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**BY E-MAIL**

October 15, 2015

Dear Ms. Walli:

**Re: Horizon Utilities Corporation**

 **Application for 2016 Electricity Distribution Rates**

**Board File Number: EB-2015-0075**

In accordance with Procedural Order No. 1, this is notification of the issues OEB staff would like to discuss at the non-transcribed Technical Conference, scheduled for October 23, 2015. In addition, specific questions, where available, have been provided in order to assist the applicant in providing timely and accurate responses. The applicant and all intervenors have been copied on this filing.

* Update to Working Capital Allowance
1. When updating the cost of power for the Working Capital Allowance, please confirm that the forecast of customers and load from the Settlement Agreement Table 29 was used. If not, what changes were made and why?
2. Please provide an updated table equivalent to that provided in Appendix 2-2 of Exhibit 2, Tab 2 in EB-2014-0002.
* Monthly Billing
1. When is Horizon planning to have monthly billing for all Residential and GS < 50 kW fully implemented?
* Deferral and Variance Accounts
1. Please confirm that Table 42 from the Application should be shown as follows (change to the highlighted line):

|  |  |
| --- | --- |
| Description | Amount |
| Group 1 Account Balances as of December 31, 2014 | $7,900,653 |
| Minus 2015 Custom IR Application Disposition (EB-2014-0002) | ($1,517,288) |
| Add 2015 Projected Carry Charges | $109,517 |
| Adjusted Group 1 Account Balances for Disposition | $9,527,458 |

1. Please explain why some of the billing determinants on the 2016 Deferral and Variance Accounts Workform are different from those found in Table 29 of the Settlement Agreement.
* Proposed Tariff Sheet
1. The proposed tariff sheet for Street lighting shows the Service Charge being applied ‘per connection’. Please explain this change from the previous tariff sheet which shows ‘per device’.
2. For classes which do not have Wholesale Market Participants, has Horizon considered combining the two Rate Riders for Disposition of Deferral/Variance Accounts (2016) into one to simplify the tariff?
* Cost of Capital
1. As per the Settlement Agreement, Horizon’s long term debt rate for each year is to be establish as of January 1st of each year and is to be determined based on the weighted average cost of long term debt issued and outstanding for Horizon as of the date of the rate application for that year.
2. Please confirm that this is how the 3.47% rate shown on Table X of the application was calculated and provide the details.
3. Why is the long term debt interest rate shown as 4.77% on the 2016 Income Tax/PILs Workform for 2016 Filers?
* Cost Allocation Model
1. Please explain why the forecasted kWh and kW on Sheet I6.1 for 2016 are different from those in the Settlement Agreement Table 29.
2. Please explain why some of the customer #s on Sheet I6.2 for 2016 are different from those in the Settlement Agreement Table 29.
* Street Lighting Cost Allocation
1. Horizon states that the conversion to LED streetlights results in a demand reduction of 1,600 kW (Tab 2 Page 13).
2. Please explain how this reduction is being determined, e.g. is it # devices x the delta in demand for each light?
3. Please explain how this reductions translates into the 2,198 kW reduction in 1NCP for the street lighting class from the 2016 Cost Allocation model accompanying the Draft Rate order (2014-12-18) and the one filed for the annual update (2105-08-12) (9,706-7,508 = 2,198 kW), and the 1,750 kW per month reduction in sales (109,948-88,948 = 21,000/12=1,750 kW). Note number of devices stays constant at 52,356.
4. Did the City of Hamilton provide supporting evidence of the reduction in 1,600 kW and/or did Horizon verify the reduction in load per light and the #of lights changed?
5. As part of the Settlement Agreement on the Custom IR, the load forecast is not to be updated. When Horizon calculated its new S/L rates, were the forecasted sales for S/L of 109,948 kW from the original evidence used or was the updated sales to reflect the decrease in load due to the conversion program, i.e. 88,948 kW used?
6. Horizon states that with the changes in the SLAF and the load profile, the Revenue/Cost ratio for Street lighting is 160.09% (Tab 2, page 20) and the proposed is 100% after rate design (Tab 2, page 22). Horizon states that they did not reduce the Street lighting percentage to 120%, as would be the norm, because the revenue to cost ratio for Street lighting had been under 100% previously. Can Horizon explain this reasoning further?
7. Horizon is proposing to update the Street lighting load profile but continue to use the load profiles prepared by Hydro One for the 2006 Cost Allocation Informational Filing for all other classes. In the Decision from EB-2014-0002, in response to Horizon’s request to update the Large Users’ load profile, the Board said “Updated current hourly use information data for the large use class should not be used. Until more accurate data is available for all classes Horizon must continue to use the existing load profiles for the purpose of its forecast.”[[1]](#footnote-1) Please explain why the situation with respect to Street lighting is different from the previous situation with the Large Users?

Please note that OEB staff may have further questions arising from the discussions which take place during the Technical Conference.

 Yours truly,

*Original Signed By*

Jane Scott

Project Advisor – Electricity Rates & Prices

1. EB-2014-0002, Decision and Order, December 11. 2014, p. 6 [↑](#footnote-ref-1)