

2 HORIZON UTILITIES CORPORATION (“HORIZON UTILITIES”)  
3 SUBMISSION OF ORAL HEARING UNDERTAKING

4 DELIVERED: April 11, 2011

5  
6 NO. J1.2: TO RECALCULATE THE PERCENTAGES SHOWN IN TABLES 6  
7 THROUGH 8 OF THE NAVIGANT REPORT REDUCING THE SERVICE LAG FROM  
8 30.27 DAYS TO 26.70 DAYS, AND CONFIRM IMPACT ON RATE BASE

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10 **Response:**

11 The information provided herein is provided in response to the specific undertaking  
12 pursuant to Horizon Utilities’ Oral Hearing, dated April 7, 2011. Neither Navigant nor  
13 Horizon Utilities agrees with the premise of reducing the service lag from 30.27 days to  
14 26.70 days.

15 Horizon Utilities notes that the 13.6%, 13.8%, and the 14.2% values shown on Tables 6  
16 through 8 of the Navigant Report were estimates that were developed by Navigant in  
17 mid-2010 and incorporated in its Report, dated August 9, 2010. The percentages were  
18 subsequently revised to 13.6%, 13.7%, and 14.1% on March 14, 2011, due to the  
19 revisions to the load forecast filed by Horizon Utilities.

20 In response to the undertaking and on the premise that all else is equal, reducing the  
21 service lag from 30.27 to 26.70 days results in working capital amounts of  
22 approximately 12.5%, 12.5%, and 12.9% of OM&A expenses, including cost of power.  
23 In dollar terms, such a reduction in the number of service lag days has the potential to  
24 decrease rate base by \$4.6, \$5.4, and \$5.5M, respectively, for the years 2009, 2010,  
25 and 2011. The information is summarized in the Table below.

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	As Filed by Horizon on March 14, 2011			Assuming 26.70 days rather than 30.27 days for the Service Lag		
	2009	2010	2011	2009	2010	2011
Service Lag (Days)	30.27	30.27	30.27	26.70	26.70	26.70
Working Capital Requirement (%)	13.6%	13.7%	14.1%	12.5%	12.5%	12.9%
Working Capital Amount (\$M)	\$55.1	\$63.4	\$62.7	\$50.5	\$58.0	\$57.2
Impact on Rate Base (\$M)				\$(4.6)M	\$(5.4)M	\$(5.5)M

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4 Note that this response has been prepared under the assumption that all else is kept  
5 equal, though this is not the case. Specifically, the impact of using a partially dollar  
6 weighted collections lag as referenced within the EB-2010-0131 Oral Hearing Transcript  
7 (Vol.1) on p. 42, lines 16-21 and in response to Undertaking No. J1.3 has not been  
8 taken into consideration in formulating this response.