Ontario Energy Board
P.O. Box 2319
27th. Floor
2300 Yonge Street
Toronto ON M4P 1E4
Telephone: 416- 481-1967
Facsimile: 416- 440-7656
Toll free: 1-888-632-6273

Commission de l'Énergie de l'Ontario
C.P. 2319
27em étage
2300, rue Yonge
Toronto ON M4P 1E4
Téléphone; 416- 481-1967
Télécopieur: 416- 440-7656
Numéro sans frais: 1-888-632-6273

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Ontario

BY EMAIL

October 23, 2008

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

Dear Ms. Walli:

Re: **Horizon Utilities Corporation 2008 Electricity Distribution Rates Application**
Board File No. EB-2007-0697
Board Staff submission on Horizon Utilities Corporation draft Rate Order

Please see attached Board staff's submissions on the draft rate order submitted by Horizon Utilities Corporation on October 17, 2008 in regard to the above noted proceeding. Please forward the attached to Horizon Utilities Corporation and all intervenors of record in this proceeding.

Yours truly,

Original Signed By

Khalil Viraney
Case Manager

EB-2007-0697
Horizon Utilities Corporation
2008 Electricity Distribution Rates

Board Staff Comments on the Draft Rate Order October 17, 2008

Board staff has reviewed Horizon's Draft Rate Order as submitted on October 17, 2008. While the Draft Rate Order essentially complies with the Board's Decision on this Application, staff would like to bring the following issue to the Board's attention.

In its Argument-in-Chief and Reply Argument, Horizon proposed that its new rates be implemented effective May 1, 2008 and that its rate order provide for a rate rider that will enable Horizon to recover its revenue requirement shortfall for the period between May 1, 2008 and the date new rates are implemented. The Board accepted Horizon's proposal regarding new rates being made effective May 1, 2008 and the recovery of the revenue shortfall arising in the period between May 1, 2008 and the implementation of the new rates.

As per Appendix F of the Draft Rate Order, Horizon Utilities is proposing to track the revenue requirement billed to customers through the rate rider in a variance account. When all customers have been billed under the 2008 rate structure, Horizon Utilities will use the actual data billed during the billing periods covering December 1, 2008 to April 30, 2009 to calculate the actual amount of revenue requirement shortfall recovered by the rate rider compared to the actual amount of revenue requirement shortfall for the period May 1, 2008 to November 30, 2008, $1,495,598 (as per Table 5 of Appendix F). As not all customers will be billed through the 2008 rate structure until after June 2009 because of bi-monthly billing, Horizon Utilities is proposing to maintain this variance account for future disposition of any over or under recovery of its revenue requirement shortfall.

Board staff is unaware of any Board precedent in the electricity distribution sector which has allowed the true-up of a Board approved revenue requirement through a deferral/variance account. No such true-up of revenue requirement has been directed by the Board in several similar 2008 EDR decisions. For example, in Norfolk Power Distribution Inc.'s (Norfolk Power) 2008 EDR decision [EB-2007-0753], the Board approved an effective date of July 1, 2008 and an implementation date of September

1, 2008. The Board directed Norfolk Power to recover foregone distribution revenue between these dates and accepted the implementation of rate riders to capture this foregone distribution revenue. The Board did not direct Norfolk Power to use a variance account to true-up the difference between actual recoveries and the Board approved foregone distribution revenue.

Board staff submits that if an explicit account is approved to capture this variance, account 1574, Deferred Rate Impact Amounts, may be used to record this variance.