

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

DELIVERED: April 11, 2011

UNDERTAKING NO. J2.2:
TO FILE CORRECTED TABLE 4-37 SHOWING CALCULATION OF FINAL TAX AMOUNT AND ANY CHANGES IN TABLES 4-38, 4-39 and 4-40.

Response:

Energy Probe Interrogatory 28 and Horizon Utilities’ response to the interrogatory indicated the availability of an Ontario surtax clawback on the first \$500,000 of taxable income resulting in a tax reduction of \$36,250. When this clawback is applied, the resulting Table 4-37 with the revised tax figures is shown below.

Table 4-37 Detailed Tax Calculations

Table with 8 columns: 2011 Capital Taxes (Description, OCT, LCT), 2011 PILs Schedule (Description, Source or Input, Tax Payable), and 2011 Total Taxes (Description, Tax Payable). Rows include Accounting Income, Taxable Income, Total Income Taxes, and Total PILs.

Please find below Tables 4-38 to 4-40 that have changed as a result of the tax changes identified as Adjustments #4 and #7 in Horizon Utilities’ response to VECC Interrogatory 37.

1 Table 4-38 Tax Adjustments to Accounting Income – 2010 and 2011

Determination of Tax Adjustments to Accounting Income for 2010				
Line Item	T2S1 line #	Total for Legal Entity	Non-Distribution Eliminations	Utility Amount
Additions:				
Interest and penalties on taxes	103	0	0	0
Amortization of tangible assets	104	27,357,679	0	27,357,679
Amortization of intangible assets	106	0	0	0
Recapture of capital cost allowance from Schedule 8	107	0	0	0
Gain on sale of eligible capital property from Schedule 10	108	0	0	0
Income or loss for tax purposes- joint ventures or partnerships	109	0	0	0
Loss in equity of subsidiaries and affiliates	110	0	0	0
Loss on disposal of assets	111	0	0	0
Charitable donations	112	0	0	0
Taxable Capital Gains	113	0	0	0
Political Donations	114	0	0	0
Deferred and prepaid expenses	116	0	0	0
Scientific research expenditures deducted on financial statements	118	0	0	0
Capitalized interest	119	0	0	0
Non-deductible club dues and fees	120	0	0	0
Non-deductible meals and entertainment expense	121	65,000	0	65,000
Non-deductible automobile expenses	122	0	0	0
Non-deductible life insurance premiums	123	0	0	0
Non-deductible company pension plans	124	0	0	0
Tax reserves beginning of year	125	350,000	0	350,000
Reserves from financial statements- balance at end of year	126	20,203,341	0	20,203,341
Soft costs on construction and renovation of buildings	127	0	0	0
Book loss on joint ventures or partnerships	205	0	0	0
Capital items expensed	206	0	0	0
Debt issue expense	208	0	0	0
Development expenses claimed in current year	212	0	0	0
Financing fees deducted in books	216	0	0	0
Gain on settlement of debt	220	0	0	0
Non-deductible advertising	226	0	0	0
Non-deductible interest	227	0	0	0
Non-deductible legal and accounting fees	228	0	0	0
Recapture of SR&ED expenditures	231	0	0	0
Share issue expense	235	0	0	0
Write down of capital property	236	0	0	0
Amounts received in respect of qualifying environment trust per paragraphs 12(1)(z.1) and 12(1)(z.2)	237	0	0	0
Interest Expensed on Capital Leases	290	0	0	0
Realized Income from Deferred Credit Accounts	291	0	0	0
Pensions	292	0	0	0
Non-deductible penalties	293	0	0	0
Debt Financing Expenses for Book Purposes	294	0	0	0
Other Additions	295	0	0	0
Total Additions		47,976,020	0	47,976,020
Deductions:				
Gain on disposal of assets per financial statements	401	0	0	0
Dividends not taxable under section 83	402	0	0	0
Capital cost allowance from Schedule 8	403	25,593,656	0	25,593,656
Terminal loss from Schedule 8	404	0	0	0
Cumulative eligible capital deduction from Schedule 10	405	787,718	0	787,718
Allowable business investment loss	406	0	0	0
Deferred and prepaid expenses	409	0	0	0
Scientific research expenses claimed in year	411	0	0	0
Tax reserves end of year	413	350,000	0	350,000
Reserves from financial statements - balance at beginning of year	414	20,203,341	0	20,203,341
Contributions to deferred income plans	416	0	0	0
Book income of joint venture or partnership	305	0	0	0
Equity in income from subsidiary or affiliates	306	0	0	0
Interest capitalized for accounting deducted for tax	390	0	0	0
Capital Lease Payments	391	0	0	0
Non-taxable imputed interest income on deferral and variance accounts	392	0	0	0
Financing Fees for Tax Under S.20(1)(e)	393	0	0	0
Other Deductions	394	160,000	0	160,000
Total Deductions		47,094,716	0	47,094,716
Other Adjustments to Taxable Income				
Charitable donations from Schedule 2	311	0	0	0
Taxable dividends deductible under section 112 or 113, from Schedule 3 (item 82)	320	0	0	0
Non-capital losses of preceding taxation years from Schedule 7-1	331	0	0	0
Net-capital losses of preceding taxation years from Schedule 7-1	332	0	0	0
Limited partnership losses of preceding taxation years from Schedule 4	335	0	0	0
Total Adjustments		0	0	0
Tax Adjustments to Accounting Income		881,304	0	881,304

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Determination of Tax Adjustments to Accounting Income for 2011				
Line Item	T2S1 line #	Total for Legal Entity	Non-Distribution Eliminations	Utility Amount
Additions:				
Interest and penalties on taxes	103	0	0	0
Amortization of tangible assets	104	28,782,602	0	28,782,602
Amortization of intangible assets	106	0	0	0
Recapture of capital cost allowance from Schedule 8	107	0	0	0
Gain on sale of eligible capital property from Schedule 10	108	0	0	0
Income or loss for tax purposes- joint ventures or partnerships	109	0	0	0
Loss in equity of subsidiaries and affiliates	110	0	0	0
Loss on disposal of assets	111	0	0	0
Charitable donations	112	0	0	0
Taxable Capital Gains	113	0	0	0
Political Donations	114	0	0	0
Deferred and prepaid expenses	116	0	0	0
Scientific research expenditures deducted on financial statements	118	0	0	0
Capitalized interest	119	0	0	0
Non-deductible club dues and fees	120	0	0	0
Non-deductible meals and entertainment expense	121	60,000	0	60,000
Non-deductible automobile expenses	122	0	0	0
Non-deductible life insurance premiums	123	0	0	0
Non-deductible company pension plans	124	0	0	0
Tax reserves beginning of year	125	350,000	0	350,000
Reserves from financial statements- balance at end of year	126	20,203,341	0	20,203,341
Soft costs on construction and renovation of buildings	127	0	0	0
Book loss on joint ventures or partnerships	205	0	0	0
Capital items expensed	206	0	0	0
Debt issue expense	208	0	0	0
Development expenses claimed in current year	212	0	0	0
Financing fees deducted in books	216	0	0	0
Gain on settlement of debt	220	0	0	0
Non-deductible advertising	226	0	0	0
Non-deductible interest	227	0	0	0
Non-deductible legal and accounting fees	228	0	0	0
Recapture of SR&ED expenditures	231	0	0	0
Share issue expense	235	0	0	0
Write down of capital property	236	0	0	0
Amounts received in respect of qualifying environment trust per paragraphs 12(1)(z.1) and 12(1)(z.2)	237	0	0	0
Interest Expensed on Capital Leases	290	0	0	0
Realized Income from Deferred Credit Accounts	291	0	0	0
Pensions	292	0	0	0
Non-deductible penalties	293	0	0	0
Debt Financing Expenses for Book Purposes	294	0	0	0
Other Additions	295	378,000	0	378,000
Total Additions		49,773,943	0	49,773,943
Deductions:				
Gain on disposal of assets per financial statements	401	0	0	0
Dividends not taxable under section 83	402	0	0	0
Capital cost allowance from Schedule 8	403	26,472,455	0	26,472,455
Terminal loss from Schedule 8	404	0	0	0
Cumulative eligible capital deduction from Schedule 10	405	732,578	0	732,578
Allowable business investment loss	406	0	0	0
Deferred and prepaid expenses	409	0	0	0
Scientific research expenses claimed in year	411	0	0	0
Tax reserves end of year	413	350,000	0	350,000
Reserves from financial statements - balance at beginning of year	414	20,203,341	0	20,203,341
Contributions to deferred income plans	416	0	0	0
Book income of joint venture or partnership	305	0	0	0
Equity in income from subsidiary or affiliates	306	0	0	0
Interest capitalized for accounting deducted for tax	390	0	0	0
Capital Lease Payments	391	0	0	0
Non-taxable imputed interest income on deferral and variance accounts	392	0	0	0
Financing Fees for Tax Under S.20(1)(e)	393	0	0	0
Other Deductions	394	180,000	0	180,000
Total Deductions		47,938,374	0	47,938,374
Charitable donations from Schedule 2	311	0	0	0
Taxable dividends deductible under section 112 or 113, from Schedule 3 (item 82)	320	0	0	0
Non-capital losses of preceding taxation years from Schedule 7-1	331	0	0	0
Net-capital losses of preceding taxation years from Schedule 7-1	332	0	0	0
Limited partnership losses of preceding taxation years from Schedule 4	335	0	0	0
Total Adjustments		0	0	0
Tax Adjustments to Accounting Income		1,835,569	0	1,835,569

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2 Table 4-39 CCA Continuity Schedule 2010

CCA Continuity Schedule (2010)													
Class	Class Description	UCC Prior Year Ending Balance	Less: Non-Distribution Portion	Less: Disallowed FMV Increment	UCC Bridge Year Opening Balance	Additions	Dispositions	UCC Before 1/2 Yr Adjustment	1/2 Year Rule (1/2 Additions Less Disposals)	Reduced UCC	Rate %	CCA	UCC Ending Balance
1	Distribution System - 1988 to 22-Feb-2005	200,055,459	0	0	200,055,459	507,500	0	200,562,959	253,750	200,309,209	4%	8,012,368	192,550,591
2	Distribution System - pre 1988	44,221,606	0	0	44,221,606	0	0	44,221,606	0	44,221,606	6%	2,653,296	41,568,310
6	Buildings (No footings below ground)	19,844	0	0	19,844	0	0	19,844	0	19,844	10%	1,984	17,860
8	General Office/Stores Equip	6,782,224	0	0	6,782,224	1,263,169	0	8,045,393	631,585	7,413,809	20%	1,482,762	6,562,631
10	Computer Hardware/ Vehicles	4,648,691	0	0	4,648,691	1,305,000	0	5,953,691	652,500	5,301,191	30%	1,590,367	4,363,334
10.1	Certain Automobiles	0	0	0	0	0	0	0	0	0	30%	0	0
12	Computer Software	520,101	0	0	520,101	1,600,261	0	2,120,362	800,131	1,320,232	100%	1,320,232	800,131
3		0	0	0	0	0	0	0	0	0	20%	0	0
13.3	Lease # 3	0	0	0	0	0	0	0	0	0		0	0
13.4	Lease # 4	0	0	0	0	0	0	0	0	0		0	0
14	Franchise	0	0	0	0	0	0	0	0	0		0	0
17	New Electrical Generating Equipment Acq'd after Feb 27/00 Other Than Bldgs	88,130	0	0	88,130	0	0	88,130	0	88,130	8%	7,050	81,080
43.1	Certain Energy-Efficient Electrical Generating Equipment	538,223	0	0	538,223	0	0	538,223	0	538,223	30%	161,467	376,756
45	Computers & Systems Hardware acq'd post Mar 22/04	637,091	0	0	637,091	0	0	637,091	0	637,091	45%	286,691	350,400
50	Computers & Systems Hardware acq'd post Mar 19/07	0	0	0	0	0	0	0	0	0	55%	0	0
46	Data Network Infrastructure Equipment (acq'd post Mar 22/04)	0	0	0	0	0	0	0	0	0	30%	0	0
47	Distribution System - post 22-Feb-2005	88,630,710			88,630,710	35,881,039	0	124,511,749	17,940,520	106,571,230	8%	8,525,698	115,986,051
52	Computers & Systems Hardware acq'd post Jan 27/09 and before Feb 2011	438,919			438,919	1,112,831		1,551,750	0	1,551,750	100%	1,551,750	0
	SUB-TOTAL - UCC	346,580,998	0	0	346,580,998	41,669,800	0	388,250,798	20,278,485	367,972,314		25,593,656	362,657,142
						-3,241,295	9,393,500						
CEC	Goodwill	11,253,119	0	0	11,253,119								
CEC	Land Rights		0	0	0								
CEC	FMV Bump-up		0	0	0								
	SUB-TOTAL - CEC	11,253,119	0	0	11,253,119								

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Cumulative Eligible Capital Calculation			
Cumulative Eligible Capital			11,253,119
Additions:			
Cost of Eligible Capital Property Acquired during the year	0		
Other Adjustments	0		
Subtotal	0 x 3/4 =	0	
Non-taxable portion of a non-arm's length transferor's gain realized on the transfer of an ECP to the Corporation after Friday December 31, 2002	0 x 1/2 =	0	11,253,119
Amount transferred on amalgamation or wind-up of subsidiary	0	0	
Subtotal			11,253,119
Deductions:			
Projected proceeds of sale (less outlays and expenses not otherwise deductible) from the disposition of all ECP during the year			
Other Adjustments	0		
Subtotal	0 x 3/4 =	0	11,253,119
Cumulative Eligible Capital Balance			11,253,119
CEC Deduction	7%		787,718
Cumulative Eligible Capital - Closing Balance			10,465,401

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1 Table 4-40 Continuity Schedule 2011

CCA Continuity Schedule (2011)													
Class	Class Description	UCC Prior Year Ending Balance	Less: Non-Distribution Portion	Less: Disallowed FMV Increment	UCC Bridge Year Opening Balance	Additions	Dispositions	UCC Before 1/2 Yr Adjustment	1/2 Year Rule (1/2 Additions Less Disposals)	Reduced UCC	Rate %	CCA	UCC Ending Balance
1	Distribution System - 1988 to 22-Feb-2005	192,550,591	0	0	192,550,591	1,540,500	0	194,091,091	770,250	193,320,841	4%	7,732,834	186,358,257
2	Distribution System - pre 1988	41,568,310	0	0	41,568,310	0	0	41,568,310	0	41,568,310	6%	2,494,099	39,074,211
6	Buildings (No footings below ground)	17,860	0	0	17,860	0	0	17,860	0	17,860	10%	1,786	16,074
8	General Office/Stores Equip	6,562,631	0	0	6,562,631	2,677,128	0	9,239,759	1,338,564	7,901,195	20%	1,580,239	7,659,520
10	Computer Hardware/ Vehicles	4,363,334	0	0	4,363,334	1,445,500	0	5,808,834	722,750	5,086,084	30%	1,525,825	4,283,009
10.1	Certain Automobiles	0	0	0	0	0	0	0	0	0	30%	0	0
12	Computer Software	800,131	0	0	800,131	1,933,578	0	2,733,709	966,789	1,766,920	100%	1,766,920	966,789
3		0	0	0	0	0	0	0	0	0	20%	0	0
		0	0	0	0	0	0	0	0	0	0%	0	0
13.3	Lease # 3	0	0	0	0	0	0	0	0	0		0	0
13.4	Lease # 4	0	0	0	0	0	0	0	0	0		0	0
14	Franchise	0	0	0	0	0	0	0	0	0		0	0
17	New Electrical Generating Equipment Acq'd after Feb 27/00 Other Than Bldgs	81,080	0	0	81,080	0	0	81,080	0	81,080	8%	6,486	74,593
43.1	Certain Energy-Efficient Electrical Generating Equipment	376,756	0	0	376,756	0	0	376,756	0	376,756	30%	113,027	263,729
45	Computers & Systems Hardware acq'd post Mar 22/04	350,400	0	0	350,400	0	0	350,400	0	350,400	45%	157,680	192,720
50	Computers & Systems Hardware acq'd post Mar 19/07	0	0	0	0	1,612,172	0	1,612,172	806,086	806,086	55%	443,347	1,168,825
46	Data Network Infrastructure Equipment (acq'd post Mar 22/04)	0	0	0	0	0	0	0	0	0	30%	0	0
47	Distribution System - post 22-Feb-2005	115,986,051	0	0	115,986,051	34,283,221	0	150,269,272	17,141,611	133,127,661	8%	10,650,213	139,619,059
52	Computers & Systems Hardware acq'd post Jan 27/09 and before Feb 2011	0	0	0	0	0	0	0	0	0	100%	0	0
	SUB-TOTAL - UCC	362,657,142	0	0	362,657,142	43,492,099	0	406,149,241	21,746,050	384,403,191		26,472,455	379,676,786
						-5,899,099	0						
CEC	Goodwill	10,465,401	0	0	10,465,401								
CEC	Land Rights	0	0	0	0								
CEC	FMV Bump-up	0	0	0	0								
	SUB-TOTAL - CEC	10,465,401	0	0	10,465,401								

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Cumulative Eligible Capital Calculation			
Cumulative Eligible Capital			10,465,401
Additions:			
Cost of Eligible Capital Property Acquired during the year	0		
Other Adjustments	0		
Subtotal	0 x 3/4 =	0	
Non-taxable portion of a non-arm's length transferor's gain realized on the transfer of an ECP to the Corporation after Friday December 31, 2002	0 x 1/2 =	0	
		0	10,465,401
Amount transferred on amalgamation or wind-up of subsidiary	0		0
Subtotal			10,465,401
Deductions:			
Projected proceeds of sale (less outlays and expenses not otherwise deductible) from the disposition of all ECP during the year			
Other Adjustments	0		
Subtotal	0 x 3/4 =	0	10,465,401
Cumulative Eligible Capital Balance			10,465,401
CEC Deduction	7%		732,578
Cumulative Eligible Capital - Closing Balance			9,732,823

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