

November 16, 2015

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, Ontario
M4P 1E4

Dear Ms Walli:

Re: EB-2015-0075 – Horizon Utilities Corporation - Distribution Rates 2016

On August 12, 2015, Horizon Utilities Corporation (“Horizon”) filed an application with the Ontario Energy Board (“OEB” or “Board”) for rates effective January 1, 2016. Horizon’s rates are to be derived pursuant to the Settlement Proposal that was approved by the Board through Horizon’s Custom Incentive Rate-setting (“CIR”) application (EB-2014-0002). In addition, the rates are to be consistent with the Board’s Decision in that proceeding on the unsettled cost allocation and rate design issues.

This is the final argument of the Consumers Council of Canada (“Council”) regarding Horizon’s application. The Council’s interest in this proceeding has been to ensure the rate proposals are consistent with the Settlement Proposal and the Board’s Decision. In addition, the Council wanted to assess Horizon’s proposal to recover the costs of implementing monthly billing. Finally, the Council wanted to review Horizon’s plans to implement its transition to a fully fixed charge for residential consumers and communicate with its customers regarding the proposed rate changes.

Submissions:

On November 5, 2015, Horizon revised its application and withdrew its request to recover the costs of moving to monthly billing through the establishment of a deferral account. Given the request to withdraw its request to recover monthly billing costs, the Council has no submissions on this issue.

The Settlement Proposal established a number of annual adjustments for setting rates for each year of the CIR. The Council is of the view that Horizon has made those adjustments appropriately. Those adjustments are for the updated cost of capital parameters using the Board’s parameters issued on October 15, 2015 and the updates to the inputs to its working capital allowance.

The Settlement Proposal also included a requirement for the plan to be “re-opened” under certain circumstances. In this case Horizon has made three adjustments

under this provision. The first is to accommodate the OEB's new policy to move to fully fixed residential rates over a four year period. The second is to implement the Ontario Electricity Support Program ("OESP"). The third is to implement the changes to the OEB's street lighting cost allocation policy.

With respect to the move to fully fixed residential rates the Council has some concerns. Horizon has calculated bill impacts for its customers arising from the move to fully fixed charges correctly, but some customers at the lower consumption levels will be experiencing bill impacts in 2016 that exceed 10%. This is because what the customers will really be seeing will be the impacts, not only of the move to the fixed charge, but also the elimination of the Ontario Clean Energy Benefit ("OCEB"), and the introduction of the planned Ontario Electricity Support Program ("OESP"). For customers at the 221 kWh/month consumption level the actual bill increase in 2016 is 14.02% (Ex. TCQ 5-VECC-7). It is not clear as to whether or not this value also includes the November 1, 2015, Regulated Price Plan increases.

The Council urges the Board to consider the overall bill impact on these customers and approve a move to the fully fixed charge that would bring down the total bill impact for these customers to 10% or less. If the intent of the 10% is to mitigate significant impacts on customers, all of the elements of the bill should be considered.

The Council has no issues with respect to the implementation of the OESP, as proposed by Horizon, and is of the view it is consistent with the approved OEB policy guidelines.

With respect to the changes arising from the issues regarding the Board's new cost allocation for street lighting, the Council does not agree with all of Horizon's proposals. It is important from the Council's perspective that Board's policies are applied appropriately and Board Decisions adhered to. Horizon has changed the load profile and load forecast for the street lighting class, but not for other classes. To the extent this is not consistent with the Board's new policy or the EB-2014-0002 Decision it should not be permitted.

The Council notes that through this application there are significant changes being implemented that, in our view should be communicated to customers. The move to a fully fixed rate and the introduction of the OESP represent changes that will not be explicitly seen on a customer's bill. In addition, commodity rates are going up and will continue to rise. The Council believes that it is imperative that Horizon clearly define for its customers the nature of the new changes and how they will be impacting the bill going forward. During the Technical Conference Horizon indicated that it was developing customer communication materials. The Council encourages Horizon to indicate in its Reply Argument what its intentions are with respect to customer education and communication regarding its current rate proposals. The Board can then assess whether these proposals are sufficient and whether they will address current Board requirements regarding customer

engagement. The Council is particularly concerned about low volume customers who will be seeing their bills increasing over the next few years more than other residential customers.

On a final note the Council has a comment regarding process. This proceeding was scheduled without interrogatories or a transcribed Technical Conference. Although it was intended to be largely a mechanistic rate adjustment process, there were several contentious issues that needed to be resolved. Eliminating both interrogatories and a transcribed technical conference does not allow for a full record to be developed. This resulted in an extraordinary number of Technical Conference undertakings, which was a burden for Horizon. Going forward the Council encourages the Board to ensure that with every application a provision is made for either interrogatories or a transcribed Technical Conference. This will allow for evidence beyond the applicant's proposals to form part of the evidentiary record. We believe this will assist the Board in its decision-making processes.

Yours truly,

Julie E. Girvan

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All parties