November 23, 2015

By RESS and Courier

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

Dear Ms. Walli;

Re: Horizon Utilities Corporation Annual Filing for Electricity Distribution Rates (EB-2015-0075)

Horizon Utilities Corporation ("Horizon Utilities") submitted its first Annual Filing (the "Filing") to its 5 year Custom Incentive Rate-making ("Custom IR") Application (EB-2014-0002) to the Ontario Energy Board ("OEB") for electricity distribution rates ("EDR") effective January 1, 2016 on August 12, 2015.

In response to submissions received from OEB Staff and the Intervenors of Record in this proceeding, and pursuant to Procedural Order #3, please find attached herewith Horizon Utilities' final reply submission in this proceeding.

Two hard copies will be couriered to the OEB.

Please do not hesitate to contact me if you have any questions.

Yours truly,

Original signed by Indy J. Butany-DeSouza

Indy J. Butany-DeSouza, MBA
Vice-President, Regulatory Affairs
Horizon Utilities Corporation
Tel: (905) 317-4765

Attachment

EB-2015-0075

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 of fixing just and reasonable rates and other service charges for the distribution of Electricity as of January 1, 2016.

HORIZON UTILITIES CORPORATION ("HORIZON UTILITIES")
REPLY SUBMISSION
DELIVERED: NOVEMBER 23, 2015

Introduction

Horizon Utilities Corporation ("Horizon Utilities") is a licensed electricity distribution company operating in the City of Hamilton and the City of St. Catharines under Ontario Energy Board ("OEB" or the "Board") Electricity Distribution License ED-2006-0031.

Horizon Utilities' electricity distribution rates were set according to the OEB's Custom Incentive Regulation ("Custom IR" or "CIR") methodology for the 2015-2019 period. Horizon Utilities and the Intervenors in the Custom IR Application (EB-2014-0002) (the "Parties") reached a partial settlement, which was accepted by the OEB. An oral hearing was held on the issues of cost allocation and rate design. The OEB issued its decision on the outstanding issues on December 11, 2015.

On August 12, 2015, Horizon Utilities submitted its first annual filing to its Custom IR Application with the OEB (the "Annual Filing") for an order or orders pursuant to Section 78 of the *Ontario Energy Board Act, 1998* as amended (the "OEB Act") for approval of its electricity distribution rates and other charges, effective January 1, 2016. Horizon Utilities sought adjustments to 2016 rates, in accordance with the Settlement Proposal and the Decision and Order.

On August 27, 2015, Horizon Utilities filed an amendment to the Annual Filing to provide a correction to Appendix C of the evidence. Horizon Utilities participated with Intervenor representatives in a non-transcribed technical conference on October 23, 2015. Subsequently, by way of letter dated November 5, 2015, Horizon Utilities withdrew its request for a deferral account for the costs related to the implementation of monthly billing. Horizon Utilities provided responses to undertakings given at the technical conference (not including those that were no longer relevant following the withdrawal of the request for a deferral account for monthly billing) on November 6, 2015.

Horizon Utilities is in receipt of written submissions from the following:

- OEB Staff;
- Association of Major Power Consumers in Ontario ("AMPCO");
- Building Owners and Managers Association ("BOMA");
- City of Hamilton (the "City");
- Consumers Council of Canada ("CCC");
- Energy Probe Research Foundation ("Energy Probe");
- School Energy Coalition ("SEC"); and
- Vulnerable Energy Consumers Coalition ("VECC")

Horizon Utilities has provided its reply submissions below. For the OEB's assistance, they are organized according to the order of matters set out in the OEB Staff submission.

1. Off-ramps

The Parties to the Settlement Proposal agreed that the OEB's policy in relation to off-ramps, as provided at page 11 of the *Renewed Regulatory Framework for Electricity* ("RRFE"), would continue to apply to Horizon Utilities. Horizon Utilities indicated that it would provide an update on its 2015 results in its 2017 CIR Annual Filing to be filed in 2016.

Submissions of OEB Staff and the Intervenors

OEB Staff supported Horizon Utilities' proposal to provide its 2015 actual results to demonstrate 2015 performance in its next annual update. No other Parties had any submissions.

Horizon Utilities' Reply

Horizon Utilities submits that its proposed approach of providing 2015 results in its 2017 Annual Filing is reasonable, and should be approved by the OEB.

2. Reopeners

The Parties to the Settlement Proposal agreed on a list of reopeners to the Custom IR Application. Horizon Utilities' Custom IR Application included reopeners such as: changes to income tax rates and laws; changes to the Ontario Market Rules or OEB Codes; changes to environmental laws; changes to technical requirements beyond the control of the utility; items that qualified for a Z-factor; accounting framework changes; and changes to the permitted market rates to be charged for wireless pole attachments.

Submissions of OEB Staff and the Intervenors

Horizon Utilities indicated in its Annual Filing that none of the reopeners is applicable for this Annual Filing. OEB Staff agreed with this position.

No other Parties took a position on those reopeners.

Horizon Utilities' Reply

Horizon Utilities concurs with OEB Staff that the above-mentioned reopeners are not applicable to this Annual Filing.

OEB Policy Changes/ Ministerial Directives

Horizon Utilities indicated in its Annual Filing that the Annual Filing was being updated for OEB policy and Ministerial Directive related reopeners. Specifically, the Annual Filing addressed:

a) changes in OEB policy including the *Report of the Board: A New Distribution Rate Design for Residential Electricity Customers* (EB-2012-0410) ("Residential Distribution Rate Design");

b) implementation of Ministerial Directive related to the Ontario Energy Support Program ("OESP"); and

c) the change in OEB policy on cost allocation for Street Lighting issued on June 12, 2015 – *Issuance of New Cost Allocation Policy for Street Lighting Rate Class* (the "New Cost Allocation Policy").

These items are addressed below.

a) Residential Distribution Rate Design

Horizon Utilities indicated in its Annual Filing (Tab 2, page 2-3) that it has incorporated the first year transition adjustment in its proposed rates for 2016. It also indicated that it had conducted analysis on the 10th consumption percentile of energy consuming customers (Tab 2, page 38) and followed the OEB's instructions to consider whether rate mitigation was required if there was greater than a 10% cost of distribution service**.** Horizon Utilities confirmed that the monthly service charge was not increasing by more than $4, nor would the customer at the 10th consumption percentile of electricity consumption have a bill impact of 10% or more.

Submissions of OEB Staff and the Intervenors

OEB Staff, in its submission, identified that the evidence before the Board was that the annual increase in the fixed charge is $2.47 and for the 10th percentile customer the impact to the change in distribution service cost, inclusive of the change in rate design, was 4.95%[1]. OEB Staff agreed with Horizon Utilities that rate mitigation is not required based on the conditions set out in the filing requirements related to the transition to a residential fixed rate.

AMPCO identified that Horizon Utilities provided a response to a Technical Conference Undertaking, JTC 3 b), which incorporated all bill impact changes that would affect customer bills as of January 1, 2016[2]. The bill impact analysis showed that the total bill impact for the 10th percentile customer (consumption of 221 kWh) was 14.02%[3]. AMPCO submitted that Horizon Utilities should include all of these changes in its total bill impacts in the draft Rate Order and provide mitigation for the 10th percentile customer and any other residential customers where the total bill impacts exceed 10%.

Similarly, CCC and Energy Probe indicated that the OEB should consider the overall bill impact for these customers and approve a move to a fully fixed charge that would bring down the total bill impact for these customers to 10% or less.

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[1] EB-2015-0075, Response to JTC 3 a), November 6, 2015
[2] The impacts included the elimination of the Debt Retirement Charge ("DRC") for residential customers; the inclusion of the Ontario Clean Energy Benefit ("OCEB") in 2015 versus the elimination of the OCEB in 2016; the implementation of the OESP charge estimated at $0.00145/kWh at the time the bill impacts were prepared.
[3] Horizon Utilities' Response to Technical Conference Question 5-VECC-7

VECC identified this concern and submitted on page 14 of its submission that "*ways to address the excessive bill impact in 2016 would be to either delay the start of the implementation by one year or implement less than 25 [%] of the transition in the first year*.[4]"

Horizon Utilities' Reply

Horizon Utilities considered customers at all consumption levels in filing for the implementation of the first year of the fixed distribution rate in its Annual Filing. Horizon Utilities has followed the OEB's Filing Requirements and direction in this regard, and has assessed the combined effects of the shift to fixed rates and other bill impacts associated with changes in the cost of distribution service for 2016. That impact is $2.47 (or 4.95%)[5] for the 10th percentile customer at a consumption of 221 kWh/month, an amount well below the Board's $4.00/month (or 10%) mitigation threshold. Horizon Utilities submits that it has implemented the changes in a manner consistent with OEB policy.

Horizon Utilities submits that the Intervenors' use of bill impact information that includes all changes to the customer's bill is not consistent with the OEB's methodology. However, in the event that the OEB determines that mitigation is necessary, Horizon Utilities suggests introducing the residential distribution fixed rate design over a three year period commencing January 1, 2017, with changes in rates determined based on the OEB's methodology in Appendix 2-PA – New Rate Design Policy for Residential Customers.

b) Ontario Electricity Support Program

Horizon Utilities has identified in its Annual Filing that it is seeking the OEB's approval for the implementation of the OESP rate as of January 1, 2016, to be recovered as a volumetric charge from all rate classes. At the time of the submission of the Annual Filling, Horizon Utilities identified that the final charge was not known but that the charge had been estimated at $0.00145/kWh. In its Decision and Order (EB-2015-0294) dated November 19, 2015, the OEB ordered that the OESP charge used by rate-regulated distributors to bill their customers shall be $0.0011/kWh, effective January 1, 2016. Horizon Utilities indicated that it would update the cost of power, revenue requirement and Tariff of Rates and Charges in preparing the draft Rate Order.

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[4]VECC Submission, Section 4, November 16, 2015
[5] Horizon Utilities' Response to JTC 3(a), November 6, 2015

Submissions of OEB Staff and the Intervenors

OEB Staff identified that it did not support the update to the Cost of Power for the OESP charge due to the non-materiality and uncertainty of the net impact of the OESP on a utility's lead/ lag calculations.

AMPCO indicated in its submission that it supported Horizon Utilities' plan to update the Cost of Power, revenue requirement and Tariff of Rates and Charges in preparing the draft Rate Order. CCC identified that it had no issues with Horizon Utilities implementation of the OESP, citing that it was consistent with the approved OEB policy guidelines.

Horizon Utilities' Reply

Horizon Utilities' Annual Filing included the adjustment to the revenue requirement to incorporate changes to the working capital allowance portion of rate base[6], as a result of changes to the Cost of Power flow-through costs. These adjustments were consistent with the annual adjustments agreed to by the Parties in Horizon Utilities' Custom IR Application (EB-2014-0002), in the OEB approved Settlement Agreement. Horizon Utilities identified that the OESP charge, a flow-through charge which impacts the Cost of Power, had not been incorporated as yet. Horizon Utilities stated that it would incorporate this change in the drafting of the Rate Order, for the OEB's approval.

Horizon Utilities disagrees with OEB Staff that the materiality of the item is sufficient reason not to make the adjustment. As noted above, this is a component of Cost of Power, and Cost of Power is in turn a component in the agreed-upon update to the working capital allowance per the Settlement Agreement. Horizon Utilities reiterates that now that the OEB has determined the rate, it will incorporate the change into the computations of the Cost of Power, revenue requirement and Tariff of Rates and Charges. Additionally, Horizon Utilities will also incorporate the reduction in the Wholesale Market Service Charge from $0.0044/kWh to $0.0036/kWh as identified by the OEB in its Decision and Order (EB-2015-0294), issued on November 19, 2015.

[6] EB-2015-0075, Tab 2, page 41-42

c) Cost Allocation for Street Lights

Horizon Utilities will address all street lighting-related matters, including those discussed in section 5 of the OEB Staff submission (update to street lighting load profile) in the following section.

On June 12, 2015, the OEB issued a New Cost Allocation Policy for Street Lighting. It required distributors to update the cost allocation model to incorporate a street light adjustment factor ("SLAF") for allocating costs rather than using a methodology based on the number of Street Lighting connections. The OEB's New Cost Allocation Policy for Street Lighting also spoke to the matter of updates to distributor load profiles for its customer classes.

Horizon Utilities implemented the SLAF in the cost allocation model. As a result of implementing that change, the revenue to cost ratio ("RCR") for Street Lighting increased to 160.09% from 81.35%**.** In accordance with the New Cost Allocation Policy for Street Lighting, Horizon Utilities narrowed the RCR range for the class from 70%-120% to 80%-120%. In order to bring the Street Lighting class into the OEB approved range, Horizon Utilities moved the Street Lighting RCR to 120%. In the Annual Filing, Horizon Utilities has proposed a further move in the RCR for the Street Lighting class to 100%.

Finally, Horizon Utilities also proposed the inclusion of a reduction in demand for the Street Lighting class, i.e., a change to the load profile, as a result of the installation of the LED lights, a conservation initiative undertaken by the City of Hamilton.

Submissions of OEB Staff and the Intervenors

All Parties submitted that Horizon Utilities has correctly implemented the SLAF in the cost allocation model. Parties also supported Horizon Utilities' implementation of the RCR at 120%.

The City supports the use of a RCR of 100% and agreed with Horizon Utilities that it reflects a "comprehensive approach to establishing appropriate rates for the Street Lighting class" as stated in Horizon Utilities' response to Technical Conference Undertaking JTC23**.** OEB Staff recommended that the RCR be adjusted to 120% in 2016, but went on to suggest that the move from an RCR of 120% to 100% could be phased in over subsequent years in conjunction with other updates, if supported by further data.

AMPCO, BOMA, Energy Probe, SEC and VECC opposed the movement of the RCR for the Street Lighting class from 120% to 100% indicating that there is no evidence to support this change. CCC disagreed with any proposals that were inconsistent with the OEB's new policy or the Custom IR Application Decision.

The City supports the reduction in demand and change in the load profile for the Street Lighting class, in recognition of the LED street light deployment conservation measures that it has undertaken.

OEB Staff and all intervenors other than the City were opposed to the change in load profile for the Street Lighting class.

Horizon Utilities' Reply

Horizon Utilities submits that it has implemented the SLAF, consistent with the approach provided in the OEB's New Cost Allocation Policy for Street Lighting, and that its implementation of the SLAF should be approved by the OEB.

In its Annual Filing, Horizon Utilities identified that the Street Lighting class had experienced substantial rate volatility over the years. In 2008, the class had a RCR of 15.6%[7]. In its Decision on Horizon Utilities' 2008 Cost of Service Application (EB-2007-0697), the OEB had recommended the movement of the RCR to the (then) bottom end of the OEB range, and that such movement be phased in. Horizon Utilities phased in the RCR to 70% by 2010.

In implementing the New Cost Allocation Policy, the result is that the RCR for Street Lighting is 160.09%. The requirement, as a first step is to move the RCR to the top of the OEB approved range, i.e., to 120%.

Horizon Utilities submits that in recognition of the rate volatility that the class has experienced it is appropriate instead to set the RCR for the Street Lighting class to 100%. Horizon Utilities provided the following in response to Technical Conference Question 13 by OEB Staff on the proposed movement of the RCR for Street Lighting from 120% to 100%:

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[7] EB-2015-0075, Tab 2, page 20

> *The cost allocation methodology applicable to the street lighting class has been contested and under review for many years. It was under the previous, contested methodology that Horizon Utilities' rates for its street lighting customers were raised by over 800%. As a result of this dramatic escalation in the street lighting rates, the recent implementation of the Street Light Adjustment Factor approach to setting rates for the street lighting class has produced a revenue to cost ratio of 160.[0]9%. If the new policy had been in place previously, the street lighting ratio would likely have remained well below 100%. The bottom end of the approved range was previously 70%.*
>
> *In recognition of this rate volatility that has been a direct consequence of the contested methodology for setting street lighting rates, Horizon Utilities is proposing to move the street lighting class to a revenue to cost ratio of 100%. Horizon Utilities is aware that normally, if the Cost Allocation model produced a result of 160.09% as the current Cost Allocation Model shows for the street lighting class, the policy would be to move the street lighting class to the top end of the OEB's range. This would result in a revenue to cost ratio of 1[2]0% for the street lighting class.*
>
> *Given the unique history of the cost allocation methodology for the street lighting class, Horizon Utilities believes that it is just and reasonable to move the class to a revenue to cost ratio of 100% at this time, rather than 120% that would apply in the absence of these unique circumstances.*[8]

Horizon Utilities submits that it is appropriate to set the RCR for the Street Lighting class at 100% for setting rates for 2016. Should the OEB determine that it is appropriate instead to migrate to 100% more gradually (as it has previously done in phasing in a change in RCR), Horizon Utilities submits that the OEB should direct that the Street Lighting RCR be set at 120% for rates effective January 1, 2016, 110% for rates effective January 1, 2017 and 100% for rates effective January 1, 2018.

Horizon Utilities has also updated the load profile for the Street Lighting class in the cost allocation model as a result of the implementation of LED street lights by the City of Hamilton, as identified in Tab 2, Pages 4-5 of the Annual Filing. This adjustment was made along with the changes flowing from the New Cost Allocation Policy changes for Street Lighting.

Horizon Utilities submits that it is appropriate to make such an adjustment for this class at this time as it is being undertaken at the same time as the other OEB policy changes on cost allocation

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[8] Horizon Utilities' Response to OEB staff Technical Conference Question 13.

for the class. This does provide a unique circumstance for the action to be undertaken: i) at this time; and ii) for the Street Lighting class. In Horizon Utilities' view, this is different from the circumstance in its Custom IR Application for the Large Use customer classes. At that time, Horizon Utilities had updated the load profile for the Large Use customer classes only as they were the only classes for which such information was available.

In releasing the New Cost Allocation Policy for Street Lighting in June 2015, the OEB has revised the approach to rate setting for the class. Horizon Utilities therefore believes that not updating the Street Lighting load profile at this time would be inconsistent with a comprehensive approach to reviewing and revising the treatment of the Street Lighting class.

With respect to the updating of the cost allocation models for 2017-2019, OEB Staff submitted that Horizon Utilities' SLAF and use of version 3.3 of the cost allocation model could be approved for 2017-2019, subject to any future revisions to the cost allocation policy or models that the OEB would determine should be implemented during a Custom IR rate plan term, but did not support the updates to the City's street lighting demand. Energy Probe and VECC also supported the use of the up to date models, but they and all other Intervenors, with the exception of the City, did not support updating the City's street lighting demand.

For the reasons discussed above, Horizon Utilities submits that it remains appropriate for the OEB to approve the 2017-2019 cost allocation models as included in its Annual Filing, including all of the five updates requested by Horizon Utilities. Specifically, Horizon Utilities included in its Annual Filing the cost allocation models for 2017-2019 and requested that they be approved for:

i) The implementation of the SLAF;

ii) Use of the OEB's version 3.3 cost allocation model;

iii) Street lighting demand and consumption updated for revised City of Hamilton Street Lighting Demand of 59,684kW per year, as entered on tab "I6.1 Revenue" in the Cost Allocation models;

iv) Street lighting demand allocators updated for revised City of Hamilton Street lighting demand of 59,684kW per year, as entered on tab "I8 Demand Data" in the cost allocation models; and

v) 2016 distribution rates, updated for revised City of Hamilton street lighting demand 59,684kW per year, to be used as the starting point for rate design for 2017-2019.

3. Annual Adjustments

Horizon Utilities' OEB approved Settlement Agreement provided for annual adjustments in the Custom IR rate plan term. Horizon Utilities sought approval, in its Annual Filing, for such adjustments, as follows:

a) Changes in the Cost of Capital

Horizon Utilities identified in its Annual Filing that it would update the Cost of Capital Parameters. The OEB released the Cost of Capital Parameters on October 15, 2015. Horizon Utilities updated the Cost of Capital Parameters and the stranded meter rate rider for the change in the Cost of Capital Parameters in its responses to JTC 16 and JTC 10.

Submissions of OEB Staff and the Intervenors

OEB Staff indicated that Horizon Utilities had correctly updated its Cost of Capital Parameters and the stranded meter rate rider for the Cost of Capital parameters.

AMPCO submitted that Horizon Utilities should make the Cost of Capital update and the stranded meter rate rider update. EP indicated in its submission that Horizon Utilities has made the adjustment to the short term debt rate according to the updated Cost of Capital Parameters in accordance with the settlement agreement. Further, it identified that Horizon Utilities had done so correctly and that the OEB should approve the rider.

Horizon Utilities' Reply

Horizon Utilities submits that it has appropriately updated the Cost of Capital Parameters and the stranded meter rate rider, and that both of these should be approved by the OEB.

b) Changes to the Working Capital Allowance

Horizon Utilities has updated the Working Capital Allowance as follows:

i) Retail Transmission Service Rates have been updated to incorporate 2014 demand and 2015 Hydro One Uniform Transmission Rates;

ii) The Smart Metering Entity Charge has been updated to incorporate 2014 Residential and GS < 50 kW customer count;

iii) The Cost of Power has been updated for the November 1, 2015 RPP prices; and

iv) The ratio of RPP vs. non-RPP volumes has been updated for 2014 actuals.

Submissions of OEB Staff and the Intervenors

OEB staff did not make any submissions with respect to the changes. AMPCO supports the update to the RTSRs.

Horizon Utilities' Reply

Horizon Utilities submits that the above-mentioned updates to the Working Capital Allowance are consistent with the OEB approved Settlement Agreement and should be approved.

c) Changes in Tax Rates

Horizon Utilities did not make any changes as a result of changes in tax rates.

d) Changes in Other Third Party Pass Through Charges

Horizon Utilities has made adjustments to the calculation of the cost of power for the working capital allowance (see item (b) above). Horizon Utilities proposed that it would make changes in conjunction with the OESP charge, which the OEB determined on November 19, 2015. The OEB also included in its November 19, 2015 Decision and Order (EB-2015-0294) a change to the Wholesale Market Service ("WMS") Charge. The WMS Charge was revised to $0.0036/kWh. Horizon Utilities proposes making the amendments to these charges in the draft Rate Order. The Tariff of Rates and Charges should also be updated for the changes. No further changes to pass through charges were made.

e) Earnings Sharing Mechanism ("ESM")

Horizon Utilities' Annual Filing included evidence that, absent the 2015 results, a reporting on the ESM was not applicable.

Submissions of OEB Staff and the Intervenors

OEB Staff and AMPCO identified in their submissions that the ESM is not applicable to the Annual Filing.

Horizon Utilities' Reply

Horizon Utilities submits that the ESM is not applicable to the Annual Filing.

f) Capital Investment Variance Account ("CIVA")

Horizon Utilities identified in its Annual Filing that since 2015 capital additions are not available there is nothing to report for the CIVA.

Submissions of OEB Staff and the Intervenors

OEB Staff and AMPCO identified in their submissions that the CIVA is not applicable to the Annual Filing.

Horizon Utilities' Reply

Horizon Utilities submits that the CIVA is not applicable to the Annual Filing.

g) Efficiency Adjustment

Horizon Utilities' Settlement Agreement included an Efficiency Adjustment if Horizon Utilities was placed in a less efficient OEB cohort. Horizon Utilities' starting point was Cohort III. Horizon Utilities identified in its Annual Filing that the latest version of the *Board's Empirical Research in Support of incentive Rate-Setting: 2014 Benchmarking Update for Determination of Stretch Factor Assignments for 2016* (the "Benchmarking Update"), which was issued on July 30, 2015, had placed Horizon Utilities is Cohort III. Horizon Utilities identified that no Efficiency Adjustment was to be made in the Annual Filing for 2016.

Submissions of OEB Staff and the Intervenors

OEB Staff confirmed that as the 2014 Benchmarking Update placed Horizon Utilities in Cohort III, no efficiency adjustment was made to the revenue requirement for the 2016 rate year. In its submission, AMPCO agreed with Horizon Utilities, that no Efficiency Adjustment was required.

Horizon Utilities' Reply

Horizon Utilities submits that no Efficiency Adjustment is to be made for 2016.

4. Disposition of Group 1 Deferral and Variance Accounts

Horizon Utilities included in its Annual Filing a request for the disposition of Group 1 accounts over a one year period in the amount of $9,527,458, including carrying charges projected to December 31, 2015. Horizon Utilities identified that the balance exceeds the disposition threshold of $0.001/kWh.

Submission of OEB Staff

OEB Staff identified that Horizon Utilities had correctly computed the rate riders to recover the balances from Wholesale Market Participants, Regulated Price Plan ("RPP") and non-RPP customers.

Horizon Utilities' Reply

Horizon Utilities submits that it has correctly computed its rate riders for recover from Wholesale Market Participants, RPP and non-RPP customers. Horizon Utilities had filed a response to Undertaking JTC 11 in which it clarified that the Global Adjustment Rate Rider would apply only to non-RPP Class B Consumers as of December 31, 2014. It also indicated that it would make an adjustment to the Tariff of Rates and Charges making this distinction.

Horizon Utilities requests that the Board approve the proposed disposition of its Group 1 Deferral and Variance Account balances.

5. Other Matters

a) Monthly Billing Deferral Account

Horizon Utilities included in its Annual Filing a request for an Accounting Order to establish a deferral account to record incremental capital and operating costs related to the OEB's initiative to implement monthly billing for Residential and GS<50 kW customers by December 31, 2016. Horizon Utilities withdrew its request for a deferral account by way of letter to the OEB dated November 5, 2015. A copy of that letter was sent by email to OEB staff and the Intervenors immediately after it was filed through the OEB's RESS system. The Board acknowledged the withdrawal of this request in Procedural Order No. 3, issued on November 9, 2015.

The BOMA Submission

OEB Staff acknowledged Horizon Utilities' request to withdraw the deferral account-related Accounting Order. AMPCO supported Horizon Utilities' request to withdraw the deferral account. CCC identified that, given the withdrawal, it had no submissions on this issue.

At least half of the BOMA submission in this proceeding, filed on November 17, 2015, consisted of an argument against the deferral account, notwithstanding that Horizon Utilities had withdrawn its request almost two weeks earlier. At no point did BOMA acknowledge in its submission that this request for the deferral account had been withdrawn.

Horizon Utilities' Reply

Horizon Utilities notified the OEB withdrawal of the request for the deferral account on November 5, 2015. The request is no longer before the OEB; accordingly, Horizon Utilities has no further comment on this matter and submits that no reply to the BOMA submission in that regard is necessary.

b) Working Capital Allowance Percentage

Horizon Utilities' Annual Filing and the computations contained therein are based on a Working Capital Allowance ("WCA") Percentage of 12%. This WCA Percentage was based on a Lead/ Lag Study completed by Navigant and filed with the OEB as part of Horizon Utilities' Custom IR Application. The WCA Percentage was accepted at 12% as part of the OEB approved Settlement Agreement. Horizon Utilities did not have a reopener nor did it have an annual adjustment for the WCA Percentage as part of the Settlement Agreement.

Submissions of OEB Staff and the Intervenors

OEB Staff did not make a submission on this issue.

BOMA, in its discussion of the (no longer requested) deferral account for monthly billing, indicated that the OEB had issued an update to its default WCA Percentage in a letter dated June 3, 2015. BOMA also indicated that Horizon Utilities had filed a Lead/Lag study in its Custom IR Application in which the WCA Percentage based on monthly billing would be 8.7%. BOMA submitted that the WCA Percentage should be adjusted since it qualified as a Z-factor event.

AMPCO submitted that Horizon Utilities should adjust its WCA Percentage to 8.7% on the basis that it is part of the definition of the annual adjustments included in Horizon Utilities' Custom IR Application at Exhibit 1, Tab 12, Schedule 1 – Adjustments which stated "annual adjustments as identified by the Board in developing the Custom IR Application process".

Horizon Utilities' Reply

The OEB issued a letter on June 3, 2015 in which it identified that it was changing its default WCA Percentage rate to 7.5%. In that letter, the OEB clearly communicated that its expectation going forward is that distributors filing a Custom IR application would "*file evidence in support of their requested working capital allowance, rather than the use of the default value*". Horizon Utilities was the first distributor to file a complete Custom IR Application with the OEB and filed a Lead/ Lag study in support of its WCA Percentage in its Custom IR Application. In its letter, the OEB also provided clear direction on the implementation of the policy change. It stated that "*[c]hanges to working capital allowance costs will be implemented only in cost of service and Custom IR applications unless otherwise determined by the OEB in a prior decision.*"

Contrary to the submission made by BOMA, the 8.7% WCA Percentage was not based on a Lead/ Lag study by Navigant. Horizon Utilities estimated the change to the WCA Percentage with the implementation of monthly billing in response to Interrogatory 2-EP-11(b) in its Custom IR Application.

Horizon Utilities respectfully submits that the OEB, in its June 2015 letter on this item, identified that adjustments to the WCA Percentage would only be made in a rebasing application unless otherwise provided for. No such provision exists in Horizon Utilities' case. Horizon Utilities has an OEB approved Settlement Agreement in which the WCA Percentage was set at 12% and fixed without a reopener for this item. Therefore, Horizon Utilities' rates should continue to be based on the WCA Percentage that was included in the Settlement Agreement with the Parties and as approved by the OEB.

Conclusion

Horizon Utilities submits that the relief requested in this Annual Filing, as updated and provided in its responses to Technical Conference Questions filed October 23, 2015, and Technical Conference Undertakings filed November 6, 2015, is just and reasonable. Horizon Utilities filed its Annual Filing in advance of the cycle of IRM Applications for 2016 and has adhered to the procedural steps, as defined by the OEB in this proceeding. Horizon Utilities requests that the OEB direct it to prepare a draft Rate Order that implements the requested relief with an effective date of January 1, 2016.

In the event that the OEB is unable to issue a final Rate Order in time for the implementation of rates effective January 1, 2016, Horizon Utilities respectfully requests that the OEB declare Horizon Utilities' current rates interim and provide for a rate rider that would enable Horizon Utilities to recover the forgone incremental revenue for the period between January 1, 2016 and the implementation date of the final Rate Order.

Horizon Utilities trusts that it will have the opportunity to make submissions on all Intervenor cost claims in this proceedings.

ALL OF WHICH IS RESPECTFULLY SUBMITTED THIS 23rd DAY OF NOVEMBER, 2015.

Original Signed by Indy J. Butany-DeSouza

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