14 per month per metered customer, assuming an effective date of March 1, 2011 and thirteen month recovery period to March 31, 2012. The above-noted revisions were reflective of the following changes:

---

<sup>1</sup> EB-2010-0292 Horizon Utilities’ Application to the Ontario Energy Board by Horizon Utilities Corporation Distribution License ED-2006-0031 for a Smart Meter Funding Adder, Page 18

- An effective date of March 1, 2011 and a recovery period of 13 months to March 31, 2012;
- Reflection of smart funding adder revenues collected from December 1, 2010 to February 28, 2011, estimated at \$370,000 per month based on the existing approved Smart Meter Funding Adder of \$1.56 per month per metered customer;
- Inclusion of forecasted OM&A expenses of \$428,500 for the period from January 1 to March 31, 2012. While the capital-related costs for the same period are not included, this is a time-matching of the OM&A expenses to the period over which recovery is proposed;
- Updating the denominator of metered customers on which the Smart Meter Funding Adder is proposed, from 233,707 to 234,555 corresponding to the number of metered customers as of December 31, 2010;
- \$833,165 of capital assets added to Account 1555 in fiscal 2010 as part of a review and reclassification<sup>2</sup>
- Correction of the aggregate Federal and Provincial tax rate from 31.00% to 28.25% and elimination of the Ontario Capital Tax for 2011; and
- Revision of the Cost of Capital parameters to correspond with those approved in Horizon Utilities' 2008 EDR Cost of Service Application (the most recent Board-approved).

**REPLY TO BOARD STAFF SUBMISSION:**

10. Horizon Utilities confirms that Board staff does not oppose the proposed Smart Meter Funding Adder of \$2.14 per month per metered customer as revised on January 28, 2011. However, Board staff made submissions on the following matters:

- Costs Beyond Minimum Functionality;
- Bill Impacts; and
- Effective Date of the Increased Smart Meter Funding Adder.

---

<sup>2</sup> Horizon Utilities' response to Board staff Interrogatory 2, filed January 13, 2011.

11. Horizon Utilities will address these issues in the order set out above. Horizon Utilities acknowledges Board staff's comment that "an application for a change to a smart meter funding adder does not entail a comprehensive prudence review<sup>3</sup>". Horizon Utilities trusts that it will have a further opportunity to address the matters set out below in the context of such a review, should they arise at that time.

- **Costs Beyond Minimum Functionality**

12. Horizon Utilities notes that Board staff accepted Horizon Utilities' clarification of, and takes no issue with, the inclusion of costs for smart meter conversion for affected GS > 50 kW customers.

13. With respect to the Board staff comments regarding the additional technological functionality and items such as "consumer education, web presentment, and re-engineering,<sup>4</sup>" Horizon Utilities appreciates that Board staff accepts that there are "legitimate costs 'beyond minimum functionality' that a utility may incur related to smart meter deployment and that are necessary and prudent to operationalize Smart Meters and to efficiently integrate them with existing distributions assets and operations", and that O.Reg. 426/06 gives the Board the authority and responsibility to review and approve such charges." As Board staff notes, Horizon Utilities submits that the activities that are the subject of this Application are within minimum functionality. However, Horizon Utilities acknowledges the Board staff comment, at page 7 of its submission, that "Board staff is not opposing the costs claimed by Horizon in the determination of the proposed Smart Meter Funding Adder in this application", and Horizon Utilities agrees

---

<sup>3</sup> Board staff Submission to Horizon Utilities' Application for an Increased Smart Meter Funding Adder. EB-2010-0292. February 3, 2011, Page 3.

<sup>4</sup> Board Staff Submission to Horizon Utilities' Application for an Increased Smart Meter Funding Adder EB-2010-0292, February 3, 2011, Page

with Board staff<sup>5</sup> that “these areas are best addressed in a subsequent application seeking disposition and prudence review of smart meter costs.”

14. Board staff has submitted that there is some confusion in the industry as to what constitutes Smart Meter costs, and whether all costs related to TOU rate implementation are valid Smart Meter costs. As noted in Horizon Utilities response to Board staff Interrogatory 10 b),

“To maximize efficiencies and position Horizon Utilities for the successful completion of the Smart Meter program in a relatively short time frame, this project has been approached as a single integrated function. Horizon Utilities approach to the 2009 Smart Meter Funding Adder Application (EB-2009-0158) was an all-encompassing ‘end to end project’ that began with the installation of Smart Meters and included a robust customer communication plan, data presentment and implementation of TOU rates. It is important to note that Horizon Utilities is an early adopter of the Smart Meter Program. Through its integrated approach to the management of this initiative, Horizon Utilities has made a significant contribution to the achievement of the Ministry of Energy’s goals”.

15. Horizon Utilities submits that the ‘end to end project’ approach used for the implementation of Smart Meters and TOU rates shows evidence that much efficiency can be gained when managing the implementation of such together. Horizon Utilities acknowledges that the disposition and prudence of such costs may be subject to further review at the time of a smart meter costs prudence review, and Horizon Utilities will be pleased to address this matter in greater detail at that time. While Board staff does not object to Horizon Utilities’ request for an adjustment of its Smart Meter Funding Adder to \$2.14, Horizon Utilities reiterates its request, set out in its response to Board staff Interrogatory 9, that “In the event that the Board determines that these costs are not recoverable with the Smart Meter Funding Adder, Horizon Utilities respectfully requests that these be carried for future disposition in a subsequent electricity distribution rate cost of service application.”

---

<sup>5</sup> Board staff Submission to Horizon Utilities’ Application for an Increased Smart Meter Funding Adder. EB-2010-0292. February 3, 2011, Pages 7-8.

- **Bill Impacts**

16. At Page 9 of their submission, Board staff submitted Table 1 which summarizes Delivery and Total Bill assuming that the Smart Meter Funding Adder of \$2.14 and 2011 Electricity Distribution Rates are approved as filed. Horizon Utilities acknowledges that these impacts are for illustrative purposes only and may change when other factors such as the Ontario Clean Energy Benefit are included. However, it is noteworthy that the combined total bill impact of the above-noted applications is below 10%. Horizon Utilities submits that the bill impacts of the proposed revised Smart Meter Funding Adder are minimal and should not prevent the approval of this Application.

17. While Horizon Utilities understands the usefulness to the Board of assessing the rate and bill impacts of the updated Smart Meter Funding Adder Application and the 2011 Cost of Service Application (EB-2010-0131) in combination, Horizon Utilities respectfully submits and supports Board staff's submission that there is a need for the Board to consider each application on the record in each case, and therefore it would be inappropriate for both Applications to be assessed together as they relate to customer bill impacts, at this time.

18. Horizon Utilities submits that its updated revised Smart Meter Funding Adder will in itself have a minimal impact. The change from \$1.56 to \$2.14 for the typical residential customer with an 800 kWh consumption will have a total bill impact of 0.62%. Similarly, the change from \$1.56 to \$2.14 for a typical GS<50kW customer at a consumption of 2000 kWh will have a total bill impact of 0.26%.

- **Effective Date for the Increased Smart Meter Funding Adder**

19. The original proposed effective date for Horizon Utilities' revised Smart Meter Funding Adder was December 1, 2010. In Horizon Utilities' responses to interrogatories and its updated evidence filed on January 28, 2011, Horizon Utilities proposed an effective date of March 1, 2011, for the updated revised Smart Meter Funding Adder. Horizon Utilities



acknowledges that Board staff has not taken issue with a revised proposed effective date for the Smart Meter Funding Adder that would begin on March 1, 2011 and would be in place for 13 months.

**SUMMARY:**

20. Based on Horizon Utilities' submissions on the above-noted issues, Horizon Utilities submits that the updated revised Smart Meter Funding Adder of \$2.14 should be approved for recovery over a 13 month period commencing March 1, 2011.
21. As discussed above, Horizon Utilities' updated revised Smart Meter Funding Adder will in itself have a minimal impact both on the distribution component of the customer's bill and on the total bill.
22. Horizon Utilities reiterates that Board staff does not oppose the amount of the updated revised Smart Meter Funding Adder, nor do they oppose the period over which such would be recovered.
23. Horizon Utilities acknowledges that the updated revised Smart Meter Funding Adder would be approved on an interim basis, pending the Board's decision with respect to Horizon Utilities' 2011 Cost of Service Application.

All of which is respectfully submitted this 11<sup>th</sup> day of February, 2011.

*Original signed by Indy Butany-DeSouza*

---

Indy J. Butany-DeSouza  
Vice President, Regulatory & Government Affairs  
Horizon Utilities Corporation