EB-2010-0131

Ontario Energy Board

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 approving just and reasonable rates and other charges for electricity distribution to be effective January 1, 2011.

ENERGY PROBE RESEARCH FOUNDATION
("ENERGY PROBE")
CROSS-EXAMINATION COMPENDIUM

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the fiscal year of Horizon;

2. CAROE reduces net income for any regulatory recoveries that relate to prior years. Specifically, with respect to 2008 and 2009, net income has been adjusted to reflect regulatory recoveries for OMERS and LRAM/SSM adjustments that relate to prior fiscal years (i.e. OMERS adjustment in 2008 related to fiscal years 2005 and 2006; LRAM/SSM adjustments in 2008 related to fiscal years 2005 and 2006; and LRAM/SSM adjustment in 2009 related to fiscal years 2007 and 2008);
3. The Equity base in the calculation is determined by computing an estimate of rate basis for the related calendar year, based on Board rate-making principles, and applying the deemed capital structure (i.e., Rate Base multiplied by 40% = Deemed Equity);
4. Actual interest is adjusted to an estimated amount that would correspond to a deemed allowance on the estimated rate base computed in 3. The net income used in the CAROE is adjusted for the difference between actual interest and the estimated allowance.

This calculation is appropriate as it provides an estimate of actual ROE on the same basis as such is determined through Board rate-making policy.

Question 1 c

Reference: Exhibit 1/Tab 2/Schedule 1, pages 6 – 7

Please provide schedules that show the derivation of the return on equity for 2008, 2009 and 2010.

Response:

The following table shows the derivation of the ROE for 2008, 2009 and 2010 (Bridge Year). Please note that there was a typographical error in the ROE figure quoted for 2009. The ROE was quoted as 6.6% and should have been 6.4%.

$000's	2008A	2009A	2010B	
Financial Statement Net Income	**$ 14,439**	**$ 12,156**	**$ 11,199**	A
Canadian GAAP to Regulatory Adjustments:				
OMERS Adjustment (recorded as reduction in 2008 operating expenses)	(1,371)			
LRAM/SSM Recovery 2005-2006 (recorded as distribution revenue)	(868)			
LRAM/SSM Recovery 2007-2008 (recorded as distribution revenue)		(855)		
	(2,239)	(855)	-	
PILs effect (33.5%/33%/31%)	750	282		
	(1,489)	**(573)**	-	B
Estimated adjustment to interest expense - net increase in interest expense				
To adjust to deemed debt structure and 6.1% interest rate on long-term debt	(3,643)	(2,935)	(2,778)	
PILs effect (2008 - 33.5% / 2009 - 33% / 2010 - 31%)	1,220	969	861	
	(2,423)	**(1,966)**	**(1,917)**	C
Adjusted Regulatory Net Income	**$ 10,527**	**$ 9,617**	**$ 9,282**	D=A-B-C
Regulated Rate Base (Estimate) - including Smart Meters	363,777	378,155	391,970	
Regulated Deemed Debt (60%)	218,266	226,893	235,182	
Regulated Deemed Equity (40%)	145,511	151,262	156,788	E
Return on Deemed Equity	7.2%	6.4%	5.9%	=D/E

Question 2 c

For each rate class in Tables 3-19 and 3-23 in Exhibit 3, Tab 2, Schedule 1, please provide the Board approved kW forecast for each rate class.

Response:

2008 Board Approved kW Forecast

	General Service 50 to 4,999 kW	Street Lighting	Sentinel Lighting	Large Use
2008 Board Approved kW Forecast	5,535,480	112,919	1,721	3,876,319

Question 2 d

Based on the response to part (c) above, please calculate the difference in the revenues due to the difference in the actual kW from the Board approved kW forecast in each applicable rate class, based on the Board approved rates for 2008.

Response:

The table below shows the calculation of the revenue shortfall related to each customer class that generates revenue based on kW usage.

Revenue Variance Board Approved Forecast vs. Actual kW Usage

	General Service 50 to 4,999 kW	Street Lighting	Sentinel Lighting	Large Use	Total
2008 Actual kW	5,496,894	110,018	1,664	3,299,915	
2008 Board Approved kW	5,535,480	112,919	1,721	3,876,319	
Variance	**(38,586)**	**(2,901)**	**(57)**	**(576,404)**	
Board Approved Variable Rate	$ 1.7968	$ 3.4026	$ 7.9428	1.0218	
Variance in Revenue	**$ (69,331)**	**$ (9,871)**	**$ (453)**	**$ (588,970)**	**$ (668,625)**

Question 2 e

Please confirm that the Board did not make any adjustments to the kWh or kW forecasts for any rate classes in EB-2007-0697.

Response:

Horizon Utilities confirms that the Board did not make any adjustments to the kWh or kW forecasts for any rate classes in EB-2007-0697.

EB-2010-0131

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

AND IN THE MATTER OF an Application by Horizon Utilities Corporation to the Ontario Energy Board for an Order or Orders approving of fixing just and reasonable rates and other service charges for the distribution of Electricity as of January 1, 2011.

HORIZON UTILITIES CORPORATION ("HORIZON UTILITIES") RESPONSES TO ENERGY PROBE INTERROGATORIES ON REVISED EVIDENCE

DELIVERED: April 1st, 2011

Question 1

Reference:

Revised Exhibit 2, Tab 4, Schedule 1, Appendix 2-2 Cost of Power – 2011 &
Exhibit 8, Tab 1, Schedule 3, Table 8-20 &
Energy Probe Technical Conference Question #3 &
Energy Probe Interrogatory #6

a) Please explain the derivation of the 2011 loss factors shown in the Revised Appendix 2-2 in relation to the loss factors shown in Table 8-20.

b) Are any of the volumes shown in the Revised Appendix 2-2 associated with market participants? If yes, please explain why these volumes are included in the cost of power calculations.

c) Please provide a revised commodity cost of power calculation in the same format as shown in the Revised Appendix 2-2 that reflects both of the following:

i) The RPP/non-RPP volume split based on 2010 actual data as used in the response to Energy Probe Technical Conference Question #3b, and

ii) A non-RPP price of $64.66/MWh and a RPP price of $67.36/MWh as calculated in parts (e) and (f), respectively, of Energy Probe Interrogatory #6.

Response:

a) The 2011 loss factor of 1.041 shown in the Revised Appendix 2-2 for Residential, GS<50kW, Unmetered Scattered Load, Sentinel Lighting, and Street Lighting customer classes is based on the loss factor of 1.0407 rounded to three decimal places. The loss factors for GS>50kW and Large Use customer classes reflect Horizon Utilities' 2010 rate schedule.

b) Revised Appendix 2-2 reflects the volumes associated with market participants only in the calculation of transmission network and transmission connection costs. Market participant volumes are included in these costs as Horizon Utilities bills market participants for transmission network and connection.

c) Please find below a revised commodity cost of power calculation that reflects both the RPP/non-RPP volume split based on 2010 actual data as used in the response to Energy Probe Technical Conference Question 3b) and a non-RPP price of $64.66/MWh and a RPP price of $67.36/MWh as calculated in the response to Energy Probe 6 e) and f) respectively.

REVISED 2011 COST OF POWER FORECAST CALCULATION

Electricity - Commodity		2011	2011		
Class per Load Forecast	2011 Forecasted Metered kWhs	Loss Factor	Uplifted	Cost Of Energy	Total Cost
Residential	1,580,203,371	1.0410			
- Rpp			1,384,918,520	0.06736	$93,288,111
- Non Rpp			260,073,189	0.06466	$16,816,332
GS<50kW	552,044,772	1.0410			
- Rpp			485,086,213	0.06736	$32,675,407
- Non Rpp			89,592,395	0.06466	$5,793,044
GS>50kW	1,781,012,386	1.0421			
- Rpp			209,727,210	0.06736	$14,127,225
- Non Rpp			1,646,265,798	0.06466	$106,447,546
Large User	520,292,236	1.0067			
- Rpp			0	0.06736	$0
- Non Rpp			523,778,194	0.06466	$33,867,498
Unmetered Scattered Load	12,541,586	1.0410			
- Rpp			12,200,637	0.06736	$821,835
- Non Rpp			855,154	0.06466	$55,294
Sentinel Lighting	502,459	1.0410			
- Rpp			508,519	0.06736	$34,254
- Non Rpp			14,541	0.06466	$940
Street Lighting	40,006,298	1.0410			
- Rpp			220,727	0.06736	$14,868
- Non Rpp			41,425,829	0.06466	$2,678,594
TOTAL	4,486,603,108		4,654,666,925		$306,620,950

Transmission - Network		Volume			
Class per Load Forecast		Metric	2011		
Residential		kWh	1,644,991,709	$0.0059	$9,705,451
GS<50kW		kWh	574,678,608	$0.0052	$2,988,329
GS>50kW		kW	4,856,870	$2.0572	$9,991,554
Large User		KW	2,417,347	$2.3501	$5,681,007
Unmetered Scattered Load		kWh	13,055,791	$0.0053	$69,196
Sentinel Lighting		kW	1,421	$1.7095	$2,429
Street Lighting		kW	111,295	$1.6195	$180,242
TOTAL					$28,618,207

Transmission - Connection		Volume			
Class per Load Forecast		Metric	2011		
Residential		kWh	1,644,991,709	$0.0049	$8,060,459
GS<50kW		kWh	574,678,608	$0.0045	$2,586,054
GS>50kW		kW	4,856,870	$1.7739	$8,615,602
Large User		KW	2,417,347	$2.0385	$4,927,762
Unmetered Scattered Load		kWh	13,055,791	$0.0046	$60,057
Sentinel Lighting		kW	1,421	$1.4275	$2,028
Street Lighting		kW	111,295	$1.3918	$154,900
TOTAL					$24,406,862

Wholesale Market Service		Volume			
Class per Load Forecast		Metric	2011		
Residential		kWh	1,644,991,709	$0.0052	$8,553,957
GS<50kW		kWh	574,678,608	$0.0052	$2,988,329
GS>50kW		kWh	1,855,993,007	$0.0052	$9,651,164
Large User		kWh	523,778,194	$0.0052	$2,723,647
Unmetered Scattered Load		kWh	13,055,791	$0.0052	$67,890
Sentinel Lighting		kWh	508,519	$0.0052	$2,644
Street Lighting		kWh	41,646,556	$0.0052	$216,562
TOTAL			4,654,652,384		$24,204,192

Rural Rate Assistance		Volume			
Class per Load Forecast		Metric	2011		
Residential		kWh	1,644,991,709	$0.0013	$2,138,489
GS<50kW		kWh	574,678,608	$0.0013	$747,082
GS>50kW		kWh	1,855,993,007	$0.0013	$2,412,791
Large User		kWh	523,778,194	$0.0013	$680,912
Unmetered Scattered Load		kWh	13,055,791	$0.0013	$16,973
Sentinel Lighting		kWh	508,519	$0.0013	$661
Street Lighting		kWh	41,646,556	$0.0013	$54,141
TOTAL			4,654,652,384		$6,051,048

	2011
4705-Power Purchased	$306,620,950
4708-Charges-WMS	$24,204,192
4714-Charges-NW	$28,618,207
4716-Charges-CN	$24,406,862
4730-Rural Rate Assistance	$6,051,048
4750-Low Voltage	$251,010
TOTAL	390,152,271

EB-2010-0131

HORIZON UTILITIES CORPORATION ("HORIZON UTILITIES")
RESPONSES TO
VULNERABLE ENERGY CONSUMERS COALITION INTERROGATORIES ON
REVISED EVIDENCE

DELIVERED: April 1st, 2011

Question 37

Reference: i) Revised Exhibit 1/Tab 2/Schedule 5

ii) Revised Exhibit 2/Tab 4/Schedule 1/Appendix 2-3

a) Please explain why the first reference shows a change in 2011 working capital requirement from \$61.87 M to \$62.10 M (a \$230 k increase) whereas the second reference shows a change in 2011 working capital requirement from \$62.6 M to \$62.7 M (as \$100 k increase).

b) With respect to reference (ii) please confirm that the increase in the cost of power (even though total 2011 kWh's are less than in the original Application) is due to a "correction" in the billing parameters used for Rural Rate Assistance and Wholesale Market Service.

c) If part (b) is confirmed please identify where in the Evidence this error was first noted.

d) Are there any other errors in/required revisions to the original application that have been identified during the process to-date that have been reflected in the current Update (apart from the Large User load forecast)? If yes, please provide a schedule that identifies what they are, where they are described on the record to date and where they are reflected in the Updated Evidence.

e) Are there any other errors in/required revisions to the original application that have been identified during the process to-date that have <u>not</u> been reflected in the current Update (apart from the Large User load forecast)? If yes, please provide a schedule that identifies what they are, where they are

Response:

a) The first reference shows a change in 2011 working capital requirement from $61.87 M to $62.10 M as a direct result of the change in the 2011 Cost of Power from $394,028,103 to the refilled 2011 Cost of Power of $395,726,409. The difference is $1,698,306. When the Allowance for Working Capital of 14% is applied, the increase in working capital requirement is $237,763, rounded to $230k.

The second reference is taken from the Lead/Lag Study Exhibit 2, Tab 4, Schedule 1, Appendix 2-3 in Table 8 Working Capital Requirement Associated with Distribution Operations – 2011 and is changed from the Original Application to reflect the revised Cost of Power amount, as well as other changes that impact the lead/Lag study but not the calculation of the Working Capital Allowance for purposes of the Rate Base Calculations. One of the most obvious differences is that the Lead/Lag Study incorporates the costs of the Debt Retirement Charges as it reflects a use of cash. Such figures are not part of the Cost of Power, nor are they included in any calculation of working capital requirement.

b) Horizon Utilities confirms that the increase in the Cost of Power is due to a "correction" in the billing parameters used for Rural Rate Assistance and Wholesale Market Service costs in addition to the revised Large User load.

c) This error was first noted by Horizon Utilities in the answer to Energy Probe's Technical Question 3, at which time it is noted that "Additionally, Horizon Utilities has corrected the Volume Metrics for Wholesale Market Service and Rural Rate Assistance Charges…."

d) Horizon Utilities has not reflected other errors in/required revisions to the original application that have been reflected in the current update (apart from the Large Use Customer Load Forecast).

e) Horizon Utilities requests an update to its evidence relating to changes in its total revenue requirement, its revenue deficiency and its rate base as follows.

1) Revision to Large Use customer load forecast.

Horizon Utilities submitted revised evidence to indicate the change in the Large Use customer load forecast. Further, as indicated in the response to VECC Supplementary Interrogatory 44, the Cost Allocation Model has been updated.

2) Cost of Power

The Cost of Power has changed due to the change in the Load Forecast for the Large Use Customer Class. Please see Horizon Utilities' response to Energy Probe Revised Evidence Question 1.

3) Update to Cost of Capital Parameters.

In its initial Application, Horizon Utilities used an ROE and Short Term Debt Rate of 9.85% and 2.07%, respectively. The OEB issued a letter (the "Letter") on November 15, 2010 with regard to Cost of Capital Parameter Updates for 2011 Cost of Service Applications for Rates Effective January 1, 2011. The updated ROE and Short Term Debt Rate per the Letter were 9.66% and 2.43%, respectively. Horizon Utilities has applied these changes.

4) Tax Updates

As detailed in Horizon Utilities' response to Energy Probe Technical Conference Question 8, Horizon Utilities updated Tables 4-37, 4-38, 4-39, and 4-40 to incorporate new information regarding eligibility for the Ontario Tax Training Apprenticeship Credit and for corrections to Class 52 assets.

5) Regulatory Costs

In its original Application, Horizon Utilities amortized Regulatory Costs of $960,000 related to the Cost of Service Application over an amortization period of 3 years. Horizon Utilities recognizes that the amortization period should be over a period of 4 years. The original amount was $320,000 per year ($960,000 divided by 3); the revised amount, reflective of the change in amortization period, is $240,000 ($960,000 divided by 4).

6) Interest Rate on Promissory Note.

In its original Application, Horizon Utilities estimated that the long term debt rate on its $40MM Horizon Holdings Inc. Promissory Note (the "Note") would bear an interest rate of 4.92%. Once the Note was issued, the actual rate was 4.89%. Horizon Utilities has updated its evidence to reflect the 4.89% rate.

Please see the table below that summarizes all changes.

	Revenue Deficiency	Total Revenue	Rate Base	Reference
As originally filed	$19,560,006	$108,707,939	$376,890,026	
# 1 Initial Change in Large Use Load Forecast	$209,367	$15,561	$237,762	Revised Evidence
As per revised evidence	$19,769,373	$108,723,500	$377,127,788	
#1 Update to Cost Allocation Model due to Large User Load Forecast change	$441,466	$0	$0	VECC Interrogatory on Refiled Evidence 44
#2 Cost of Power update due to Large User Load Forecast change	-$68,120	-$68,120	-$780,379	Energy Probe Revised Evidence Question 1
#3 Update to Cost of Capital Parameters.	-$345,160	-$345,160	$0	AMPCO Interrogatory on Revised Evidence 3
#4 Tax Updates	$510,726	$510,726	$0	Energy Probe Technical Conference Question 8
#5 Regulatory Costs	-$80,978	-$80,978	-$11,200	Board staff Interrogatory 40 Board staff Technical Question 9
#6 Interest Rate on Promissory Note	-$16,211	-$16,211	$0	School Energy Coalition Interrogatory 34
Total	$20,211,096	$108,723,757	$376,336,209	

The Revenue Deficiency that Horizon Utilities is now requesting is $20,211,096.

Horizon Utilities has separately filed a "live" OEB Revenue Requirement Work Form model with this evidence.

In addition to the financial revisions listed above, Horizon Utilities is withdrawing two requests for Deferral/Variance accounts as per Exhibit 9, Tab 1, Schedule 1, and Pages 4 to 8. The first relates to the Provincial Meter Data Management and Repository ("MDM/R") Costs from the IESO for the Smart Meter Entity ("SME"). Since the IESO has not yet filed an application with the Board requesting recovery of costs as had been anticipated at the time of filing, an account accumulating costs in this regard is not required at this time. Secondly, Horizon Utilities had requested the establishment of a Deferral/Variance account for the Late Payment Penalty ("LPP") Charges. Such costs were the subject of a generic hearing by the Board. Therefore, the establishment of a deferral/variance account is not required.

EB-2010-0131

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

AND IN THE MATTER OF an Application by Horizon Utilities Corporation to the Ontario Energy Board for an Order or Orders approving of fixing just and reasonable rates and other service charges for the distribution of Electricity as of January 1, 2011.

HORIZON UTILITIES CORPORATION ("HORIZON UTILITIES") RESPONSES TO ENERGY PROBE TECHNICAL CONFERENCE QUESTIONS

DELIVERED: February 23rd, 2011

QUESTION TC #1

Reference: Energy Probe Interrogatory #4 & Exhibit 2, Tab 2, Schedule 2, Figure 2-11

a) Please explain the reduction in the opening balance of approximately $869,000 as shown in the interrogatory response as compared to the original evidence (in accounts 1915, 1920, 1925 and 1940).

b) Does Horizon now have actual data for capital expenditures in 2010? If not, when will this information be available? If yes, please update the interrogatory response to reflect actual data.

Response:

a) As noted in the footnote to Horizon Utilities' response to Energy Probe Interrogatory 4 (at the bottom of the Fixed Asset Continuity Schedule), the 2010 opening balances were restated to reflect the reclassification of certain Smart Meter expenditures. As part of the preparation of the Interrogatory Responses for Horizon Utilities' Application for a Smart Meter Funding Adder (EB-2010-0292), and based on a detailed review of all Smart Meter related expenditures, Horizon Utilities reclassified certain capital expenditures previously recorded in fixed assets in prior years to the Smart Meter variance account in 2010.

b) The table on the following page presents the actual capital expenditures for 2010.

Please note these figures are subject to the review and final approval of 2010 financial results by Horizon Utilities' Board of Directors.

Horizon Utilities Corporation
Fixed Asset Continuity Schedule
December 31, 2010

		Cost				Accumulated Depreciation				
OEB	Asset Description	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Net Book Value
1675	Standby Generators	-	-	-	-	-		-	-	-
1805	Land - Substations	414,741.45	-	-	414,741.45	-	-	-	-	414,741.45
1808	Buildings - Substations	2,138,307.23	15,175.00	-	2,153,482.23	1,534,816.36	76,082.58	-	1,610,898.94	542,583.29
1810	Leasehold Improvements	20,885.65	-	-	20,885.65	20,885.65	-	-	20,885.65	-
1820	Substation Equipment	11,774,640.47	968,939.14	-	12,743,579.61	9,116,218.72	295,743.63	-	9,411,962.35	3,331,617.26
1830	Poles, Towers & Fixtures	69,899,086.43	7,038,048.89	1,508,582.26	75,428,553.06	26,066,828.00	2,840,907.27	1,508,582.26	27,399,153.01	48,029,400.05
1835	OH Conductors & Devices	71,233,394.76	4,338,975.06	1,185,472.71	74,386,897.11	31,392,269.25	2,897,758.13	1,185,472.71	33,104,554.67	41,282,342.44
1840	UG Conduit	115,114,231.17	4,791,623.87	2,516,570.76	117,389,284.28	62,741,200.83	4,598,464.66	2,516,570.76	64,823,094.73	52,566,189.55
1845	UG Conductors & Devices	117,085,475.74	8,042,752.05	2,322,149.80	122,806,077.99	56,742,929.44	4,724,862.50	2,322,149.80	59,145,642.14	63,660,435.85
1850	Line Transformers	96,118,395.81	6,188,044.31	2,636,334.25	99,670,105.87	46,038,177.24	3,834,234.30	2,636,334.25	47,236,077.29	52,434,028.58
1855	Services (OH & UG)	24,184,344.55	1,987,036.06	181,818.45	25,989,562.16	8,685,690.83	1,051,388.38	181,818.45	9,555,260.76	16,434,301.40
1860	Meters	37,819,862.01	1,715,776.09	218,192.17	39,317,445.93	16,605,869.60	1,479,361.33	218,192.17	17,867,038.76	21,450,407.17
1860	Smart Meters	-	-	-	-	0.00	-	-	0.00	(0.00)
1905	Land	1,067,629.41	-	-	1,067,629.41	-	-	-	-	1,067,629.41
1906	Land Rights	162,636.38	-	-	162,636.38	68,811.22	3,338.04	-	72,149.26	90,487.12
1908	Buildings & Fixtures	27,974,291.61	602,913.54	-	28,577,205.15	17,025,093.37	1,264,769.99	-	18,289,863.36	10,287,341.79
1910	Leasehold Improvements	-	-	-	-	-	-	-	-	-
1915	Office Furniture & Equipment	4,912,728.77	386,855.14	-	5,299,583.91	3,572,955.60	195,441.85	-	3,768,397.45	1,531,186.46
1920	Computer - Hardware	5,613,068.40	-	-	5,613,068.40	5,586,452.41	17,095.08	-	5,603,547.49	9,520.91
1920	Computer - Hardware post Mar 22/04	3,146,170.79	1,304,463.75	-	4,450,634.54	1,389,433.14	501,245.58	-	1,890,678.72	2,559,955.82
1925	Computer - Software	10,838,623.58	1,035,450.75	-	11,874,074.33	6,275,340.06	1,333,617.51	-	7,608,957.57	4,265,116.76
1930	Transportation Equipment	17,306,131.00	1,590,515.73	833,682.54	18,062,964.19	11,223,609.71	1,339,990.91	790,271.61	11,773,329.01	6,289,635.18
1935	Stores Equipment	892,540.18	75,520.96	-	968,061.14	508,718.12	41,479.34	-	550,197.46	417,863.68
1940	Tools, Shop & Garage Equipment	7,332,746.94	515,236.30	-	7,847,983.24	5,749,616.33	292,263.94	-	6,041,880.27	1,806,102.97
1945	Measurement & Testing Equipment	1,458,621.39	54,129.85	-	1,512,751.24	947,240.12	91,163.81	-	1,038,403.93	474,347.31
1950	Power operated Equipment	144,034.63	-	-	144,034.63	97,238.19	11,436.36	-	108,674.55	35,360.08
1955	Communications Equipment	1,350,163.26	94,910.37	-	1,445,073.63	511,344.49	123,491.14	-	634,835.63	810,238.00
1960	Load Management controls	515,329.99	-	-	515,329.99	151,458.99	51,532.92	-	202,991.91	312,338.08
1980	System Supervisory Equipment	3,777,542.26	-	-	3,777,542.26	3,026,481.78	80,148.96	-	3,106,630.74	670,911.52
1995	Hydro One S/S Contribution	7,973,483.12	2,356,666.67	-	10,330,149.79	899,179.47	214,058.77	-	1,113,238.24	9,216,911.55
1995	Contributions & Grants	(31,486,410.68)	(8,512,542.04)	-	(39,998,952.72)	(3,509,459.21)	(1,389,916.63)	-	(4,899,375.83)	(35,099,576.89)
Total 2105	Sub-Total	608,782,696.30	34,590,491.49	11,402,802.94	631,970,384.85	312,468,399.72	25,969,960.36	11,359,392.01	327,078,968.07	304,891,416.78
2055	Work in Process	6,315,953.40	2,841,192.68		9,157,146.08	-		-	-	9,157,146.08
	Total	615,098,649.70	37,431,684.17	11,402,802.94	641,127,530.93	312,468,399.72	25,969,960.36	11,359,392.01	327,078,968.07	314,048,562.86
						Less Fleet	1,339,990.91			
						Less Stores	41,479.34			
						Net Depreciation	24,588,490.11			

Horizon Utilities Corporation
EB-2010-0131
Exhibit 2
Tab 2
Schedule 2
Page 4 of 5
Filed: August 26, 2010

Figure 2-11 - Chapter 2 Filing Requirements - Appendix 2B
Fixed Asset Continuity Schedule As at December 31, 2010

Horizon Utilities Corporation
Fixed Asset Continuity Schedule
Friday, December 31, 2010

		Cost				Accumulated Depreciation					
OEB	Asset Description	Opening Balance	Additions	Remove Smart Meter Assets	Closing Balance	Opening Balance	Additions	Remove Smart Meter Assets	MSP Transitional Assets	Closing Balance	Net Book Value
1675	Standby Generators	-	-		-	-	-			-	-
1805	Land - Substations	414,741.45	-		414,741.45	-	-			-	414,741.45
1808	Buildings - Substations	2,138,307.23	-		2,138,307.23	1,534,816.36	75,840.45			1,610,656.81	527,650.42
1810	Leasehold Improvements	20,885.65	-		20,885.65	20,885.65	-			20,885.65	-
1820	Substation Equipment	11,774,640.47	-		11,774,640.47	9,116,218.72	277,009.12			9,393,227.84	2,381,412.63
1830	Poles, Towers & Fixtures	69,899,086.43	8,588,589.47		78,487,675.90	26,066,828.00	2,947,229.99			29,014,057.99	49,473,617.91
1835	OH Conductors & Devices	71,233,394.76	5,276,926.91		76,510,321.67	31,392,269.25	2,923,336.22			34,315,605.47	42,194,716.20
1840	UG Conduit	115,114,231.17	5,198,527.93		120,312,759.10	62,741,200.83	4,656,667.63			67,397,868.46	52,914,890.64
1845	UG Conductors & Devices	117,085,475.74	7,789,118.44		124,874,594.18	56,742,929.44	4,794,672.07			61,537,601.51	63,336,992.67
1850	Line Transformers	96,118,395.81	5,010,545.47		101,128,941.28	46,038,177.24	3,859,405.53			49,897,582.77	51,231,358.51
1855	Services (OH & UG)	24,184,344.55	466,859.11		24,651,203.66	8,685,690.83	1,015,004.50			9,700,695.33	14,950,508.33
1860	Meters	37,819,862.01	1,736,318.76		39,556,180.77	16,605,869.60	1,487,527.48		8,112.00	18,085,285.08	21,470,895.69
1860	Smart Meters	-	701,000.00	701,000.00	-	0.00	1,672,535.57	1,672,535.57		0.00	(0.00)
1905	Land	1,067,629.41	-		1,067,629.41	-	-			-	1,067,629.41
1906	Land Rights	162,636.38	-		162,636.38	68,811.22	3,337.96			72,149.18	90,487.20
1908	Buildings & Fixtures	27,974,291.61	507,500.00		28,481,791.61	17,025,093.37	1,268,100.13			18,293,193.50	10,188,598.11
1910	Leasehold Improvements	-	-		-	-				-	-
1915	Office Furniture & Equipment	4,958,697.08	411,370.00		5,370,067.08	3,572,955.60	222,976.80			3,795,932.40	1,574,134.68
1920	Computer - Hardware	5,613,068.40	-		5,613,068.40	5,586,452.41	810,389.71			6,396,842.12	(783,773.72)
1920	Computer - Hardware post Mar 22/04	3,496,492.32	1,112,831.00		4,609,323.32	1,389,433.14	17,095.13	36,672.75		1,369,855.52	3,239,467.80
1925	Computer - Software	11,297,833.69	1,600,261.00		12,898,094.69	6,275,340.06	1,954,032.81	29,094.49		8,200,278.38	4,697,816.31
1930	Transportation Equipment	17,306,131.00	1,304,999.96		18,611,130.96	11,223,609.71	1,374,529.61			12,598,139.32	6,012,991.64
1935	Stores Equipment	892,540.18	-		892,540.18	508,718.12	46,576.58			555,294.70	337,245.48
1940	Tools, Shop & Garage Equipment	7,346,438.35	488,399.00		7,834,837.35	5,749,616.33	311,599.24	885.97		6,060,329.60	1,774,507.75
1945	Measurement & Testing Equipment	1,458,621.39	91,550.00		1,550,171.39	947,240.12	96,146.76			1,043,386.88	506,784.51
1950	Power operated Equipment	144,034.63	-		144,034.63	97,238.19	11,436.37			108,674.56	35,360.07
1955	Communications Equipment	1,350,163.26	271,850.00		1,622,013.26	511,344.49	137,657.60			649,002.09	973,011.17
1960	Load Management controls	515,329.99	-		515,329.99	151,458.99	51,533.00			202,991.99	312,338.00
1980	System Supervisory Equipment	3,777,542.26	-		3,777,542.26	3,026,481.78	80,148.91			3,106,630.69	670,911.57
1995	Hydro One S/S Contribution	7,973,483.12	-		7,973,483.12	899,179.47	318,939.32			1,218,118.80	6,755,364.32
1995	Contributions & Grants	(31,486,410.68)	(2,262,647.05)		(33,749,057.73)	(3,509,459.21)	(1,308,749.12)			(4,818,208.33)	(28,930,849.40)
2105	Sub-Total	609,651,887.66	38,294,000.00	701,000.00	647,244,887.66	312,468,399.72	29,104,979.37	1,739,188.78	8,112.00	339,826,078.30	307,418,809.36
2055	Work in Process	6,315,953.40			6,315,953.40	-	-			-	6,315,953.40
	Total	615,967,841.06	38,294,000.00	701,000.00	653,560,841.06	312,468,399.72	29,104,979.37			339,826,078.30	313,734,762.76
						Less Fleet	1,374,529.61			(0.01)	
						Less Stores	46,576.58				
						Net Depreciation	27,683,873.17				

Figure 2-12 - Chapter 2 Filing Requirements - Appendix 2B
Fixed Asset Continuity Schedule As at December 31, 2011

Horizon Utilities Corporation
Fixed Asset Continuity Schedule
Saturday, December 31, 2011

		Cost				Accumulated Depreciation					
OEB	Asset Description	Opening Balance	Additions	Remove Smart Meter Assets	Closing Balance	Opening Balance	Additions	Remove Smart Meter Assets	Remove MSP Transitional Assets	Closing Balance	Net Book Value
1675	Standby Generators	-			-	-	-			-	-
1805	Land - Substations	414,741.45			414,741.45	-	-			-	414,741.45
1808	Buildings - Substations	2,138,307.23	-		2,138,307.23	1,610,656.81	75,750.00			1,686,406.81	451,900.42
1810	Leasehold Improvements	20,885.65			20,885.65	20.885.65	-			20,885.65	-
1820	Substation Equipment	11,774,640.47	-		11,774,640.47	9,393,227.84	277,009.12			9,670,236.96	2,104,403.51
1830	Poles, Towers & Fixtures	78,487,675.90	9,821,066.72		88,308,742.62	29,014,057.99	3,254,891.00			32,268,948.99	56,039,793.63
1835	OH Conductors & Devices	76,510,321.67	5,295,002.57		81,805,324.24	34,315,605.47	3,077,998.00			37,393,603.47	44,411,720.78
1840	UG Conduit	120,312,759.10	5,751,824.95		126,064,584.05	67,397,868.46	4,681,325.00			72,079,193.46	53,985,390.59
1845	UG Conductors & Devices	124,874,594.18	7,087,847.64		131,962,441.82	61,537,601.51	4,969,510.00			66,507,111.51	65,455,330.31
1850	Line Transformers	101,128,941.28	7,044,712.90		108,173,654.18	49,897,582.77	3,959,275.00			53,856.857.77	54,316,796.41
1855	Services (OH & UG)	24,651,203.66	701,503.88		25,352,707.54	9,700,695.33	1,013,028.00			10.713,723.33	14,638,984.21
1860	Meters	39,556,180.77	1,125,434.38		40,681,615.15	18,085,285.08	1,521,806.00		8,112.00	19.598.979.08	21,082,636.07
1860	Smart Meters	-	1,578,274.63	1,578,274.63	-	0.00	1,750,844.00	1,750,844.00		0.00	(0.00)
1905	Land	1,067,629.41			1,067,629.41	-	-			-	1,067,629.41
1906	Land Rights	162,636.38	-		162,636.38	72,149.18	3,337.96			75,487.13	87,149.25
1908	Buildings & Fixtures	28,481,791.61	1,540,500.00		30,022,291.61	18,293,193.50	1.297,269.12			19,590,482.62	10,431,808.99
1910	Leasehold Improvements	-			-	-				-	-
1915	Office Furniture & Equipment	5,370,067.08	384,500.00		5,754,567.08	3,795,932.40	244,099.00			4,040,031.40	1,714,535.68
1920	Computer - Hardware	5,613,068.40			5,613,068.40	6.396.842.12	1,028,374.00			7,425,216.12	(1,812,147.72)
1920	Computer - Hardware post Mar 22/04	4,609,323.32	1,612,172.18		6,221,495.50	1,369,855.52	9,520.86	36,672.75		1,342,703.63	4,878,791.87
1925	Computer - Software	12,898,094.69	1,933,577.82		14,831,672.51	8,200,278.38	2,304,552.00	29,094.49		10,475,735.89	4,355,936.63
1930	Transportation Equipment	18,611,130.96	1,445,500.00		20,056,630.96	12,598,139.32	1,365,431.00			13,963,570.32	6,093,060.64
1935	Stores Equipment	892,540.18	-		892,540.18	555,294.70	46,034.00			601,328.70	291,211.48
1940	Tools, Shop & Garage Equipment	7,834,837.35	549,350.00		8,384,187.35	6,060,329.60	338,326.00	885.97		6,397,769.63	1,986,417.72
1945	Measurement & Testing Equipment	1,550,171.39	208,500 00		1.758,671.39	1,043.386.88	106,076.00			1,149,462.88	609,208.51
1950	Power operated Equipment	144,034.63			144,034.63	108,674.56	11,436.37			120,110.93	23,923.70
1955	Communications Equipment	1,622,013.26	1,099,500.00		2,721,513.26	649,002.09	206,665.00			855,667.09	1,865,846.17
1960	Load Management controls	515.329.99	-		515,329.99	202,991.99	51.533.00			254,524.99	260,805.00
1980	System Supervisory Equipment	3,777,542.26	435,277.66		4,212,819.92	3,106,630.69	77,459.00			3,184,089.69	1,028,730.24
1995	Hydro One S/S Contribution	7,973,483.12			7,973,483.12	1,218,118.80	327,613.00			1,545,731.80	6,427,751.32
1995	Contributions & Grants	(33,749,057.73)	(2,044,172.00)		(35,793,229.73)	(4,818,208.33)	(1,390,971.00)			(6,209,179.33)	(29,584,050.40)
2105	Sub-Total	647,244,887.66	45,570,373.34	1,578,274.63	691,236,986.37	339,826,078.30	30,608,211.42	1,817,497.21	8,112.00	368,608,680.51	322,628,305.85
2055	Work in Process	6,315,953.40			6,315,953.40	-	-			-	6,315,953.40
	Total	653,560,841.06	45,570,373.34	1,578,274.63	697,552,939.77	339,826,078.30	30,608,211.42	1,817,497.21	8,112.00	368,608,680.51	328,944,259.25
						Less Fleet	1,365,431.00				
						Less Stores	46,034.00				
						Net Depreciation	29,196,746.42				

NAVIGANT
CONSULTING

Section II: Revenue Lags

A Revenue Lag is the time difference between when service is provided to a customer and when customer payments for such services are available to the Company. A Revenue Lag consists of four sequential components: a) Service Lag; b) Billing Lag; c) Collections Lag; and d) Payment Processing Lag. The Lag times of each of these four components when added together results in the Revenue Lag for the purpose of calculating the working capital requirements of the Company.

Based on an analysis of its components described in greater detail below, the Revenue Lag consists of Service Lag of 30.27 days, a Billing Lag of 17.35 days, a Collections Lag of 24.00 days, and a Payment Processing Lag of 1.21 days. When the components are added together, the overall Revenue Lag for the Company is 72.84 days as shown in Table 1 below.

Table 1. Calculation of Total Revenue Lag

Component of Overall Revenue Lag	Lag Time
Service Lag	30.27 days
Billing Lag	17.35 days
Collections Lag	24.00 days
Payment Processing Lag	1.21 days
Total	**72.84 days**

Service Lag

A Service Lag measures the time from the Company's provision of electricity to a customer to the time the customer's service period ends and the meter is read. Interviews with Company's Customer Services staff indicated that the Company's smaller (residential and small commercial) customers are on a bi-monthly service schedule. Larger customers are on a monthly schedule. Considering this information and using a mid-point methodology, a Service Lag of 30.27 days was determined for the Company's regulated distribution operations.

Billing Lag

A Billing Lag is the time period between the end of a customer's service period and meter read to the time that customer's bill is generated and dispatched. While customer consumption data was readily available subsequent to a meter read, interviews with the Company's Customer Service Department indicated that the key determinant of the Company's ability to dispatch a bill to its customer was the receipt of pricing data from the Ontario Independent System Operator ("IESO") which could take up to 11 or 12 business days. Taking this information into account, an overall Billing Lag of 17.35 calendar days was determined.

EB-2010-0131

HORIZON UTILITIES CORPORATION ("HORIZON UTILITIES")
RESPONSES TO
ENERGY PROBE INTERROGATORIES

DELIVERED: January 24th, 2011

Question 7

Reference: Exhibit 2, Tab 4, Schedule 1, Appendix 2-3

a) Please provide all the data, calculations and assumptions used by rate class to arrive at a service lag of 30.27 days.

b) Does Horizon have any plans to move residential and small commercial customers to monthly billing? If yes, please elaborate on the timing of any such move.

c) Did the service lags used include 30.42 days for customers billed on a bimonthly basis (i.e. 365 / 6 / 2) and a service lag of 15.21 days for customers billed on a monthly basis (i.e. 365 / 12/ 2)? If not, please show the calculation of the monthly and bimonthly service lags.

d) Please indicate which rate classes are billed on a bimonthly basis and which rate classes are billed on a monthly basis.

e) Please provide an example of the pricing data from the IESO that results in the delay in processing the bill to a customer by up to 11 or 12 business days.

f) With respect to the collection lag, is this accounts receivable analysis done on a rate class by rate class basis? If so, please provide the collection lag for each rate class based on the specific accounts receivable analysis for the rate class. If it is not done on a rate class specific basis, please explain why not.

g) Please provide the dates and amounts of property tax payments made that result in the average payment lag time of (194.8) days as shown on page 10.

h) Please show the derivation of the GST/HST lag of (17.41) days shown in Table 5 and reconcile it with the total revenue lag shown in Table 1.

i) Please recalculate the percentages of 13.6%, 13.8% and 14.2% shown in Tables 6 through 8, respectively under the assumption that all rate classes are billed on a monthly basis.

j) With reference to the interest costs shown in Exhibit 5, Tab, Schedule 2, Table 5-1, please explain $10.1 million interest expense shown in Table 8 for 2011.

Response:

a) The data, calculations and assumptions used in the derivation of the 30.27 days are shown in the Table below. The Table includes data on the number of monthly and bi-monthly customers. The assumptions regarding the mid-points of the service period for both monthly and bi-monthly customers are shown. Items that are calculated in the Table below are a) the weighting factors and b) the resulting service lag in days.

	Number of Customers/Accounts			Weighting Factors		Mid Points		Service Lag Days
Rate Classification	Monthly	Bi Monthly	Total	Monthly	Bi Monthly	Monthly	Bi Monthly	
Residential		212,580	212,580	0.00%	90.49%	15.21	30.42	27.52
General Service < 50		17,979	17,979	0.00%	7.65%	15.21	30.42	2.33
General Service > 50	2,216		2,216	0.94%	0.00%	15.21	30.42	0.14
Large Users	12		12	0.01%	0.00%	15.21	30.42	0.00
Unmetered and Scattered		1,879	1,879	0.00%	0.80%	15.21	30.42	0.24
Sentinel		250	250	0.00%	0.11%	15.21	30.42	0.03
Streetlights	4		4	0.00%	0.00%	15.21	30.42	0.00
Total	2,232	232,688	234,920					30.27 days

b) No, Horizon Utilities does not currently have any plans to move residential and small commercial customers to monthly billing.

c) Yes.

d) As used in Horizon's lead/lag study, the information requested is provided in the Table below.

Class	Frequency of Billing
Residential	Bi-Monthly
General Service < 50 kW	Bi-Monthly
General Service > 50 kW	Monthly
Large Users	Monthly
Unmetered and Scattered	Bi-Monthly
Sentinel	Bi-Monthly
Streetlights	Monthly

e) Horizon's meters measure volumes of kilowatthours consumed by customers. These volumes need to be applied to prices (cents/KWh) in order to generate a bill.

f) No. The analysis has not been performed on a rate class by rate class basis (see response to d) for a list of rate classes). Horizon Utilities prepares its aged accounts receivable and credit analysis using two categories of customers; a) residential, and b) commercial, which closely aligns to its credit policies. **g)** As explained on page 2 of Exhibit 2, Tab 4, Schedule 1, Appendix 2-3, the expense lead time consists of two components: a service component, and a payment component. Adding the two together and dollar weighting them produces a weighted average expense lead time for a particular of expense. In the instance of property taxes (page 10 of Exhibit 2, Tab 4, Schedule 1, Appendix 2-3), the weighted average expense lead time was determined to be (12.30) days and the service lead time was 182.50 days. The average payment lag time of (194.8) days is the "delta" between the service lead time and the weighted average expense lead time.

h) The derivation of the (17.41) days of the GST/HST lag is shown on Cols (A) through (F) of the Table below. The discussion following the Table explains how the values in the Table were calculated and, in doing so, reconciles with the total revenue lag calculation shown on Table 1 of Exhibit 2, Tab 4, Schedule 1, Appendix 2-3.

EB-2010-0131

**HORIZON UTILITIES CORPORATION ("HORIZON UTILITIES")
RESPONSES TO
ENERGY PROBE TECHNICAL CONFERENCE QUESTIONS**

DELIVERED: February 23rd, 2011

QUESTION TC #4

Reference: EP Interrogatory 7 & Exhibit 2, Tab 4, Schedule 1, Appendix 2-3

a) The evidence indicates that the billing lag was estimated to be 17.35 days. Was this estimate based on the assumption that the lag was the same for each rate class? If not, please provide a table showing the calculation of the overall 17.35 day billing lag.

b) Similar to (a) above, was the estimate of the overall payment processing lag of 1.21 days based on the assumption that the lag was the same for each rate class? If not, please provide a table showing the calculation of the overall 1.21 day payment processing lag.

c) The evidence indicates that the collection lag is a dollar weighted average. Please provide a table, similar to the response provided in part (a) of the interrogatory, showing the calculation of the collection lag.

d) The response provided to part (a) of the interrogatory indicates that the number of customers/accounts was used for the weighting. What year was used to arrive at these figures?

e) The response provided to part (a) of the interrogatory shows that the weighting factor used to arrive at the overall service lag is the number of customers/accounts. Please provide a revised calculation of the overall service lag if the weighting factors were changed from the number of customers/accounts to revenue (i.e. distribution revenue, transmission related costs, cost of power, regulatory charges, debt retirement charge, etc.).

Response:

a) Yes, the estimate that the billing lag was estimated to be 17.35 days was based on the assumption that the lag was the same for each rate class.

b) Yes, the estimate of the overall payment processing lag of 1.21 days was based on the assumption that the lag was the same for each rate class.

c) The following table provides the computation of the collection lag:

RECEIVABLES BALANCES - $s	
Current	45,710,004
Less Than 30 Days	10,531,479
31 - 60 days	1,999,527
61 - 90 days	788,233
> 90 Days	1,955,275
Total	60,984,518
PERCENT OF TOTAL	
Current	74.95%
Less Than 30 Days	17.27%
31 - 60 days	3.28%
61 - 90 days	1.29%
> 90 Days	3.21%
AVERAGE LAG TIME (Days)	
Current	16.00
Less Than 30 Days	23.00
31 - 60 days	38.00
61 - 90 days	53.00
> 90 Days	190.50
TOTAL WEIGHTED LAG TIME	**24.0032 days**

d) The year 2009 was used to arrive at the figures.

e) Service Lag is intended to measure the amount of time between the start of a period of energy delivery to a customer and the time the service period ends and the customer's meter is read. For working capital purposes, the overall service lag for Horizon Utilities would be exactly at the mid-point of the service lags for all customers served.

Assume hypothetically that a utility such as Horizon Utilities has two customers: Customer A whose meter is read bi-monthly and Customer B whose meter is read monthly. The mid-point of the service period for the bi-monthly customer would be 30 days and that for the monthly customer would be 15 days. All else being equal, a weighted average of the time that service was received from the Company by both customers and meters were read would be 22.5 days i.e., (30+15)/2. Horizon Utilities submits that this result is appropriate given that the weighted average service time is exactly at the mid-point of the mid-point of both customers.

Assume further that that the bi-monthly customer (Customer A) has a bill of $1,000 and the monthly customer (Customer B) has a bill of $9,000. Using dollars to weight the period of service would indicate that the average period of service for both customers would be (30 * $1,000/$10,000) + (15 * $9,000/$10,000), i.e., 16.5 days. Horizon Utilities submits that this result of 16.5 days is not appropriate given that it is not representative of how service was provided to both customers, particularly the bi-monthly customer.

Respectfully, Horizon Utilities submits that it is not appropriate to use weights based on revenues to calculate the service lag. Horizon Utilities' meter reading and billing cycles initiate a revenue cycle which affects specific customers irrespective of the revenues associated with those specific customers. In the example above, the meter reading and billing cycles would occur when the service period ends and meters are read. Horizon Utilities has a fixed meter reading schedule that is dependent on the resources available, the number of customers that receive service, where they are located, and how their meters are read (e.g., AMR, manual, etc.). Horizon Utilities' meter reading schedule is not based on expectations of revenues from any particular class or type of customer and thus, it would be inappropriate to use a revenue weighting approach to determine the average period of time over which Horizon Utilities' customers receive service.

With consideration for the foregoing submissions, the following is a revised calculation of the overall service lag if the weighting factors were changed from the number of customers/accounts to revenue. The service lag for 2009 would be 26.70 days.

Rate Classification	Revenues from Monthly Customers	Revenues from Bi Monthly Customers	Total Revenues	Service Lag Monthly Customers Days	Service Lag Bi Monthly Customers Days	Monthly	Bi Monthly	Weighted Lag
Residential	$ -	$55,192,117	$55,192,117	15.21	30.42	0.00%	62.31%	18.95
General Service < 50	-	10,889,476	10,889,476	15.21	30.42	0.00%	12.29%	3.74
General Service > 50	15,201,214	-	15,201,214	15.21	30.42	17.2%	0.00%	2.61
Large Users	4,797,288	-	4,797,288	15.21	30.42	5.4%	0.00%	0.82
Unmetered and Scattered	-	822,018	822,018	15.21	30.42	0.0%	0.93%	0.28
Sentinel	-	30,105	30,105	15.21	30.42	0.00%	0.03%	0.01
Streetlights	1,650,885	-	1,650,885	15.21	30.42	1.86%	0.00%	0.28
Total	$21,649,387	$66,933,717	$ 88,583,104					26.70

EB-2010-0131

HORIZON UTILITIES CORPORATION ("HORIZON UTILITIES")
RESPONSES TO
VULNERABLE ENERGY CONSUMERS COALITION

TECHNICAL CONFERENCE QUESTIONS

DELIVERED: February 23, 2011

QUESTION TC #2

Reference: VECC #3 and VECC #13

a) The response to part (a) does not address the question as originally proposed. For each year (2003-2009), please provide a schedule that sets out:

1. The actual HDD and CDD values for the year
2. The "weather normal" HDD and CDD values
3. The difference between the actual and weather normal values for HDD and CDD
4. The product of these differences and the respective coefficients for HDD and CDD, as established in through the regression analysis. In doing so, please use the updated coefficients from VECC #2 c).
5. The actual purchases (excluding Large Users) for each year.
6. The "weather normal" purchases for each year calculated by adjusting the actual purchases (item (5)) by the estimated impact of weather (item (4)).

b) Please repeat part (a) based using the actual results for 2010, per VECC #13 a).

Response:

a) The requested information is provided in the following table. Please note the resulting Estimated Actual Weather Normal values are consistent with the Estimated Actual Weather Normal numbers shown in Horizon Utilities' response to VECC Interrogatory 3.

	Actual Heating Degree Days (A)	Actual Cooling Degree Days (B)	Weather Normal Heating Degree Days (C)	Weather Normal Cooling Degree Days (D)	Difference in Heating Degree Days (F) = (A) - (C)	Difference in Cooling Degree Days (G) = (B) - (D)	Difference in Heating Degree Day apply to Coefficient of 94,813 (GWh) (H) = (F) * 94,813 /1,000,000	Difference in Cooling Degree Day apply to Coefficient of 910,315 (GWh) (I) = (G) * 910,315 /1,000,000	Actual Purchases (GWh) (J)	Estimated Actual Weather Normal (GWh) (K) = (J) - (H) (I)
2003	4009	257	3789	290	221	-33	20.9	(30.0)	4,490.3	4,499.4
2004	3802	207	3789	290	14	-83	1.3	(75.2)	4,462.3	4,536.1
2005	3863	439	3789	290	75	149	7.1	135.5	4,652.5	4,510.0
2006	3385	303	3789	290	-403	14	(38.2)	12.3	4,479.1	4,505.0
2007	3732	349	3789	290	-57	59	(5.4)	53.8	4,511.1	4,462.7
2008	3868	239	3789	290	79	-51	7.5	(46.3)	4,398.4	4,437.2
2009	3861	235	3789	290	72	-55	6.9	(50.2)	4,207.5	4,250.9
2010	3566	358	3789	290	-222	68	(21.1)	61.9	4,296.1	4,255.3

b) The requested information is provided in response to part a). Consistent with part a), the 2010 actual purchases exclude Large Use customers and do not reconcile with the information in Horizon Utilities' response to VECC Interrogatory 13 a), as the 2010 actual purchase data provided in Horizon Utilities' response to VECC Interrogatory 13 a) includes Large Use customers.

REVISED Table 3 - 1 - Summary of Operating Revenue

	2007 Actual	2008 Approved	2008 Actual	2009 Actual	2010 Forecast	2011 Forecast
Operating Revenue per Financial Statements	$ 84,796,818		$ 88,334,732	$ 88,583,104		
SSS Admin charges *included in Other Operating Revenue*	$ (569,713)		$ (589,238)	$ (591,117)		
Adjustments			$ (5,254,223)	$ (4,680,503)		
Net Operating Revenue	**$ 84,227,105**	**$ 86,661,249**	**$ 82,491,271**	**$ 83,311,484**	**$ 83,813,764**	**$ 103,241,531**
Residential	$ 60,077,158	$ 54,384,267	$ 57,818,079	$ 51,907,610	$ 52,176,489	$ 60,829,155
GS<50 kW	$ 9,645,384	$ 10,399,350	$ 9,395,291	$ 10,241,439	$ 10,012,876	$ 12,193,415
GS>50 kW	$ 11,842,292	$ 14,602,420	$ 11,785,659	$ 13,685,913	$ 14,087,130	$ 18,412,347
Large User	$ 1,763,243	$ 5,459,659	$ 2,094,026	$ 4,511,799	$ 4,678,721	$ 7,784,007
USL	$ 173,578	$ 736,621	$ 244,996	$ 773,100	$ 562,706	$ 636,226
Sentinel	$ 21,561	$ 38,996	$ 22,997	$ 28,313	$ 27,567	$ 52,974
Streetlights	$ 340,508	$ 649,960	$ 828,312	$ 1,552,640	$ 1,770,327	$ 2,755,014
Standby	$ 363,379	$ 389,976	$ 301,910	$ 610,669	$ 497,948	$ 578,393
Net Operating Revenue	**$ 84,227,103**	**$ 86,661,249**	**$ 82,491,270**	**$ 83,311,484**	**$ 83,813,764**	**$ 103,241,531**
Other Operating Revenue	$ 7,163,115	$ 6,774,481	$ 7,344,652	$ 6,083,647	$ 5,601,659	$ 5,481,969
Total Operating Revenue	$ 91,390,218	$ 93,435,730	$ 89,835,922	$ 89,395,131	$ 89,415,423	$ 108,723,500

1 **Table 3-24 - Summary of Forecast**

	2008 Board Approved	2008	2009	2010 Weather Normalized Bridge	2011 Weather Normalized Test
ACTUAL AND PREDICTED KWH PURCHASES					
Actual kWh Purchases		4,398,381,705	4,207,530,143		
Predicted kWh Purchases before CDM adjustment		4,371,431,551	4,265,037,777	4,261,376,265	4,127,619,866
% Difference of actual and predicted purchases		(0.6%)	1.4%		
BILLING DETERMINANTS BY CLASS					
Residential					
Customers	211,942	211,092	212,158	213,404	214,658
kWh	1,698,681,251	1,641,702,487	1,597,158,130	1,628,908,491	1,580,203,371
General Service < 50 kW					
Customers	17,927	18,037	18,033	17,982	17,931
kWh	633,227,782	598,551,375	577,556,075	578,962,541	552,044,772
General Service 50 to 4,999 kW					
Customers	2,213	2,179	2,172	2,225	2,279
kWh	2,118,642,390	1,958,084,266	1,815,472,173	1,834,063,279	1,781,012,386
kW	5,535,480	5,496,894	5,231,608	5,001,542	4,856,870
Street Lighting					
Customers	53,514	52,277	52,160	52,274	52,388
kWh	42,054,739	39,533,397	39,460,323	39,732,373	40,006,298
kW	112,919	110,018	110,133	110,533	111,295
Sentinel Lighting					
Customers	479	491	502	502	501
kWh	606,521	582,481	534,109	518,043	502,459
kW	1,721	1,664	1,542	1,465	1,421
Unmetered Scattered Load					
Customers	3,338	3,205	3,208	3,218	3,228
kWh	18,237,718	12,963,585	12,770,029	12,655,292	12,541,586
Standby Power					
kW	192,960	242,220	242,220	242,220	199,012
Large Use					
Customers	12	12	12	12	12
kWh - without WMP	1,088,833,225	869,640,109	554,336,189	693,689,836	693,689,836
kW - with WMP	3,876,319	3,299,915	2,433,218	3,044,901	3,044,901
Total					
Customer/Connections	**289,425**	**287,292**	**288,245**	**289,617**	**290,997**
kWh	**5,600,283,626**	**5,121,057,699**	**4,597,287,028**	**4,788,529,854**	**4,660,000,708**
kW from applicable classes	**9,719,399**	**9,150,711**	**8,018,721**	**8,400,660**	**8,213,499**

2

3

TAX CALCULATIONS

Horizon Utilities' detailed tax calculations use the most recent tax rates as provided below:

Table 4-36 Horizon Utilities Corporate Tax Rates (2010-2011)

Corporate Tax Rates		
Corporate Tax Rates for Tax Year:	2010 Bridge Year	2011 Test Year
OCT Exemption	15,000,000	0
Federal Income Tax	18%	16.5%
Ontario Income Tax	13%	11.75%
Combined Income Tax	31%	28.25%
Ontario Capital Tax Rate	0.075%	0.000%
Large Corporation Tax Rate	0	0

The detailed tax calculations are provided below:

Table 4-37 – Horizon Utilities – Detailed Tax Calculations

2010 Capital Taxes

Description	OCT	LCT
Total Rate Base	369,164,571	341,312,649
Exemption	-15,000,000	0
Deemed Taxable Capital	354,164,571	341,312,649
Rate	0.075%	0.000%
Gross Tax Payable	265,623	0
Surtax	0	0
Net Capital Tax Payable	265,623	0

2010 PILs Schedule

Description	Source or Input	Tax Payable
Accounting Income	10' Rev Def	17,194,379
Tax Adj to Accounting Income	10' Rev Def	1,437,720
Taxable Income		18,632,099
Combined Income Tax Rate	PILs Rates	31.000%
Total Income Taxes		5,775,951
Investment Tax Credits		
Apprentice Tax Credits		-
Other Tax Credits		-
Total PILs		5,775,951

2010 Total Taxes

Description	Tax Payable
Total PILs	5,775,951
Net Capital Tax Payable	265,623
PILs including Capital Taxes	6,041,574

2011 Capital Taxes

Description	OCT	LCT
Total Rate Base	376,890,026	369,164,571
Exemption	0	0
Deemed Taxable Capital	376,890,026	369,164,571
Rate	0.000%	0.000%
Gross Tax Payable	0	0
Surtax	0	0
Net Capital Tax Payable	0	0

2011 PILs Schedule

Description	Source or Input	Tax Payable
Accounting Income	10' Rev Def	20,908,110
Tax Adj to Accounting Income	10' Rev Def	538,415
Taxable Income		21,446,525
Combined Income Tax Rate	PILs Rates	28.250%
Total Income Taxes		6,058,643
Investment Tax Credits		
Apprentice Tax Credits		-
Other Tax Credits		-
Total PILs		6,058,643

2011 Total Taxes

Description	Tax Payable
Total PILs	6,058,643
Net Capital Tax Payable	-
PILs including Capital Taxes	6,058,643

EB-2010-0131

HORIZON UTILITIES CORPORATION ("HORIZON UTILITIES") RESPONSES TO

ENERGY PROBE TECHNICAL CONFERENCE QUESTIONS

DELIVERED: February 23rd, 2011

QUESTION TC #8

Reference: Energy Probe Interrogatory #31

a) The response to part (b) is not clear. Please confirm that the total number of apprentices eligible for the Ontario Apprenticeship Tax Training Credit in 2011 will be 34, consisting of 8 hired in 2009, 13 in 2010 and 11 in 2011. If this is not correct, please indicate how many apprentice positions are eligible for this tax credit in 2011

b) The following is copied from http://www.cra-arc.gc.ca/tx/ndvdls/tpcs/ncm-tx/rtrn/cmpltng/ddctns/lns409-485/412/jctc-eng.html

Apprenticeship Job Creation Tax Credit (AJCTC)

The AJCTC is a non-refundable tax credit equal to 10% of the eligible salaries and wages payable to eligible apprentices in respect of employment after May 1, 2006. The maximum credit an employer can claim is $2,000 per year for each eligible apprentice. If your business hires an "eligible apprentice", you qualify to claim the credit.

Who is an "eligible apprentice"?

An "eligible apprentice" is someone who is working in a prescribed trade in the first two years of their apprenticeship contract. This contract must be registered with a federal, provincial or territorial government under an apprenticeship program designed to certify or license individuals in the trade.

A prescribed trade includes the 53 trades currently listed as Red Seal Trades. For more information, see the Interprovincial Standards Red Seal Program.

Since the apprenticeship contracts are registered with the province and the reference to the Red Seal Trades appears to be used only to identify the prescribed trades that are eligible, please explain why Horizon does not believe it is eligible for the federal apprenticeship job creation tax credit.

c) Has Horizon investigated or sought a ruling on whether or not its apprentice positions are eligible for the federal credit? If not, why not? Has Horizon talked about this issue with any other Ontario electricity distributor that is claiming this tax credit?

Response:

a) There are 34 apprentices eligible in 2011 in part, consistent with the breakdown provided for 2009, 2010, and 2011 with a carryover of 2 eligible apprentices from 2008.

b) Horizon Utilities has investigated its eligibility for the AJCTC further. Based on such review, Horizon Utilities believes that its "Powerline Maintainer" trades, which correspond to the "Powerline Technician" Red Trades, would qualify for this credit. Of the 34 apprentices noted in a), 19 would represent Powerline Technician trades in 2011.

It will be Horizon Utilities' intention to file for the AJCTC in 2010 and 2011.

In order to ensure the integrity of its evidence, Horizon Utilities submits revised PILs Tax Calculations provided in Exhibit 4, Tab 3, Schedule 2 as follows:

- Table 4-37;
- Table 4-38;
- Table 4-39;
- Table 4-40

These tables have been revised and appear below to provide for the following:

1. Eligibility of 34 apprentices in 2011 for the Ontario Tax Training Apprenticeship Credit, which results in an aggregate credit of $340,000 (provided in Table 4-37);
2. Eligibility of 15 Powerline Technician apprentices in 2011 for the AJCTC (provided in Table 4-37), which results in an aggregate credit of $38,000;
3. Recognition that 1. And 2. are taxable credits and, as such, are adjusted as Other Additions through line 295 of Table 4-38;
4. Correction of Table 4-39 for 2010 and Table 4-40 for 2011 with respect to Class 52 assets. The nature of the correction is to recognize the following:
    a. Class 52 additions in the year are not subject to the ½ year rule. As such, CCA will be adjusted in Table 4-39 for 2010 to reflect full Class 52 UCC

utilization in that year. The 2010 UCC Ending Balance in Table 4-39 is corrected to report $0;

b. Table 4-40 incorrectly reports additions in Class 52 for 2011. Class 52 is no longer valid following January 31, 2011. Such additions reported in Class 52 in Table 4-40 are properly recorded in Class 50. As such, the following changes have been made in Table 4-40:
    i. The UCC Prior Ending Balance for Class 52 is restated to $0 to correspond to the change in 4.a.;
    ii. The $1,612,172 of additions reported as Class 52 have been now reported as additions in Class 50;
    iii. UCC and CCA balances and amounts have been revised to reflect the changes in 4.b.i. and 4.b.ii.

Table 4-38 has been revised to reflect the corrected CCA values resulting from 4.

Based on the revisions reported in 1.-4. above, Horizon Utilities submits a revised 2011 Total PILs value of $6,042,540 for recovery in its Application.

c) Please refer to the response in b.)

1 Revised Table 4–37 – Horizon Utilities – Detailed Tax Calculations

2010 Capital Taxes

Description	OCT	LCT
Total Rate Base	369,164,571	341,312,649
Exemption	-15,000,000	0
Deemed Taxable Capital	**354,164,571**	**341,312,649**
Rate	0.075%	0.000%
Gross Tax Payable	265,623	0
Surtax	0	0
Net Capital Tax Payable	**265,623**	**0**

2010 PILs Schedule

Description	Source or Input	Tax Payable
Accounting Income	10' Rev Def	17,194,379
Tax Adj to Accounting Income	10' Rev Def	881,304
Taxable Income		**18,075,683**
Combined Income Tax Rate	PILs Rates	31.000%
Total Income Taxes		**5,603,462**
Investment Tax Credits		
Apprentice Tax Credits		-
Other Tax Credits		-
Total PILs		**5,603,462**

2010 Total Taxes

Description	Tax Payable
Total PILs	5,603,462
Net Capital Tax Payable	265,623
PILs including Capital Taxes	5,869,085

2011 Capital Taxes

Description	OCT	LCT
Total Rate Base	376,890,026	369,164,571
Exemption	0	0
Deemed Taxable Capital	**376,890,026**	**369,164,571**
Rate	0.000%	0.000%
Gross Tax Payable	0	0
Surtax	0	0
Net Capital Tax Payable	**0**	**0**

2011 PILs Schedule

Description	Source or Input	Tax Payable
Accounting Income	10' Rev Def	20,892,007
Tax Adj to Accounting Income	10' Rev Def	1,835,569
Taxable Income		**22,727,576**
Combined Income Tax Rate	PILs Rates	28.250%
Total Income Taxes		**6,420,540**
Investment Tax Credits		
Apprentice Tax Credits		378,000
Other Tax Credits		-
Total PILs		**6,042,540**

2011 Total Taxes

Description	Tax Payable
Total PILs	6,042,540
Net Capital Tax Payable	-
PILs including Capital Taxes	6,042,540

2

REVISED Table 4-37 – Horizon Utilities – Detailed Tax Calculations

2010 Capital Taxes

Description	OCT	LCT
Total Rate Base	371,727,640	341,312,649
Exemption	-15,000,000	0
Deemed Taxable Capital	356,727,640	341,312,649
Rate	0.075%	0.000%
Gross Tax Payable	267,546	0
Surtax	0	0
Net Capital Tax Payable	267,546	0

2010 PILs Schedule

Description	Source or Input	Tax Payable
Accounting Income	10' Rev Def	17,106,369
Tax Adj to Accounting Income	10' Rev Def	1,437,720
Taxable Income		18,544,088
Combined Income Tax Rate	PILs Rates	31.000%
Total Income Taxes		5,748,667
Investment Tax Credits		
Apprentice Tax Credits		-
Other Tax Credits		-
Total PILs		5,748,667

2010 Total Taxes

Description	Tax Payable
Total PILs	5,748,667
Net Capital Tax Payable	267,546
PILs including Capital Taxes	6,016,213

2011 Capital Taxes

Description	OCT	LCT
Total Rate Base	377,127,788	371,727,640
Exemption	0	0
Deemed Taxable Capital	377,127,788	371,727,640
Rate	0.000%	0.000%
Gross Tax Payable	0	0
Surtax	0	0
Net Capital Tax Payable	0	0

2011 PILs Schedule

Description	Source or Input	Tax Payable
Accounting Income	10' Rev Def	20,921,167
Tax Adj to Accounting Income	10' Rev Def	538,415
Taxable Income		21,459,581
Combined Income Tax Rate	PILs Rates	28.250%
Total Income Taxes		6,062,332
Investment Tax Credits		
Apprentice Tax Credits		-
Other Tax Credits		-
Total PILs		6,062,332

2011 Total Taxes

Description	Tax Payable
Total PILs	6,062,332
Net Capital Tax Payable	-
PILs including Capital Taxes	6,062,332

REVENUE REQUIREMENT WORK FORM

Name of LDC: Horizon Utilities Corporation
File Number: EB-2010-0131
Rate Year: 2011

Version: 2.11

Ontario

VECC #37
REVISED EVIDENCE
RRWF

Taxes/PILs

Line No.	Particulars	Application			Per Board Decision	
	Determination of Taxable Income					
1	Utility net income before taxes	$14,541,631		$ -		$ -
2	Adjustments required to arrive at taxable utility income	$1,835,569		$ -		$1,835,569
3	Taxable income	$16,377,200		$ -		$1,835,569
	Calculation of Utility income Taxes					
4	Income taxes	$4,626,559		$4,626,681		$4,626,681
5	Capital taxes	$ -	(1)	$ -	(1)	$ - (1)
6	Total taxes	$4,626,559		$4,626,681		$4,626,681
7	Gross-up of Income Taxes	$1,821,607		$1,821,655		$1,821,655
8	Grossed-up Income Taxes	$6,448,166		$6,448,336		$6,448,336
9	PILs / tax Allowance (Grossed-up Income taxes + Capital taxes)	$6,448,166		$6,448,336		$6,448,336
10	Other tax Credits	$ -		$ -		$ -
	Tax Rates					
11	Federal tax (%)	16.50%		16.50%		16.50%
12	Provincial tax (%)	11.75%		11.75%		11.75%
13	Total tax rate (%)	28.25%		28.25%		28.25%

Notes

(1) Capital Taxes not applicable after July 1, 2010 (i.e. for 2011 and later test years)

EB-2010-0131

HORIZON UTILITIES CORPORATION ("HORIZON UTILITIES")
RESPONSES TO
ENERGY PROBE INTERROGATORIES

DELIVERED January 24th, 2011

Question 28

Reference: Exhibit 4, Tab 3, Schedule 1

a) Please confirm that the Ontario surtax claw-back on the first $500,000 of taxable income was eliminated effective July 1, 2010 and that the provincial income tax rate on the first $500,000 of taxable income was reduced to 4.50%.

b) Has HOBNI included a tax reduction of $36,250 related to the Ontario small business tax rate on the first $500,000 in taxable income (calculated as $500,000 times the difference between 11.75% and 4.50%)? If not, why not?

Response:

a) Horizon Utilities confirms that the Ontario surtax claw-back on the first $500,000 of taxable income was eliminated effective July 1, 2010 and that the provincial income tax rate on the first $500,000 of taxable income was reduced to 4.50%.

b) Horizon Utilities presumes that this question applies to it and not "HOBNI". Horizon Utilities apologizes for the oversight not to have adjusted the schedule noted to accommodate the tax change provided in the March 25, 2010 Ontario budget.

Deemed Long-Term Debt is Horizon Utilities' dollar weighted average Funded Debt Rate of 5.80%.

Based on the foregoing analysis, and subject to any Board updates of parameters applicable to 2011 Cost of Service applications, the Long-Term Debt rate requested for the 2011 Test Year is the dollar weighted average of the Funded Debt Rate of 5.80%.

Horizon Utilities submits that the $116MM HUC Note matures on July 31, 2012. It is Horizon Utilities' intention to refinance such note at that time through the issuance of a promissory note to HHI ("Future HHI Note"). HHI is expected to finance the Future HHI Note through the issuance of a debenture obligation under its Trust Indenture ("Future HHI Debenture"). The terms of the Future HHI Note would be identical, *mutatis mutandis*, to the terms of the Future HHI Debenture. Horizon Utilities requests that, effective with the time of such refinancing of the $116MM HUC Note in its next scheduled incentive rate mechanism adjustment, its Long-Term Debt rate be adjusted based on the above analysis by substituting the rate on the $116MM HUC Note with the Future HHI Note.

Long-term debt cost information for the 2007 Actual, 2008 Board Approved, 2008 and 2009 Actual, 2010 Bridge Year, and 2011 Test Year are also provided in Table 5-2.

Return on Equity

Horizon Utilities is requesting a return on equity ("ROE") for the 2011 Test Year of 9.85%, in accordance with the Cost of Capital Parameter Updates for 2010 Cost of Service Applications issued by the OEB on February 24, 2010. Horizon Utilities understands that the OEB will be finalizing the ROE for 2011 rates based on January 2011 market interest rate information. Horizon Utilities' use of an ROE of 9.85% is without prejudice to any revised ROE that may be adopted by the OEB in early 2011.

Rate Base and Rate of Return

The tables below detail Horizon Utilities' rate base, deemed debt/equity ratios, deemed rate of return, actual debt/equity ratios and actual rates of returns for 2008 Board Approved, 2008 Actual, 2009 Actual, 2010 Bridge Year Forecast, and 2011 Test Year Forecast.

EB-2010-0131

HORIZON UTILITIES CORPORATION ("HORIZON UTILITIES")
RESPONSES TO
ENERGY PROBE INTERROGATORIES

DELIVERED: January 24th, 2011

Question 11

Reference: Exhibit 3, Tab 2, Schedule 2

a) Please provide a regression analysis on the ratio of kW to kWh figures shown in Table 3-20 for each of the three rate classes shown that uses the ratios as the dependent variable and the year as the independent variable.

b) For any of the three regressions estimated in response to part (a) above in which the independent variable is found to be statistically significant, please provide the forecast for 2011 using the regression equation.

c) What is the impact on the revenue deficiency of using the result from part (b)?

d) Please update Table 3-20 to reflect 2010 actual data. If 2010 actual data is not available, please update the figures to reflect 11 months of actual data and one month of forecast data.

e) Please update Table 3-22 to reflect 2010 actual data. If 2010 actual data is not available, please update the figures to reflect 11 months of actual data and one month of forecast data.

f) Please explain the decrease forecast for 2011 in Table 3-22.

g) Please update Table 3-23 to reflect 2010 actual data. If 2010 actual data is not available, please update the figures to reflect 11 months of actual data and one month of forecast data.

h) Please indicate how the degree day information from the Hamilton Airport and a weather station in the St. Catharine's vicinity were combined to arrive at the degree day data found in Appendix 3-1. Please also provide the monthly data from these two sources and show the calculation used to combine the figures.

i) Is the data from the weather station in the St. Catharine's area maintained by Environment Canada?

j) Please update Table 3-24 to reflect 2010 actual data. If 2010 actual data is not available, please update the figures to reflect 11 months of actual data and one month of forecast data.

Response:

a) The following outlines the results, by class, of the regression analysis on the ratio of kW to kWh figures shown in Table 3-20 for each of the three rate classes shown that uses the ratios as the dependent variable and the year as the independent variable.

General Service 50 to 4,999 kW	
Statistic	**Value**
R Square	91.3%
Adjusted R Square	89.6%
F Test	52.8
T-stats by Coefficient	
Intercept	(7.0)
Year	7.3

Street Lighting	
Statistic	**Value**
R Square	1.8%
Adjusted R Square	-17.8%
F Test	0.1
T-stats by Coefficient	
Intercept	0.2
Year	0.3

Sentinel Lighting	
Statistic	**Value**
R Square	39.8%
Adjusted R Square	27.7%
F Test	3.3
T-stats by Coefficient	
Intercept	(1.8)
Year	1.8

b) The General Service 50kW to 4,999 kW class is the only class of the three regressions estimated in response to part a) above in which the independent variable is found to be statistically significant. The kW forecast for 2011 using the regression equation for the General Service 50kW to 4,999 kW class is 5,214,803 kWs.

c) The impact on the revenue deficiency of using the result from part b) is a reduction of $622,840.

d) Horizon Utilities has updated Table 3-20 to reflect 2010 actual data.

Table 3-20: Historical kW/KWh Ratio per Applicable Rate Class

Year	General Service 50 to 4,999 kW	Street Lighting	Sentinel Lighting
Ratio of kW to kWh			
2003	0.2617%	0.2794%	0.2678%
2004	0.2661%	0.2769%	0.2783%
2005	0.2677%	0.2786%	0.2621%
2006	0.2730%	0.2760%	0.2959%
2007	0.2715%	0.2791%	0.3010%
2008	0.2807%	0.2783%	0.2858%
2009	0.2882%	0.2791%	0.2887%
2010	0.2872%	0.2730%	0.2496%
Average 2003 to 2010	**0.2745%**	**0.2775%**	**0.2786%**

e) Horizon Utilities has updated Table 3-22 to reflect 2010 actual data.

inter-company Management Fees in respect of the services provided to its affiliates. The Master Services Agreement (the "MSA") and the accompanying Schedules and Appendices outline the shared services and the costing mechanism used for the shared services. A copy of the MSA dated January 1, 2007 and its Schedules and Appendices are enclosed as Exhibit 3, Tab 3, Schedule 3, Appendix 3-4 to this Schedule.

The amounts of management fee revenue included in miscellaneous revenue for the 2010 Bridge Year and 2011 Test Year are summarized in Table 3-28, below. The revenues received for these services are offset against Horizon Utilities' revenue requirement to reduce the revenue required from customers, through distribution rates.

Table 3-28 - Summary of Management Fee Revenue in Miscellaneous Revenue

Description	2010 Bridge	2011 Test
Hamilton Utilities Corporation	19,200	19,776
Hamilto Hydro Services Inc.-Hamilton Community Energy	52,800	54,384
Hamilto Hydro Services Inc.-Water Heater Rental	25,000	25,750
Horizon Utilities - Non-Regulated Billing Services	583,000	600,490
St. Catharines Hydro Inc.	71,976	71,976
Total	751,976	772,376

Horizon Utilities has provided further information on the shared service charges and the method of allocating these costs in Exhibit 4, Tab 2, Schedule 11.

2009 Actual Comparison to 2008 Actual Other Operating Revenue

Horizon Utilities' other Operating Revenue in 2009 was $6,083,647 as presented in Table 3-25. The variance from 2009 actual to 2008 actual of $ 1,261,006 includes $430,261 recorded incorrectly in account 4225, Late Payment Charges. This amount should have been recorded in account 4235, Miscellaneous Service Charges. One time revenues for administration charges applied to external invoices as noted above and sales of property were recorded only in 2008. As noted above, the OPA program bonus of $214,610 was recorded in account 4375 –

EB-2010-0131

HORIZON UTILITIES CORPORATION ("HORIZON UTILITIES")
RESPONSES TO
ENERGY PROBE INTERROGATORIES

DELIVERED: January 24th, 2011

Question 14

Reference: Exhibit 3, Tab 3, Schedule 3

a) Are the costs associated with providing the services for which the management fee shown in Table 3-28 are collected included in the OM&A expenses?

b) Are there any depreciation and/or return on capital costs included in the management fee recovery?

c) Please provide a table showing the costs associated with the management fee revenue for the 2011 test year.

Response:

a) The costs associated with providing the services, for which the management fees shown in Table 3-28 are collected, are included in the OM&A expenses.

b) Please refer to response to VECC Interrogatory #27.

c) The following tables include the costs associated with the management fee revenue for the 2011 test year.

Combined Hamilton Utilities Corporation and Hamilton Community Energy
Calculation of Management Fee For 2011 Test

	Applicable Costs $ (note 1)	Allocation Factor % (note 2)	$
Human Resources	933,799	1.716%	16,024
Procurement and Supply Chain Management	844,743	1.089%	9,199
Information Technology	2,422,515	1.559%	37,767
Back-Office (Finance) Department (note 3)			9,010
2010 Management Fee			72,000
2011 Management Fee (3% Inflation Factor)			74,160
Allocation:			
Hamilton Utilities Corporation			19,776
Hamilton Community Energy			54,384
Total			74,160

Notes:

1) Applicable costs reflect 2010 Departmental Budgets; Specific costs related only to the Electricity Distribution Operations only are excluded. Computation of Management Fee is subject to a true-up at year-end.
2) Allocation factors are based on cost drivers as per the Service Level Agreement and are based on 2009 Actuals.
3) Cost allocation is based on time spent on activities by Finance department (burdened payroll costs); Hamilton Utilities Corporation and Hamilton Community Energy assumed majority of Finance functions in 2009.

Hamilton Hydro Services Inc. - Water Heater Rental - Calculation of Management Fee For 2011 Test

	Applicable Costs $ (note 1)	Allocation Factor % (note 2)	$
Human Resources	933,799	0.200%	1,868
Procurement and Supply Chain Management	844,743	0.110%	929
Inventory Management	1,266,480	0.600%	7,599
Information Technology	2,422,515	0.200%	4,845
Facilities - Nebo Rd. Warehouse	776,866	1.170%	9,089
			24,330
Price Adjustment (rounding)			670
2010 Management Fee			25,000
2011 Management Fee (3% Inflation Factor)			25,750

Notes:

1) Applicable costs reflect 2010 Departmental Budgets; Specific costs related only to the Electricity Distribution Operations only are excluded. Computation of Management Fee is subject to a true-up at year-end.
2) Allocation factors are based on cost drivers as per the Service Level Agreement and are based on 2009 Actuals.

Horizon Utilities - Non-Regulated Billing Services - Calculation of Management Fee For 2011 Test

	Applicable Costs $ (note 1)	Allocation Factor %	$
Finance	2,374,197	3.0%	71,226
Executive	1,169,098	3.0%	35,073
Human Resources	933,779	16.6%	155,194
Corporate Services	445,338	16.6%	74,015
Corporate Communications	1,002,868	16.6%	166,677
Health & Wellness (Safety)	466,106	16.6%	77,467
			579,652
Price Adjustment (rounding)			3,348
2010 Management Fee			583,000
2011 Management Fee (3% Inflation Factor)			600,490

Notes:
1) Applicable costs reflect 2010 Departmental Budgets; Specific costs related only to the Electricity Distribution Operations only are excluded.

St. Catharines Hydro Inc. - Calculation of Management Fee For 2011 Test

	Applicable Costs $ (note 1)	Allocation Factor %	$
Network Operating (Control Room)	2,329,912	3.4%	78,052
Building Costs - Vansickle Rd.	647,208	0.6%	3,614
2010 Management Fee			81,666
2011 Management Fee (3% Inflation Factor)			84,115

Note:
1) Applicable costs reflect 2010 Departmental Budgets; Specific costs related only to the Electricity Distribution Operations only are excluded.