

January 28, 2011

**By RESS and Courier**

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

**Re: EB-2010-0292 Update and Clarification of Horizon Utilities' Response to Board Staff Interrogatory 5**

On September 24, 2010, Horizon Utilities Corporation ("Horizon Utilities") filed an application with the Ontario Energy Board ("OEB") for a change to its smart meter funding adder. On January 13, 2011, Horizon Utilities filed its responses to interrogatories from Board staff in respect of this Application.

By way of this correspondence, Horizon Utilities appreciates the opportunity to update and clarify the answer to Board staff Interrogatory 5 previously provided to the Board on January 13, 2011.

It was Horizon Utilities' intention to not only answer the Interrogatory but to recognize the passage of time, and propose a March 1, 2011 implementation date instead of the original December 1, 2010 implementation date for the smart meter funding adder. In Horizon Utilities' response, it updated the Smart Meter Funding Adder Model, accordingly. However, in so doing, Horizon Utilities did not provide all supporting documentation to reflect such change.

The original proposed smart meter funding adder was \$2.45 per metered customer per month. The model has now been updated in response to the Board staff Interrogatories issued to Horizon Utilities on December 21, 2010. A complete summary of adjustments to the model is detailed below. As a result of adjustments and updates to the original model, Horizon Utilities is at this time requesting approval of a Smart Meter Funding Adder of \$2.14 to be applied to all metered customers effective March 1, 2011.

The updates to the model are as follows:

1. Horizon Utilities is proposing the funding adder for a period of 13 months beginning March 1, 2011 and ending March 31, 2012. A period of 13 months is consistent with the original Application for a smart meter funding adder.
2. In keeping with the March 1, 2011 proposed implementation date, the smart meter funding adder "Billed" has been updated to include revenues collected for the period December 1, 2010 to February 28, 2011. This amount is estimated at \$370,000 per month for three months, totaling

\$1,110,000. This estimate represents the average Billed amount for the previous three month period. In addition to the inclusion of revenue, Horizon Utilities has also included forecast OM&A expenses to March 31, 2012 to correspond to the date of the end of the application of the Rider. These expenses in the amount of \$428,500 have been included in the Forecast 2011 tab in the model.

3. In keeping with the March 1, 2011 proposed implementation date, the current number of customers being billed the smart meter funding adder is 234,555 which is the number of customers being billed the smart meter funding adder as of December 31, 2010, instead of the 233,707 customers as filed in the September 24<sup>th</sup> Application.
4. As per Horizon Utilities' response to Board staff Interrogatory 2, as part of a review of all Smart Meter related expenditures incurred to date, \$833,165 in fixed assets have been reclassified to the Smart Meter variance account in fiscal 2010. Such assets were acquired in a prior year.
5. The previously used tax rate of 31.00% was updated to the current rate of 28.25% for 2011, as per the Board's Decision and Order with regard to Horizon Utilities' May 1, 2010 IRM Application (EB-2009-0228).
6. The Cost of Capital Parameters have been revised to correspond to Horizon Utilities' last Board-approved parameters from the Board's Decision and Order to Horizon Utilities' May 1, 2008 Cost of Service Application (EB-2007-0697).
7. In response to Interrogatory 5, Horizon Utilities has removed the Ontario Capital Tax in the 2011 calculations.

Please find attached the updated working model that supports the smart meter funding adder with changes as detailed above, highlighted.

Two hard copies of this correspondence will follow by courier.

Should you have further questions or concerns, please do not hesitate to contact me.

Yours truly,

*Original signed by Indy J. Butany-DeSouza*

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