

August 26, 2014

**Robert B. Warren**  
T: 416-947-5075  
rwarren@weirfoulds.com

File 01626.00019.

Kirsten Walli  
Board Secretary  
Ontario Energy Board  
Suite 2701  
2300 Yonge Street  
Toronto ON M4P 1E4

Dear Ms Walli:

**Re: Horizon Utilities Corporation (“Horizon”) - EB-2014-0002**

We are counsel to the City of Hamilton in this matter. By this letter we wish to give notice to the hearing panel, to the Applicant, and to all parties, of our client’s intention to seek a ruling from the hearing panel on the issue described below.

By way of background, the Ontario Energy Board (“Board”), in its *Report of the Board: Review of the Board’s Cost Allocation Policy for Unmetered Loads*, EB-2012-0383, dated December 19, 2013, stated:

The Board’s policy remains that distributors should endeavour to move their revenue to cost ratios closer to one or 100% if this is supported by new data. That being said, the Board does not believe that there is sufficient evidence at this time to narrow the revenue to cost ratio range for the street lighting class. (p. 6)

In that same Report, the Board made the following statement:

The Board remains concerned with the allocation of costs to daisy-chain configured systems. The disparity in the cost allocation result between a street lighting customer configuration with multiple devices per connection and a street lighting customer with a device to connection ratio close to 1:1 appears to be disproportionate when compared to actual costs to serve the street lighting rate class. The Board believes that further investigation is necessary before making a determination. The Board will issue a letter shortly to begin a consultation process for this single issue. (p. 6)

On August 21, 2014, the Board issued a letter indicating that the separate single-issue consultation process on the allocation of costs to daisy-chain configured street lighting systems was about to begin. In that letter, a copy of which is attached hereto, the Board indicates that it has engaged Navigant Consulting Limited to undertake a study of the issue.

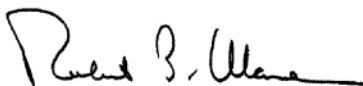
In its application in this proceeding, Horizon is asking the Board to set rates for Hamilton's street lighting class based on the allocation of costs to a daisy-chain configured street lighting system. In addition, Horizon is proposing to change the revenue to cost ratio for that street lighting class.

It is our client's position that, in light of the Board's statements quoted above, and in particular in light of the fact that the Board has announced that it is about to commence a consultation process on the allocation of costs to daisy-chain configured street lighting systems, it would be premature to consider and approve Horizon's proposed rates for the street lighting class. It is our client's position that a determination of the rates for that class should await the outcome of the consultation process, and any decision that the Board makes about the result of that consultation process.

Accordingly, we have been instructed by our client to seek a ruling from the hearing panel to the effect that Horizon's rates for the street lighting class should be frozen, at the existing levels, until the consultation process has been completed and the Board has made any decisions arising from it.

Yours truly,

**WeirFoulds LLP**



Robert B. Warren

RBW/dh

cc: The City of Hamilton, Attention: Gord McGuire  
Maureen Helt  
Borden Ladner Gervais, Attention: Mark Rodger  
All Parties

Attachment:

**Ontario Energy Board**  
P.O. Box 2319  
27th Floor  
2300 Yonge Street  
Toronto ON M4P 1E4  
Telephone: 416-481-1967  
Facsimile: 416-440-7656  
Toll free: 1-888-632-6273

**Commission de l'énergie de l'Ontario**  
C.P. 2319  
27e étage  
2300, rue Yonge  
Toronto ON M4P 1E4  
Téléphone: 416-481-1967  
Télécopieur: 416-440-7656  
Numéro sans frais: 1-888-632-6273



**BY E-MAIL AND WEB POSTING**

August 21, 2014

**To: All Licensed Electricity Distributors,  
All Other Interested Parties**

**RE: Review of Cost Allocation Policy for Unmetered Loads:  
Cost Allocation to Different Types of Street Lighting Configurations  
Board File No: EB-2012-0383**

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On December 19, 2013, the Board issued its Report of the Board: Review of the Board's Cost Allocation Policy for Unmetered Loads (the "December Report").

Unmetered loads include street lighting, sentinel lighting and unmetered scattered load classes. In the December Report, the Board stated the following with respect to the different types of street lighting configurations:

*The Board remains concerned with the allocation of costs to daisy-chain configured systems. The disparity in the cost allocation result between a street lighting customer configuration with multiple devices per connection and a street lighting customer with a device to connection ratio close to 1:1 appears to be disproportionate when compared to actual costs to serve the street lighting rate class. The Board believes that further investigation is necessary before making a determination.*  
(p.6)

In its letter posted with the December Report, the Board indicated that it would also initiate a separate single-issue consultation process on the allocation of costs to daisy-chain configured street lighting systems.

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The Board has engaged Navigant Consulting Limited (“Navigant”) to undertake a study with the following key objectives:

- examine the utility and municipality assets and the portion of utility assets required to serve the various street lighting system configurations and associated costs;
- examine the existing methods of cost allocation and assess their appropriateness for application to the various street lighting system configurations;
- examine and classify the determinants relevant to the allocation of costs to common connection street lighting systems and one-device-per-connection systems; and
- update the Cost Allocation Model, as required, with respect to the cost allocation to various street lighting system configurations.

As part of their research, Navigant will solicit input from a number of distributors, municipalities, members of the Unmetered Loads Working Group, and other industry associations in addressing the objectives of the study.

Any questions regarding this consultation process should be directed to Vince Cooney at [vincent.cooney@ontarioenergyboard.ca](mailto:vincent.cooney@ontarioenergyboard.ca) or at 416-440-8143. The Board’s toll-free number is 1-888-632-6273.

Yours truly,

*Original Signed By*

Lynne Anderson  
Vice President, Applications