



RP-2005-0020
EB-2005-0375

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

AND IN THE MATTER OF an Application by Horizon
Utilities Corporation for an order or orders approving or
fixing just and reasonable distribution rates and other
charges, effective May 1, 2006.

BEFORE: Paul Vlahos
Presiding Member

Bob Betts
Member

DECISION AND ORDER

Horizon Utilities Corporation (“Horizon” or the “Applicant”) is a licensed distributor providing electrical service to consumers within its defined service area. Horizon filed an Application (the “Application”) with the Ontario Energy Board (the “Board”) for an order or orders approving or fixing just and reasonable rates for the distribution of electricity and other matters, to be effective May 1, 2006.

Horizon is one of over 90 electricity distributors in Ontario that are regulated by the Board. To streamline the process for the approval of distribution rates and charges for these distributors, the Board developed and issued the 2006 Electricity Distribution Rate Handbook (the “Handbook”) and complementary spreadsheet-based models. These materials were developed after extensive public consultation with distributors, customer groups, public and environmental interest groups, and other interested parties. The

Handbook contains requirements and guidelines for filing an application. The models determine the amounts to be included for the payments in lieu of taxes (“PILs”) and calculate rates based on historical financial and other information entered by the distributor.

Also included in this process was a methodology and model for the final recovery of regulatory assets flowing from the Board’s decision dated December 9, 2004 on the Review and Recovery of Regulatory Assets – Phase 2 for Toronto Hydro, London Hydro, Enersource Hydro Mississauga and Hydro One Networks Inc. In Chapter 10 of the decision, the Board outlined a Phase 2 process for the remaining distributors. By letter of July 12, 2005, the Board provided guidance and a spreadsheet-based model to the distributors for the inclusion of this recovery as part of their 2006 distribution rate applications.

As a distributor that is embedded in Hydro One Network’s low voltage (“LV”) system, the Applicant has included the recovery of certain Regulatory Assets that have been allocated by Hydro One Networks. The amount claimed by the Applicant was provided by Hydro One Networks as a reasonable approximation of the actual amount that Hydro One Networks will assess the Applicant. To the degree that the amount differs from the actual amount approved for Hydro One Networks in another proceeding (RP-2005-0020/EB-2005-0378), this difference will be reconciled at the end of the Regulatory Asset recovery period, as set out in the Phase II regulatory assets decision issued on December 9, 2004 (RP-2004-0064/RP-2004-0069/RP-2004-0100/RP-2004-0117/RP-2004-0118).

In its preliminary review of the 2006 rate applications received from the distributors, the Board identified several issues that appeared to be common to many or all of the distributors. As a result, the Board held a hearing (EB-2005-0529) to consider these issues (the “Generic Issues Proceeding”) and released its decision (the “Generic Decision”) on March 21, 2006. The rulings flowing from that Generic Decision apply to this Application, except to the extent noted in this Decision. The Board notes that pursuant to ss. 21 (6.1) of the Ontario Energy Board Act, 1998, and to the extent that it is pertinent to this Application, the evidentiary record of the Generic Issues Proceeding is part of the evidentiary record upon which the Board is basing this Decision.

In December 2001, the Board authorized the establishment of deferral accounts by the distributors related to the payments that the distributors make to the Ministry of Finance in lieu of taxes. The Board is required, under its enabling legislation, to make an order with respect to non-commodity deferral accounts once every twelve months. The Board has considered the information available with respect to these accounts and orders that the amounts recorded in the accounts will not be reflected in rates as part of the Rate Order that will result from this Decision. The Board will continue to monitor the accounts with a view to clearing them in due course.

Public notice of the rate Application made by Horizon was given through newspaper publication in its service area. The evidence filed was made available to the public. Interested parties intervened in the proceeding. The evidence in the Application was tested through written interrogatories from Board staff and intervenors, and intervenors and the Applicant had the opportunity to file written argument. While the Board has considered the entire record in this proceeding, it has made reference in this Decision only to such evidence and argument as is necessary to provide context to its findings.

Horizon has requested an amount of \$92,622,741 as revenue to be recovered through distribution rates and charges. Included in this amount is a credit of \$1,774,686 for the recovery of regulatory assets. Except where noted in this Decision, the Board finds that Horizon has filed its Application in accordance with the Handbook and the guidelines for the recovery of regulatory assets.

Notwithstanding the Horizon's general compliance with the Handbook and associated models, in considering this Application the Board reviewed the following matters in detail:

- Low Voltage Rates;
- Rate Harmonization; and
- Impact of the Generic Decision (EB-2005-0529).

Low Voltage Rates

Horizon included in its Application recovery of ongoing Low Voltage ("LV") charges that Hydro One Networks will be levying on Horizon for Low Voltage wheeling distribution services provided to Horizon.

The Board notes that this estimate reflects Hydro One Networks' current approved LV rate of \$0.56/kW. The Board further notes that Hydro One Networks applied for an LV rate of \$0.63/kW in its 2006 rate application RP-2005-0020/EB-2005-0378, and the Board has approved this rate.

The Board is of the view that the LV adjustment that Horizon has included in its Application is insufficient to recover its expected LV charges in 2006, as this amount does not reflect the updated Hydro One Networks rate. Although the Generic Decision provides that embedded distributors are to track differences between LV costs charged by the host distributor(s) and corresponding revenues recovered from ratepayers, the Board seeks to minimize systemic sources of variance. The Board is of the view that Horizon's rates should reflect the LV rates authorized by the Board for the host distributor. Accordingly, the Board has revised the amount for LV charge recovery in Horizon's revenue requirement.

Rate Harmonization

Horizon was established in March 2005 through the amalgamation of its predecessor distribution corporations, Hamilton Hydro Inc. and St. Catharines Hydro Utility Services Inc., upon approval of the Board in the EB-2004-0504 proceeding. Since amalgamation, Horizon has continued to charge the Board-approved rates of the predecessor distribution utilities, as applicable in the service areas of Hamilton and St. Catharines. Rates, charges and loss factors charged to or reflected in the amounts charged to customers in the two service areas differed.

In its Application, Horizon has proposed to harmonize rates for St. Catharines and Hamilton. However, Horizon has used the historical 2004 test year approach documented in the Handbook in proposing its rates. To accomplish this, Horizon created 2004 pro forma financial data by aggregating the historical data of the predecessor distributors. Horizon has made certain adjustments to this pro forma data to reflect circumstances applicable to Horizon as it is currently structured and operating.

Horizon has also submitted, both in its initial Application and in response to interrogatories, additional analyses to allow comparison of its proposed harmonized rates with the separate currently approved rates for the St. Catharines and Hamilton service areas.

Both the Vulnerable Energy Consumers Coalition and School Energy Coalition supported Horizon's proposed harmonization, on the basis of reducing rate variability in Ontario.

The Board notes that Horizon's proposal for harmonization results in bill reductions, based upon commodity prices at the time of the Application, for most customers in both the St. Catharines and Hamilton service areas. While some of the rate changes are not driven specifically by harmonization, the Board finds that Horizon's proposal for harmonization does generally benefit its ratepayers. The Board approves Horizon's rate harmonization proposals..

Consequences of the Generic Decision on this Application

The Generic Decision contains findings relevant to funding for smart meters for electricity distributors. The Applicant did file a specific smart meter plan in the revenue requirement. In this situation, the Generic Decision provides that an amount determined as \$3.50 per meter per month installed during the rate year be reflected in the Applicant's revenue requirement, instead of the smart meter-related costs proposed by the Applicant. As there is a variance account, and for simplicity, the Board has not made any distinction for purposes of setting rates between the meter costs for residential and non-residential customers. Consequently, the amounts that the Applicant has proposed in the 2006 rate Application have been removed and replaced with the amount determined in accordance with the Generic Decision. Furthermore, the Board finds in this Decision that this smart meter revenue will be allocated to all metered customers and recovered through the monthly service charge. The revised amount is reflected in the approved monthly service charges contained in the Tariff of Rates and Charges appended to this Decision. Pursuant to the Generic Decision, a variance account will be established, the details of which will be communicated in due course.

Second, with respect to standby rates, the Generic Decision provided that existing or proposed standby rates should be declared interim upon the effective date of the rates approved in this decision. Horizon has an existing Standby/Backup Power rate of \$1.09/kW applicable to customers in the service area of St. Catharines. In the Application, Horizon proposed an update to this rate to \$1.29/kW and requested that this rate be applicable to all of its service area. The Board finds the proposal reasonable and approves the updated standby rates. These rates are interim at the proposed level as of the effective date of the rate order accompanying this Decision.

Resulting Revenue Requirement

As a result of the Board's determinations on these issues, the Board has adjusted the revenue requirement to be recovered through distribution rates and charges to \$91,945,508, including a credit amount of \$1,774,686 for the recovery of Regulatory Assets.

In its letter of December 20, 2004 to electricity distributors, the Board indicated that it would consider the disposition of the 2005 OEB dues recorded in Account 1508 in this proceeding. However, given that the final 2005 OEB dues are not available because of the difference in fiscal years for the Board and the distributors, and given that the model used to develop the Application does not incorporate this provision, the Board will review and dispose of the 2005 OEB dues at a later time.

Cost Awards

This Application is one of a number of applications before the Board dealing with 2006 rates chargeable by distributors. Intervenors may be parties to multiple applications and, if eligible, their costs associated with a specific distributor may not be separable. Therefore, for these applications, the matter of intervenor cost awards will be addressed by the Board at a later date, upon the conclusion of the current rate applications. If an intervenor that is eligible to recover its costs is able to uniquely identify its costs associated with this application, it must file its cost claim within 10 days from the receipt of this Decision.

THE BOARD ORDERS THAT:

1. The Tariff of Rates and Charges set out in Appendix "A" of this Order is approved, effective May 1, 2006, for electricity consumed or estimated to have been consumed on and after May 1, 2006. The application of the revised distribution rates shall be prorated to May 1, 2006. If Horizon Utilities Corporation's billing system is not capable of prorating changed loss factors jointly with distribution rates, the revised loss factors shall be implemented upon the first subsequent billing for each billing cycle.

2. The Tariff of Rates and Charges set out in Appendix "A" of this Order supersedes all previous distribution rate schedules approved by the Ontario Energy Board for Horizon Utilities Corporation, and is final in all respects, except for the standby rates which are approved as interim.
3. Horizon Utilities Corporation shall notify its customers of the rate changes no later than with the first bill reflecting the new rates.

DATED at Toronto, April 12, 2006.

ONTARIO ENERGY BOARD

A handwritten signature in black ink, appearing to read "John Zych". The signature is fluid and cursive, with the first name "John" written in a larger, more prominent script than the last name "Zych".

John Zych
Board Secretary

Appendix "A"

RP-2005-0020
EB-2005-0375

April 12, 2006

ONTARIO ENERGY BOARD

Horizon Utilities Corporation

TARIFF OF RATES AND CHARGES

Effective May 1, 2006

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

RP-2005-0020
EB-2005-0375

APPLICATION

- The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Codes, Guidelines or Orders of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.
- No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code, Guideline or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.
- This schedule does not contain any rates and charges relating to the electricity commodity (e.g. the Regulated Price Plan).

EFFECTIVE DATES

- DISTRIBUTION RATES - May 1, 2006 for all consumption or deemed consumption services used on or after that date.
SPECIFIC SERVICE CHARGES - May 1, 2006 for all charges incurred by customers on or after that date.
LOSS FACTOR ADJUSTMENT – May 1, 2006 unless the distributor is not capable of prorating changed loss factors jointly with distribution rates. In that case, the revised loss factors will be implemented upon the first subsequent billing for each billing cycle.

SERVICE CLASSIFICATIONS

Residential

This classification applies to an account taking electricity at 750 volts or less where the electricity is used exclusively in a separate metered living accommodation. Customers shall be residing in single-dwelling units that consist of a detached house or one unit of a semi-detached, duplex, triplex or quadruplex house, with a residential zoning. Separately metered dwellings within a town house complex or apartment building also qualify as residential customers. All customers are single-phase.

General Service Less Than 50 kW

This classification applies to a non residential account taking electricity at 750 volts or less whose average monthly maximum demand is less than, or is forecast to be less than, 50 kW.

General Service 50 to 4,999 kW

This classification applies to a non residential account whose average monthly maximum demand used for billing purposes is equal to or greater than, or is forecast to be equal to or greater than, 50 kW but less than 5,000 kW.

Large Use

This classification applies to an account whose average monthly maximum demand used for billing purposes is equal to or greater than, or is forecast to be equal to or greater than, 5,000 kW.

Unmetered Scattered Load

This classification applies to an account taking electricity at 750 volts or less whose average monthly maximum demand is less than, or is forecast to be less than, 50 kW and the consumption is unmetered. Such connections include cable TV power packs, bus shelters, telephone booths, traffic lights, railway crossings, etc. The level of the consumption will be agreed to by the distributor and the customer, based on detailed manufacturer information/documentation with regard to electrical consumption of the unmetered load or periodic monitoring of actual consumption.

Standby Power

This classification refers to an account that has Load Displacement Generation and requires the distributor to provide back-up service.

Sentinel Lighting

This classification applies to safety/security lighting with a Residential, General Service or Large Use customer. This is typically exterior lighting, and often unmetered. Consumption is estimated based on the equipment rating and estimated hours of use.

Horizon Utilities Corporation

TARIFF OF RATES AND CHARGES

Effective May 1, 2006

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

RP-2005-0020
EB-2005-0375

Street Lighting

This classification applies to an account for roadway lighting with a Municipality, Regional Municipality, Ministry of transportation and private roadway lighting, controlled by photo cells. The consumption for these customers will be based on the calculated connected load times the required lighting times established in the approved OEB street lighting load shape template.

MONTHLY RATES AND CHARGES

Residential

Service Charge	\$	14.30
Distribution Volumetric Rate	\$/kWh	0.0137
Regulatory Asset Recovery	\$/kWh	(0.0002)
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0058
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0046
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge	\$	0.25

General Service Less Than 50 kW

Service Charge	\$	25.56
Distribution Volumetric Rate	\$/kWh	0.0067
Regulatory Asset Recovery	\$/kWh	(0.0004)
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0052
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0042
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge	\$	0.25

General Service 50 to 4,999 kW

Service Charge	\$	234.14
Distribution Volumetric Rate	\$/kW	1.3512
Regulatory Asset Recovery	\$/kW	(0.0587)
Retail Transmission Rate – Network Service Rate	\$/kW	2.0540
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.6685
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge (if applicable)	\$	0.25

Large Use

Service Charge	\$	9,378.91
Distribution Volumetric Rate	\$/kW	0.9185
Regulatory Asset Recovery	\$/kW	(0.2188)
Retail Transmission Rate – Network Service Rate	\$/kW	2.3464
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.9174
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge (if applicable)	\$	0.25

Horizon Utilities Corporation

TARIFF OF RATES AND CHARGES

Effective May 1, 2006

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

RP-2005-0020
EB-2005-0375

Unmetered Scattered Load

Service Charge (per connection)	\$	2.25
Distribution Volumetric Rate	\$/kWh	0.0024
Regulatory Asset Recovery	\$/kWh	0.0030
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0053
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0043
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge (if applicable)	\$	0.25

Standby Power – APPROVED ON AN INTERIM BASIS

Standby Charge – for a month where standby power is not provided. The charge is applied to the contracted amount (e.g. nameplate rating of generation facility).	\$/kW	1.26
Regulatory Asset Recovery	\$/kW	0.0021

Sentinel Lighting

Service Charge (per connection)	\$	1.58
Distribution Volumetric Rate	\$/kW	3.9275
Regulatory Asset Recovery	\$/kW	3.2926
Retail Transmission Rate – Network Service Rate	\$/kW	1.7068
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.3427
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge (if applicable)	\$	0.25

Street Lighting

Service Charge (per connection)	\$	0.36
Distribution Volumetric Rate	\$/kW	1.5058
Regulatory Asset Recovery	\$/kW	(0.5442)
Retail Transmission Rate – Network Service Rate	\$/kW	1.6171
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.3091
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge (if applicable)	\$	0.25

Specific Service Charges

Customer Administration		
Arrears Certificate	\$	15.00
Statement of Account	\$	15.00
Pulling post-dated cheques	\$	15.00
Duplicate invoices for previous billing	\$	15.00
Request for other billing information	\$	15.00
Easement Letter	\$	15.00
Income tax letter	\$	15.00
Notification Charge	\$	15.00
Account history	\$	15.00
Credit reference/credit check (plus credit agency costs)	\$	15.00
Returned Cheque charge (plus bank charges)	\$	15.00
Charge to certify cheque	\$	15.00
Legal letter charge	\$	15.00
Account set up charge / change of occupancy charge (plus credit agency costs if applicable)	\$	30.00
Special Meter reads	\$	30.00

Horizon Utilities Corporation

TARIFF OF RATES AND CHARGES

Effective May 1, 2006

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

		RP-2005-0020 EB-2005-0375
Meter dispute charge plus Measurement Canada fees (if meter found correct)	\$	30.00
Non-Payment of Account		
Late Payment - per month	%	1.50
Late Payment - per annum	%	19.56
Collection of account charge – no disconnection	\$	30.00
Collection of account charge – no disconnection – after regular hours	\$	165.00
Disconnect/Reconnect at meter – during regular hours	\$	65.00
Disconnect/Reconnect at meter – after regular hours	\$	185.00
Disconnect/Reconnect at pole – during regular hours	\$	185.00
Disconnect/Reconnect at pole – after regular hours	\$	415.00
Install / remove load control device – during regular hours	\$	65.00
Install / remove load control device – after regular hours	\$	185.00
Service call – customer-owned equipment	\$	30.00
Service call – after regular hours	\$	165.00
Temporary service install and remove – overhead – no transformer	\$	500.00
Temporary service install and remove – underground – no transformer	\$	300.00
Temporary service install and remove – overhead – with transformer	\$	1,000.00
Specific Charge for Access to the Power Poles – per pole/year	\$	22.35
Administrative Billing Charge	\$	150.00
Allowances		
Transformer Allowance for Ownership - per kW of billing demand/month	\$	(0.60)
Primary Metering Allowance for transformer losses – applied to measured demand and energy	%	(1.00)
LOSS FACTORS		
Total Loss Factor – Secondary Metered Customer < 5,000 kW		1.0428
Total Loss Factor – Secondary Metered Customer > 5,000 kW		1.0164
Total Loss Factor – Primary Metered Customer < 5,000 kW		1.0324
Total Loss Factor – Primary Metered Customer > 5,000 kW		1.0063