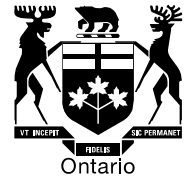


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BY EMAIL

December 8, 2011

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

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

**Re: Horizon Utilities Corporation
2012 IRM3 Distribution Rate Application
Board Staff Submission
Board File No. EB-2011-0172**

In accordance with the Notice of Application and Written Hearing, please find attached the Board Staff Submission in the above proceeding. Please forward the following to Horizon Utilities Corporation and to all other registered parties to this proceeding.

In addition, please advise Horizon Utilities Corporation that its Reply Submission is due by December 15, 2011.

Yours truly,

Original signed by

Martha McOuat
Project Advisor

Encl.



ONTARIO ENERGY BOARD

STAFF SUBMISSION

2012 ELECTRICITY DISTRIBUTION RATES

Horizon Utilities Corporation

EB-2011-0172

December 8, 2011

**Board Staff Submission
Horizon Utilities Corporation
2012 IRM3 Rate Application
EB-2011-0172**

Introduction

Horizon Utilities Corporation (“Horizon”) filed an application (the “Application”) with the Ontario Energy Board (the “Board”) on October 13, 2011, under section 78 of the *Ontario Energy Board Act, 1998*, seeking approval for changes to the distribution rates that Horizon charges for electricity distribution, to be effective January 1, 2012. The Application is based on the 2012 3rd Generation Incentive Regulation Mechanism (“IRM”).

In its Decision in the EB-2008-0381 Combined PILs proceeding, the Board indicated that distributors will be expected to apply for final disposition of account 1562 with their next general rates application, either IRM or cost of service. Horizon’s October 13, 2011 application included its proposal and supporting evidence to dispose of its balance in Account 1562. Following a review by Board staff of the evidence filed supporting the disposition of Account 1562, the Board determined that the application is not consistent with certain decisions made in the course of the Combined PILS proceeding. The inconsistencies identified in Horizon’s application arise through possible assumptions made upon the amalgamation of Hamilton Hydro Inc. and St. Catharines Hydro Utilities Services Inc., the predecessor distribution companies that now comprise Horizon. By letter dated November 8, 2011 the Board notified Horizon that it would not deal with Account 1562 as part of Horizon’s 2012 IRM application and stated that it expected Horizon to address the disposition of account 1562 in a stand-alone application to be filed no later than April 1, 2012. In its response to interrogatories, Horizon removed the amount related to the disposition of Account 1562 from the application and recalculated the bill impacts.

The purpose of this document is to provide the Board with the submissions of Board staff based on its review of the evidence submitted by Horizon.

In the interrogatory phase, Board staff identified certain discrepancies in the data entered in the application model by Horizon. In response to Board staff interrogatories

which requested either confirmation that these discrepancies were errors or an explanation supporting the validity of the original data filed with the application, Horizon provided appropriate explanations and confirmed certain errors and provided the necessary corrections to the IRM 3 Rate Generator Model.

Staff has no concerns with the data supporting the updated Retail Transmission Service Rates proposed by Horizon. Pursuant to Guideline G-2008-0001, updated on July 8, 2010, Board staff notes that the Board will update the applicable data at the time of this Decision based on any available updated Uniform Transmission Rates.

Horizon also provided a detailed reconciliation of Account 1521 as requested in an interrogatory from Board staff. Based on Horizon's reconciliation, Board staff supports Horizon's request to dispose of the credit balance including carrying charges in this account of \$458,451.

In response to interrogatories, Horizon provided a correction to its shared tax savings calculation and updated its proposed rate riders accordingly. Board staff notes that the revised rate rider for shared tax savings for Horizon's Standby Power rate class appears to have been inadvertently omitted from the final tariff sheet provided with Horizon's interrogatory responses. Staff has no other concerns with the shared tax savings rate riders.

In Horizon's 2011 cost of service Decision (EB-2010-0131), the Board found the GEA Plan expenditures from 2011- 2014 to be prudent. However, since capital and operating expenditures for 2012 to 2014 were beyond the 2011 test year, the Board found it inappropriate to include these in the test year revenue requirement.

In this application, Horizon has included a GEA Rate Rider of \$0.04 per month for all classes except the Standby and MicroFit classes, as per its 2011 draft Rate Order filing. In response to interrogatories, Horizon confirmed that it is requesting the Board to include a Provincial Rate Protection amount of \$8,480 in the 2012 Renewable Generation Connection Rate Protection compensation from the IESO. Board staff has confirmed that both of these amounts are as calculated in the draft Rate Order in Horizon's 2011 cost of service application.

Horizon originally sought to recover a total LRAM claim of \$1,608,274, including carrying charges, over a one-year period. The LRAM claim reflects savings up until the

end of 2010. The LRAM claim was updated to \$1,609,182, including carrying charges, due to Horizon recently receiving a more detailed version of the OPA Final 2010 CDM Summary Results report. Board staff notes that Horizon's last cost of service application was for 2011 rates, at which time the load forecast was updated.

The Board's Guidelines for Electricity Distributor Conservation and Demand Management (the "Guidelines") issued on March 28, 2008 outlines the information that is required when filing an application for LRAM. In its Decision on Horizon's application (EB-2009-0192) for LRAM recovery, the Board also noted that distributors should use the most current input assumptions available at the time of the third party review when calculating a LRAM amount.

Board staff submits that Horizon's application for LRAM recovery is consistent with the Board's Guidelines and the Board's Decision on Horizon's application (EB-2009-0192) for LRAM recovery and supports the approval of the updated LRAM amount of \$1,609,182, including carrying charges, as found within Horizon's response to VECC interrogatory #4(c).

Horizon is requesting disposition of its Group 1 Deferral and Variance Accounts of a total credit of \$9,308,735, for the period ending December 31, 2010, plus forecast carrying charges to December 31, 2011. Horizon provided the necessary continuity tables and reconciliations to support this claim. The total balance excluding the Global Adjustment sub-account is a credit of \$7,081,241 and the balance in the Global Adjustment sub-account is a credit of \$2,227,494. Board staff has no concerns with the balances proposed for disposition or with the carrying charges applied.

All of which is respectfully submitted