



May 19, 2009

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

By RESS and Courier

**Re: Electricity Distribution Licence ED-2006-0031
Application for a Smart Meter Funding Adder**

Horizon Utilities Corporation is making an Application to the Ontario Energy Board for the consideration and approval of a Utility-Specific Smart Meter Funding Adder in accordance with the Smart Meter Funding and Cost Recovery Guideline G-2008-0002.

Please find attached the application for the above-captioned request.

Two hard copies of this Application are being submitted by courier.

Yours truly,

Original signed by Cameron McKenzie

Cameron McKenzie
Director, Regulatory Services



**Application to the Ontario Energy Board
by Horizon Utilities Corporation
Distribution Licence ED-2006-0031
for a Smart Meter Funding Adder**

May 19, 2009

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1.0 INTRODUCTION

Horizon Utilities Corporation (“Horizon Utilities”) hereby submits its Application to the Ontario Energy Board (“the Board”) for the consideration and approval of a Utility-Specific Smart Meter Funding Adder in accordance with the Smart Meter Funding and Cost Recovery Guideline G-2008-0002. Horizon Utilities is one of the ‘named’ distributors in paragraphs 3 and 4 of section 1(1) of O. Reg. 427/06 and as such, is requesting a utility-specific Smart Meter Funding Adder.

In support of this application, Horizon Utilities is providing:

- a detailed meter installation plan which includes the number of meters proposed to be installed and a monthly installation schedule during which the proposed smart meter funding adder is expected to be in effect;
- the actual or estimated costs in total and on a per meter basis for:
 1. procurement and installation of the components of the Automated Meter Interrogation (“AMI”) system;
 2. customer information system (“CIS”);
 3. incremental operating and maintenance activities;
 4. changes to ancillary systems;
 5. stranded meters;
- business plan justification for any smart meter or AMI costs that are incurred to support functionality that exceeds the minimum functionality adopted in O. Reg. 425/06, and an estimate of those costs;
- a statement as to whether the distributor has incurred, or expects to incur, costs associated with functions for which the SME has the exclusive authority to carry out pursuant to O. Reg. 393/07, and an estimate of those costs.

Horizon Utilities currently applies an approved Smart Meter funding adder of \$0.82 per metered customer per month. This application for a revised funding adder is consistent with the Board’s Decisions resulting from the Combined Proceeding related to Smart Meters (EB-2007-0063).

2.0 SMART METER PROGRAM

The Province's Smart Meter initiative provides for Smart Meters to be installed for all Residential and Small General Service customers by the end of 2010, with Time-Of-Use ("TOU") billing in place by 2011. Horizon Utilities' implementation of Smart Meters is well ahead of the Province's schedule. Horizon Utilities plans to have all customers enabled with Smart Meters by the end of 2009, except for approximately 3,000 "hard to access" Residential and Small General Service accounts. As of December 31, 2008, 137,664 Residential and Small General Service Smart Meters have been installed. Horizon Utilities, in accordance with the directions to implement Smart Meters on Small General Service customers, has also installed approximately 3,000 poly phase Smart Meters on General Service < 50 kW customers with three phase services. Total Smart Meters installed as at December 2008 is 141,002, representing 61% of Horizon Utilities total four-year objective. Apart from 7,000 Smart Meters installed in 2006, as part of Horizon Utilities third tranche Conservation and Demand Management spending, the rest of the Smart Meter installations have been accomplished in twenty-one months.

Table 1 illustrates the actual results to December 31, 2008 and the 2009 forecasted deployment for the four-year initiative. Table 2 breaks out the forecasted 2009 installations by month.

Table 1
Actual / Forecast of Smart Meters Implementations

	Total Customers at December 31, 2008 requiring Smart Meters	Actual Meters installed to December 31, 2008	%	Forecasted Meters to be installed in 2009
Residential and GS < 50 kW classes (single phase)		137,664		80,000 note 1
General Service < 50 kW and > 50 kW (three phase)		3,338		6,525
Total	232,482	141,002	61%	86,525
note 1 - 80,000 Smart Meters to be installed in 2009. Of these meters 30,000 were purchased and capitalized in 2008 due to the savings realized through the exchange rate, thereby lowering Horizon Utilities' capital costs.				

Table 2
Meters to be installed in 2009

	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Total
Residential and GS < 50 kW classes (single phase)	6,665	6,665	6,665	6,665	6,665	6,665	6,665	6,665	6,665	6,665	6,665	6,665	80,000
GS < 50 kW and > 50 kW classs (three phase)	585	540	540	540	540	540	540	540	540	540	540	540	6,525
Total	7,270	7,205	7,205	7,205	7,205	7,205	7,205	7,205	7,205	7,205	7,205	7,205	86,525

3.0 CAPITAL EXPENDITURES

The following Table 3 represents the 2006 CDM, 2007 and 2008 Actual, 2009 Budgeted capital expenditures for Smart Meters.

Table 3
Capital Spending by Calendar Year

	2006 Actual	2007 Actual	2008 Actual	2009 Budget
Total	1,330,000	7,679,948	10,547,660	8,701,645

As discussed above, Horizon Utilities will have 99% of its Smart Meters installed for all Residential and Small General Service customers by the end of 2009. In order to accomplish this, capital expenditures have been advanced. Horizon Utilities' strategy has been to complete the installations for all of the newer parts of its service area first, where there are few inside meters or meter bases requiring modifications. Installations have now been transitioned to the older neighbourhoods and the pace of implementation has slowed such that the difficult installations will be deferred to 2010. Although Horizon Utilities has focused primarily on the Residential and General Service < 50 kW class of customers, the decision has been made to install Smart Meters on all General Service customers as and when the existing meters come due for reverification, with the intent to complete the change for the majority of the meters in this customer class by 2010.

Of the 80,000 Smart Meters that Horizon Utilities plans to install in 2009, 30,000 were purchased in the latter part of 2008 at considerable savings. Horizon Utilities modeled its purchase on Toronto Hydro's request for proposal in addition to taking advantage of the low US exchange rates. The remaining 50,000 Smart Meters are included in Horizon Utilities planned 2009 capital spending.

The following Table 4 summarizes Horizon Utilities' planned capital expenditures for 2009.

Table 4
Planned Capital Expenditures 2009

Residential and GS < 50 kW classes	5,355,402
GS < 50 kW (3 phase) & > 50 kW class	2,921,243
MDM/R Integration	325,000
SM TOU Web Enhancements	100,000
Total	8,701,645

Table 5 and Table 6 below, set out the planned capital expenditures, and the per meter capital expenditures for 2009 in equal monthly amounts and by type of expenditure.

Table 5
2009 Capital Expenditures and OM&A per month (\$000)

	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Total
Residential and GS < 50 kW classes (single phase)	448	448	448	448	448	448	448	448	448	448	448	448	5,355
GS > 50 kW class (three phase)	244	244	244	244	244	244	244	244	244	244	244	244	2,921
MDM/R Integration	27	27	27	27	27	27	27	27	27	27	27	27	325
SM TOU Web Enhancement	12	8	8	8	8	8	8	8	8	8	8	8	100
OM&A	112	111	111	111	111	111	111	111	111	111	111	111	1,333

Table 6
2009 Capital Expenditures and OM&A per month per meter (\$)

	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Total
Residential and GS < 50 kW classes (single phase)	107	107	107	107	107	107	107	107	107	107	107	107	107
GS > 50 kW class (three phase)	448	448	448	448	448	448	448	448	448	448	448	448	448
MDM/R Integration	6	6	6	6	6	6	6	6	6	6	6	6	6
SM TOU Web Enhancement	2	2	2	2	2	2	2	2	2	2	2	2	2
OM&A	27	27	27	27	27	27	27	27	27	27	27	27	27

4.0 OPERATIONS, MAINTENANCE AND ADMINISTRATION (“OM&A”)

Horizon Utilities is beginning to prepare for the transition to TOU billing with staged implementation beginning January 2010. Preparation includes planning for resource requirements, training of staff, testing with the Independent Electricity System Operator’s (“IESO”) Meter Data Management Repository (“MDM/R”), and testing of the Validating, Estimating, and Editing (“VEE”) processes. Furthermore, TOU billing will be a significant change for customers and will require a significant effort to communicate to customers and provide educational material.

In addition, the operation and maintenance of the AMI is a new accountability for Distributors. This will require new skills and resources to ensure the accuracy and timeliness of the daily collection of meter readings and to manage effective interactions between Horizon Utilities’ AMI, Customer Information System, and the provincial MDM/R. Horizon Utilities has summarized the estimated 2009 and 2010 OM&A expenses in Table 7 below.

Table 7
OM&A Expenses - 2009 and 2010

	2009	2010
Labour and benefits	205,000	550,000
Outside services	233,000	80,000
Training / Change Management Cost	75,628	75,000
Miscellaneous Administration	18,400	15,000
Data Communications	152,000	164,000
Media Communications	400,000	200,000
IT maintenance contracts/software	248,675	200,000
Total	1,333,000	1,284,000

The OM&A provided in the above table does not include any costs related to transaction costs or regular fees for the use of the provincial MDM/R, as these costs/fees are not available at the time of this application.

5.0 EXPENDITURES BEYOND MINIMUM FUNCTIONALITY

As discussed above, Horizon Utilities has small use General Service <50 kW customers with three phase services which required poly phase Smart Meters in order to meet the Provincial requirements for conversion. Also as discussed, Horizon Utilities will installed poly phase Smart Meters on General Service >50 kW customers without interval meters. Included in the total capital spending for 2009 is \$2,921,243 to install 6,525 poly phase Smart Meters as identified in Table 4 above. Approximately 2,000 of these meters are for General Service >50 kW customers and exceed the minimum functionality adopted in O. Reg. 425/06. Horizon Utilities suggests this is a proactive approach consistent with the objects of Bill 150, the Green Energy Act.

Horizon Utilities has incurred costs associated with functions for which the Smart Meter Entity ("SME") has the exclusive authority to carry out, pursuant to O. Reg. 393/07. These costs to program Horizon Utilities' Customer Information System have permitted Horizon Utilities to participate in the testing of the MDM/R with the IESO. Horizon Utilities duplicates the Smart Meter data in its CIS in order to parallel test the data received from the SME to ensure that the functionality of the MDM/R is consistent with Horizon Utilities' meter data. Horizon Utilities submits that these costs, totaling approximately \$50,000, are recoverable as a component of the Smart Meter implementation and are included in this Application.

6.0 FUNDING ADDER

Horizon Utilities has calculated the Smart Meter revenue requirement based on the actual Capital and OM&A expenditures to the end of 2008, forecasted capital expenditures for 2009, and forecasted OM&A for 2009 and 2010. The revenue requirements, for each year was calculated using the Smart Meter Funding Adder Model (the "SM Model"), and is summarized in Table 8 below. The detailed calculations are provided in Attachment A.

The total Smart Meter revenue requirement is reduced by the amounts billed through the current and previous Smart Meter adder. Horizon Utilities has calculated the smart Meter recovery to the end of August 2009 on the assumption that this Application, for an increase in the Smart Meter adder, is approved for implementation September 1, 2009.

Horizon Utilities is requesting approval of a Smart Meter Adder of \$1.56 per metered customer per month for the remainder of Horizon Utilities' Smart Meter implementation program. Table 8 below also provides the calculations for the Smart Meter Adder.

Table 8**Summary of Smart Meter Revenue Requirement and Smart Meter**

Horizon Utilities Corporation				
2009 Smart Meter Rate Rider Application				
Revenue Requirement:				
2006 Rate Year Entitlement				100,750
2007 Rate Year Entitlement				1,341,857
2008 Rate Year Entitlement				2,307,973
2009 Rate Year Entitlement				4,622,342
2010 Rate Year Entitlement				5,224,878
				13,597,799
Smart Rate Rider Billed:				
2006 Rate Year Billed May 1/06 - April 30/07				(1,056,251)
2007 Rate Year Billed May 1/07 - April 30/08				(2,258,320)
2008 Rate Year Billed May 1/08 - April 30/09				(2,276,242)
2009 Rate Year Forecast May 1/09 - August 31/09				(761,268)
				(6,352,081)
Revenue Requirement for Recovery Sept 1/09 to April 30/11				7,245,718
Number of Customers				232,482
Number of Months				20
Rate Rider				1.56

Horizon Utilities was a named participant in the Combined Proceedings EB-2007-0063 and is implementing its Smart Meter Program in accordance with the OEB's Decision with Reasons dated August 8, 2007. Horizon Utilities will continue to track costs in the Smart Meter variance accounts 1555 and 1556 and as such is not proposing to clear these variance accounts at this time.

7.0 STRANDED METERS

The OEB addressed stranded meters in its August 8, 2007 Decision with Reasons in that the OEB accepted that stranded meter costs are to remain in rate base and will be further reviewed once the parties have better information on costs and offsetting benefits.

Horizon Utilities has not included the costs of stranded meters in the calculations of its Smart Meter revenue requirement and, in accordance with the OEB Decision, Horizon Utilities will continue to include stranded meters in rate base.

8.0 SUMMARY

Horizon Utilities filed its Smart Meter Investment Plan ("SMIP") with the OEB on December 15, 2006. In the SMIP, Horizon Utilities calculated the capital and incremental operating costs based on the information provided in Appendix C-2, Table 2 of the Board's Smart Meter Investment Plan dated January 26, 2005.

Subsequent to the filing of its SMIP, Horizon Utilities filed its 2007 EDR Smart Meter Rate Application on February 9, 2007. This application supported the smart meter rate rider of \$0.82 per metered customer per month and provided the calculations to support a cost of \$146.84 per smart meter installed and a total smart meter cost including computer requirements and incremental operating costs of \$179.26.

Horizon Utilities is committed to meeting its investment obligations created by the Ministry of Energy's Smart Meter Initiative and the implementation of Time Of Use rates. Horizon Utilities has provided the support and justification for the calculation of its Smart Meter revenue requirement and the Smart Meter Adder in this Application. Horizon Utilities submits that the revised Smart Meter Adder is required to provide the financial funding that will permit Horizon Utilities to continue with its Smart Meter investment without accumulating large balances in the Smart Meter Variance Accounts.

Horizon Utilities submits that this Application for approval of a Utility-Specific Smart Meter Funding Adder, in the amount of \$1.56 per metered customer per month, meets the requirements of Smart Meter Funding and Cost Recovery Guideline G-2008-0002.

Horizon Utilities further submits that its investment in Smart Meters and the recovery of revenue requirement through the Smart Meter Adder will be tracked in the Smart Meter Variance Accounts for disposition at a future date.

Horizon Utilities respectfully requests approval of its Application for a Smart Meter Adder in the amount of \$1.56 per metered customer per month for implementation effective September 1, 2009.

Respectfully submitted

Original signed by Cameron McKenzie

Cameron McKenzie,
Director, Regulatory Services
Horizon Utilities Corporation

Attachment A

Horizon Utilities Corporation
2009 Smart Meter Rate Rider Application

Revenue Requirement:

2006 Rate Year Entitlement	100,750
2007 Rate Year Entitlement	1,341,857
2008 Rate Year Entitlement	2,307,973
2009 Rate Year Entitlement	4,622,342
2010 Rate Year Entitlement	5,224,878
	<u>13,597,799</u>

Smart Rate Rider Billed:

2006 Rate Year Billed May 1/06 - April 30/07	(1,056,251)
2007 Rate Year Billed May 1/07 - April 30/08	(2,258,320)
2008 Rate Year Billed May 1/08 - April 30/09	(2,276,242)
2009 Rate Year Forecast May 1/09 - August 31/09	(761,268)
	<u>(6,352,081)</u>

Revenue Requirement for Recovery Sept 1/09 to April 30/11

7,245,718

Number of Customers

232,482

Number of Months

20

Rate Rider

1.56

Horizon Utilities Corporation
2009 Smart Meter Rate Rider Application
Revenue Requirement Calculations

Average Fixed Asset Values

	Actual 2006	
OH & UG Services	\$	-
General Office	\$	-
Building Renovations	\$	-
Smart meters	\$	-
Computer Hardware	\$	-
Computer Software	\$	-
Stores & Tools	\$	-

Working Capital

Operation Expense	\$	99,285	
15% Working Capital	\$	14,893	\$ 14,893

Smart Meters Fixed Assets in Rate Base

\$ 14,893

Return on Rate Base

Deemed Debt - Long Term	56%	\$	8,340
Deemed Debt - Short Term	4%	\$	596
Deemed Equity	40%	\$	5,957
		\$	14,893

Weighted Debt Rate - Long Term	7.00%	\$	584
Short Term Debt Rate	7.00%	\$	42
Equity Rate	9.00%	\$	536

Return on Rate Base **\$ 1,162**

Operating Expenses

Incremental Operating Expenses \$ 99,285

Amortization Expenses

\$ -

Revenue Requirement before PILs **\$ 100,447**

Calculation of Taxable Income

Incremental Operating Expenses	\$	(99,285)
Depreciation Expense	\$	-
Interest Expense	\$	(625)

Taxable Income for PILs

\$ 536

Grossed up PILs

303

Revenue Requirement before PILs 100,447

Grossed up PILs 303

2008 Revenue Requirement for Smart Meters 100,750

2008 Smart Meter Rate Adder

Revenue Requirement for Smart Meters 100,750

March 2009 Total Metered Customers 232,482

Annualized amount required per metered customer 0.43

Number of months in year 12

2008 Smart Meter Rate Adder 0.04

Smart Meter Deferral Account Balance - PILs Calculation

Income Tax

Net Income	536
Amortization	-
CCA	-
Revised Taxable Income	536
Tax Rate	36.12%
Income Taxes Payable	194

Ontario Capital Tax

Smart Meter Related Fixed Assets	-
Less: Exemption	-
Deemed Taxable Capital	-
Ontario Capital Tax Rate	0.300%

NET OCT Amount

-

	PILs Payable	Gross Up	Grossed Up PILs
Change in Income Taxes Payable	194	36.12%	303
Change in OCT	-		-
PIL's	194		303

Horizon Utilities Corporation
2009 Smart Meter Rate Rider Application
Revenue Requirement Calculations

Average Fixed Asset Values

	Actual 2007	
OH & UG Services	\$	-
General Office	\$	-
Building Renovations	\$	-
Smart meters	\$	3,665,497
Computer Hardware	\$	52,383
Computer Software	\$	13,128
Stores & Tools	\$	430
	\$	3,731,437

Working Capital

Operation Expense	\$	814,248	
15% Working Capital	\$	122,137	\$ 122,137

Smart Meters Fixed Assets in Rate Base

\$ 3,853,575

Return on Rate Base

Deemed Debt - Long Term	56%	\$	2,158,002
Deemed Debt - Short Term	4%	\$	154,143
Deemed Equity	40%	\$	1,541,430
		\$	3,853,575

Weighted Debt Rate - Long Term	7.00%	\$	151,060
Short Term Debt Rate	7.00%	\$	10,790
Equity Rate	9.00%	\$	138,729

Return on Rate Base **\$ 300,579** **\$ 300,579**

Operating Expenses

Incremental Operating Expenses **\$ 814,248**

Amortization Expenses

\$ 217,074

Revenue Requirement before PILs **\$ 1,331,901**

Calculation of Taxable Income

Incremental Operating Expenses	\$	(814,248)
Depreciation Expense	\$	(217,074)
Interest Expense	\$	(161,850)

Taxable Income for PILs

\$ 138,729

Grossed up PILs

9,956

Revenue Requirement before PILs

1,331,901

Grossed up PILs

9,956

2008 Revenue Requirement for Smart Meters

1,341,857

2008 Smart Meter Rate Adder

Revenue Requirement for Smart Meters 1,341,857

March 2009 Total Metered Customers 232,482

Annualized amount required per metered customer 5.77

Number of months in year 12

2008 Smart Meter Rate Adder 0.48

Smart Meter Deferral Account Balance - PILs Calculation

Income Tax

Net Income	138,729
Amortization	217,074
CCA	- 350,734
Revised Taxable Income	5,069
Tax Rate	36.12%
Income Taxes Payable	1,831

Ontario Capital Tax

Smart Meter Related Fixed Assets 7,462,875

Less: Exemption -

Deemed Taxable Capital 7,462,875

Ontario Capital Tax Rate 0.285%

NET OCT Amount 7,090

	PILs Payable	Gross Up	Grossed Up PILs
Change in Income Taxes Payable	1,831	36.12%	2,866
Change in OCT	7,090		7,090
PIL's	8,921		9,956

Horizon Utilities Corporation
2009 Smart Meter Rate Rider Application
Revenue Requirement Calculations

Average Fixed Asset Values

	Actual 2008	
OH & UG Services	\$	-
General Office	\$	-
Building Renovations	\$	-
Smart meters	\$	12,214,894
Computer Hardware	\$	121,829
Computer Software	\$	40,021
Stores & Tools	\$	4,531
	\$	12,381,275

Working Capital

Operation Expense	\$	689,859	
15% Working Capital	\$	103,479	\$ 103,479

Smart Meters Fixed Assets in Rate Base

\$ 12,484,753

Return on Rate Base

Deemed Debt - Long Term	56%	\$	6,991,462
Deemed Debt - Short Term	4%	\$	499,390
Deemed Equity	40%	\$	4,993,901
		\$	<u>12,484,753</u>

Weighted Debt Rate - Long Term	6.10%	\$	426,479
Short Term Debt Rate	4.47%	\$	22,323
Equity Rate	8.57%	\$	<u>427,977</u>

Return on Rate Base

\$ 876,779 \$ 876,779

Operating Expenses

Incremental Operating Expenses	\$	689,859
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Amortization Expenses

\$ 710,861

Revenue Requirement before PILs

\$ 2,277,499

Calculation of Taxable Income

Incremental Operating Expenses	\$	(689,859)
Depreciation Expense	\$	(710,861)
Interest Expense	\$	<u>(448,802)</u>

Taxable Income for PILs

\$ 427,977

Grossed up PILs

30,474

Revenue Requirement before PILs

2,277,499

Grossed up PILs

30,474

2008 Revenue Requirement for Smart Meters

2,307,973

2008 Smart Meter Rate Adder

Revenue Requirement for Smart Meters	2,307,973
March 2009 Total Metered Customers	<u>232,482</u>
Annualized amount required per metered customer	<u>9.93</u>
Number of months in year	<u>12</u>
2008 Smart Meter Rate Adder	<u>0.83</u>

Smart Meter Deferral Account Balance - PILs Calculation

Income Tax

Net Income	427,977
Amortization	710,861
CCA	- 1,104,101
Revised Taxable Income	<u>34,737</u>
Tax Rate	<u>33.50%</u>
Income Taxes Payable	<u>11,637</u>

Ontario Capital Tax

Smart Meter Related Fixed Assets	17,299,674
Less: Exemption	-
Deemed Taxable Capital	<u>17,299,674</u>
Ontario Capital Tax Rate	<u>0.225%</u>
NET OCT Amount	<u>12,975</u>

	PILs Payable	Gross Up	Grossed Up PILs
Change in Income Taxes Payable	11,637	33.50%	17,499
Change in OCT	12,975		12,975
PIL's	<u>24,612</u>		<u>30,474</u>

Horizon Utilities Corporation
2009 Smart Meter Rate Rider Application
Revenue Requirement Calculations

Average Fixed Asset Values

	Forecast 2009	
OH & UG Services	\$	-
General Office	\$	11,875
Building Renovations	\$	4,917
Smart meters	\$	20,369,920
Computer Hardware	\$	249,255
Computer Software	\$	195,489
Stores & Tools	\$	7,758
	\$	20,839,214

Working Capital

Operation Expense	\$	1,333,003
15% Working Capital	\$	199,950
	\$	199,950

Smart Meters Fixed Assets in Rate Base

\$ 21,039,165

Return on Rate Base

Deemed Debt - Long Term	56%	\$	11,781,932
Deemed Debt - Short Term	4%	\$	841,567
Deemed Equity	40%	\$	8,415,666
		\$	21,039,165

Weighted Debt Rate - Long Term	6.10%	\$	718,698
Short Term Debt Rate	4.47%	\$	37,618
Equity Rate	8.57%	\$	721,223
		\$	1,477,538

Return on Rate Base

\$ 1,477,538

Operating Expenses

Incremental Operating Expenses	\$	1,333,003
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Amortization Expenses

\$ 1,622,565

Revenue Requirement before PILs	\$	4,433,106
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Calculation of Taxable Income

Incremental Operating Expenses	\$	(1,333,003)
Depreciation Expense	\$	(1,622,565)
Interest Expense	\$	(756,316)

Taxable Income for PILs

\$ 721,223

Grossed up PILs

189,236

Revenue Requirement before PILs	4,433,106
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Grossed up PILs	189,236
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2008 Revenue Requirement for Smart Meters	4,622,342
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2008 Smart Meter Rate Adder

Revenue Requirement for Smart Meters	4,622,342
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March 2009 Total Metered Customers	232,482
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Annualized amount required per metered customer	19.88
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Number of months in year	12
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2008 Smart Meter Rate Adder	1.66
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Smart Meter Deferral Account Balance - PILs Calculation

Income Tax

Net Income	721,223
Amortization	1,622,565
CCA	-
Revised Taxable Income	1,996,704
Tax Rate	347,084
Income Taxes Payable	33.00%
	114,538

Ontario Capital Tax

Smart Meter Related Fixed Assets	24,378,755
Less: Exemption	-
Deemed Taxable Capital	24,378,755
Ontario Capital Tax Rate	0.225%
NET OCT Amount	18,284

	PILs Payable	Gross Up	Grossed Up PILs
Change in Income Taxes Payable	114,538	33.00%	170,952
Change in OCT	18,284		18,284
PIL's	132,822		189,236

Horizon Utilities Corporation
2009 Smart Meter Rate Rider Application
Revenue Requirement Calculations

Average Fixed Asset Values

	Forecast 2010	
OH & UG Services	\$	-
General Office	\$	22,500
Building Renovations	\$	9,667
Smart meters	\$	22,775,920
Computer Hardware	\$	312,683
Computer Software	\$	260,145
Stores & Tools	\$	6,872
	\$	23,387,786

Working Capital

Operation Expense	\$	1,284,000	
15% Working Capital	\$	192,600	\$ 192,600

Smart Meters Fixed Assets in Rate Base

\$ 23,580,386

Return on Rate Base

Deemed Debt - Long Term	56%	\$	13,205,016
Deemed Debt - Short Term	4%	\$	943,215
Deemed Equity	40%	\$	9,432,155
		\$	23,580,386

Weighted Debt Rate - Long Term	6.10%	\$	805,506
Short Term Debt Rate	4.47%	\$	42,162
Equity Rate	8.57%	\$	808,336

Return on Rate Base

\$ 1,656,003

Operating Expenses

Incremental Operating Expenses	\$	1,284,000
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Amortization Expenses

\$ 1,981,936

Revenue Requirement before PILs	\$	4,921,940
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Calculation of Taxable Income

Incremental Operating Expenses	\$	(1,284,000)
Depreciation Expense	\$	(1,981,936)
Interest Expense	\$	(847,668)

Taxable Income for PILs

\$ 808,336

Grossed up PILs

302,938

Revenue Requirement before PILs

4,921,940

Grossed up PILs

302,938

2008 Revenue Requirement for Smart Meters

5,224,878

2008 Smart Meter Rate Adder

Revenue Requirement for Smart Meters	5,224,878
March 2009 Total Metered Customers	232,482
Annualized amount required per metered customer	22.47
Number of months in year	12
2008 Smart Meter Rate Adder	1.87

Smart Meter Deferral Account Balance - PILs Calculation

Income Tax

Net Income	808,336
Amortization	1,981,936
CCA	- 2,170,325
Revised Taxable Income	619,947
Tax Rate	32.00%
Income Taxes Payable	198,383

Ontario Capital Tax

Smart Meter Related Fixed Assets	22,396,818
Less: Exemption	-
Deemed Taxable Capital	22,396,818
Ontario Capital Tax Rate	0.150%
NET OCT Amount	11,198

	PILs Payable	Gross Up	Grossed Up PILs
Change in Income Taxes Payable	198,383	32.00%	291,740
Change in OCT	11,198		11,198
PIL's	209,581		302,938

Smart Meter Fixed Asset Continuity

For Accounting

	Amortization Period	Opening NBV Balance	Actual 2007 Additions	Actual Amortization For 2007	2007 Net Book Value	2007 Average NBV
OH & UG Services		-	-	-	-	-
Smart meters-1860		-	7,528,822.31	197,829.25	7,330,993.06	3,665,496.53
Computers-1921		-	113,867.66	9,101.30	104,766.36	52,383.18
Computers-1925		-	36,353.62	10,098.23	26,255.39	13,127.70
Tools, Shops - 1940		-	905.31	45.27	860.04	430.02
		-	7,679,948.90	217,074.05	7,462,874.85	3,731,437.43

		Opening NBV Balance	Actual 2008 Additions	Actual Amortization For 2008	2008 Net Book Value	2008 Average NBV
OH & UG Services		-	-	-	-	-
Smart meters-1860		7,330,993.06	10,419,279.83	651,478.12	17,098,794.77	12,214,893.92
Computers-1921		104,766.36	69,496.09	35,370.65	138,891.80	121,829.08
Computers-1925		26,255.39	50,929.85	23,398.73	53,786.51	40,020.95
Tools, Shops - 1940		860.04	7,954.34	613.06	8,201.32	4,530.68
		7,462,874.85	10,547,660.11	710,860.56	17,299,674.40	12,381,274.63

		Opening NBV Balance	Forecast 2009 Additions	Forecast Amortization For 2009	2009 Net Book Value	2009 Average NBV
OH & UG Services	25	-	-	-	-	-
General Office	10		25,000.00	1,250.00	23,750.00	11,875.00
Building Renovations	30		10,000.00	166.67	9,833.33	4,916.67
Smart meters-1860	15	17,098,794.77	8,005,645.00	1,463,394.98	23,641,044.79	20,369,919.78
Computers-1921	5	138,891.80	286,000.00	65,272.75	359,619.05	249,255.43
Computers-1925	3	53,786.51	375,000.00	91,594.49	337,192.02	195,489.27
Tools, Shops - 1940	10	8,201.32	-	885.97	7,315.36	7,758.34
		17,299,674.40	8,701,645.00	1,622,564.85	24,378,754.55	20,839,214.48

		Opening NBV Balance	Forecast 2010 Additions	Forecast Amortization For 2010	2010 Net Book Value	2010 Average NBV
OH & UG Services	25	-	-	-	-	-
General Office	10	23,750.00	-	2,500.00	21,250.00	22,500.00
Building Renovations	30	9,833.33	-	333.33	9,500.00	9,666.67
Smart meters-1860	15	23,641,044.79	-	1,730,249.81	21,910,794.98	22,775,919.89
Computers-1921	5	359,619.05	-	93,872.75	265,746.30	312,682.68
Computers-1925	3	337,192.02	-	154,094.49	183,097.53	260,144.78
Tools, Shops - 1940	10	7,315.36	-	885.97	6,429.39	6,872.37
		24,378,754.55	-	1,981,936.35	22,396,818.20	23,387,786.38

Smart Meter Fixed Asset Continuity

For Tax Purposes

	CCA Class	CCA Rate	Opening UCC Balance	2007 Actual Additions	CCA For Opening UCC	CCA For 2007 Additions	Total CCA - 2007	Closing UCC Balance
OH & UG Services	Class 47	8%	0	-	-	-	-	-
Smart meters-1860	Class 47	8%	0	7,528,822.31	-	301,152.89	301,152.89	7,227,669.42
Computers-1921	Class 45.1	55%	0	113,867.66	-	31,313.61	31,313.61	82,554.05
Computers-1925	Class 12	100%	0	36,353.62	-	18,176.81	18,176.81	18,176.81
Tools, Shops - 1940	Class 8	20%	0	905.31	-	90.53	90.53	814.78
			0	7,679,948.90	-	350,733.84	350,733.84	7,329,215.06

	CCA Class	CCA Rate	Opening UCC Balance	2008 Actual Additions	CCA For Opening UCC	CCA For 2008 Additions	Total CCA - 2008	Closing UCC Balance
OH & UG Services	Class 47	8%	-	-	-	-	-	-
Smart meters-1860	Class 47	8%	7,227,669.42	10,419,279.83	578,213.55	416,771.19	994,984.75	16,651,964.50
Computers-1921	Class 45.1	55%	82,554.05	69,496.09	45,404.73	19,111.42	64,516.15	87,533.99
Computers-1925	Class 12	100%	18,176.81	50,929.85	18,176.81	25,464.93	43,641.74	25,464.93
Tools, Shops - 1940	Class 8	20%	814.78	7,954.34	162.96	795.43	958.39	7,810.73
			7,329,215.06	10,547,660.11	641,958.05	462,142.98	1,104,101.03	16,772,774.14

	CCA Class	CCA Rate	Opening UCC Balance	2009 Forecast Additions	CCA For Opening UCC	CCA For 2009 Additions	Total CCA - 2009	Closing UCC Balance
OH & UG Services	Class 47	8%	-	-	-	-	-	-
General Office	Class 8	20%	-	25,000.00	-	2,500.00	2,500.00	22,500.00
Building Renovations	Class 6	10%	-	10,000.00	-	500.00	500.00	9,500.00
Smart meters-1860	Class 47	8%	16,651,964.50	8,005,645.00	1,332,157.16	320,225.80	1,652,382.96	23,005,226.54
Computers-1921	Class 45.1	55%	87,533.99	286,000.00	48,143.69	78,650.00	126,793.69	246,740.30
Computers-1925	Class 12	100%	25,464.93	375,000.00	25,464.93	187,500.00	212,964.93	187,500.00
Tools, Shops - 1940	Class 8	20%	7,810.73	-	1,562.15	-	1,562.15	6,248.58
			16,772,774.14	8,701,645.00	1,407,327.93	589,375.80	1,996,703.73	23,477,715.42

	CCA Class	CCA Rate	Opening UCC Balance	2010 Forecast Additions	CCA For Opening UCC	CCA For 2010 Additions	Total CCA - 2010	Closing UCC Balance
OH & UG Services	Class 47	8%	-	-	-	-	-	-
General Office	Class 8	20%	22,500.00	-	4,500.00	-	4,500.00	18,000.00
Building Renovations	Class 6	10%	9,500.00	-	950.00	-	950.00	8,550.00
Smart meters-1860	Class 47	8%	23,005,226.54	-	1,840,418.12	-	1,840,418.12	21,164,808.42
Computers-1921	Class 45.1	55%	246,740.30	-	135,707.16	-	135,707.16	111,033.13
Computers-1925	Class 12	100%	187,500.00	-	187,500.00	-	187,500.00	-
Tools, Shops - 1940	Class 8	20%	6,248.58	-	1,249.72	-	1,249.72	4,998.87
			23,477,715.42	-	2,170,325.00	-	2,170,325.00	21,307,390.42