October 8, 2014

BY RESS AND BY COURIER

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, Suite 2700
Toronto, ON
M4P 1E4

Dear Ms. Walli;

Re: Horizon Utilities Corporation – EB-2014-0002 – Custom Incentive Rate Application – Responses to Oral Hearing Undertakings

On September 30th, 2014 and October 1st, 2014, the Ontario Energy Board (the "Board") held an Oral Hearing for Horizon Utilities Corporation's ("Horizon Utilities") 2015 Custom Incentive Rate Application. In the Oral Hearing, Horizon Utilities agreed to provide responses to undertakings, J1.1 through J1.3 and J2.1 through J2.4.

Horizon Utilities has also included a live version of the Cost Allocation Model related to J1.1 and the live version of the Cost Allocation model (based on the version filed with the Settlement Proposal) with the Load Profiles for the LU (1) and LU (2) customers based on the Load Profile from 2011, scaled to match the Load Forecast for 2015 related to J1.3.

Attached herewith, Horizon Utilities provides its complete responses to those undertakings.

Sincerely,

Original Signed by Indy J. Butany-DeSouza

Indy J. Butany-DeSouza, MBA
Vice President, Regulatory Affairs

Page Intentionally Left Blank

Responses to Horizon Utilities
Oral Hearing Undertakings
EB-2014-0002
Delivered: October 8, 2014

Page Intentionally Left Blank

Undertaking No. J1.1

Reference: Page 59 of Transcripts Volume 1

To explain the changes for 2015 in the total CP1, 4 and 12 and NCP1, 4 and 12 numbers across the three different models; to explain why the addition of the Large Use (1) and Large Use (2) classes is different in the model that was filed in the original evidence with the recently updated evidence which has a lower number.

Response:

A) On September 30th, 2014 as part of the Oral Hearing, Energy Probe had referred to three iterations of the Cost Allocation models as filed by Horizon Utilities. The Cost Allocation model iterations were:

1. Those filed with the prefiled evidence on April 16th, 2014;
2. Those filed with the response to Technical Conference Undertaking J.1.10 on August 22nd, 2014; and
3. Those filed with Exhibit 10: Supplementary Evidence Related to Cost Allocation and Rate Design filed on September 25th, 2014

Horizon Utilities wishes to clarify that there is a fourth Cost Allocation model; that which was filed along with the Settlement Proposal ("SP"), which incorporates the details of the Revenue Requirement as filed in the SP.

Horizon Utilities has compared the demand data from each of these iterations of the Cost Allocation models and can confirm that the differences in the coincident peak and non-coincident peak data (aside from those differences outlined in the response to part B below) are the result of updates to the Load Forecast at each of these points, as identified in the Interrogatory Responses and within the Settlement Proposal.

B) Horizon Utilities has also reviewed the differences in the NCP data between the 2015 Cost Allocation model as filed as part of the SP and the 2015 Cost Allocation model as filed as part of the updated evidence in Exhibit 10. Given that both of these iterations of the Cost Allocation model are prepared using the load forecast as filed with the SP, Energy Probe has identified that the total of the LU (1) and LU (2) CP data (per the SP) should be equal to the CP total for the Large Use class when the LU (2) class is not introduced (per Exhibit 10).

Horizon Utilities agrees with the comment from Energy Probe and has determined that in the version of the Cost Allocation models filed as part of Exhibit 10, the CP for the LU (1) and LU (2) classes were not combined correctly. As such, Horizon Utilities is filing updated Cost Allocation models with this response, as well as an updated Appendix 10-2: Revenue to Cost Ratios.

Horizon Utilities identifies that this revision impacts only the scenario as filed in the updated evidence in Exhibit 10, and does not impact the proposed Cost Allocation for Horizon Utilities as filed as part of the SP.

Horizon Utilities also submits that this change does have a small impact on the quantification of the distribution revenue impact of the LU (2) class as provided as undertaking J1.2. The electronic submission of J1.2 incorporates this change; this version differs slightly from the hard copy distributed in the Oral Hearing on September 30th, 2014.

APPENDIX 10-2 Updated per J.1.1

OEB APPENDIX 2-P ILLUSTRATING PROPOSED REVENUE:COST RATIOS IN THE EVENT THAT THE BOARD DOES NOT APPROVE THE ESTABLISHMENT OF THE LU (2) CLASS.

Appendix 2-P

Please complete the following four tables.

A) Allocated Costs

Classes	Costs Allocated from Previous Study	%	Costs Allocated in Test Year Study (Column 7A)	%
Residential	$ 57,738,673	56.41%	$ 66,301,091	57.94%
GS < 50 kW	$ 11,823,974	11.55%	$ 14,754,405	12.89%
GS > 50 kW	$ 19,773,789	19.32%	$ 20,760,929	18.14%
Large Use (1)	$ 2,257,890	2.21%	$ 7,625,971	6.66%
Large Use (2)	$ 6,577,075	6.43%	$ -	0.00%
Street Lighting	$ 2,963,902	2.90%	$ 3,345,282	2.92%
Sentinel Lighting	$ 57,144	0.06%	$ 44,768	0.04%
Unmetered Scattered Load (USL)	$ 533,639	0.52%	$ 389,211	0.34%
Standby	$ 620,650	0.61%	$ 1,216,673	1.06%
Total	$ 102,346,736	100.00%	$ 114,438,330	100.00%

Notes

1 Customer Classification - If proposed rate classes differ from those in place in the previous Cost Allocation study, modify the rate classes to match the current application as closely as possible.

2 Host Distributors - Provide information on embedded distributor(s) as a separate class, if applicable. If embedded distributor(s) are billed as customers in a General Service class, include the allocated cost and revenue of the embedded distributor(s) in the applicable class. Also complete Appendix 2-Q.

3 Class Revenue Requirements - If using the Board-issued model, in column 7A enter the results from Worksheet O-1, Revenue Requirement (row 40 in the 2013 model). This excludes costs in deferral and variance accounts. Note to Embedded Distributor(s), it also does not include Account 4750 - Low Voltage (LV) Costs.

B) Calculated Class Revenues

Classes (same as previous table)	Column 7B	Column 7C	Column 7D	Column 7E
	Load Forecast (LF) X current approved rates	L.F. X current approved rates X (1 + d)	LF X proposed rates	Miscellaneous Revenue
Residential	$ 63,449,250	$ 66,931,078	$ 66,931,078	$ 3,310,060
GS < 50 kW	$ 12,412,754	$ 13,093,913	$ 13,130,419	$ 681,095
GS > 50 kW	$ 17,197,714	$ 18,141,452	$ 18,332,397	$ 993,237
Large Use (1)	$ 6,548,823	$ 6,908,194	$ 6,908,194	$ 459,774
Large Use (2)	$ -	$ -	$ -	$ -
Street Lighting	$ 2,202,026	$ 2,322,864	$ 2,329,340	$ 140,043
Sentinel Lighting	$ 37,542	$ 39,602	$ 39,712	$ 2,102
Unmetered Scattered Load (USL)	$ 509,223	$ 537,167	$ 443,497	$ 23,556
Standby	$ 745,248	$ 786,144	$ 645,776	$ 68,049
Total	$ 103,102,579	$ 108,760,414	$ 108,760,414	$ 5,677,916

Notes:

1 Columns 7B to 7D - LF means Load Forecast of Annual Billing Quantities (i.e. customers or connections X 12, (kWh or kW, as applicable). Revenue Quantities should be net of Transfomrer Ownership Allowance. Exclude revenue from rate adders and rate

2 Columns 7C and 7D - Column total in each column should equal the Base Revenue Requirement

3 Columns 7C - The Board cost allocation model calculates "1+d" in worksheet O-1, cell C21. "d" is defined as Revenue Deficiency/ Revenue at Current Rates.

4 Columns 7E - If using the Board-issued Cost Allocation model, enter Miscellaneous Revenue as it appears in Worksheet O-1, row 19.

1

C) Rebalancing Revenue-to-Cost (R/C) Ratios

Class	Previously Approved Ratios Most Recent Year: 2011	Status Quo Ratios (7C + 7E) / (7A)	Proposed Ratios (7D + 7E) / (7A)	Policy Range
	%	%	%	%
Residential	111.76%	105.94	105.94	85 - 115
GS < 50 kW	104.52%	93.36	93.61	80 - 120
GS > 50 kW	85.35%	92.17	93.09	80 - 120
Large Use (1)	93.73%	96.62	96.62	85 - 115
Large Use (2)	45.74%			85 - 115
Street Lighting	75.01%	73.62	73.82	70 - 120
Sentinel Lighting	61.98%	93.15	93.40	80 - 120
Unmetered Scattered Load (USL)	131.61%	144.07	120.00	80 - 120
Standby	79.83%	70.21	58.67	Undefined
0				

Notes

1 Previously Approved Revenue-to-Cost Ratios - For most applicants, Most Recent Year would be the third year of the IRM 3 period, e.g. if the applicant rebased in 2009 with further adjustments over 2 years, the Most recent year is 2011. For applicants whose most recent rebasing year is 2006, the applicant should enter the ratios from their Informational Filing.

2 Status Quo Ratios - The Board's updated Cost Allocation Model yields the Status Quo Ratios in Worksheet O-1. Status Quo means "Before Rebalancing".

D) Proposed Revenue-to-Cost Ratios

Class	Proposed Revenue-to-Cost Ratios					Policy Range
	2015	2016	2017	2018	2019	
	%	%	%	%	%	%
Residential	105.94	106.49	106.14	107.18	105.98	85 - 115
GS < 50 kW	93.61	93.14	93.04	94.79	92.65	80 - 120
GS > 50 kW	93.09	92.62	93.60	89.62	94.54	80 - 120
Large Use (1)	96.62	94.60	94.76	94.51	94.19	85 - 115
Large Use (2)		-	-	-	-	85 - 115
Street Lighting	73.82	72.69	73.30	73.40	73.25	70 - 120
Sentinel Lighting	93.40	93.59	91.82	90.70	89.28	80 - 120
Unmetered Scattered Load (USL)	120.00	120.00	119.48	120.00	119.72	80 - 120
Standby	58.67	58.42	57.65	58.00	58.23	Undefined
						0
0						

Note

1 The applicant should complete Table D if it is applying for approval of a revenue to cost ratio in 2013 that is outside the Board's policy range for any customer class. Table (d) will show the information that the distributor would likely enter in the IRM model) in 2013. In 2014 Table (d), enter the planned ratios for the classes that will be 'Change' and 'No Change' in 2014 (in the current Revenue Cost Ratio Adjustment Workform, Worksheet C1.1 'Decision – Cost Revenue Adjustment', column d), and enter TBD for class(es) that will be entered as 'Rebalance'.

Page Intentionally Left Blank

Undertaking No. J1.2

Reference: Page 61 of Transcripts Volume 1

To provide an update to Table 1, which is in response to 7-Energy Probe-48.

Response:

As stated in the response to Undertaking J1.1 B), the tables provided below have been updated to include the corrected combined Coincident Peak data for the LU (1) and LU (2) classes. These tables differ slightly from the hard copy of similar tables that were distributed to the Board Panel and to the Parties in the Oral Hearing on September 30th, 2014.

Table 1: 2015 Reallocation of Distribution Revenue

Class	Distribution Revenue (per Settlement Agreement)	Distribution Revenue (no LU (2) Class)	Impact of LU (2) Rate Class on Distribution Revenue
Residential	$ 66,927,936	$ 66,931,078	$ (3,141)
GS < 50 kW	$ 14,825,036	$ 13,130,100	$ 1,694,936
GS >50 to 4999 kW	$ 20,614,214	$ 18,331,968	$ 2,282,246
Standby	$ 715,033	$ 645,763	$ 69,269
Large Use (1)	$ 2,067,358	$ 2,982,797	$ (915,438)
Large Use (2)	$ 487,871	$ 3,925,437	$ (3,437,566)
Sentinel Lights	$ 44,838	$ 39,712	$ 5,126
Street Lighting	$ 2,629,966	$ 2,329,283	$ 300,682
Unmetered and Scattered	$ 448,163	$ 444,316	$ 3,847

Table 2: 2016 Reallocation of Distribution Revenue

Class	Distribution Revenue (per Settlement Agreement)	Distribution Revenue (no LU (2) Class)	Impact of LU (2) Rate Class on Distribution Revenue
Residential	$ 69,762,473	$ 69,869,815	$ (107,342)
GS < 50 kW	$ 15,454,117	$ 13,672,168	$ 1,781,949
GS >50 to 4999 kW	$ 21,484,305	$ 19,109,615	$ 2,374,690
Standby	$ 761,749	$ 687,358	$ 74,391
Large Use (1)	$ 2,153,702	$ 3,112,120	$ (958,418)
Large Use (2)	$ 642,733	$ 4,126,716	$ (3,483,983)
Sentinel Lights	$ 45,179	$ 40,075	$ 5,104
Street Lighting	$ 2,726,736	$ 2,414,634	$ 312,102
Unmetered and Scattered	$ 453,699	$ 452,145	$ 1,554

Table 3: 2017 Reallocation of Distribution Revenue

Class	Distribution Revenue (per Settlement Agreement)	Distribution Revenue (no LU (2) Class)	Impact of LU (2) Rate Class on Distribution Revenue
Residential	$ 70,866,515	$ 71,194,093	$ (327,578)
GS < 50 kW	$ 15,690,842	$ 13,854,869	$ 1,835,974
GS >50 to 4999 kW	$ 21,863,636	$ 19,449,882	$ 2,413,754
Standby	$ 793,691	$ 716,326	$ 77,365
Large Use (1)	$ 2,186,730	$ 3,170,790	$ (984,059)
Large Use (2)	$ 901,149	$ 4,237,520	$ (3,336,371)
Sentinel Lights	$ 44,403	$ 39,524	$ 4,879
Street Lighting	$ 2,759,062	$ 2,443,612	$ 315,451
Unmetered and Scattered	$ 454,210	$ 453,535	$ 675

Table 4: 2018 Reallocation of Distribution Revenue

Class	Distribution Revenue (per Settlement Agreement)	Distribution Revenue (no LU (2) Class)	Impact of LU (2) Rate Class on Distribution Revenue
Residential	$ 71,271,647	$ 71,599,096	$ (327,449)
GS < 50 kW	$ 15,720,669	$ 13,876,206	$ 1,844,463
GS >50 to 4999 kW	$ 21,960,056	$ 19,516,710	$ 2,443,346
Standby	$ 817,131	$ 736,863	$ 80,269
Large Use (1)	$ 2,198,853	$ 3,185,891	$ (987,039)
Large Use (2)	$ 912,567	$ 4,287,916	$ (3,375,349)
Sentinel Lights	$ 43,172	$ 38,397	$ 4,774
Street Lighting	$ 2,757,206	$ 2,440,027	$ 317,179
Unmetered and Scattered	$ 449,443	$ 449,723	$ (280)

Table 5: 2019 Reallocation of Distribution Revenue

Class	Distribution Revenue (per Settlement Agreement)	Distribution Revenue (no LU (2) Class)	Impact of LU (2) Rate Class on Distribution Revenue
Residential	$ 73,379,891	$ 73,693,478	$ (313,586)
GS < 50 kW	$ 16,130,554	$ 14,240,053	$ 1,890,501
GS >50 to 4999 kW	$ 22,571,866	$ 20,053,504	$ 2,518,362
Standby	$ 857,672	$ 773,087	$ 84,585
Large Use (1)	$ 2,262,155	$ 3,276,514	$ (1,014,358)
Large Use (2)	$ 945,496	$ 4,440,747	$ (3,495,252)
Sentinel Lights	$ 42,909	$ 38,151	$ 4,758
Street Lighting	$ 2,818,968	$ 2,493,880	$ 325,088
Unmetered and Scattered	$ 456,122	$ 456,151	$ (30)

Undertaking No. J1.3

Reference: Page 142 of Transcripts Volume 1

To take the load profile from 2011, the old load shape, and the new peak allocators from that, for 2015, then put in the new demand allocators and run it.

Response:

Horizon Utilities has filed a live excel version of the Cost Allocation model (based on the version filed with the Settlement Proposal) with the Load Profiles for the LU (1) and LU (2) customers based on the Load Profile from 2011, scaled to match the Load Forecast for 2015.

Tables 1 and 2 below provide a comparison of the Fully Allocated Costs, Proposed Distribution Revenues, Status Quo Revenue to Cost Ratios, and Proposed Revenue to Cost Ratios between the two scenarios.

Table 1: Comparison of 2015 Fully Allocated Costs and Distribution Revenues

	Fully Allocated Costs (Per Settlement Agreement)	Fully Allocated Costs (Per J1.3)	Variance	Distribution Revenues (Per Settlement Agreement)	Distribution Revenues (Per J1.3)	Variance
Residential	$ 68,263,922	$ 68,024,901	$ (239,021)	$ 66,927,936	$ 66,931,078	$ 3,141
GS < 50 kW	$ 15,617,872	$ 15,514,168	$ (103,703)	$ 14,825,036	$ 14,555,095	$ (269,941)
GS >50 to 4999 kW	$ 22,962,722	$ 22,698,857	$ (263,865)	$ 20,614,214	$ 20,247,974	$ (366,240)
Standby	$ 1,452,849	$ 1,424,543	$ (28,305)	$ 715,033	$ 704,071	$ (10,962)
Large Use (1)	$ 1,919,882	$ 2,554,787	$ 634,905	$ 2,067,358	$ 2,761,481	$ 694,123
Large Use (2)	$ 440,080	$ 440,618	$ 538	$ 487,871	$ 488,463	$ 592
Sentinel Lights	$ 44,722	$ 44,722	$ (0)	$ 44,838	$ 42,621	$ (2,217)
Street Lighting	$ 3,342,981	$ 3,342,966	$ (16)	$ 2,629,966	$ 2,582,078	$ (47,888)
Unmetered and Scattered	$ 393,301	$ 392,768	$ (532)	$ 448,163	$ 447,554	$ (609)

Table 2: Comparison of 2015 Status Quo and Proposed Revenue to Cost Ratios

	Status Quo R:C Ratio (Per Settlement Agreement)	Status Quo R:C Ratio (Per J1.3)	Variance	Proposed R:C Ratio (Per Settlement Agreement)	Distribution Revenues Proposed R:C Ratio	Variance
Residential	103.1%	103.4%	0.3%	103.1%	103.4%	0.3%
GS < 50 kW	88.5%	89.1%	0.6%	99.6%	98.5%	(1.1%)
GS >50 to 4999 kW	83.9%	84.8%	0.9%	94.6%	94.1%	(0.6%)
Standby	59.7%	60.8%	1.1%	54.8%	55.0%	0.2%
Large Use (1)	162.7%	123.7%	(39.0%)	115.0%	115.0%	0.0%
Large Use (2)	896.1%	895.0%	(1.1%)	115.0%	115.0%	0.0%
Sentinel Lights	93.2%	93.2%	0.0%	105.0%	105.0%	0.0%
Street Lighting	73.7%	73.7%	0.0%	82.9%	81.4%	(1.4%)
Unmetered and Scattered	142.6%	142.8%	0.2%	120.0%	120.0%	0.0%

Horizon Utilities submits that the Load Profiles that it has used were determined based on the best information available to the utility, and therefore provide a better input to the Cost Allocation Model. As discussed on pages 142 and 143 of Volume 1 of the Transcript for the Oral Hearing dated September 30th 2014, Horizon Utilities believes that issues relating to

updating Load Profiles in rebasing years are not limited to Horizon Utilities. It may be appropriate that this issue is explored generically by the OEB.

Undertaking No. J2.1

Reference: Page 60 of Transcripts Volume 2

To review the exchange with Mr. Andre on pages 81 and 82 of the transcript to indicate Horizon's agreement or disagreement with the assertions contained therein and any differences that they may ascertain between the situation of Horizon and Hydro One with respect to the use of smart meter data to shape the load profile.

Response:

Horizon Utilities advised in its response to Interrogatory 7-VECC-56 that a minimum of four years of Smart Meter data would be required to develop Load Profiles. This response was based on consultation with its load forecast expert at Itron Inc.

This topic was discussed in Horizon Utilities' Oral Hearing on September 30th, 2014 with Mr. Todd (Elenchus Research Associates) who was qualified as an expert in cost allocation and rate design in this proceeding. Mr. Todd indicated that:

> "Frankly, my view is that before you do a weather-normalization that you count on and have complete faith in, you should have ten years of data."
>
> (Horizon Utilities, EB-2014-0002, Oral Hearing Tr. Vol. 1, page 139, lines 6-9)

Horizon Utilities has reviewed the transcript of Hydro One Networks Inc.'s ("Hydro One") 2015-2019 Custom IR Application Oral Hearing, Volume 6, based on the references provided. Horizon Utilities cannot find the referenced exchange with Mr. Andre. The exchange that appears to be of relevance was with Mr. But, another Hydro One employee. It appears that there is a difference of opinion between the Hydro One employee witness and the views of Horizon Utilities' two external experts and Horizon Utilities' view in assessing this matter.

Horizon Utilities also observes that even using one year's worth of data, Hydro One would have available to it a far larger sample set by virtue of its larger customer base. Horizon Utilities continues to believe and concur with its experts that the greater data points using several years of data will contribute to a more robust load forecast outcome. Mr. Todd offered the following testimony by way of example of the need for statistically significant evidence:

"I would add that the weather normalization is the impediment, and using limited data or what is potentially a statistical exercise can be problematic. It would be like, I have done a survey today of 100 people who we're going to vote for in the upcoming mayor's electoral race, and I am going to use that number, because it's better than a survey of a thousand people that we've done a week ago.

It isn't the case. Your statistical uncertainty is too high, and the amount of data we have is -- frankly, is not worth the cost to come up with an estimate, the estimate of the liability, because if you compare it to the Hydro One load profiles you wouldn't know whether the problem is statistical, because you've got such a small sample, or whether the problem is that the Hydro One data -- or Hydro One estimates are wrong.

What we really, really need at a lobbying point here is an industry-wide exercise or an OEB process to come up with an industry-wide basis for developing a good weather normalization where frankly -- with a weather profile, with load profiles by class."

(Horizon Utilities, EB-2014-0002, Oral Hearing Transcript Vol. 1, page 145, lines 3-23)

Horizon Utilities continues to be of the view that, as discussed in the Oral Hearing, this is a matter that will affect all electric utilities in the province and it is likely more cost effective and efficient to address this matter on a generic basis.

Undertaking No. J2.2

Reference: Page 65 of Transcripts Volume 2

To provide information on whether the existing customer at 9 megawatts with a dedicated feeder should be separated out into a new customer class, and whether a new customer class would be created for future customers that fall into the same category.

Response:

In preparation for this application, Horizon Utilities engaged Elenchus Research Associates Inc. ("Elenchus") to undertake a review of Horizon Utilities' 2011 CA Model that included a detailed examination of the actual facilities included in the accounts that serve as inputs to the model to determine whether there could be refinements that would better reflect the principle of cost causality in allocating costs to customers.

One of the determinations of this review was that the largest customers in Horizon Utilities' Large Use customer class are served exclusively with dedicated facilities, and maintaining these customers in the current Large Use class results in them being allocated costs for pooled distribution facilities that they do not use. In order to appropriately address cost causation, and the uniqueness of some of its customers, Horizon Utilities has proposed a new Large Use 2 ("LU (2)") customer class, for customers with demand over 15 MW, who also are served by dedicated assets.

As part of the Oral Hearing, held on September 30th and October 1st 2014, some questions were posed to Horizon Utilities regarding the LU (2) class criterion of 15MW. In particular, VECC asked of Horizon Utilities (see Transcript Volume 2, Page 61) "What is the relevance of setting the 15-megawatt criterion for being part of the Large Use (2) class? In other words, why not make it customers served by dedicated assets alone?"

In response to this question, Horizon Utilities' witness panel advised that the dual criteria for the LU (2) customer class were used as it provided for homogeneity among the customers within the class. All of the proposed customers within the class are served with dedicated facilities, and have demands that far exceed the 15MW minimum. Using both of these criteria, Horizon Utilities was satisfied that they would not, under normal operating circumstances, run the risk of customers moving between the LU (1) and LU (2) customer class. Ongoing customer reclassification, wherein customers fall in and out of the class would be problematic.

Board Panel Member Dr. Elsayed asked the following question at page 67 of Tr. Vol. 2:

DR. ELSAYED: I understand that. I guess the question mainly is, why have the megawatt criterion in there altogether, as opposed to having dedicated assets as the only criterion?

Horizon Utilities has revisited the 15MW criterion in light of the discussion in the hearing, and has determined that it sees the merits in the potential alternative of using a demand criterion of 5MW (as is applicable to all Large Use customers) and the dedicated assets criterion. This would bring the 9 MW customer into the LU (2) class.

Horizon Utilities would be amenable to such an outcome, should the Board so find. To further assist the Board and Parties, Horizon Utilities has illustrated the implications of this alternative in the tables below. Table 1 provides a comparison of the Fully Allocated Costs and Distribution Revenues by rate class as filed with the Settlement Proposal and with the LU (2) demand criteria set at 5MW. The impact of changing this criterion is not material to any rate class.

Horizon Utilities has also considered two associated matters – first, whether the removal of the demand threshold could make it more likely that customers will move in and out of the LU (2) class; and second, whether, if the criteria of dedicated assets becomes the sole criterion for membership in the class, it would be appropriate to open membership in this class to GS > 50 customers as well.

With respect to the first matter, Horizon Utilities believes that it is not likely that LU (2) customers will frequently move in and out of the class if the 15 MW threshold is removed. Horizon Utilities believes that once assets have been constructed for use by a particular customer, it would be unusual for the assets to become shared, even where there were fluctuations in demand over time, because the assets would have to remain available for the customer to whose use they were originally dedicated.

With respect to the second matter, Horizon Utilities believes that while the removal of the 15MW threshold for membership in the LU (2) class may be appropriate, it would not be appropriate to remove the demand threshold in its entirety. While it is possible that a smaller General Service customer (that is, with demand under 5MW) may be served by a dedicated feeder, a customer with that level of demand would not require a dedicated feeder. Dedicating a 13.8 kV feeder to a single General Service customer is neither technically necessary nor an efficient use of

Horizon Utilities' distribution assets. Horizon Utilities would typically share the feeder among a group of customers of that size, so that notwithstanding that the feeder was not being shared at a particular time, it would be capable of being shared because there would be available capacity on the line.

Accordingly, Horizon Utilities submits that a reasonable alternative to its 15MW/dedicated assets criteria would be a dual 5MW/dedicated assets qualification for membership in the class. In other words, membership would be open to those customers that already qualify for membership in the Large Use class by virtue of their demand, and that are served by dedicated assets.

Table 1: Comparison of 2015 Distribution Revenues and Fully Allocated Costs

	Fully Allocated Costs (Per Settlement Agreement)	Fully Allocated Costs (With LU (2) Classification at 5MW)	Variance	Distribution Revenues (Per Settlement Agreement)	Distribution Revenues(With LU (2) Classification at 5MW)	Variance
Residential	$ 68,263,922	$ 68,306,448	$ 42,527	$ 66,927,936	$ 66,936,992	$ 9,055
GS < 50 kW	$ 15,617,872	$ 15,648,687	$ 30,815	$ 14,825,036	$ 14,887,980	$ 62,944
GS >50 to 4999 kW	$ 22,962,722	$ 23,041,790	$ 79,069	$ 20,614,214	$ 20,692,165	$ 77,951
Standby	$ 1,452,849	$ 1,460,691	$ 7,843	$ 715,033	$ 717,749	$ 2,717
Large Use (1)	$ 1,919,882	$ 1,598,406	$ (321,476)	$ 2,067,358	$ 1,715,287	$ (352,071)
Large Use (2)	$ 440,080	$ 607,641	$ 167,560	$ 487,871	$ 678,787	$ 190,916
Sentinel Lights	$ 44,722	$ 44,656	$ (66)	$ 44,838	$ 42,556	$ (2,281)
Street Lighting	$ 3,342,981	$ 3,337,033	$ (5,949)	$ 2,629,966	$ 2,641,132	$ 11,166
Unmetered and Scattered	$ 393,301	$ 392,978	$ (323)	$ 448,163	$ 447,766	$ (397)

Horizon Utilities has also provided the updated Revenue to Cost Ratios in Table 2. Table 3 provides the updated distribution bill impacts. There has not been a material impact to either the Revenue to Cost Ratios or the Bill Impacts of any rate class as a result of reducing the demand criteria of the LU (2) class to 5MW.

Table 2: 2015 – 2019 Revenue to Cost Ratios

Class	Proposed Revenue-to-Cost Ratios					Policy Range
	2015	2016	2017	2018	2019	
	%	%	%	%	%	%
Residential	103.01	103.65	103.21	104.22	103.06	85 - 115
GS < 50 kW	99.82	99.48	99.78	101.35	99.09	80 - 120
GS > 50 kW	94.69	94.36	95.55	91.71	96.19	80 - 120
Large Use (1)	115.00	112.02	111.21	109.82	108.41	85 - 115
Large Use (2)	115.00	85.00	85.00	90.68	95.42	85 - 115
Street Lighting	83.34	82.59	83.60	83.59	83.37	70 - 120
Sentinel Lighting	100.00	100.37	98.43	97.11	95.55	80 - 120
Unmetered Scattered Load (USL)	120.00	119.89	119.53	120.00	119.67	80 - 120
Standby	54.76	54.34	53.89	54.02	53.94	Undefined

Table 3: 2015 – 2019 Distribution Bill Impacts $$$

Rate Class	kWh	kW	Distribution $ (2015 vs 2014)	Distribution $ (2016 vs 2015)	Distribution $ (2017 vs 2016)	Distribution $ (2018 vs 2017)	Distribution $ (2019 vs 2018)
Residential (on TOU)	100		$0.90	$0.64	$0.17	($0.02)	$0.41
Residential (on TOU)	200		$0.98	$0.70	$0.19	($0.02)	$0.45
Residential (on TOU)	500		$1.22	$0.88	$0.25	($0.02)	$0.57
Residential (on TOU)	800		$1.46	$1.06	$0.31	($0.02)	$0.69
Residential (on TOU)	1,000		$1.62	$1.18	$0.35	($0.02)	$0.77
Residential (on TOU)	1,500		$2.02	$1.48	$0.45	($0.02)	$0.97
Residential (on TOU)	2,000		$2.42	$1.78	$0.55	($0.02)	$1.17
GS < 50 kW (On TOU)	1,000		$8.32	$1.90	$0.62	($0.06)	$1.14
GS < 50 kW (On TOU)	2,000		$10.02	$2.30	$0.72	($0.06)	$1.34
GS < 50 kW (On TOU)	5,000		$15.12	$3.50	$1.02	($0.06)	$1.94
GS < 50 kW (On TOU)	10,000		$23.62	$5.50	$1.52	($0.06)	$2.94
GS < 50 kW (On TOU)	15,000		$32.12	$7.50	$2.02	($0.06)	$3.94
GS > 50 kW (On RPP)	44,000	100	$98.10	$21.97	$7.60	($0.83)	$13.83
GS > 50 kW (On RPP)	110,000	250	$152.97	$34.26	$11.84	($1.29)	$21.56
GS > 50 kW (On RPP)	154,000	350	$189.55	$42.45	$14.68	($1.61)	$26.71
GS > 50 kW (On RPP)	880,000	2,000	$793.12	$177.58	$61.37	($6.72)	$111.68
GS > 50 kW (On RPP)	1,760,000	4,000	$1,524.72	$341.38	$117.97	($12.92)	$214.68
Large Use (1) (On RPP)	3,321,500	6,500	($9,340.09)	$844.31	$222.61	($32.81)	$543.59
Large Use (1) (On RPP)	3,832,500	7,500	($9,738.39)	$880.31	$232.11	($34.21)	$566.79
Large Use (1) (On RPP)	5,110,000	10,000	($10,734.14)	$970.31	$255.86	($37.71)	$624.79
Large Use (1) (On RPP)	6,387,500	12,500	($11,729.89)	$1,060.31	$279.61	($41.21)	$682.79
Large Use (2) (On RPP)	7,665,000	15,000	($36,834.17)	$1,035.46	$2,533.26	($15.31)	$243.35
Large Use (2) (On RPP)	10,220,000	20,000	($42,598.67)	$1,197.46	$2,929.76	($17.81)	$281.35
USL (On RPP)	250		($1.58)	$0.26	$0.10	($0.02)	$0.27
USL (On RPP)	500		($2.03)	$0.34	$0.13	($0.02)	$0.34
Sentinel (721 Connections)	97,008	216	$801.70	$249.80	$65.82	($9.72)	$160.76
Street Lighting (36,000 Devices)	2,400,000	6,800	$25,782.04	$5,841.64	$2,022.32	($221.72)	$3,678.80

Table 4: 2015 – 2019 Distribution Bill Impacts %

Rate Class	kWh	kW	Distribution % (2015 vs 2014)	Distribution % (2016 vs 2015)	Distribution % (2017 vs 2016)	Distribution % (2018 vs 2017)	Distribution % (2019 vs 2018)
Residential (on TOU)	100		5.49%	3.70%	0.95%	(0.11)%	2.27%
Residential (on TOU)	200		5.49%	3.72%	0.97%	(0.10)%	2.28%
Residential (on TOU)	500		5.48%	3.75%	1.03%	(0.08)%	2.32%
Residential (on TOU)	800		5.47%	3.77%	1.06%	(0.07)%	2.34%
Residential (on TOU)	1,000		5.47%	3.78%	1.08%	(0.06)%	2.35%
Residential (on TOU)	1,500		5.46%	3.80%	1.11%	(0.05)%	2.37%
Residential (on TOU)	2,000		5.46%	3.81%	1.13%	(0.04)%	2.39%
GS < 50 kW (On TOU)	1,000		19.90%	3.79%	1.19%	(0.11)%	2.17%
GS < 50 kW (On TOU)	2,000		19.88%	3.81%	1.15%	(0.09)%	2.11%
GS < 50 kW (On TOU)	5,000		19.84%	3.83%	1.08%	(0.06)%	2.03%
GS < 50 kW (On TOU)	10,000		19.81%	3.85%	1.02%	(0.04)%	1.96%
GS < 50 kW (On TOU)	15,000		19.80%	3.86%	1.00%	(0.03)%	1.93%
GS > 50 kW (On RPP)	44,000	100	19.13%	3.60%	1.20%	(0.13)%	2.16%
GS > 50 kW (On RPP)	110,000	250	18.48%	3.49%	1.17%	(0.13)%	2.10%
GS > 50 kW (On RPP)	154,000	350	18.26%	3.46%	1.16%	(0.12)%	2.08%
GS > 50 kW (On RPP)	880,000	2,000	17.61%	3.35%	1.12%	(0.12)%	2.02%
GS > 50 kW (On RPP)	1,760,000	4,000	17.52%	3.34%	1.12%	(0.12)%	2.01%
Large Use (1) (On RPP)	3,321,500	6,500	(28.88)%	3.67%	0.93%	(0.14)%	2.26%
Large Use (1) (On RPP)	3,832,500	7,500	(28.88)%	3.67%	0.93%	(0.14)%	2.26%
Large Use (1) (On RPP)	5,110,000	10,000	(28.88)%	3.67%	0.93%	(0.14)%	2.26%
Large Use (1) (On RPP)	6,387,500	12,500	(28.88)%	3.67%	0.93%	(0.14)%	2.26%
Large Use (2) (On RPP)	7,665,000	15,000	(83.59)%	14.32%	30.65%	(0.14)%	2.26%
Large Use (2) (On RPP)	10,220,000	20,000	(83.59)%	14.32%	30.65%	(0.14)%	2.26%
USL (On RPP)	250		(12.14)%	2.28%	0.89%	(0.17)%	2.26%
USL (On RPP)	500		(12.18)%	2.29%	0.86%	(0.14)%	2.27%
Sentinel (721 Connections)	97,008	216	13.36%	3.67%	0.93%	(0.14)%	2.26%
Street Lighting (36,000 Devices)	2,400,000	6,800	19.94%	3.77%	1.26%	(0.14)%	2.26%

Table 5: 2015 – 2019 Total Bill Impacts $$$

Rate Class	kWh	kW	Total Bill $ (2015 vs 2014)	Total Bill $ (2016 vs 2015)	Total Bill $ (2017 vs 2016)	Total Bill $ (2018 vs 2017)	Total Bill $ (2019 vs 2018)
Residential (on TOU)	100		$0.52	$0.62	$0.21	($0.77)	($0.35)
Residential (on TOU)	200		$0.93	$0.67	$0.27	($0.72)	($0.28)
Residential (on TOU)	500		$2.14	$0.83	$0.46	($0.56)	($0.06)
Residential (on TOU)	800		$3.36	$0.98	$0.64	($0.40)	$0.15
Residential (on TOU)	1,000		$4.16	$1.09	$0.77	($0.30)	$0.29
Residential (on TOU)	1,500		$6.19	$1.34	$1.07	($0.04)	$0.65
Residential (on TOU)	2,000		$8.21	$1.60	$1.38	$0.22	$1.00
GS < 50 kW (On TOU)	1,000		$12.24	($0.28)	$0.93	($2.08)	$0.66
GS < 50 kW (On TOU)	2,000		$16.78	$0.23	$1.34	($1.67)	$1.17
GS < 50 kW (On TOU)	5,000		$30.41	$1.78	$2.58	($0.42)	$2.71
GS < 50 kW (On TOU)	10,000		$53.12	$4.35	$4.63	$1.65	$5.27
GS < 50 kW (On TOU)	15,000		$75.84	$6.93	$6.69	$3.73	$7.82
GS > 50 kW (On RPP)	44,000	100	$237.16	$26.02	$20.47	$8.46	$26.70
GS > 50 kW (On RPP)	110,000	250	$503.43	$44.37	$44.02	$27.28	$53.73
GS > 50 kW (On RPP)	154,000	350	$680.95	$56.61	$59.72	$39.84	$71.75
GS > 50 kW (On RPP)	880,000	2,000	$3,609.92	$258.52	$318.77	$246.91	$369.08
GS > 50 kW (On RPP)	1,760,000	4,000	$7,160.19	$503.25	$632.77	$497.91	$729.48
Large Use (1) (On RPP)	3,321,500	6,500	($2,473.39)	$1,136.85	$1,179.41	$924.64	$1,500.39
Large Use (1) (On RPP)	3,832,500	7,500	($1,815.26)	$1,217.86	$1,336.11	$1,070.54	$1,670.79
Large Use (1) (On RPP)	5,110,000	10,000	($169.96)	$1,420.38	$1,727.86	$1,435.29	$2,096.79
Large Use (1) (On RPP)	6,387,500	12,500	$1,475.35	$1,622.89	$2,119.61	$1,800.04	$2,522.79
Large Use (2) (On RPP)	7,665,000	15,000	($20,786.88)	$1,509.56	$4,741.26	$2,194.19	$2,451.35
Large Use (2) (On RPP)	10,220,000	20,000	($23,364.27)	$3,991.59	$5,873.76	$2,928.19	$3,225.35
USL (On RPP)	250		($0.87)	$0.21	$0.18	$0.08	$0.34
USL (On RPP)	500		($0.57)	$0.24	$0.28	$0.19	$0.50
Sentinel (721 Connections)	97,008	216	$1,041.44	$199.82	$88.67	$13.15	$183.61
Street Lighting (36,000 Devices)	2,400,000	6,800	$32,634.75	$8,655.35	$2,710.48	$466.44	$4,365.60

Table 6: 2015 – 2019 Total Bill Impacts %

Rate Class	kWh	kW	Total Bill % (2015 vs 2014)	Total Bill % (2016 vs 2015)	Total Bill % (2017 vs 2016)	Total Bill % (2018 vs 2017)	Total Bill % (2019 vs 2018)
Residential (on TOU)	100		1.72%	2.00%	0.67%	(2.41)%	(1.12)%
Residential (on TOU)	200		2.13%	1.51%	0.60%	(1.57)%	(0.62)%
Residential (on TOU)	500		2.58%	0.97%	0.53%	(0.65)%	(0.08)%
Residential (on TOU)	800		2.75%	0.78%	0.51%	(0.32)%	0.12%
Residential (on TOU)	1,000		2.81%	0.71%	0.50%	(0.20)%	0.19%
Residential (on TOU)	1,500		2.89%	0.61%	0.48%	(0.02)%	0.29%
Residential (on TOU)	2,000		2.94%	0.56%	0.48%	0.08%	0.34%
GS < 50 kW (On TOU)	1,000		7.60%	(0.16)%	0.54%	(1.20)%	0.39%
GS < 50 kW (On TOU)	2,000		5.90%	0.08%	0.45%	(0.55)%	0.39%
GS < 50 kW (On TOU)	5,000		4.65%	0.26%	0.38%	(0.06)%	0.39%
GS < 50 kW (On TOU)	10,000		4.18%	0.33%	0.35%	0.12%	0.39%
GS < 50 kW (On TOU)	15,000		4.02%	0.35%	0.34%	0.19%	0.40%
GS > 50 kW (On RPP)	44,000	100	4.06%	0.43%	0.34%	0.14%	0.44%
GS > 50 kW (On RPP)	110,000	250	3.56%	0.30%	0.30%	0.19%	0.36%
GS > 50 kW (On RPP)	154,000	350	3.46%	0.28%	0.29%	0.19%	0.35%
GS > 50 kW (On RPP)	880,000	2,000	3.25%	0.23%	0.28%	0.21%	0.32%
GS > 50 kW (On RPP)	1,760,000	4,000	3.23%	0.22%	0.28%	0.22%	0.32%
Large Use (1) (On RPP)	3,321,500	6,500	(0.58)%	0.27%	0.28%	0.22%	0.35%
Large Use (1) (On RPP)	3,832,500	7,500	(0.37)%	0.25%	0.27%	0.22%	0.34%
Large Use (1) (On RPP)	5,110,000	10,000	(0.03)%	0.22%	0.27%	0.22%	0.32%
Large Use (1) (On RPP)	6,387,500	12,500	0.18%	0.20%	0.26%	0.22%	0.31%
Large Use (2) (On RPP)	7,665,000	15,000	(2.18)%	0.16%	0.51%	0.23%	0.26%
Large Use (2) (On RPP)	10,220,000	20,000	(1.85)%	0.32%	0.47%	0.23%	0.26%
USL (On RPP)	250		(2.15)%	0.54%	0.46%	0.21%	0.86%
USL (On RPP)	500		(0.80)%	0.34%	0.40%	0.26%	0.70%
Sentinel (721 Connections)	97,008	216	5.86%	1.06%	0.47%	0.07%	0.96%
Street Lighting (36,000 Devices)	2,400,000	6,800	7.85%	1.93%	0.59%	0.10%	0.95%

Page Intentionally Left Blank

Undertaking No. J2.3

Reference: Page 70 of Transcripts Volume 2

To clarify what U.S. of A. account the civil asset costs would be recorded in.

Response:

Underground Civil Assets are recorded in account 1840.

Page Intentionally Left Blank

Undertaking No. J2.4

Reference: Page 72 of Transcripts Volume 2

To provide a cell reference showing where the costs allocated to the LU(2) class for 2016 are in the 2017 cost allocation model.

Response:

Horizon Utilities confirms that the costs are directly allocated to the LU (2) class in each of the 2015 – 2019 years in cells J36, J37, and J136 in tab I9 Direct Allocation of the Cost Allocation models.