



December 24, 2014

**Via: RESS and courier**

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street, 27<sup>th</sup> Floor  
Toronto, ON  
M4P 1E4

Dear Ms. Walli,

**Re: EB-2014-0002 Horizon Utilities Corporation 2015 – 2019 Custom Incentive Rate Application – Updated Draft Rate Order**

Horizon Utilities Corporation (“Horizon Utilities”) filed its 2015 – 2019 Custom Incentive Rate (“Custom IR”) Application with the Ontario Energy Board (the “Board”) on April 16, 2014. The Board issued its Decision in this matter on December 11, 2014. In the Decision, the Board directed Horizon Utilities to file its Draft Rate Order on December 18, 2014. In the Decision, the Board also directed Intervenors to file any comments on the Draft Rate Order by December 23<sup>rd</sup>, 2014. Horizon Utilities has received comments from the School Energy Coalition (“SEC”) and Energy Probe. In its submission, SEC stated that the Draft Rate Order was consistent with its expectations based on the Board-approved Settlement Agreement.

Energy Probe identified an inconsistency regarding the reference to the Settlement Agreement in Appendix A of the Draft Rate Order. Energy Probe believes that the Draft Rate Order accurately reflects the Boards’ Decision and Order dated December 11, 2014.

In order to address the above-noted inconsistency, Horizon Utilities is filing an updated Draft Rate Order in which the only change is to consistently refer to the “Board-approved Settlement Agreement”. For ease of reference, Horizon Utilities is including both a clean and a blackline version of the updated Draft Rate Order.

Should you have any questions, please do not hesitate to contact me.

Please direct any questions regarding this submission to:

Indy J. Butany-DeSouza  
Vice President, Regulatory Affairs  
Horizon Utilities  
55 John Street North  
Hamilton, ON, L8R 3M8  
(905) 317-4765  
[Indy.butany@horizonutilities.com](mailto:Indy.butany@horizonutilities.com)

Yours truly,

*Original signed by*

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

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

**AND IN THE MATTER OF** an Application by Horizon Utilities Corporation to the Ontario Energy Board for an Order or Orders approving or fixing just and reasonable rates and other service charges for the distribution of electricity as of January 1, 2015, 2016, 2017, 2018, and 2019.

**DRAFT RATE ORDER OF HORIZON UTILITIES CORPORATION**

**DELIVERED DECEMBER 18, 2014 AND UPDATED DECEMBER 24, 2014**

1 **INTRODUCTION:**

2 Horizon Utilities Corporation (“Horizon Utilities”) filed a Custom Incentive Rate-setting  
3 Application (“Custom IR” or the “Application”) with the Ontario Energy Board (the “Board”) on  
4 April 16, 2014 under section 78 of the *Ontario Energy Board Act*, 1998, S.O. 1998, c. 15,  
5 (Schedule B), seeking approval for five years of distribution rates to come into effect on January  
6 1 of each year from 2015 to 2019. The Board assigned File Number EB-2014-0002 to the  
7 Application.

8 The following eight parties requested and were granted intervenor status:

- 9 • Association of Major Power Consumer in Ontario (“AMPCO”);
- 10 • Building Owners and Managers Association (“BOMA”);
- 11 • City of Hamilton (“Hamilton”);
- 12 • Consumers Council of Canada (“CCC”);
- 13 • Energy Probe Research Foundation (“Energy Probe”);
- 14 • School Energy Coalition (“SEC”);
- 15 • Sustainable Infrastructure Alliance of Ontario (“SIA”); and
- 16 • Vulnerable Energy Consumers Coalition (“VECC”).

1 A Settlement Conference was held from August 27-29, 2014. All intervenors (“Parties”) of  
2 record participated at the Settlement Conference except SIA and Hamilton. A partial settlement  
3 was reached; a Settlement Proposal was filed with the Board on September 22<sup>nd</sup>, 2014.

4 The Parties documented that issues pertaining to Cost Allocation and Rate Design remained  
5 unsettled.

6 An Oral Hearing on the unsettled issues was held on September 30<sup>th</sup>, October 1<sup>st</sup>, October 9<sup>th</sup>,  
7 and October 10<sup>th</sup>, 2014. The proposed partial settlement was approved and adopted by the  
8 Board on October 10<sup>th</sup>, 2014. The Board-approved Settlement Agreement is attached to this  
9 Draft Rate Order as Appendix A.

10 On October 10<sup>th</sup>, 2014, Horizon Utilities presented its Argument-In-Chief (“AIC”) orally to the  
11 Board panel. Board staff submissions were delivered orally, as were the final arguments of  
12 intervenors on October 17<sup>th</sup>, 2014. Horizon Utilities delivered its Reply Submission orally on  
13 October 23<sup>rd</sup>, 2014.

14 On December 11<sup>th</sup>, 2014, the Board issued its Decision on all matters in this Application. In the  
15 Decision, the Board directed Horizon Utilities to: file a Draft Rate Order that incorporates the  
16 Board’s determinations in the Decision; and to file detailed supporting material, including all  
17 relevant calculations showing the impact of the implementation of the Decision on its proposed  
18 revenue requirements, the allocation of the approved revenue requirement to the classes, and  
19 the determination of final rates and all approved rate riders including bill impacts.

20 Horizon Utilities submits this Draft Rate Order which incorporates the information directed by the  
21 Board from the Board’s Decision, including the Board findings on the Partial Settlement  
22 Proposal, and the Oral Hearing. This Draft Rate Order includes the 2015 Cost of Capital  
23 Parameters, as issued by the Board on November 20<sup>th</sup>, 2014.

24 Included in this Draft Rate Order are the following Appendices:

- 25 • Appendix A: Board-approved Settlement Agreement
- 26 • Appendix B: Draft Schedule of Rates and Charges
- 27 • Appendix C: Horizon Utilities’ Customer Bill Impacts
- 28 • Appendix D: Revenue Requirement Work Forms
- 29 • Appendix E: PILS Work Form
- 30 • Appendix F: EDDVAR Continuity Schedules

- 1 • Appendix G: Cost Allocation Model
- 2 • Appendix H: Summary of Fixed/Variable Splits
- 3 • Appendix I: Summary of Revenue-to-Cost Ratios
- 4 • Appendix J: Summary of RTSR Updates

5 The following “live” Excel models also accompany the Draft Rate Order:

- 6 • Revenue Requirement Work Form
- 7 • PILS Work Form
- 8 • Cost Allocation Model
- 9 • Bill Impacts Appendix 2-W
- 10 • RTSR Work Form

11 The Draft Rate Order has been prepared on the basis that Horizon Utilities’ new 2015 rates will  
 12 be effective January 1, 2015, and that each of the Revenue Requirements for the 2016 – 2019  
 13 Years will be recoverable beginning January 1 of each year with final Rate Orders to be issued  
 14 each year following the Annual Adjustment filing.

15 **BILL IMPACTS**

16 A summary of bill impacts for the typical Residential and GS < 50 kW customer is presented in  
 17 Table 1. Appendix C provides a summary of the bill impacts for each of the 2015 – 2019 Rate  
 18 Years, and the live Excel model for Appendix 2-W has been submitted along with this Draft Rate  
 19 Order.

20 **Table 1: Residential and GS < 50kW Bill Impacts**

Rate Class	kWh	Distribution	Distribution	Distribution	Distribution	Distribution
		% (2015 vs 2014)	% (2016 vs 2015)	% (2017 vs 2016)	% (2018 vs 2017)	% (2019 vs 2018)
Residential (on TOU)	800	5.40%	3.73%	0.79%	(0.03)%	2.35%
GS < 50 kW (On TOU)	2000	17.71%	3.83%	1.14%	(0.05)%	2.12%
Rate Class	kWh	Total Bill %	Total Bill %	Total Bill %	Total Bill %	Total Bill %
		(2015 vs 2014)	(2016 vs 2015)	(2017 vs 2016)	(2018 vs 2017)	(2019 vs 2018)
Residential (on TOU)	800	1.96%	(3.07)%	0.18%	(0.64)%	(0.08)%
GS < 50 kW (On TOU)	2000	4.59%	0.57%	0.22%	(0.79)%	0.17%

21  
 22 Note: Total Bill Impacts in Table 1 are exclusive of HST and the OCEB and include the removal of the DRC from Residential bills in  
 23 2016 per the mandate letter issued from Premier Kathleen Wynne to The Honourable Bob Chiarelli on September 25, 2014

1 **SUMMARY OF CHANGES**

- 2 Table 2 – Table 6 provide a summary of changes to the Application as a result of the Decision  
3 including: (i) Rate Base; and (ii) Revenue Requirement.

**Table 2: 2015 Summary of Changes**

2015 Summary of Significant Changes							
Note	Description	Application	Interrogatory Updates	Settlement Agreement	Difference from Application	Draft Rate Order	Difference from Settlement
Rate Base:							
1	Average Net Fixed Assets	\$ 409,594,570	\$ 409,594,570	\$ 400,729,642	\$ (8,864,928)	\$ 400,729,642	\$ (0)
2/9	Working Capital Base	\$ 582,795,623	\$ 582,055,948	\$ 581,956,713	\$ (838,910)	\$ 585,875,931	\$ 3,919,218
	Working Capital Factor	12.70%	12.00%	12.00%	(0.70%)	12.00%	0.00%
3/9	Working Capital Allowance	\$ 74,015,044	\$ 69,846,714	\$ 69,834,806	\$ (4,180,239)	\$ 70,305,112	\$ 470,306
	<b>Total Rate Base</b>	<b>\$ 483,609,614</b>	<b>\$ 479,441,284</b>	<b>\$ 470,564,447</b>	<b>\$ (13,045,167)</b>	<b>\$ 471,034,754</b>	<b>\$ 470,306</b>
Revenue Requirement:							
8	Deemed Interest on Debt	\$ 9,809,232	\$ 9,724,684	\$ 9,544,632	\$ (264,600)	\$ 9,563,592	\$ 18,960
8	Return on Equity (ROE)	\$ 18,106,344	\$ 17,950,282	\$ 17,617,933	\$ (488,411)	\$ 17,522,493	\$ (95,440)
	<b>Total Return on Rate Base</b>	<b>\$ 27,915,576</b>	<b>\$ 27,674,966</b>	<b>\$ 27,162,565</b>	<b>\$ (753,011)</b>	<b>\$ 27,086,085</b>	<b>\$ (76,480)</b>
4	Depreciation	\$ 24,970,618	\$ 24,970,618	\$ 23,951,295	\$ (1,019,324)	\$ 23,951,295	\$ -
5	OM&A	\$ 62,332,489	\$ 62,339,062	\$ 59,653,062	\$ (2,679,427)	\$ 59,653,062	\$ 0
	Property Tax	\$ 300,190	\$ 300,190	\$ 300,190	\$ -	\$ 300,190	\$ -
6/8	PILs	\$ 2,915,069	\$ 2,858,808	\$ 3,371,219	\$ 456,150	\$ 3,336,809	\$ (34,410)
	<b>Service Revenue Requirement</b>	<b>\$ 118,433,942</b>	<b>\$ 118,143,644</b>	<b>\$ 114,438,330</b>	<b>\$ (3,995,611)</b>	<b>\$ 114,327,440</b>	<b>\$ (110,890)</b>
7	Revenue Offsets	\$ 5,477,916	\$ 5,477,916	\$ 5,677,916	\$ 200,000	\$ 5,677,916	\$ -
	<b>Base Revenue Requirement</b>	<b>\$ 112,956,026</b>	<b>\$ 112,665,728</b>	<b>\$ 108,760,414</b>	<b>\$ (4,195,612)</b>	<b>\$ 108,649,524</b>	<b>\$ (110,890)</b>

Notes	
1	The decrease in average net fixed assets is the result of: removing stranded meters from Rate Base, decreasing annual CAPEX by \$1.8MM (as agreed to in the Settlement Agreement) , and reducing 2015 opening net fixed assets by \$0.5MM
2	The decrease in working capital base is the net impact of a decrease in OM&A expenses and an increase in Cost of Power expenses due to an increased Load Forecast as per the Settlement Agreement
3	The decrease in working capital allowance is due to the decrease in the working capital factor by 0.7% as identified in Horizon Utilities' response to interrogatory 2-Staff-23
4	The decrease in depreciation is the result of removing stranded meters from Rate Base and decreasing annual CAPEX by \$1.8MM
5	The decrease in OM&A was agreed to in the Settlement Agreement and will be achieved through general cost reductions across the organization
6	The increase in PILs is the net impact of: the removal of stranded meters from Rate Base, removing the Small Business Tax Credit, and including the full amount of the Apprenticeship Tax Credit as per the Settlement Agreement
7	The increase in revenue offsets was agreed to in the Settlement Agreement and consists mainly of an increase to Revenues from Merchandise
8	The change in Revenue Requirement in the RRWF filed as Appendix D to the Draft Rate Order as compared to that which was filed in the Settlement Agreement is due to the updated 2015 Cost of Capital Parameters.
9	The change in Rate Base in the RRWF filed as Appendix D to the Draft Rate Order as compared to that which was filed in the Settlement Agreement is due to the update to include the 2014 Uniform Transmission Rates.

**Table 3: 2016 Summary of Changes**

<b>2016 Summary of Significant Changes</b>									
<b>Note</b>	<b>Description</b>	<b>Application</b>	<b>Interrogatory Updates</b>	<b>Settlement Agreement</b>	<b>Difference from Application</b>	<b>Draft Rate Order</b>	<b>Difference from Settlement</b>		
Rate Base:									
1	Average Net Fixed Assets	\$ 425,012,475	\$ 425,012,475	\$ 415,389,070	\$ (9,623,405)	\$ 415,389,070	\$ -		
2/9	Working Capital Base	\$ 605,789,145	\$ 605,074,398	\$ 606,019,731	\$ 230,586	\$ 608,214,932	\$ 2,195,201		
	Working Capital Factor	12.70%	12.00%	12.00%	(0.70%)	12.00%	0.00%		
3/9	Working Capital Allowance	\$ 76,935,221	\$ 72,608,928	\$ 72,722,368	\$ (4,212,854)	\$ 72,985,792	\$ 263,424		
	<b>Total Rate Base</b>	<b>\$ 501,947,697</b>	<b>\$ 497,621,403</b>	<b>\$ 488,111,438</b>	<b>\$ (13,836,258)</b>	<b>\$ 488,374,862</b>	<b>\$ 263,424</b>		
Revenue Requirement:									
8	Deemed Interest on Debt	\$ 10,181,190	\$ 10,093,438	\$ 9,900,544	\$ (280,646)	\$ 9,915,655	\$ 15,111		
8	Return on Equity (ROE)	\$ 18,792,922	\$ 18,630,945	\$ 18,274,892	\$ (518,030)	\$ 18,167,545	\$ (107,347)		
	<b>Total Return on Rate Base</b>	<b>\$ 28,974,112</b>	<b>\$ 28,724,384</b>	<b>\$ 28,175,436</b>	<b>\$ (798,675)</b>	<b>\$ 28,083,200</b>	<b>\$ (92,237)</b>		
4	Depreciation	\$ 26,487,624	\$ 26,487,624	\$ 25,423,900	\$ (1,063,724)	\$ 25,423,900	\$ -		
5	OM&A	\$ 64,089,437	\$ 64,096,057	\$ 60,530,057	\$ (3,559,380)	\$ 60,530,057	\$ -		
	Property Tax	\$ 304,693	\$ 304,693	\$ 304,693	\$ -	\$ 304,693	\$ -		
6/8	PILs	\$ 4,289,143	\$ 4,230,747	\$ 4,767,115	\$ 477,971	\$ 4,728,411	\$ (38,703)		
	<b>Service Revenue Requirement</b>	<b>\$ 124,145,010</b>	<b>\$ 123,843,505</b>	<b>\$ 119,201,202</b>	<b>\$ (4,943,808)</b>	<b>\$ 119,070,262</b>	<b>\$ (130,940)</b>		
7	Revenue Offsets	\$ 5,516,509	\$ 5,516,509	\$ 5,716,510	\$ 200,001	\$ 5,716,510	\$ -		
	<b>Base Revenue Requirement</b>	<b>\$ 118,628,501</b>	<b>\$ 118,326,996</b>	<b>\$ 113,484,692</b>	<b>\$ (5,143,809)</b>	<b>\$ 113,353,752</b>	<b>\$ (130,940)</b>		

<b>Notes</b>	
1	The decrease in average net fixed assets is the result of: removing stranded meters from Rate Base, decreasing annual CAPEX by \$1.8MM (as agreed to in the Settlement Agreement) , and reducing 2015 opening net fixed assets by \$0.5MM
2	The decrease in working capital base is the net impact of a decrease in OM&A expenses and an increase in Cost of Power expenses due to an increased Load Forecast as per the Settlement Agreement
3	The decrease in working capital allowance is due to the decrease in the working capital factor by 0.7% as identified in Horizon Utilities' response to interrogatory 2-Staff-23
4	The decrease in depreciation is the result of removing stranded meters from Rate Base and decreasing annual CAPEX by \$1.8MM
5	The decrease in OM&A was agreed to in the Settlement Agreement and will be achieved through general cost reductions across the organization
6	The increase in PILs is the net impact of: the removal of stranded meters from Rate Base, removing the Small Business Tax Credit, and including the full amount of the Apprenticeship Tax Credit as per the Settlement Agreement
7	The increase in revenue offsets was agreed to in the Settlement Agreement and consists mainly of an increase to Revenues from Merchandise
8	The change in Revenue Requirement in the RRWF filed as Appendix D to the Draft Rate Order as compared to that which was filed in the Settlement Agreement is due to the updated 2015 Cost of Capital Parameters.
9	The change in Rate Base in the RRWF filed as Appendix D to the Draft Rate Order as compared to that which was filed in the Settlement Agreement is due to the update to include the 2014 Uniform Transmission Rates.

**Table 4: 2017 Summary of Changes**

<b>2017 Summary of Significant Changes</b>									
<b>Note</b>	<b>Description</b>	<b>Application</b>	<b>Interrogatory Updates</b>	<b>Settlement Agreement</b>	<b>Difference from Application</b>	<b>Draft Rate Order</b>	<b>Difference from Settlement</b>		
Rate Base:									
1	Average Net Fixed Assets	\$ 443,311,698	\$ 443,311,698	\$ 432,973,917	\$ (10,337,781)	\$ 432,973,917	\$ -		
2/9	Working Capital Base	\$ 627,663,580	\$ 626,922,545	\$ 629,045,293	\$ 1,381,713	\$ 629,330,018	\$ 284,725		
	Working Capital Factor	12.70%	12.00%	12.00%	(0.70%)	12.00%	0.00%		
3/9	Working Capital Allowance	\$ 79,713,275	\$ 75,230,705	\$ 75,485,435	\$ (4,227,840)	\$ 75,519,602	\$ 34,167		
	<b>Total Rate Base</b>	<b>\$ 523,024,973</b>	<b>\$ 518,542,403</b>	<b>\$ 508,459,352</b>	<b>\$ (14,565,620)</b>	<b>\$ 508,493,519</b>	<b>\$ 34,167</b>		
Revenue Requirement:									
8	Deemed Interest on Debt	\$ 10,608,708	\$ 10,517,787	\$ 10,313,268	\$ (295,440)	\$ 10,324,131	\$ 10,863		
8	Return on Equity (ROE)	\$ 19,582,055	\$ 19,414,228	\$ 19,036,718	\$ (545,337)	\$ 18,915,959	\$ (120,759)		
	<b>Total Return on Rate Base</b>	<b>\$ 30,190,763</b>	<b>\$ 29,932,014</b>	<b>\$ 29,349,987</b>	<b>\$ (840,777)</b>	<b>\$ 29,240,090</b>	<b>\$ (109,896)</b>		
4	Depreciation	\$ 26,379,676	\$ 26,379,676	\$ 25,272,152	\$ (1,107,524)	\$ 25,272,152	\$ -		
5	OM&A	\$ 65,946,564	\$ 65,953,231	\$ 61,419,231	\$ (4,527,333)	\$ 61,419,231	\$ -		
	Property Tax	\$ 309,263	\$ 309,263	\$ 309,263	\$ -	\$ 309,263	\$ -		
6/8	PILs	\$ 4,473,115	\$ 4,412,608	\$ 4,965,545	\$ 492,430	\$ 4,922,006	\$ (43,539)		
	<b>Service Revenue Requirement</b>	<b>\$ 127,299,380</b>	<b>\$ 126,986,792</b>	<b>\$ 121,316,177</b>	<b>\$ (5,983,203)</b>	<b>\$ 121,162,742</b>	<b>\$ (153,435)</b>		
7	Revenue Offsets	\$ 5,555,937	\$ 5,555,937	\$ 5,755,938	\$ 200,001	\$ 5,755,938	\$ -		
	<b>Base Revenue Requirement</b>	<b>\$ 121,743,444</b>	<b>\$ 121,430,855</b>	<b>\$ 115,560,239</b>	<b>\$ (6,183,204)</b>	<b>\$ 115,406,804</b>	<b>\$ (153,435)</b>		

<b>Notes</b>	
1	The decrease in average net fixed assets is the result of: removing stranded meters from Rate Base, decreasing annual CAPEX by \$1.8MM (as agreed to in the Settlement Agreement) , and reducing 2015 opening net fixed assets by \$0.5MM
2	The decrease in working capital base is the net impact of a decrease in OM&A expenses and an increase in Cost of Power expenses due to an increased Load Forecast as per the Settlement Agreement
3	The decrease in working capital allowance is due to the decrease in the working capital factor by 0.7% as identified in Horizon Utilities' response to interrogatory 2-Staff-23
4	The decrease in depreciation is the result of removing stranded meters from Rate Base and decreasing annual CAPEX by \$1.8MM
5	The decrease in OM&A was agreed to in the Settlement Agreement and will be achieved through general cost reductions across the organization
6	The increase in PILs is the net impact of: the removal of stranded meters from Rate Base, removing the Small Business Tax Credit, and including the full amount of the Apprenticeship Tax Credit as per the Settlement Agreement
7	The increase in revenue offsets was agreed to in the Settlement Agreement and consists mainly of an increase to Revenues from Merchandise
8	The change in Revenue Requirement in the RRWF filed as Appendix D to the Draft Rate Order as compared to that which was filed in the Settlement Agreement is due to the updated 2015 Cost of Capital Parameters.
9	The change in Rate Base in the RRWF filed as Appendix D to the Draft Rate Order as compared to that which was filed in the Settlement Agreement is due to the update to include the 2014 Uniform Transmission Rates.



**Table 5: 2018 Summary of Changes**

2018 Summary of Significant Changes									
Note	Description	Application	Interrogatory Updates	Settlement Agreement	Difference from Application	Draft Rate Order	Difference from Settlement		
Rate Base:									
1	Average Net Fixed Assets	\$ 464,916,377	\$ 464,916,377	\$ 453,910,872	\$ (11,005,505)	\$ 453,910,872	\$ -		
2/9	Working Capital Base	\$ 649,581,870	\$ 648,812,828	\$ 652,765,741	\$ 3,183,871	\$ 650,890,280	\$ (1,875,461)		
	Working Capital Factor	12.70%	12.00%	12.00%	(0.70%)	12.00%	0.00%		
3/9	Working Capital Allowance	\$ 74,015,044	\$ 69,846,714	\$ 78,331,889	\$ 4,316,845	\$ 78,106,834	\$ (225,055)		
	<b>Total Rate Base</b>	<b>\$ 547,413,274</b>	<b>\$ 542,773,916</b>	<b>\$ 532,242,761</b>	<b>\$ (15,170,513)</b>	<b>\$ 532,017,706</b>	<b>\$ (225,055)</b>		
Revenue Requirement:									
8	Deemed Interest on Debt	\$ 11,605,518	\$ 11,507,160	\$ 11,283,893	\$ (321,625)	\$ 11,251,655	\$ (32,238)		
8	Return on Equity (ROE)	\$ 20,495,153	\$ 20,321,455	\$ 19,927,169	\$ (567,984)	\$ 19,791,059	\$ (136,110)		
	<b>Total Return on Rate Base</b>	<b>\$ 32,100,671</b>	<b>\$ 31,828,616</b>	<b>\$ 31,211,062</b>	<b>\$ (889,609)</b>	<b>\$ 31,042,714</b>	<b>\$ (168,349)</b>		
4	Depreciation	\$ 25,824,486	\$ 25,824,486	\$ 24,667,457	\$ (1,157,029)	\$ 24,667,457	\$ -		
5	OM&A	\$ 67,394,756	\$ 67,401,555	\$ 62,322,555	\$ (5,072,201)	\$ 62,322,555	\$ -		
	Property Tax	\$ 313,902	\$ 313,902	\$ 313,902	\$ -	\$ 313,902	\$ -		
6/8	PILs	\$ 3,952,701	\$ 3,890,080	\$ 3,481,967	\$ (470,734)	\$ 3,432,893	\$ (49,074)		
	<b>Service Revenue Requirement</b>	<b>\$ 129,586,516</b>	<b>\$ 129,258,638</b>	<b>\$ 121,996,943</b>	<b>\$ (7,589,573)</b>	<b>\$ 121,779,520</b>	<b>\$ (217,422)</b>		
7	Revenue Offsets	\$ 5,666,198	\$ 5,666,198	\$ 5,866,199	\$ 200,000	\$ 5,866,199	\$ -		
	<b>Base Revenue Requirement</b>	<b>\$ 123,920,317</b>	<b>\$ 123,592,439</b>	<b>\$ 116,130,744</b>	<b>\$ (7,789,573)</b>	<b>\$ 115,913,322</b>	<b>\$ (217,422)</b>		

Notes	
1	The decrease in average net fixed assets is the result of: removing stranded meters from Rate Base, decreasing annual CAPEX by \$1.8MM (as agreed to in the Settlement Agreement) , and reducing 2015 opening net fixed assets by \$0.5MM
2	The decrease in working capital base is the net impact of a decrease in OM&A expenses and an increase in Cost of Power expenses due to an increased Load Forecast as per the Settlement Agreement
3	The decrease in working capital allowance is due to the decrease in the working capital factor by 0.7% as identified in Horizon Utilities' response to interrogatory 2-Staff-23
4	The decrease in depreciation is the result of removing stranded meters from Rate Base and decreasing annual CAPEX by \$1.8MM
5	The decrease in OM&A was agreed to in the Settlement Agreement and will be achieved through general cost reductions across the organization
6	The decrease in PILs is the net impact of: the removal of stranded meters from Rate Base, removing the Small Business Tax Credit, and including the full amount of the Apprenticeship Tax Credit as per the Settlement Agreement
7	The increase in revenue offsets was agreed to in the Settlement Agreement and consists mainly of an increase to Revenues from Merchandise
8	The change in Revenue Requirement in the RRWF filed as Appendix D to the Draft Rate Order as compared to that which was filed in the Settlement Agreement is due to the updated 2015 Cost of Capital Parameters.
9	The change in Rate Base in the RRWF filed as Appendix D to the Draft Rate Order as compared to that which was filed in the Settlement Agreement is due to the update to include the 2014 Uniform Transmission Rates.

**Table 6: 2019 Summary of Changes**

<b>2019 Summary of Significant Changes</b>							
<b>Note</b>	<b>Description</b>	<b>Application</b>	<b>Interrogatory Updates</b>	<b>Settlement Agreement</b>	<b>Difference from Application</b>	<b>Draft Rate Order</b>	<b>Difference from Settlement</b>
<b>Rate Base:</b>							
1	Average Net Fixed Assets	\$ 488,337,458	\$ 488,337,458	\$ 476,716,587	\$ (11,620,871)	\$ 476,716,587	\$ -
2/9	Working Capital Base	\$ 669,363,467	\$ 668,566,640	\$ 674,589,556	\$ 5,226,089	\$ 670,941,854	\$ (3,647,702)
	Working Capital Factor	12.70%	12.00%	12.00%	(0.70%)	12.00%	0.00%
3/9	Working Capital Allowance	\$ 85,009,160	\$ 80,227,997	\$ 80,950,747	\$ (4,058,414)	\$ 80,513,023	\$ (437,724)
	<b>Total Rate Base</b>	<b>\$ 573,346,618</b>	<b>\$ 568,565,455</b>	<b>\$ 557,667,334</b>	<b>\$ (15,679,284)</b>	<b>\$ 557,229,610</b>	<b>\$ (437,724)</b>
<b>Revenue Requirement:</b>							
8	Deemed Interest on Debt	\$ 12,571,676	\$ 12,466,840	\$ 12,227,879	\$ (343,797)	\$ 12,157,914	\$ (69,964)
8	Return on Equity (ROE)	\$ 21,466,097	\$ 21,287,091	\$ 20,879,065	\$ (587,032)	\$ 20,728,941	\$ (150,123)
	<b>Total Return on Rate Base</b>	<b>\$ 34,037,773</b>	<b>\$ 33,753,931</b>	<b>\$ 33,106,944</b>	<b>\$ (930,829)</b>	<b>\$ 32,886,856</b>	<b>\$ (220,088)</b>
4	Depreciation	\$ 26,490,670	\$ 26,490,670	\$ 25,278,432	\$ (1,212,239)	\$ 25,278,432	\$ -
5	OM&A	\$ 68,821,878	\$ 68,828,783	\$ 63,238,783	\$ (5,583,095)	\$ 63,238,783	\$ -
	Property Tax	\$ 318,611	\$ 318,611	\$ 318,611	\$ -	\$ 318,611	\$ -
6/8	PILs	\$ 3,966,866	\$ 3,902,330	\$ 3,476,762	\$ (490,104)	\$ 3,422,636	\$ (54,126)
	<b>Service Revenue Requirement</b>	<b>\$ 133,635,798</b>	<b>\$ 133,294,324</b>	<b>\$ 125,419,531</b>	<b>\$ (8,216,267)</b>	<b>\$ 125,145,317</b>	<b>\$ (274,214)</b>
7	Revenue Offsets	\$ 5,753,899	\$ 5,753,899	\$ 5,953,899	\$ 200,000	\$ 5,953,899	\$ -
	<b>Base Revenue Requirement</b>	<b>\$ 127,881,899</b>	<b>\$ 127,540,425</b>	<b>\$ 119,465,632</b>	<b>\$ (8,416,267)</b>	<b>\$ 119,191,418</b>	<b>\$ (274,214)</b>

<b>Notes</b>	
1	The decrease in average net fixed assets is the result of: removing stranded meters from Rate Base, decreasing annual CAPEX by \$1.8MM (as agreed to in the Settlement Agreement) , and reducing 2015 opening net fixed assets by \$0.5MM
2	The decrease in working capital base is the net impact of a decrease in OM&A expenses and an increase in Cost of Power expenses due to an increased Load Forecast as per the Settlement Agreement
3	The decrease in working capital allowance is due to the decrease in the working capital factor by 0.7% as identified in Horizon Utilities' response to interrogatory 2-Staff-23
4	The decrease in depreciation is the result of removing stranded meters from Rate Base and decreasing annual CAPEX by \$1.8MM
5	The decrease in OM&A was agreed to in the Settlement Agreement and will be achieved through general cost reductions across the organization
6	The decrease in PILs is the net impact of: the removal of stranded meters from Rate Base, removing the Small Business Tax Credit, and including the full amount of the Apprenticeship Tax Credit as per the Settlement Agreement
7	The increase in revenue offsets was agreed to in the Settlement Agreement and consists mainly of an increase to Revenues from Merchandise
8	The change in Revenue Requirement in the RRWF filed as Appendix D to the Draft Rate Order as compared to that which was filed in the Settlement Agreement is due to the updated 2015 Cost of Capital Parameters.
9	The change in Rate Base in the RRWF filed as Appendix D to the Draft Rate Order as compared to that which was filed in the Settlement Agreement is due to the update to include the 2014 Uniform Transmission Rates.

1 **DECISION SUMMARIZED BY ISSUE**

2 This Draft Rate Order is presented in order of the issues pertaining to Cost Allocation and Rate  
3 Design, with the Board's Decision on those issues included, as well as Horizon Utilities'  
4 response and action taken per the Decision.

5 **1. The appropriateness of inputs to the cost allocation model, specifically the updated**  
6 **allocation of primary and secondary assets to sub-accounts under the Board's**  
7 **uniform system of accounts**

8 **Board Findings – as per page 5-6 of the Decision**

9 I. Allocation of Primary and Secondary Assets

10 *“The Board finds that the proposed changes to Horizon’s cost allocation methodology is*  
11 *appropriate as it more clearly reflects actual cost causality.”*

12 Horizon Utilities has run the Cost Allocation model with the above-noted changes  
13 incorporated into the models, as accepted by the Board.

14 II. Volumetric Inputs (Load Profiles)

15 *“The Board is sympathetic to Horizon’s difficulty in obtaining updated information for the*  
16 *general service and residential classes, but does not see any advantage in proceeding with*  
17 *partially updated information as the whole exercise is to determine what share each group*  
18 *will pay. Updated current hourly use information data for the large use class should not be*  
19 *used. Until more accurate data is available for all classes Horizon must continue to use the*  
20 *existing load profiles for the purpose of its forecast.”*

21 In accordance with the Board's decision, Horizon Utilities has revised the load profiles used  
22 in the Cost Allocation model. The load profiles that are included in the models in this Draft  
23 Rate Order are based on Horizon Utilities' 2011 Electricity Distribution Rates (“EDR”) Cost of  
24 Service Application (EB-2010-0131), scaled to the 2015-2019 load forecasts as per the  
25 Board-approved Settlement Agreement.

26 In addition, the load profiles for the Large Use (“LU (1)”) and Large Use With Dedicated  
27 Assets (“LU (2)”) classes have been updated to include the customers in the LU (1) class to  
28 the LU (2) class based on defining the LU (2) class as those customers with demand greater

1 than 5MW and who are served with dedicated assets. The coincident and non-coincident  
2 peak demand allocators have been updated using these adjusted load profiles.

3 The live Cost Allocation models filed with this Draft Rate Order include these adjusted load  
4 profile inputs.

## 5 **2. New Standby-Rates**

6 Horizon Utilities currently has an interim standby rate for its GS > 50 – 4,999 kW class.  
7 The rate is based on the variable demand (kW) rate only for that class. There is no fixed  
8 monthly charge. Horizon Utilities applied to expand its standby options to the LU (1)  
9 and LU (2) rate classes, whose loads are 5MW and greater on the same basis as those  
10 available to the GS 50 – 4,999 kW class.

### 11 **Board Findings – as per page 7 of the Decision**

12 *“The Board sees no reason why large use customers should not also have access to*  
13 *this rate if they want it.”*

14 Horizon Utilities has included the new Standby Rate for the LU (1) and LU (2) customer  
15 classes in the Tariff Sheets attached as Appendix B.

## 16 **3. Rate Design**

17 There are three aspects of rate design that were contested;

18 i. The proposed fixed/variable split.

### 19 **Board Findings – as per page 9 of the Decision**

20 *“The Board accepts Horizon’s proposal. While the Board’s current policy direction is to*  
21 *move toward an increased fixed charge, this consideration was not the sole basis upon*  
22 *which the Board reached its Decision. The Settlement Agreement contains a re-opener*  
23 *provision which would address any policy change related to an increased fixed charge.”*

24 Horizon Utilities has attached a summary of the fixed/variable splits as Appendix H.

25 ii. The proposed revenue-to-cost ratios.

26

1 **Board Findings – as per page 10 of the Decision**

2 *“The Board agrees with the proposal by Horizon to bring customer classes whose*  
3 *revenue-to-cost ratios are above the upper boundaries of the Board’s ranges down to*  
4 *the upper boundary and to allocate the associated revenue shortfall to rate classes*  
5 *whose ratios are under 100 percent. Horizon proposes to do this by way of an equal*  
6 *percentage, with the exclusion of the standby class.”*

7 Horizon Utilities has run the Cost Allocation model based on the 2011 load profiles from  
8 its last rebasing application (EB-2010-0131), as identified on page 10 above. Horizon  
9 Utilities has rebalanced the resulting revenue-to-cost ratios in accordance with the  
10 Board’s decision. A summary of the revenue-to-cost ratios is attached as Appendix I.

11 iii. Whether any rate smoothing or mitigation is required.

12 **Board Findings – as per page 12 of the Decision**

13 *“Based on the evidence in this application, the Board is satisfied that rate mitigation is*  
14 *not required.”*

15 No further action was required by Horizon Utilities.

16 **4. Street Lighting**

17 **Board Findings – as per page 13 of the Decision**

18 *“The Board agrees with the ratio of devices to connection as proposed by Horizon. The*  
19 *evidence provided to the Board in the form of the Audit conducted by Horizon is the best*  
20 *information that the Board has before it. To the extent that Horizon and the City contest*  
21 *connections, this appears to be an issue in only a small number of cases.”*

22 Horizon Utilities confirms that it has filed the Cost Allocation Models for 2015-2019 as  
23 Appendix G to this Draft Rate Order, using the as-filed ratio of devices to connection of  
24 1.31:1.

25 **Board Findings – as per page 13 of the Decision**

26 The Board *“urges Horizon to take the necessary steps to make it clear to the City on*  
27 *what basis they are being billed”*.

1 Horizon Utilities will provide a communication to the City to explain the derivation of  
2 rates, once the final Tariff of Rates and Charges has been approved by the Board.

### 3 **5. Creation of Large Use (2) Customer Class**

#### 4 **Board Findings – as per page 15-16 of the Decision**

5 *“The Board finds that the proposal put forward by Horizon to establish a new large use*  
6 *customer class (LU (2)) based on having a capacity greater than 5 Megawatts and using*  
7 *dedicated assets, is appropriate, and reflects the principle of cost causality. The Board,*  
8 *therefore, approves the establishment of the LU (2) customer class.”*

9 Horizon Utilities confirms that it has run the Cost Allocation Model (filed as Appendix G),  
10 conducted rate design (filed as Appendix I), and derived tariffs that are included in the Tariff  
11 of Rates and Charges (attached as Appendix B) using the LU (2) class as defined above  
12 and set out in the Decision of the Board.

#### 13 **Establishment of a New US Steel Variance Account**

#### 14 **Board Findings – as per page 16 of the Decision**

15 *“Horizon only sought the creation of a US Steel variance account in the event that the new*  
16 *LU (2) customer class was not established. As set out above, the Board is approving the*  
17 *establishment of the proposed LU (2) customer class and is therefore not required to make*  
18 *a finding on this issue.”*

19 There is no further action required by Horizon Utilities as a result of this Board finding.

#### 20 **UPDATES FOR UNIFORM TRANSMISSION RATES**

21 As stated at Exhibit 8, Tab 1, Schedule 3 of the prefiled evidence, Horizon Utilities used a  
22 forecast of the Network and Connection rates in lieu of final rates, with the intention to update all  
23 calculations with final rates when available. As agreed upon at page 15 of the Board-approved  
24 Settlement Agreement, Horizon Utilities has updated all necessary calculations to include the  
25 2014 Hydro One Uniform Transmission Rates (“UTR”). Horizon Utilities had hoped to update  
26 these calculations with the 2015 rates, however, as these rates are not yet final, the 2014 rates  
27 have been used. The impact of this update is an increase of \$33,352 to Revenue Requirement  
28 in 2015 as identified in Appendix J which includes a summary of the changes to the Retail

1 Transmission Service Rates (“RTSR”), Rate Base, Working Capital, and Revenue Requirement  
2 for all years is provided as Appendix D.

### 3 **IMPLEMENTATION**

#### 4 **Board Findings – as per page 17 of the Decision**

5 *“The Board directs Horizon to file a Draft Rate Order complete with detailed supporting*  
6 *material, including all relevant calculations showing the allocation of the revenue*  
7 *requirements from the Settlement Agreement to the classes for 2015 to 2019, the*  
8 *determination of final rates and all approved rate riders, including bill impacts, and a*  
9 *calculation showing reconciliation of the total revenues by class to the revenue*  
10 *requirements. Supporting documentation shall include, but not be limited to, the filing of*  
11 *completed versions of the Revenue Requirement Work Form Excel spreadsheet, and the*  
12 *Cost Allocation Excel spreadsheet reflecting the Board’s findings. Details of the revenue-to-*  
13 *cost ratios and the fixed variable splits are also to be included.”*

14 In filing this Draft Rate Order, Horizon Utilities has provided detailed supporting material,  
15 including all relevant calculations showing the impact of the Board’s Decision on Horizon  
16 Utilities’ proposed revenue requirement, the allocation of the approved revenue requirement to  
17 the classes, and the determination of the final rates.

18 Horizon Utilities intends to implement these changes beginning January 1, 2015.

### 19 **CONCLUSION**

20 Horizon Utilities has fully complied with the Decision and has implemented all of the changes  
21 directed by the Board in the Decision. Details of the changes are discussed above and further  
22 supported by the Appendices and live Excel workbooks accompanying this Draft Rate Order.  
23 Horizon Utilities’ Service Revenue Requirement for the 2015 Rate Year is \$114,327,440 and the  
24 Revenue Requirements for the 2015 – 2019 Rate Years are summarized in Tables 2 – 6.

25 Horizon Utilities has filed detailed supporting material, including all relevant calculations  
26 showing the impact of this Decision on its proposed Revenue Requirement, the allocation of the  
27 approved Revenue Requirement to its customer classes, and the determination of the final  
28 rates, including estimated bill impacts. The supporting documentation includes a completed

1 version of the Board's Revenue Requirement Work Form Excel spreadsheet. Horizon Utilities  
2 has accommodated all revisions to the distribution rates as directed in the Board's Decision.

3 Horizon Utilities has attached, as Appendix B, a Draft Schedule of Rates and Charges prepared  
4 on the basis that Horizon Utilities' new 2015 rates will be effective January 1, 2015, and that  
5 each of the Revenue Requirements for the 2016 – 2019 Years will be recoverable beginning  
6 January 1 of each year with final Rate Orders to be issued each year following the Annual  
7 Adjustment filing. Horizon Utilities has attached the customer bill impacts as Appendix C. The  
8 customer bill impact analysis indicates the change in Horizon Utilities' distribution rates and  
9 other charges effective January 1 of each rate year.

10 Horizon Utilities respectfully submits its draft Schedule of Rates and Charges for 2015, to be  
11 effective January 1, 2015 and each of the Revenue Requirements for the 2016 – 2019 Years to  
12 be recoverable beginning January 1 of each year. Horizon Utilities expects that the final Rate  
13 Orders for each subsequent year will be issued following the approval by the Board of the  
14 Annual Adjustment filing.

15 All of which is respectfully submitted, this 18<sup>th</sup> day of December, 2014 and updated December  
16 24, 2014.

*Original Signed by Indy J. Butany DeSouza*

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



**Blackline Version of Draft Rate Order**

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

**AND IN THE MATTER OF** an Application by Horizon Utilities Corporation to the Ontario Energy Board for an Order or Orders approving or fixing just and reasonable rates and other service charges for the distribution of electricity as of January 1, 2015, 2016, 2017, 2018, and 2019.

**DRAFT RATE ORDER OF HORIZON UTILITIES CORPORATION**

**DELIVERED DECEMBER 18, 2014 AND UPDATED DECEMBER 24, 2014**

1 **INTRODUCTION:**

2 Horizon Utilities Corporation (“Horizon Utilities”) filed a Custom Incentive Rate-setting  
3 Application (“Custom IR” or the “Application”) with the Ontario Energy Board (the “Board”) on  
4 April 16, 2014 under section 78 of the *Ontario Energy Board Act*, 1998, S.O. 1998, c. 15,  
5 (Schedule B), seeking approval for five years of distribution rates to come into effect on January  
6 1 of each year from 2015 to 2019. The Board assigned File Number EB-2014-0002 to the  
7 Application.

8 The following eight parties requested and were granted intervenor status:

- 9 • Association of Major Power Consumer in Ontario (“AMPCO”);
- 10 • Building Owners and Managers Association (“BOMA”);
- 11 • City of Hamilton (“Hamilton”);
- 12 • Consumers Council of Canada (“CCC”);
- 13 • Energy Probe Research Foundation (“Energy Probe”);
- 14 • School Energy Coalition (“SEC”);
- 15 • Sustainable Infrastructure Alliance of Ontario (“SIA”); and
- 16 • Vulnerable Energy Consumers Coalition (“VECC”).

1 A Settlement Conference was held from August 27-29, 2014. All intervenors (“Parties”) of  
2 record participated at the Settlement Conference except SIA and Hamilton. A partial settlement  
3 was reached; a Settlement Proposal was filed with the Board on September 22<sup>nd</sup>, 2014.

4 The Parties documented that issues pertaining to Cost Allocation and Rate Design remained  
5 unsettled.

6 An Oral Hearing on the unsettled issues was held on September 30<sup>th</sup>, October 1<sup>st</sup>, October 9<sup>th</sup>,  
7 and October 10<sup>th</sup>, 2014. The proposed partial settlement was approved and adopted by the  
8 Board on October 10<sup>th</sup>, 2014. The Board-approved Settlement Agreement is attached to this  
9 Draft Rate Order as Appendix A.

10 On October 10<sup>th</sup>, 2014, Horizon Utilities presented its Argument-In-Chief (“AIC”) orally to the  
11 Board panel. Board staff submissions were delivered orally, as were the final arguments of  
12 intervenors on October 17<sup>th</sup>, 2014. Horizon Utilities delivered its Reply Submission orally on  
13 October 23<sup>rd</sup>, 2014.

14 On December 11<sup>th</sup>, 2014, the Board issued its Decision on all matters in this Application. In the  
15 Decision, the Board directed Horizon Utilities to: file a Draft Rate Order that incorporates the  
16 Board’s determinations in the Decision; and to file detailed supporting material, including all  
17 relevant calculations showing the impact of the implementation of the Decision on its proposed  
18 revenue requirements, the allocation of the approved revenue requirement to the classes, and  
19 the determination of final rates and all approved rate riders including bill impacts.

20 Horizon Utilities submits this Draft Rate Order which incorporates the information directed by the  
21 Board from the Board’s Decision, including the Board findings on the Partial Settlement  
22 Proposal, and the Oral Hearing. This Draft Rate Order includes the 2015 Cost of Capital  
23 Parameters, as issued by the Board on November 20<sup>th</sup>, 2014.

24 Included in this Draft Rate Order are the following Appendices:

- 25 • Appendix A: ~~Partial~~ Board-approved Settlement Agreement
- 26 • Appendix B: Draft Schedule of Rates and Charges
- 27 • Appendix C: Horizon Utilities’ Customer Bill Impacts
- 28 • Appendix D: Revenue Requirement Work Forms
- 29 • Appendix E: PILS Work Form
- 30 • Appendix F: EDDVAR Continuity Schedules

- 1 • Appendix G: Cost Allocation Model
- 2 • Appendix H: Summary of Fixed/Variable Splits
- 3 • Appendix I: Summary of Revenue-to-Cost Ratios
- 4 • Appendix J: Summary of RTSR Updates

5 The following “live” Excel models also accompany the Draft Rate Order:

- 6 • Revenue Requirement Work Form
- 7 • PILS Work Form
- 8 • Cost Allocation Model
- 9 • Bill Impacts Appendix 2-W
- 10 • RTSR Work Form

11 The Draft Rate Order has been prepared on the basis that Horizon Utilities’ new 2015 rates will  
 12 be effective January 1, 2015, and that each of the Revenue Requirements for the 2016 – 2019  
 13 Years will be recoverable beginning January 1 of each year with final Rate Orders to be issued  
 14 each year following the Annual Adjustment filing.

15 **BILL IMPACTS**

16 A summary of bill impacts for the typical Residential and GS < 50 kW customer is presented in  
 17 Table 1. Appendix C provides a summary of the bill impacts for each of the 2015 – 2019 Rate  
 18 Years, and the live Excel model for Appendix 2-W has been submitted along with this Draft Rate  
 19 Order.

20 **Table 1: Residential and GS < 50kW Bill Impacts**

Rate Class	kWh	Distribution	Distribution	Distribution	Distribution	Distribution
		% (2015 vs 2014)	% (2016 vs 2015)	% (2017 vs 2016)	% (2018 vs 2017)	% (2019 vs 2018)
Residential (on TOU)	800	5.40%	3.73%	0.79%	(0.03)%	2.35%
GS < 50 kW (On TOU)	2000	17.71%	3.83%	1.14%	(0.05)%	2.12%
Rate Class	kWh	Total Bill %	Total Bill %	Total Bill %	Total Bill %	Total Bill %
		(2015 vs 2014)	(2016 vs 2015)	(2017 vs 2016)	(2018 vs 2017)	(2019 vs 2018)
Residential (on TOU)	800	1.96%	(3.07)%	0.18%	(0.64)%	(0.08)%
GS < 50 kW (On TOU)	2000	4.59%	0.57%	0.22%	(0.79)%	0.17%

21  
 22 Note: Total Bill Impacts in Table 1 are exclusive of HST and the OCEB and include the removal of the DRC from Residential bills in  
 23 2016 per the mandate letter issued from Premier Kathleen Wynne to The Honourable Bob Chiarelli on September 25, 2014

|  
**1 SUMMARY OF CHANGES**

- 2 Table 2 – Table 6 provide a summary of changes to the Application as a result of the Decision  
3 including: (i) Rate Base; and (ii) Revenue Requirement.

**Table 2: 2015 Summary of Changes**

2015 Summary of Significant Changes							
Note	Description	Application	Interrogatory Updates	Settlement Agreement	Difference from Application	Draft Rate Order	Difference from Settlement
Rate Base:							
1	Average Net Fixed Assets	\$ 409,594,570	\$ 409,594,570	\$ 400,729,642	\$ (8,864,928)	\$ 400,729,642	\$ (0)
2/9	Working Capital Base	\$ 582,795,623	\$ 582,055,948	\$ 581,956,713	\$ (838,910)	\$ 585,875,931	\$ 3,919,218
	Working Capital Factor	12.70%	12.00%	12.00%	(0.70%)	12.00%	0.00%
3/9	Working Capital Allowance	\$ 74,015,044	\$ 69,846,714	\$ 69,834,806	\$ (4,180,239)	\$ 70,305,112	\$ 470,306
	<b>Total Rate Base</b>	<b>\$ 483,609,614</b>	<b>\$ 479,441,284</b>	<b>\$ 470,564,447</b>	<b>\$ (13,045,167)</b>	<b>\$ 471,034,754</b>	<b>\$ 470,306</b>
Revenue Requirement:							
8	Deemed Interest on Debt	\$ 9,809,232	\$ 9,724,684	\$ 9,544,632	\$ (264,600)	\$ 9,563,592	\$ 18,960
8	Return on Equity (ROE)	\$ 18,106,344	\$ 17,950,282	\$ 17,617,933	\$ (488,411)	\$ 17,522,493	\$ (95,440)
	<b>Total Return on Rate Base</b>	<b>\$ 27,915,576</b>	<b>\$ 27,674,966</b>	<b>\$ 27,162,565</b>	<b>\$ (753,011)</b>	<b>\$ 27,086,085</b>	<b>\$ (76,480)</b>
4	Depreciation	\$ 24,970,618	\$ 24,970,618	\$ 23,951,295	\$ (1,019,324)	\$ 23,951,295	\$ -
5	OM&A	\$ 62,332,489	\$ 62,339,062	\$ 59,653,062	\$ (2,679,427)	\$ 59,653,062	\$ 0
	Property Tax	\$ 300,190	\$ 300,190	\$ 300,190	\$ -	\$ 300,190	\$ -
6/8	PILs	\$ 2,915,069	\$ 2,858,808	\$ 3,371,219	\$ 456,150	\$ 3,336,809	\$ (34,410)
	<b>Service Revenue Requirement</b>	<b>\$ 118,433,942</b>	<b>\$ 118,143,644</b>	<b>\$ 114,438,330</b>	<b>\$ (3,995,611)</b>	<b>\$ 114,327,440</b>	<b>\$ (110,890)</b>
7	Revenue Offsets	\$ 5,477,916	\$ 5,477,916	\$ 5,677,916	\$ 200,000	\$ 5,677,916	\$ -
	<b>Base Revenue Requirement</b>	<b>\$ 112,956,026</b>	<b>\$ 112,665,728</b>	<b>\$ 108,760,414</b>	<b>\$ (4,195,612)</b>	<b>\$ 108,649,524</b>	<b>\$ (110,890)</b>

Notes	
1	The decrease in average net fixed assets is the result of: removing stranded meters from Rate Base, decreasing annual CAPEX by \$1.8MM (as agreed to in the Settlement Agreement) , and reducing 2015 opening net fixed assets by \$0.5MM
2	The decrease in working capital base is the net impact of a decrease in OM&A expenses and an increase in Cost of Power expenses due to an increased Load Forecast as per the Settlement Agreement
3	The decrease in working capital allowance is due to the decrease in the working capital factor by 0.7% as identified in Horizon Utilities' response to interrogatory 2-Staff-23
4	The decrease in depreciation is the result of removing stranded meters from Rate Base and decreasing annual CAPEX by \$1.8MM
5	The decrease in OM&A was agreed to in the Settlement Agreement and will be achieved through general cost reductions across the organization
6	The increase in PILs is the net impact of: the removal of stranded meters from Rate Base, removing the Small Business Tax Credit, and including the full amount of the Apprenticeship Tax Credit as per the Settlement Agreement
7	The increase in revenue offsets was agreed to in the Settlement Agreement and consists mainly of an increase to Revenues from Merchandise
8	The change in Revenue Requirement in the RRWF filed as Appendix D to the Draft Rate Order as compared to that which was filed in the Settlement Agreement is due to the updated 2015 Cost of Capital Parameters.
9	The change in Rate Base in the RRWF filed as Appendix D to the Draft Rate Order as compared to that which was filed in the Settlement Agreement is due to the update to include the 2014 Uniform Transmission Rates.

**Table 3: 2016 Summary of Changes**

2016 Summary of Significant Changes							
Note	Description	Application	Interrogatory Updates	Settlement Agreement	Difference from Application	Draft Rate Order	Difference from Settlement
Rate Base:							
1	Average Net Fixed Assets	\$ 425,012,475	\$ 425,012,475	\$ 415,389,070	\$ (9,623,405)	\$ 415,389,070	\$ -
2/9	Working Capital Base	\$ 605,789,145	\$ 605,074,398	\$ 606,019,731	\$ 230,586	\$ 608,214,932	\$ 2,195,201
	Working Capital Factor	12.70%	12.00%	12.00%	(0.70%)	12.00%	0.00%
3/9	Working Capital Allowance	\$ 76,935,221	\$ 72,608,928	\$ 72,722,368	\$ (4,212,854)	\$ 72,985,792	\$ 263,424
	<b>Total Rate Base</b>	<b>\$ 501,947,697</b>	<b>\$ 497,621,403</b>	<b>\$ 488,111,438</b>	<b>\$ (13,836,258)</b>	<b>\$ 488,374,862</b>	<b>\$ 263,424</b>
Revenue Requirement:							
8	Deemed Interest on Debt	\$ 10,181,190	\$ 10,093,438	\$ 9,900,544	\$ (280,646)	\$ 9,915,655	\$ 15,111
8	Return on Equity (ROE)	\$ 18,792,922	\$ 18,630,945	\$ 18,274,892	\$ (518,030)	\$ 18,167,545	\$ (107,347)
	<b>Total Return on Rate Base</b>	<b>\$ 28,974,112</b>	<b>\$ 28,724,384</b>	<b>\$ 28,175,436</b>	<b>\$ (798,675)</b>	<b>\$ 28,083,200</b>	<b>\$ (92,237)</b>
4	Depreciation	\$ 26,487,624	\$ 26,487,624	\$ 25,423,900	\$ (1,063,724)	\$ 25,423,900	\$ -
5	OM&A	\$ 64,089,437	\$ 64,096,057	\$ 60,530,057	\$ (3,559,380)	\$ 60,530,057	\$ -
	Property Tax	\$ 304,693	\$ 304,693	\$ 304,693	\$ -	\$ 304,693	\$ -
6/8	PILs	\$ 4,289,143	\$ 4,230,747	\$ 4,767,115	\$ 477,971	\$ 4,728,411	\$ (38,703)
	<b>Service Revenue Requirement</b>	<b>\$ 124,145,010</b>	<b>\$ 123,843,505</b>	<b>\$ 119,201,202</b>	<b>\$ (4,943,808)</b>	<b>\$ 119,070,262</b>	<b>\$ (130,940)</b>
7	Revenue Offsets	\$ 5,516,509	\$ 5,516,509	\$ 5,716,510	\$ 200,001	\$ 5,716,510	\$ -
	<b>Base Revenue Requirement</b>	<b>\$ 118,628,501</b>	<b>\$ 118,326,996</b>	<b>\$ 113,484,692</b>	<b>\$ (5,143,809)</b>	<b>\$ 113,353,752</b>	<b>\$ (130,940)</b>

Notes	
1	The decrease in average net fixed assets is the result of: removing stranded meters from Rate Base, decreasing annual CAPEX by \$1.8MM (as agreed to in the Settlement Agreement) , and reducing 2015 opening net fixed assets by \$0.5MM
2	The decrease in working capital base is the net impact of a decrease in OM&A expenses and an increase in Cost of Power expenses due to an increased Load Forecast as per the Settlement Agreement
3	The decrease in working capital allowance is due to the decrease in the working capital factor by 0.7% as identified in Horizon Utilities' response to interrogatory 2-Staff-23
4	The decrease in depreciation is the result of removing stranded meters from Rate Base and decreasing annual CAPEX by \$1.8MM
5	The decrease in OM&A was agreed to in the Settlement Agreement and will be achieved through general cost reductions across the organization
6	The increase in PILs is the net impact of: the removal of stranded meters from Rate Base, removing the Small Business Tax Credit, and including the full amount of the Apprenticeship Tax Credit as per the Settlement Agreement
7	The increase in revenue offsets was agreed to in the Settlement Agreement and consists mainly of an increase to Revenues from Merchandise
8	The change in Revenue Requirement in the RRWF filed as Appendix D to the Draft Rate Order as compared to that which was filed in the Settlement Agreement is due to the updated 2015 Cost of Capital Parameters.
9	The change in Rate Base in the RRWF filed as Appendix D to the Draft Rate Order as compared to that which was filed in the Settlement Agreement is due to the update to include the 2014 Uniform Transmission Rates.

**Table 4: 2017 Summary of Changes**

2017 Summary of Significant Changes									
Note	Description	Application	Interrogatory Updates	Settlement Agreement	Difference from Application	Draft Rate Order	Difference from Settlement		
Rate Base:									
1	Average Net Fixed Assets	\$ 443,311,698	\$ 443,311,698	\$ 432,973,917	\$ (10,337,781)	\$ 432,973,917	\$ -		
2/9	Working Capital Base	\$ 627,663,580	\$ 626,922,545	\$ 629,045,293	\$ 1,381,713	\$ 629,330,018	\$ 284,725		
	Working Capital Factor	12.70%	12.00%	12.00%	(0.70%)	12.00%	0.00%		
3/9	Working Capital Allowance	\$ 79,713,275	\$ 75,230,705	\$ 75,485,435	\$ (4,227,840)	\$ 75,519,602	\$ 34,167		
	<b>Total Rate Base</b>	<b>\$ 523,024,973</b>	<b>\$ 518,542,403</b>	<b>\$ 508,459,352</b>	<b>\$ (14,565,620)</b>	<b>\$ 508,493,519</b>	<b>\$ 34,167</b>		
Revenue Requirement:									
8	Deemed Interest on Debt	\$ 10,608,708	\$ 10,517,787	\$ 10,313,268	\$ (295,440)	\$ 10,324,131	\$ 10,863		
8	Return on Equity (ROE)	\$ 19,582,055	\$ 19,414,228	\$ 19,036,718	\$ (545,337)	\$ 18,915,959	\$ (120,759)		
	<b>Total Return on Rate Base</b>	<b>\$ 30,190,763</b>	<b>\$ 29,932,014</b>	<b>\$ 29,349,987</b>	<b>\$ (840,777)</b>	<b>\$ 29,240,090</b>	<b>\$ (109,896)</b>		
4	Depreciation	\$ 26,379,676	\$ 26,379,676	\$ 25,272,152	\$ (1,107,524)	\$ 25,272,152	\$ -		
5	OM&A	\$ 65,946,564	\$ 65,953,231	\$ 61,419,231	\$ (4,527,333)	\$ 61,419,231	\$ -		
	Property Tax	\$ 309,263	\$ 309,263	\$ 309,263	\$ -	\$ 309,263	\$ -		
6/8	PILs	\$ 4,473,115	\$ 4,412,608	\$ 4,965,545	\$ 492,430	\$ 4,922,006	\$ (43,539)		
	<b>Service Revenue Requirement</b>	<b>\$ 127,299,380</b>	<b>\$ 126,986,792</b>	<b>\$ 121,316,177</b>	<b>\$ (5,983,203)</b>	<b>\$ 121,162,742</b>	<b>\$ (153,435)</b>		
7	Revenue Offsets	\$ 5,555,937	\$ 5,555,937	\$ 5,755,938	\$ 200,001	\$ 5,755,938	\$ -		
	<b>Base Revenue Requirement</b>	<b>\$ 121,743,444</b>	<b>\$ 121,430,855</b>	<b>\$ 115,560,239</b>	<b>\$ (6,183,204)</b>	<b>\$ 115,406,804</b>	<b>\$ (153,435)</b>		

Notes	
1	The decrease in average net fixed assets is the result of: removing stranded meters from Rate Base, decreasing annual CAPEX by \$1.8MM (as agreed to in the Settlement Agreement) , and reducing 2015 opening net fixed assets by \$0.5MM
2	The decrease in working capital base is the net impact of a decrease in OM&A expenses and an increase in Cost of Power expenses due to an increased Load Forecast as per the Settlement Agreement
3	The decrease in working capital allowance is due to the decrease in the working capital factor by 0.7% as identified in Horizon Utilities' response to interrogatory 2-Staff-23
4	The decrease in depreciation is the result of removing stranded meters from Rate Base and decreasing annual CAPEX by \$1.8MM
5	The decrease in OM&A was agreed to in the Settlement Agreement and will be achieved through general cost reductions across the organization
6	The increase in PILs is the net impact of: the removal of stranded meters from Rate Base, removing the Small Business Tax Credit, and including the full amount of the Apprenticeship Tax Credit as per the Settlement Agreement
7	The increase in revenue offsets was agreed to in the Settlement Agreement and consists mainly of an increase to Revenues from Merchandise
8	The change in Revenue Requirement in the RRWF filed as Appendix D to the Draft Rate Order as compared to that which was filed in the Settlement Agreement is due to the updated 2015 Cost of Capital Parameters.
9	The change in Rate Base in the RRWF filed as Appendix D to the Draft Rate Order as compared to that which was filed in the Settlement Agreement is due to the update to include the 2014 Uniform Transmission Rates.



**Table 5: 2018 Summary of Changes**

2018 Summary of Significant Changes								
Note	Description	Application	Interrogatory Updates	Settlement Agreement	Difference from Application	Draft Rate Order	Difference from Settlement	
Rate Base:								
1	Average Net Fixed Assets	\$ 464,916,377	\$ 464,916,377	\$ 453,910,872	\$ (11,005,505)	\$ 453,910,872	\$ -	
2/9	Working Capital Base	\$ 649,581,870	\$ 648,812,828	\$ 652,765,741	\$ 3,183,871	\$ 650,890,280	\$ (1,875,461)	
	Working Capital Factor	12.70%	12.00%	12.00%	(0.70%)	12.00%	0.00%	
3/9	Working Capital Allowance	\$ 74,015,044	\$ 69,846,714	\$ 78,331,889	\$ 4,316,845	\$ 78,106,834	\$ (225,055)	
	<b>Total Rate Base</b>	<b>\$ 547,413,274</b>	<b>\$ 542,773,916</b>	<b>\$ 532,242,761</b>	<b>\$ (15,170,513)</b>	<b>\$ 532,017,706</b>	<b>\$ (225,055)</b>	
Revenue Requirement:								
8	Deemed Interest on Debt	\$ 11,605,518	\$ 11,507,160	\$ 11,283,893	\$ (321,625)	\$ 11,251,655	\$ (32,238)	
8	Return on Equity (ROE)	\$ 20,495,153	\$ 20,321,455	\$ 19,927,169	\$ (567,984)	\$ 19,791,059	\$ (136,110)	
	<b>Total Return on Rate Base</b>	<b>\$ 32,100,671</b>	<b>\$ 31,828,616</b>	<b>\$ 31,211,062</b>	<b>\$ (889,609)</b>	<b>\$ 31,042,714</b>	<b>\$ (168,349)</b>	
4	Depreciation	\$ 25,824,486	\$ 25,824,486	\$ 24,667,457	\$ (1,157,029)	\$ 24,667,457	\$ -	
5	OM&A	\$ 67,394,756	\$ 67,401,555	\$ 62,322,555	\$ (5,072,201)	\$ 62,322,555	\$ -	
	Property Tax	\$ 313,902	\$ 313,902	\$ 313,902	\$ -	\$ 313,902	\$ -	
6/8	PILs	\$ 3,952,701	\$ 3,890,080	\$ 3,481,967	\$ (470,734)	\$ 3,432,893	\$ (49,074)	
	<b>Service Revenue Requirement</b>	<b>\$ 129,586,516</b>	<b>\$ 129,258,638</b>	<b>\$ 121,996,943</b>	<b>\$ (7,589,573)</b>	<b>\$ 121,779,520</b>	<b>\$ (217,422)</b>	
7	Revenue Offsets	\$ 5,666,198	\$ 5,666,198	\$ 5,866,199	\$ 200,000	\$ 5,866,199	\$ -	
	<b>Base Revenue Requirement</b>	<b>\$ 123,920,317</b>	<b>\$ 123,592,439</b>	<b>\$ 116,130,744</b>	<b>\$ (7,789,573)</b>	<b>\$ 115,913,322</b>	<b>\$ (217,422)</b>	

**Notes**

1	The decrease in average net fixed assets is the result of: removing stranded meters from Rate Base, decreasing annual CAPEX by \$1.8MM (as agreed to in the Settlement Agreement) , and reducing 2015 opening net fixed assets by \$0.5MM
2	The decrease in working capital base is the net impact of a decrease in OM&A expenses and an increase in Cost of Power expenses due to an increased Load Forecast as per the Settlement Agreement
3	The decrease in working capital allowance is due to the decrease in the working capital factor by 0.7% as identified in Horizon Utilities' response to interrogatory 2-Staff-23
4	The decrease in depreciation is the result of removing stranded meters from Rate Base and decreasing annual CAPEX by \$1.8MM
5	The decrease in OM&A was agreed to in the Settlement Agreement and will be achieved through general cost reductions across the organization
6	The decrease in PILs is the net impact of: the removal of stranded meters from Rate Base, removing the Small Business Tax Credit, and including the full amount of the Apprenticeship Tax Credit as per the Settlement Agreement
7	The increase in revenue offsets was agreed to in the Settlement Agreement and consists mainly of an increase to Revenues from Merchandise
8	The change in Revenue Requirement in the RRWF filed as Appendix D to the Draft Rate Order as compared to that which was filed in the Settlement Agreement is due to the updated 2015 Cost of Capital Parameters.
9	The change in Rate Base in the RRWF filed as Appendix D to the Draft Rate Order as compared to that which was filed in the Settlement Agreement is due to the update to include the 2014 Uniform Transmission Rates.

**Table 6: 2019 Summary of Changes**

2019 Summary of Significant Changes							
Note	Description	Application	Interrogatory Updates	Settlement Agreement	Difference from Application	Draft Rate Order	Difference from Settlement
Rate Base:							
1	Average Net Fixed Assets	\$ 488,337,458	\$ 488,337,458	\$ 476,716,587	\$ (11,620,871)	\$ 476,716,587	\$ -
2/9	Working Capital Base	\$ 669,363,467	\$ 668,566,640	\$ 674,589,556	\$ 5,226,089	\$ 670,941,854	\$ (3,647,702)
	Working Capital Factor	12.70%	12.00%	12.00%	(0.70%)	12.00%	0.00%
3/9	Working Capital Allowance	\$ 85,009,160	\$ 80,227,997	\$ 80,950,747	\$ (4,058,414)	\$ 80,513,023	\$ (437,724)
	<b>Total Rate Base</b>	<b>\$ 573,346,618</b>	<b>\$ 568,565,455</b>	<b>\$ 557,667,334</b>	<b>\$ (15,679,284)</b>	<b>\$ 557,229,610</b>	<b>\$ (437,724)</b>
Revenue Requirement:							
8	Deemed Interest on Debt	\$ 12,571,676	\$ 12,466,840	\$ 12,227,879	\$ (343,797)	\$ 12,157,914	\$ (69,964)
8	Return on Equity (ROE)	\$ 21,466,097	\$ 21,287,091	\$ 20,879,065	\$ (587,032)	\$ 20,728,941	\$ (150,123)
	<b>Total Return on Rate Base</b>	<b>\$ 34,037,773</b>	<b>\$ 33,753,931</b>	<b>\$ 33,106,944</b>	<b>\$ (930,829)</b>	<b>\$ 32,886,856</b>	<b>\$ (220,088)</b>
4	Depreciation	\$ 26,490,670	\$ 26,490,670	\$ 25,278,432	\$ (1,212,239)	\$ 25,278,432	\$ -
5	OM&A	\$ 68,821,878	\$ 68,828,783	\$ 63,238,783	\$ (5,583,095)	\$ 63,238,783	\$ -
	Property Tax	\$ 318,611	\$ 318,611	\$ 318,611	\$ -	\$ 318,611	\$ -
6/8	PILs	\$ 3,966,866	\$ 3,902,330	\$ 3,476,762	\$ (490,104)	\$ 3,422,636	\$ (54,126)
	<b>Service Revenue Requirement</b>	<b>\$ 133,635,798</b>	<b>\$ 133,294,324</b>	<b>\$ 125,419,531</b>	<b>\$ (8,216,267)</b>	<b>\$ 125,145,317</b>	<b>\$ (274,214)</b>
7	Revenue Offsets	\$ 5,753,899	\$ 5,753,899	\$ 5,953,899	\$ 200,000	\$ 5,953,899	\$ -
	<b>Base Revenue Requirement</b>	<b>\$ 127,881,899</b>	<b>\$ 127,540,425</b>	<b>\$ 119,465,632</b>	<b>\$ (8,416,267)</b>	<b>\$ 119,191,418</b>	<b>\$ (274,214)</b>

Notes	
1	The decrease in average net fixed assets is the result of: removing stranded meters from Rate Base, decreasing annual CAPEX by \$1.8MM (as agreed to in the Settlement Agreement) , and reducing 2015 opening net fixed assets by \$0.5MM
2	The decrease in working capital base is the net impact of a decrease in OM&A expenses and an increase in Cost of Power expenses due to an increased Load Forecast as per the Settlement Agreement
3	The decrease in working capital allowance is due to the decrease in the working capital factor by 0.7% as identified in Horizon Utilities' response to interrogatory 2-Staff-23
4	The decrease in depreciation is the result of removing stranded meters from Rate Base and decreasing annual CAPEX by \$1.8MM
5	The decrease in OM&A was agreed to in the Settlement Agreement and will be achieved through general cost reductions across the organization
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9	The change in Rate Base in the RRWF filed as Appendix D to the Draft Rate Order as compared to that which was filed in the Settlement Agreement is due to the update to include the 2014 Uniform Transmission Rates.

1 **DECISION SUMMARIZED BY ISSUE**

2 This Draft Rate Order is presented in order of the issues pertaining to Cost Allocation and Rate  
3 Design, with the Board's Decision on those issues included, as well as Horizon Utilities'  
4 response and action taken per the Decision.

5 **1. The appropriateness of inputs to the cost allocation model, specifically the updated**  
6 **allocation of primary and secondary assets to sub-accounts under the Board's**  
7 **uniform system of accounts**

8 **Board Findings – as per page 5-6 of the Decision**

9 I. Allocation of Primary and Secondary Assets

10 *“The Board finds that the proposed changes to Horizon’s cost allocation methodology is*  
11 *appropriate as it more clearly reflects actual cost causality.”*

12 Horizon Utilities has run the Cost Allocation model with the above-noted changes  
13 incorporated into the models, as accepted by the Board.

14 II. Volumetric Inputs (Load Profiles)

15 *“The Board is sympathetic to Horizon’s difficulty in obtaining updated information for the*  
16 *general service and residential classes, but does not see any advantage in proceeding with*  
17 *partially updated information as the whole exercise is to determine what share each group*  
18 *will pay. Updated current hourly use information data for the large use class should not be*  
19 *used. Until more accurate data is available for all classes Horizon must continue to use the*  
20 *existing load profiles for the purpose of its forecast.”*

21 In accordance with the Board's decision, Horizon Utilities has revised the load profiles used  
22 in the Cost Allocation model. The load profiles that are included in the models in this Draft  
23 Rate Order are based on Horizon Utilities' 2011 Electricity Distribution Rates (“EDR”) Cost of  
24 Service Application (EB-2010-0131), scaled to the 2015-2019 load forecasts as per the  
25 [Board-approved Settlement Agreement](#).

26 In addition, the load profiles for the Large Use (“LU (1)”) and Large Use With Dedicated  
27 Assets (“LU (2)”) classes have been updated to include the customers in the LU (1) class to  
28 the LU (2) class based on defining the LU (2) class as those customers with demand greater

1 than 5MW and who are served with dedicated assets. The coincident and non-coincident  
2 peak demand allocators have been updated using these adjusted load profiles.

3 The live Cost Allocation models filed with this Draft Rate Order include these adjusted load  
4 profile inputs.

## 5 **2. New Standby-Rates**

6 Horizon Utilities currently has an interim standby rate for its GS > 50 – 4,999 kW class.  
7 The rate is based on the variable demand (kW) rate only for that class. There is no fixed  
8 monthly charge. Horizon Utilities applied to expand its standby options to the LU (1)  
9 and LU (2) rate classes, whose loads are 5MW and greater on the same basis as those  
10 available to the GS 50 – 4,999 kW class.

### 11 **Board Findings – as per page 7 of the Decision**

12 *“The Board sees no reason why large use customers should not also have access to*  
13 *this rate if they want it.”*

14 Horizon Utilities has included the new Standby Rate for the LU (1) and LU (2) customer  
15 classes in the Tariff Sheets attached as Appendix B.

## 16 **3. Rate Design**

17 There are three aspects of rate design that were contested;

18 i. The proposed fixed/variable split.

### 19 **Board Findings – as per page 9 of the Decision**

20 *“The Board accepts Horizon’s proposal. While the Board’s current policy direction is to*  
21 *move toward an increased fixed charge, this consideration was not the sole basis upon*  
22 *which the Board reached its Decision. The Settlement Agreement contains a re-opener*  
23 *provision which would address any policy change related to an increased fixed charge.”*

24 Horizon Utilities has attached a summary of the fixed/variable splits as Appendix H.

25 ii. The proposed revenue-to-cost ratios.

26

1 **Board Findings – as per page 10 of the Decision**

2 *“The Board agrees with the proposal by Horizon to bring customer classes whose*  
3 *revenue-to-cost ratios are above the upper boundaries of the Board’s ranges down to*  
4 *the upper boundary and to allocate the associated revenue shortfall to rate classes*  
5 *whose ratios are under 100 percent. Horizon proposes to do this by way of an equal*  
6 *percentage, with the exclusion of the standby class.”*

7 Horizon Utilities has run the Cost Allocation model based on the 2011 load profiles from  
8 its last rebasing application (EB-2010-0131), as identified on page 10 above. Horizon  
9 Utilities has rebalanced the resulting revenue-to-cost ratios in accordance with the  
10 Board’s decision. A summary of the revenue-to-cost ratios is attached as Appendix I.

11 iii. Whether any rate smoothing or mitigation is required.

12 **Board Findings – as per page 12 of the Decision**

13 *“Based on the evidence in this application, the Board is satisfied that rate mitigation is*  
14 *not required.”*

15 No further action was required by Horizon Utilities.

16 **4. Street Lighting**

17 **Board Findings – as per page 13 of the Decision**

18 *“The Board agrees with the ratio of devices to connection as proposed by Horizon. The*  
19 *evidence provided to the Board in the form of the Audit conducted by Horizon is the best*  
20 *information that the Board has before it. To the extent that Horizon and the City contest*  
21 *connections, this appears to be an issue in only a small number of cases.”*

22 Horizon Utilities confirms that it has filed the Cost Allocation Models for 2015-2019 as  
23 Appendix G to this Draft Rate Order, using the as-filed ratio of devices to connection of  
24 1.31:1.

25 **Board Findings – as per page 13 of the Decision**

26 The Board *“urges Horizon to take the necessary steps to make it clear to the City on*  
27 *what basis they are being billed”.*

1 Horizon Utilities will provide a communication to the City to explain the derivation of  
2 rates, once the final Tariff of Rates and Charges has been approved by the Board.

### 3 **5. Creation of Large Use (2) Customer Class**

#### 4 **Board Findings – as per page 15-16 of the Decision**

5 *“The Board finds that the proposal put forward by Horizon to establish a new large use*  
6 *customer class (LU (2)) based on having a capacity greater than 5 Megawatts and using*  
7 *dedicated assets, is appropriate, and reflects the principle of cost causality. The Board,*  
8 *therefore, approves the establishment of the LU (2) customer class.”*

9 Horizon Utilities confirms that it has run the Cost Allocation Model (filed as Appendix G),  
10 conducted rate design (filed as Appendix I), and derived tariffs that are included in the Tariff  
11 of Rates and Charges (attached as Appendix B) using the LU (2) class as defined above  
12 and set out in the Decision of the Board.

#### 13 **Establishment of a New US Steel Variance Account**

#### 14 **Board Findings – as per page 16 of the Decision**

15 *“Horizon only sought the creation of a US Steel variance account in the event that the new*  
16 *LU (2) customer class was not established. As set out above, the Board is approving the*  
17 *establishment of the proposed LU (2) customer class and is therefore not required to make*  
18 *a finding on this issue.”*

19 There is no further action required by Horizon Utilities as a result of this Board finding.

#### 20 **UPDATES FOR UNIFORM TRANSMISSION RATES**

21 As stated at Exhibit 8, Tab 1, Schedule 3 of the prefiled evidence, Horizon Utilities used a  
22 forecast of the Network and Connection rates in lieu of final rates, with the intention to update all  
23 calculations with final rates when available. As agreed upon at page 15 of the [Board-approved](#)  
24 Settlement Agreement, Horizon Utilities has updated all necessary calculations to include the  
25 2014 Hydro One Uniform Transmission Rates (“UTR”). Horizon Utilities had hoped to update  
26 these calculations with the 2015 rates, however, as these rates are not yet final, the 2014 rates  
27 have been used. The impact of this update is an increase of \$33,352 to Revenue Requirement  
28 in 2015 as identified in Appendix J which includes a summary of the changes to the Retail

1 Transmission Service Rates (“RTSR”), Rate Base, Working Capital, and Revenue Requirement  
2 for all years is provided as Appendix D.

### 3 **IMPLEMENTATION**

#### 4 **Board Findings – as per page 17 of the Decision**

5 *“The Board directs Horizon to file a Draft Rate Order complete with detailed supporting*  
6 *material, including all relevant calculations showing the allocation of the revenue*  
7 *requirements from the Settlement Agreement to the classes for 2015 to 2019, the*  
8 *determination of final rates and all approved rate riders, including bill impacts, and a*  
9 *calculation showing reconciliation of the total revenues by class to the revenue*  
10 *requirements. Supporting documentation shall include, but not be limited to, the filing of*  
11 *completed versions of the Revenue Requirement Work Form Excel spreadsheet, and the*  
12 *Cost Allocation Excel spreadsheet reflecting the Board’s findings. Details of the revenue-to-*  
13 *cost ratios and the fixed variable splits are also to be included.”*

14 In filing this Draft Rate Order, Horizon Utilities has provided detailed supporting material,  
15 including all relevant calculations showing the impact of the Board’s Decision on Horizon  
16 Utilities’ proposed revenue requirement, the allocation of the approved revenue requirement to  
17 the classes, and the determination of the final rates.

18 Horizon Utilities intends to implement these changes beginning January 1, 2015.

### 19 **CONCLUSION**

20 Horizon Utilities has fully complied with the Decision and has implemented all of the changes  
21 directed by the Board in the Decision. Details of the changes are discussed above and further  
22 supported by the Appendices and live Excel workbooks accompanying this Draft Rate Order.  
23 Horizon Utilities’ Service Revenue Requirement for the 2015 Rate Year is \$114,327,440 and the  
24 Revenue Requirements for the 2015 – 2019 Rate Years are summarized in Tables 2 – 6.

25 Horizon Utilities has filed detailed supporting material, including all relevant calculations  
26 showing the impact of this Decision on its proposed Revenue Requirement, the allocation of the  
27 approved Revenue Requirement to its customer classes, and the determination of the final  
28 rates, including estimated bill impacts. The supporting documentation includes a completed

1 version of the Board's Revenue Requirement Work Form Excel spreadsheet. Horizon Utilities  
2 has accommodated all revisions to the distribution rates as directed in the Board's Decision.

3 Horizon Utilities has attached, as Appendix B, a Draft Schedule of Rates and Charges prepared  
4 on the basis that Horizon Utilities' new 2015 rates will be effective January 1, 2015, and that  
5 each of the Revenue Requirements for the 2016 – 2019 Years will be recoverable beginning  
6 January 1 of each year with final Rate Orders to be issued each year following the Annual  
7 Adjustment filing. Horizon Utilities has attached the customer bill impacts as Appendix C. The  
8 customer bill impact analysis indicates the change in Horizon Utilities' distribution rates and  
9 other charges effective January 1 of each rate year.

10 Horizon Utilities respectfully submits its draft Schedule of Rates and Charges for 2015, to be  
11 effective January 1, 2015 and each of the Revenue Requirements for the 2016 – 2019 Years to  
12 be recoverable beginning January 1 of each year. Horizon Utilities expects that the final Rate  
13 Orders for each subsequent year will be issued following the approval by the Board of the  
14 Annual Adjustment filing.

15 All of which is respectfully submitted, this 18<sup>th</sup> day of December, 2014 and updated December  
16 24, 2014.

*Original Signed by Indy J. Butany DeSouza*

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