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BY EMAIL

November 5, 2013

Ontario Energy Board
P.O. Box 2319
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2300 Yonge Street
Toronto ON M4P 1E4
Kirsten.Walli@ontarioenergyboard.ca

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

**Re: Horizon Utilities Corporation
2014 IRM4 Distribution Rate Application
Board Staff Submission
Board File No. EB-2013-0137**

In accordance with Procedural Order No.1, please find attached the Board Staff Submission in the above proceeding. This document is being forwarded to Horizon Utilities Corporation and to all other registered parties to this proceeding.

Horizon Utilities is reminded that its Reply Submission, if it intends to file one, is due by November 15, 2013.

Yours truly,

Original Signed By

Georgette Vlahos
Analyst, Applications & Regulatory Audit

Encl.



ONTARIO ENERGY BOARD

STAFF SUBMISSION

2014 ELECTRICITY DISTRIBUTION RATES

Horizon Utilities Corporation

EB-2013-0137

November 5, 2013

**Board Staff Submission
Horizon Utilities Corporation
2014 IRM4 Rate Application
EB-2013-0137**

Introduction

Horizon Utilities Corporation (“Horizon Utilities”) filed an application (the “Application”) with the Ontario Energy Board (the “Board”) on August 15, 2013, seeking approval for changes to the rates that Horizon Utilities charges for electricity distribution, to be effective January 1, 2014. The Application is based on the 2014 4th Generation Incentive Regulation Mechanism (“IRM”).

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 Utilities.

The Application

In the interrogatory phase, Board staff identified certain discrepancies in the data entered in the models filed by Horizon Utilities. In response to Board staff interrogatories, Horizon Utilities confirmed there were errors in some of the models filed and provided the corrected data. Board staff will make the necessary corrections to Horizon Utilities’ models at the time of the Board’s Decision on the Application.

As part of its interrogatories, Board staff was unable to validate some of the data entered at tab 3 of the workform, which requires distributors to enter their previous Board-approved load forecast and rates from their current Tariff of Rates and Charges. As part of its interrogatory responses, Horizon Utilities agreed that there were errors in the workform and provided the corrected data. As a result of these changes, the proposed tax-sharing rate riders have altered slightly from what was initially filed in Horizon Utilities’ Application. Board staff notes that the revised Tax-Savings Workform reflects the Revenue Requirement Work Form from the Board’s cost of service decision in EB-2010-0131. Board staff has no concerns with the updated Tax-Savings Workform.

Board staff has no concerns with the revised data supporting the updated Retail Transmission Service Rates proposed by Horizon Utilities. Pursuant to the Board’s

Guideline G-2008-0001, Board staff notes that the Board will update the applicable data at the time of the Board's Decision on the Application based on the Uniform Transmission Rates in place at that time.

Horizon Utilities completed the Deferral and Variance Account continuity schedule included in the 2014 IRM Rate Generator Model at Tab 5 for its Group 1 Deferral and Variance Accounts. Horizon Utilities' total Group 1 Deferral and Variance Account balances amount to a credit of \$10,399,111. The Group 1 balance excluding Account 1589 – Global Adjustment Sub-Account is a credit of \$7,100,226, and is applicable only to RPP customers. These balances also include interest calculated to December 31, 2012. Based on the threshold test calculation, the Group 1 Deferral and Variance Account balances equate to \$0.0024 per kWh which exceeds the threshold, and as such, Horizon Utilities requested disposition of these Accounts over a one-year period.

Board staff notes that Horizon Utilities' current total bill impact for its Application, as filed, is a decrease of approximately \$0.82/month for the typical Residential customer consuming 800kWh. All other things being equal, Board staff notes that once this rate rider expires, the typical Residential customer will see an increase of approximately \$0.48/month, a difference of approximately \$1.30/month. Board staff notes that this equates to an approximate 1% increase on the total bill.

Board staff has reviewed Horizon Utilities' Group 1 Deferral and Variance Account balances and notes that the principal balances as of December 31, 2012 reconcile with the balances reported as part of the *Reporting and Record-keeping Requirements*. Also, the pre-set disposition threshold has been exceeded. Accordingly, Board staff has no issue with Horizon Utilities' request to dispose of its 2012 Deferral and Variance Account balances at this time over the requested one-year period.

Distribution Systems Plans

Horizon Utilities had a *Green Energy Act* ("GEA") rate rider of \$0.04 per month per metered customer, effective January 1, 2013, approved as part of its 2013 IRM rates application (EB-2012-0132). This was based on the Board's decision in Horizon Utilities' 2011 cost of service application (EB-2010-0131) which approved Horizon Utilities' Green Energy Plan. Horizon Utilities has requested approval to continue to charge a GEA rate rider of \$0.04 per customer in 2014. Horizon Utilities has not requested any

funding incremental to the expenditures proposed in its GEA Plan. Board staff confirms that the Board approved Horizon Utilities' proposed GEA-related rate rider of \$0.04 per month for all classes except Standby and MicroFIT in Horizon's 2013 IRM application. Board staff submits that Horizon's request is reasonable for its current Application as per the Board's decision in EB-2010-0131.

All of which is respectfully submitted