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August 12, 2014

Delivered by RESS and Courier

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, Ontario M4P 1E4

Dear Ms. Walli:

**Re: EB-2014-0002
Horizon Utilities Corporation – Five Year Distribution Rate Application**

We are counsel to Horizon Utilities Corporation (“Horizon Utilities”) with respect to the above-captioned matter. Please find accompanying this letter Horizon Utilities’ response to City of Hamilton Interrogatory No. 2(a).

Yours very truly,
BORDEN LADNER GERVAIS LLP

Original Signed by James C. Sidlofsky

James C. Sidlofsky
JCS/ac

cc. Christie Clark, Ontario Energy Board
Maureen Helt, Ontario Energy Board
Keith Ritchie, Ontario Energy Board
John G. Basilio, Horizon Utilities Corporation
Indy J. Butany-DeSouza, Horizon Utilities Corporation
Intervenors of Record

TOR01: 5678161: v1

SUPPLEMENTARY RESPONSE TO CITY OF HAMILTON QUESTION 2(a)

C of H 2. Exhibit 7, Tab 1, Schedule 1, p. 3

Background:

In its prefiled evidence, Horizon states that “...there is concern that, absent the proposed rate class, some of these customers may choose to make related investments to directly connect to Hydro One, leaving Horizon Utilities with stranded assets, and significantly less volume throughput.”

- (a) Please provide copies of records of all discussions and meetings, including email and written correspondence, between the members of the LU(2) customer class and Horizon with respect to their rates.**
- (b) Please provide copies of all presentations made by Horizon to its senior management and/or its board of directors with respect to the proposed rates for the LU(2) customer class.**
- (c) Have any of the members of the proposed LU(2) customer class threatened to leave Horizon’s system to directly connect to Hydro One? If so, please indicate when the threat was made, by whom it was made, and the circumstances in which it was made.**
- (d) To Horizon’s knowledge, has Hydro One indicated whether it would permit the direct connection to its system by the members of the proposed LU(2) customer class?**

Response:

- 1 a) In its August 1, 2014 response to this question, Horizon Utilities stated:
- 2 “Horizon Utilities is not at liberty to share records of confidential discussions that it has
- 3 had with its customers. Such discussions are customer-specific and contain information
- 4 of a competitive and commercially sensitive nature that cannot be disclosed. Under the
- 5 terms of its Electricity Distributor Licence, Horizon Utilities shall not use information
- 6 regarding a consumer, retailer, wholesaler or generator obtained for one purpose for any
- 7 other purpose without the written consent of the consumer, retailer, wholesaler or
- 8 generator. Additionally, Horizon Utilities shall not disclose information regarding a
- 9 consumer, retailer, wholesaler or generator to any other party without the written consent
- 10 of the consumer, retailer, wholesaler or generator, except where such information is
- 11 required to be disclosed for certain purposes as set out in its Licence. Horizon Utilities is
- 12 also bound by the provisions of the *Affiliate Relationships Code for Electricity*
- 13 *Distributors and Transmitters*, which prohibits the disclosure of confidential information to
- 14 affiliates without the consent of the consumer. Horizon Utilities does not have the
- 15 proposed LU (2) customers’ consent to the release of the requested information.”

1 Horizon Utilities maintains that its discussions with customers are confidential. However,
2 Horizon Utilities can confirm that it met with some of its proposed LU (2) customers in
3 November 2013, and it has obtained the consent of those customers to the release of a
4 copy of the slide presentation made by Horizon Utilities in those meetings. Following the
5 numbering used in the original response to City of Hamilton Interrogatory No. 2, the slide
6 presentation is designated as:

7 C of H 2_Attch 7_Presentation – Meeting with Large Use Customers – November 2013

8 Horizon Utilities confirms that the only other communications exchanged between it and LU
9 (2) customers involved email exchanges for the purpose of arranging the meetings, and
10 other customer specific emails sent following the filing of the Application. As the latter email
11 messages contain information specific to individual customers, Horizon Utilities is not
12 prepared to release those messages.

13 Horizon Utilities' responses to Questions 2(b), (c) and (d) remain as set out in its August 1,
14 2014 responses to City of Hamilton Question 2.

EB-2014-0002
Horizon Utilities Corporation
SUPPLEMENTARY Response to City of
Hamilton Interrogatory 2(a)
Delivered: August 12, 2014

C of H 2_Atch 7_Presentation – Meeting with Large Use Customers – November 2013

Meeting with Large Use Customers – November 2013

November 26, 2013

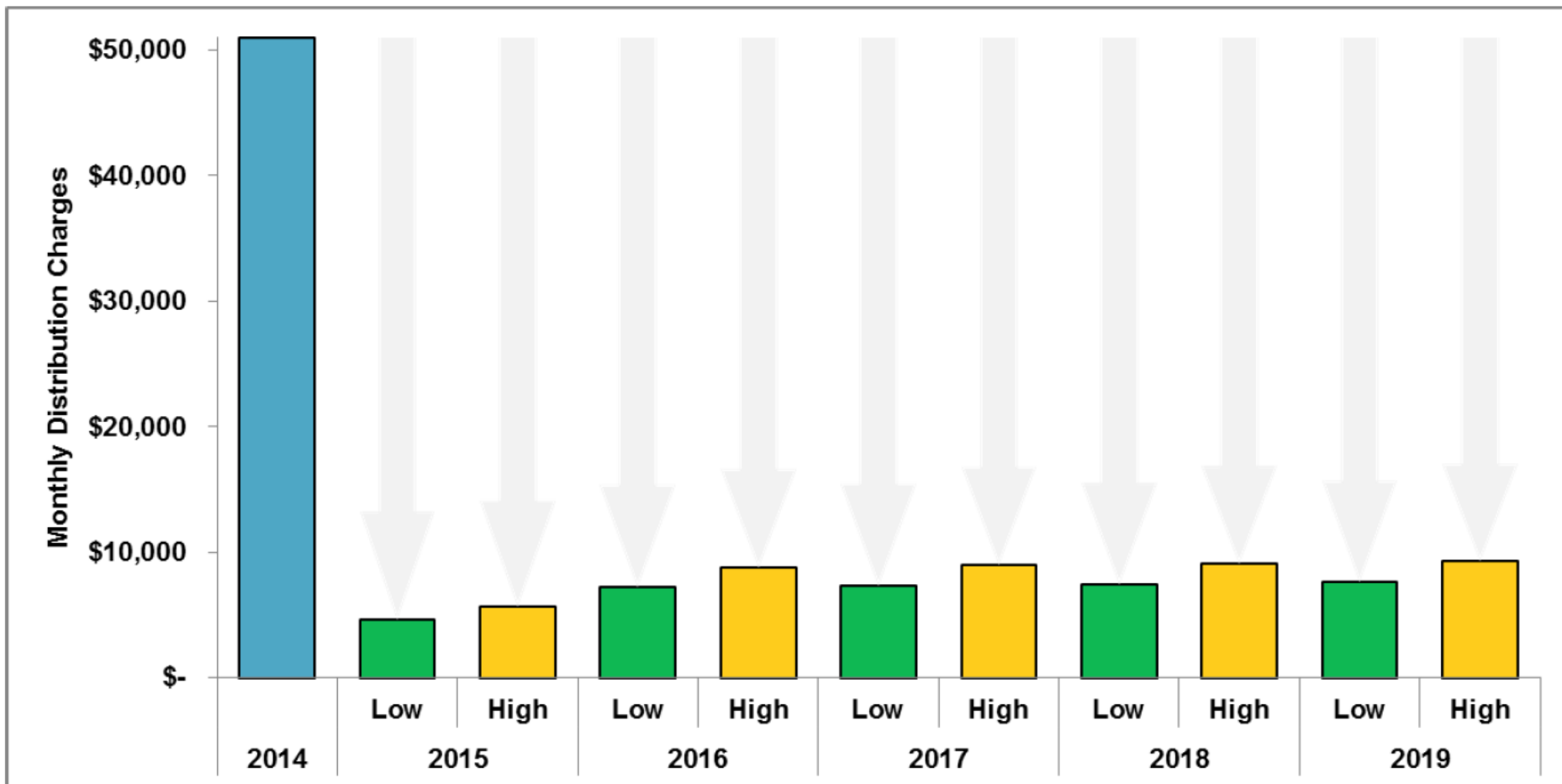
Approach

- 2015 Cost of Service Application – Custom IR
- 5 year application
- Rates decision for each year of the five years
- Includes a review of cost allocation and rate design, base on cost causality
- Proposing a new rate class, LU(2) – GS>15MW with dedicated assets

Large Use (2) Class

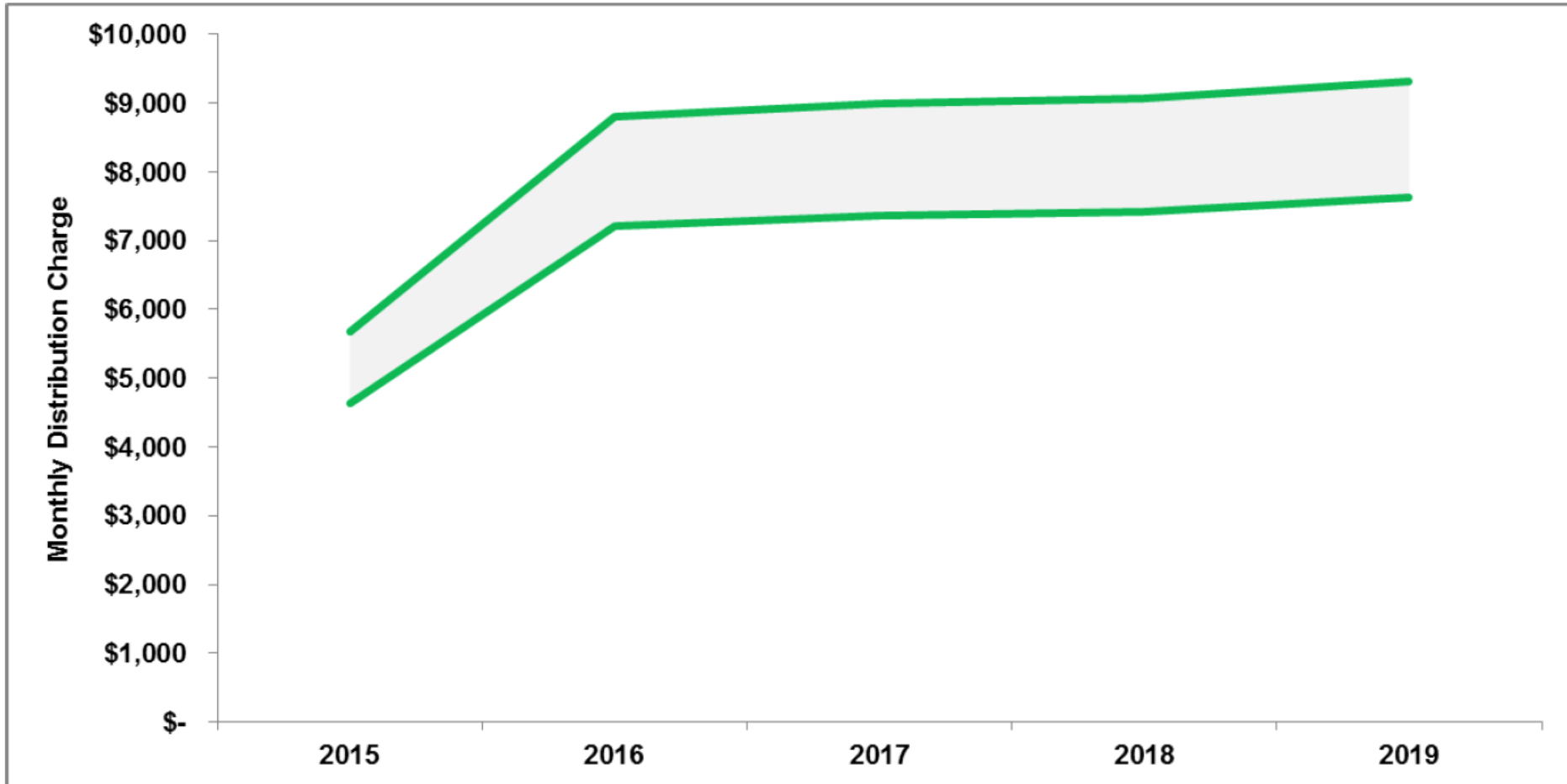
- New LU (2) Class contains a smaller pool of customers
- Asset renewal costs related to these customers will be shared across the smaller pool
- Required capital expenditure related to one or all customers in this class will impact future rates outcomes

2014 – 2019 Monthly Distribution Charge (20,000 kW)



NOTE: This slide represents indicative high and low rate ranges based on an evolving Financial Plan

2015 – 2019 Monthly Dx Charge Band (20,000 kW)



NOTE: This slide represents indicative high and low rate ranges based on an evolving Financial Plan

Outcomes and Challenges

Outcome:

- New rates proposed for all customer classes for 2015-2019
- LU (2) class contains a smaller pool of customers
- Costs for asset renewal will be specific to the class

Challenges:

- This is a new and untested cost allocation method to present to the Ontario Energy Board
- This will be challenged by various stakeholders through the application process
- No guarantees that this will be accepted; range of outcomes:
 - Accepted as filed; rejected altogether; rate mitigation (phased in)

Questions?