

ONTARIO ENERGY BOARD

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.

**AFFIDAVIT OF JOHN BASILIO
SWORN SEPTEMBER 25, 2014**

I, **John Basilio**, of the City of Ancaster, in the Province of Ontario, **MAKE OATH AND SAY:**

1. I am the Senior Vice-President and Chief Financial Officer of Horizon Utilities and have knowledge of the matters herein deposed.
2. In its *Renewed Regulatory Framework for Electricity Distributors*, one of the identified outcomes appropriate for distributors articulated by the Ontario Energy Board relates to “Customer Focus: services are provided in a manner that responds to identified customer preferences” (page 2, RRFE).
3. The City of Hamilton (“COH”) is a customer of Horizon Utilities. In his affidavits, Mr. McGuire states that, as Manager of Geomatics and Corridor Management in the Department of Public Works at the COH, Mr. McGuire is responsible for “assessing the rates which are charged to the COH by Horizon Utilities for street lighting services.” (McGuire Affidavit, para 1).

4. As part of his assessment of Horizon's street lighting rates, Mr. McGuire had direct involvement and input regarding the decision to undertake a street lighting audit with respect to COH street lighting. The resulting Street Light Audit Report ("SL Audit Report") was filed in response to COH Interrogatory 7. The results of the SL Audit Report have been used in the determination of street lighting cost allocation contained in Horizon's Custom IR application. The COH, including Mr. McGuire, expressly agreed that, as the best and most current evidence available, the results of the SL Audit Report would be included in the determination of the street lighting charges Horizon seeks in its Custom IR filing.

The May, 27, 2013 Meeting

5. On May 27, 2013 I, along with Horizon President & CEO Mr. Max Cananzi, Ms. Indy Butany and Ms. Kathy Lerette, met with Mr. McGuire and other senior COH officials, including the General Manager of Public Works and the General Manager of Finance & Corporate Services, to discuss Horizon Utilities' street lighting rates within the City of Hamilton.

6. In particular, the daisy-chain nature of the COH street lighting assets was discussed along with the implications of this configuration on cost allocation and COH street lighting charges. At that meeting Horizon Utilities clearly articulated to Mr. McGuire and other COH staff the requirement that its proposed Custom IR rate application, including the allocation of costs to street lighting, conform to the Ontario Energy Board's rate making policies and methodologies.

7. We advised Mr. McGuire and City Staff that, historically, Horizon used a daisy-chain ratio of 2:1 for all street lighting assets in its licensed distribution service territory. At that meeting, Mr. McGuire and COH staff expressed the view that the correct ratio might be higher than 2:1 and, in that case, COH costs were being overstated (and if so, COH would be overpaying for street lighting services under this scenario).

8. My Horizon colleagues and I advised COH staff that an independent study would need to be undertaken to validate the determination of the ratio for street lighting assets served by Horizon within the City of Hamilton and that the outcome of such study, as the most up to date, best evidence, would necessarily be included in the determination of street light cost allocation in Horizon's proposed Custom IR Application.

9. My colleagues and I expressly cautioned Mr. McGuire and COH staff at the May 27, 2013 meeting that the outcome of a SL Audit Report could increase COH street lighting costs should the ratio be determined to be lower than 2:1. Mr. McGuire and COH staff present at that meeting acknowledged this potential outcome and advised that the correct ratio should be informed by the data confirmed in a SL Audit Report and used in Horizon's Custom IR application irrespective of the impact on COH street light costs.

10. Specifically, Mr. McGuire and COH staff attending the May 27, 2013 meeting agreed that the outcome of the SL Audit Report, as the latest and best information, would be included in the determination and basis of Horizon's Custom IR filing regarding street lighting rates. COH staff advised us that it would consider whether a SL Audit Report was appropriate at that time and advise Horizon Utilities of the outcome within the next month.

The July 19, 2013 Meeting

11. I am advised, and verily believe, that on July 19, 2013, Ms. Kathy Lerette, Mr. Glenn Winn, Ms. Shelley Parker and Mr. Dave Haddock of Horizon Utilities met with Mr. McGuire and Mr. Gary Moore of the COH. Mr. McGuire advised Horizon Utilities representatives that the City wanted to proceed with the SL Audit Report discussed on May 27th. At the July 19 meeting, the scope of the study and the cost sharing arrangements were also agreed upon. Horizon and the COH agreed that COH would pay 60% of the cost of the study while Horizon paid 40% of the cost. This cost sharing occurred.

The SL Audit Report

12. The SL Audit Report work commenced on July 29, 2013 and a final report was delivered to the COH on or about November 7, 2013. As Mr. McGuire and COH staff agreed, the findings of this study were to be included in the basis of the street lighting rates proposed in the Custom IR application before the Board in this proceeding.

Impact of Cost Allocation on 2015 COH Street Lighting Costs


13. The increase in 2015 street lighting costs for COH proposed in the Application, and prior to the impact of the Settlement Proposal, is \$377,513. Of this amount, \$225,470 is attributable to the change in the revenue to cost ratio, with the remaining \$152,043 attributable to growth in Horizon Utilities costs over those embedded in its 2014 rates.

14. The proposed street lighting rates currently before the Board as part of Horizon’s Custom IR application are directly responsive to and informed by COH’s identified preference that a SL Audit Report be undertaken.

15. I make this affidavit in response to the COH Motion dated September 8, 2014 and the Amended Notice of Motion dated September 22, 2014.

SWORN BEFORE ME at the City of)
Hamilton, in the Province of Ontario,)
this 25th day of September, 2014.)
)
)
)
)
)
)
)
)
)
)


Commissioner For Taking Affidavits



JOHN BASILIO