



EB-2014-0002

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, (Schedule B);

AND IN THE MATTER OF an application by Horizon Utilities Corporation for an order approving just and reasonable rates and other charges for electricity distribution to be effective January 1, 2015 and for each following year through to December 31, 2019.

PROCEDURAL ORDER NO. 4

August 21, 2014

Horizon Utilities Corporation (“Horizon” or the “Applicant”) filed a Custom Incentive Rate (“CIR”) application (the “Application”) with the Ontario Energy Board (the “Board”) on April 17, 2014 under section 78 of the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, (Schedule B), seeking approval for changes to the rates that Horizon charges for electricity distribution, to be effective January 1, 2015 and each year thereafter until December 31, 2019. The Board has assigned the application file number EB-2014-0002.

On June 9, 2014 the Board issued Procedural Order No. 1 in which it set out a schedule for interrogatories, a technical conference and an Issues Day. The Board made it clear in Procedural Order No. 1 that it would refrain from establishing an issues list until the evidence had been tested through discovery. The Board stated that it expected an issues list to be developed prior to the settlement conference, at a time when parties would have had the opportunity to identify the issues most germane to the Custom IR application and which best suited focussed deliberation.

A draft Issues List was circulated to the parties by Board Staff. While there were some minor modifications made by the parties, the number of issues on the Issues List has not been significantly reduced. The purpose of a more well-defined Issues List was to assist the Board in understanding the key issues in dispute among the parties and for the Issues List to act as a guide to focus discussion on the issues most germane to this Custom IR application. The parties have indicated that they are not in a position to reduce the number of issues at this time. By way of a letter filed with the Board on August 20, 2014, counsel for Horizon requested, on behalf of his client and the intervenors, that the Issues Day scheduled for August 21, 2014 be cancelled on the basis that the parties had agreed to an Issues List (attached as Appendix "A" to this Procedural Order).

The Board has considered the request and has decided to cancel the Issues Day scheduled for August 21, 2014. The Board accepts the Issues List agreed to by the parties and filed on August 20, 2014.

The Board will not, at this time, direct the parties to withhold any matters on the current Issues List from the scope of its settlement discussions. However, in the event of settlement, the Board may require the presentation of evidence, including the attendance of appropriate witness panels to provide evidence, to assist the Board in its consideration of any settlement proposal, particularly as it relates to the outcomes anticipated in the Board's Renewed Regulatory Framework for Electricity.

The Board therefore finds it necessary to make provision for the following additional procedural steps. The steps set out in Procedural Order No. 2 remain in effect.

THE BOARD ORDERS THAT:

1. The Board accepts the agreed-upon Issues List, attached as Appendix A, for this proceeding.
2. The Issues Day to be held on August 21, 2014 is cancelled.

All filings to the Board must quote the file number, EB-2014-0002, and are to be made electronically through the Board's web portal at <https://www.pes.ontarioenergyboard.ca/eservice/>, in searchable / unrestricted PDF format. Two paper copies must also be filed at the Board's address provided below. Filings must clearly state the sender's name, postal address and telephone number, fax

number and e-mail address. Parties must use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at <http://www.ontarioenergyboard.ca/OEB/Industry>. If the web portal is not available parties may email their documents to the address below. Those who do not have internet access are required to submit all filings on a CD in PDF format, along with two paper copies. Those who do not have computer access are required to file 7 paper copies.

All communications should be directed to the attention of the Board Secretary at the address below, and be received no later than 4:45 p.m. on the required date.

With respect to distribution lists for all electronic correspondence and materials related to this proceeding, parties must include the Case Manager, Christie Clark at Christie.Clark@ontarioenergyboard.ca and Board Counsel, Maureen Helt at Maureen.Helt@ontarioenergyboard.ca.

ADDRESS

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DATED at Toronto, August 21, 2014

ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary

APPENDIX "A"
ISSUES LIST
HORIZON UTILITIES CORPORATION
EB-2014-0002
DATED August 21, 2014

DRAFT ISSUES LIST – EB-2014-0002

1.0 CUSTOM APPLICATION

- 1.1 To what extent does the application reflect the objectives and approaches described in the RRFE Report?
- 1.2 Has Horizon responded appropriately to all relevant Board directions from previous proceedings, including commitments from prior settlement agreements?
- 1.3 What actions should the Board require Horizon take at or near the end of the 5-year rate term (e.g. rebasing, plan assessment, measurement of customer satisfaction)?
- 1.4 Do any of Horizon's proposed rates require rate smoothing or mitigation?

2.0 OUTCOMES AND INCENTIVES

- 2.1 Does Horizon's Custom Application promote and incent acceptable outcomes for existing and future customers (including, for example, cost control, system reliability, service quality, and bill impacts)?
- 2.2 Does the Custom Application adequately incorporate and reflect the four outcomes identified in the RRFE Report: customer focus, operational effectiveness, public policy responsiveness and financial performance?
- 2.3 Is the monitoring and reporting of performance proposed by Horizon adequate to demonstrate whether the planned outcomes are achieved?
- 2.4 Are Horizon's proposed off-ramps, reopeners, annual adjustments and annual adjustments outside the normal course of business appropriate? Has Horizon demonstrated adequately its ability and commitment to manage within any rates set via this proceeding, given that actual costs and revenues will vary from those forecast?

3.0 REVENUE REQUIREMENT

- 3.1 Is the rate base component of the revenue requirement for 2015 – 2019 as set out in the Custom Application appropriate?
- 3.2 Are the capital expenditures and the capital additions component of the revenue requirement for 2015 – 2019 as set out in the Custom Application appropriate and is the rationale for planning choices appropriate and adequately explained and supported, considering:
 - i. customer feedback and preferences;
 - ii. productivity and sharing of benefits;
 - iii. benchmarking of costs;
 - iv. reliability and service quality;

- v. impact on distribution rates;
- vi. trade-offs with OM&A spending;
- vii. government-mandated obligations; and
- viii. the applicant's objectives?

3.3 Is the proposal to leave stranded meters in rate base appropriate?

3.4 Is the capital structure and cost of capital component of the revenue requirement for 2015 – 2019 as set out in the Custom Application appropriate?

3.5 Is the depreciation component of the revenue requirement for 2015 – 2019 as set out in the Custom Application appropriate?

3.6 Is the taxes / PILs component of the revenue requirement for 2015 – 2019 as set out in the Custom Application appropriate?

3.7 Is the OM&A component of the revenue requirement for 2015 – 2019 as set out in the Custom Application appropriate and is the rationale for planning choices appropriate and adequately explained and supported considering:

- i. customer feedback and preferences;
- ii. productivity and sharing of benefits
- iii. benchmarking of costs;
- iv. reliability and service quality;
- v. impact on distribution rates;
- vi. trade-offs with capital spending;
- vii. government-mandated obligations; and
- viii. the applicant's objectives?

3.8 Is the compensation strategy for 2015 – 2019 appropriate and does it result in reasonable compensation costs?

3.9 Are the proposed other operating revenues for 2015 – 2019 appropriate?

3.10 Is the customer and load forecast a reasonable reflection of the energy and demand requirements of the applicant for 2015 – 2019?

4.0 COST ALLOCATION AND RATE DESIGN

4.1 Are the rate classes and their definitions proposed by Horizon appropriate, including the new LU (2) class?

4.2 Are the inputs to the cost allocation model appropriate?

4.3 Are the costs appropriately allocated?

4.4 Are the revenue-to-cost ratios for all rate classes over the 2015-2019 period appropriate?

4.5 Are Horizon's proposed charges for street lighting appropriate?

4.6 Are the proposed fixed and variable charges for all rate classes over the 2015-2019 period appropriate?

4.7 Are the proposed charges for miscellaneous services over the 2015-2019 period reasonable?

4.8 Are the proposed line losses over the 2015-2019 period appropriate?

5.0 DEFERRAL AND VARIANCE ACCOUNTS

5.1 Should the existing deferral and variance accounts proposed for continuation be continued, and should those proposed for termination be terminated?

5.2 Are any proposed new deferral and variance accounts reasonable?

5.3 Are the balances and the proposed methods for disposing of the balances in the deferral and variance accounts appropriate?