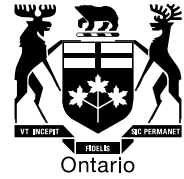


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BY E-MAIL

October 17, 2012

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
2013 IRM3 Rate Application
Board Staff Interrogatories
Application Board File Number EB-2012-0132**

In accordance with the Notice of Application and Hearing, please find attached the Board Staff Submission in the above proceeding.

As a reminder, Horizon Utilities Corporation's Reply Submission is due by Wednesday, October 31, 2012.

Yours truly,

Original signed by

Josh Wasylyk
Advisor, Applications & Regulatory Audit

Encl.



ONTARIO ENERGY BOARD

STAFF SUBMISSION

2013 ELECTRICITY DISTRIBUTION RATES

Horizon Utilities Corporation

EB-2012-0132

October 17, 2012

**Board staff Submission
Horizon Utilities Corporation (“Horizon”)
2013 IRM3 Rate Application
EB-2012-0132**

Introduction

Horizon Utilities Corporation (“Horizon”) originally filed an application (the “Application”) with the Ontario Energy Board (the “Board”), on August 2, 2012 and updated on August 14, 2012 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, 2013. The application is based on the 2013 3rd Generation Incentive Regulation Mechanism (“IRM”).

These are the submissions of Board staff based on its review of the evidence submitted by Horizon.

Shared Tax Savings Workform

Horizon completed the Shared Tax Savings Workform and computed the 2013 incremental tax savings of \$548,513 and a shared tax savings of \$274,256. This is based on the Board’s September 17, 2008 *Supplemental Report of the Board on 3rd Generation Incentive Regulation for Ontario’s Electricity Distributors* (EB-2007-0673). Within the Board’s report, it was determined that a 50/50 sharing of the impact of known legislated tax changes, as applied to the tax level reflected in Board-approved base rates for a distributor, is appropriate.

Board staff has reviewed the Workform for Horizon’s requested shared tax savings amount and notes that the balances reconcile with Horizon’s last cost of service Board-approved Revenue Requirement Workform. Board staff has no issue with Horizon’s request to dispose of its 2013 shared tax savings amount.

Deferral and Variance Accounts

Horizon completed the Deferral and Variance Account continuity schedule included in the Model at Tab 5 for its Group 1 Deferral and Variance Accounts. Horizon’s total

Group 1 Deferral and Variance Account balances amount to a credit of \$4,966,768 for Group 1 Account balances. Based on the disposition threshold test calculation, the Group 1 Deferral and Variance Account balances equate to \$0.0011 per kWh which exceeds the threshold of +/- \$0.001 per kWh. As such, Horizon has requested disposition of these account balances over a one year period.

Board staff has reviewed the Model for Horizon's Group 1 Account balances and notes that the principal balances as of December 31, 2011 reconcile with the balances as reported as part of the 2.1.7 Reporting and Record-Keeping Requirements ("RRR") Trial Balances as of December 31, 2011. Also, the disposition threshold has been exceeded. Board staff has no issue with Horizon's request to dispose of its 2011 Group 1 Deferral and Variance Account balances at this time. Board staff further notes that the requested disposition period of one year is in accordance with the Electricity Distributors' Deferral and Variance Account Review Initiative (EB-2008-0046).

Retail Transmission Service Rates ("RTSR") Workform

Horizon filed an updated RTSR Workform on August 14, 2012 in response to an informal request from Board staff. Board staff notes that it has reviewed the RTSR Workform and reconciled the figures included with both Horizon's last RRR report 2.1.5 as well as Horizon's last Board-approved Tariff of Rates and Charges. Board staff will adjust Horizon's RTSR Workform to incorporate the changes to the Uniform Transmission Rates, as appropriate.

Distribution System Plans

Horizon had a Green Energy Act ("GEA") rate rider of \$0.04 per customer, effective January 1, 2012, approved as part of its 2012 electricity distribution rates application (EB-2011-0172). This was based on the Board's decision in Horizon's 2011 cost of service application (EB-2010-0131) which approved Horizon's Green Energy Plan. Horizon has requested approval to continue to charge a GEA rate rider of \$0.04 per customer in 2013. Horizon has not requested any funding incremental to the expenditures proposed in its GEA Plan.

Board staff confirms that the Board approved Horizon's proposed GEA related costs rate rider of \$0.04 per month for all classes except Standby and MicroFIT in Horizon's 2012 IRM application. Board staff submits that Horizon's request is reasonable.

Lost Revenue Adjustment Mechanism ("LRAM")

Horizon noted that upon receipt of final 2011 CDM results from the Ontario Power Authority (“OPA”), it would quantify the 2011 LRAM claim and examine its impact on the LRAM variance account (“LRAMVA”) and if the balance was material, possibly seek disposition.

In response to Board staff interrogatory #4, Horizon noted that it does not plan on seeking disposition of the balance recorded in its LRAMVA as an update to this application. Horizon noted that it will assess the significance of the amounts recorded in the LRAMVA before applying for the disposition of this account in future applications.

Board staff notes that the Board’s Conservation and Demand Management (“CDM”) Guidelines for Electricity Distributors (EB-2012-0003) state that “at a minimum, distributors must apply for disposition of the balance in the LRAMVA at the time of their cost of service rate applications.” Board staff submits that Horizon’s approach is reasonable.

- All of which is respectfully submitted -