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January 28, 2008

Delivered by E-mail and Courier

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

Dear Ms. Walli:

Re: EB-2007-0697 – Horizon Utilities Corporation
Application to the Ontario Energy Board (the "OEB") for Electricity Distribution Rates and Charges as of May 1, 2008 – Responses to Schools Interrogatories

We are counsel to Horizon Utilities Corporation ("Horizon Utilities") with respect to the above-captioned matter. Please find accompanying this letter two hard copies of Horizon Utilities' responses to the interrogatories of the School Energy Coalition ("Schools") in this proceeding, together with an electronic copy of same.

Horizon Utilities also takes this opportunity to respond to the OEB's letter of January 22, 2008, advising that the dates set out in Procedural Order No.1 would have to be changed in light of the delayed filing of interrogatory responses. Horizon Utilities regrets the delay, but this has enabled it to ensure that its responses are as complete as possible. Horizon Utilities appreciates the OEB's accommodation in this regard.

With the interrogatory responses now complete, there are three remaining steps in this proceeding: the filing of OEB Staff submissions; the filing of intervenor submissions; and the filing of Horizon Utilities' reply submissions. While we understand that the OEB will fix the revised dates for these steps in a new Procedural Order, Horizon Utilities offers the following suggested deadlines for these final items. We have attempted to maintain the periods of time allowed in Procedural Order No.1 for each step.

- OEB Staff submissions would be due Wednesday, February 13, 2008;
- Intervenor submissions would be due Tuesday, February 19, 2008; and
- Horizon Utilities' reply submissions would be due Tuesday, March 4, 2008.

Vancouver . Toronto . Ottawa . Montréal . Calgary

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We trust that this will assist the OEB in scheduling the completion of this proceeding. Should you have any questions or require further information, please do not hesitate to contact me.

Yours very truly,

BORDEN LADNER GERVAIS LLP

Original Signed by James C. Sidlofsky

James C. Sidlofsky

cc: Max Cananzi, Horizon Utilities Corporation
John Basilio, Horizon Utilities Corporation
Cameron McKenzie, Horizon Utilities Corporation
Intervenors of Record

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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 or fixing just and reasonable rates and other service charges for the distribution of electricity as of May 1, 2008.

HORIZON UTILITIES CORPORATION

2008 ELECTRICITY DISTRIBUTION RATE APPLICATION

RESPONSES TO SCHOOL ENERGY COALITION ("SCHOOLS") INTERROGATORIES

FILED: JANUARY 28, 2008

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EB-2007-0697

HORIZON UTILITIES CORPORATION

2008 ELECTRICITY DISTRIBUTION RATE APPLICATION

RESPONSES TO THE SCHOOL ENERGY COALITION (“SCHOOLS”) INTERROGATORIES

INDEX

Attachments	***Responses to Schools Interrogatories*** **Reference:**
A	Schools Question 13l
B	Schools Question 13m

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1. **[Ref: A/1]** With respect to inter-affiliate transactions,

   a. Sched. 13, p.2. Please explain why the Master Services Agreement is a draft.

   b. P. 3. Please describe in more detail the meter services that HESI will be providing, a provide a pro forma balance sheet and income statement for that company. If some or all of those services are to be provided to the utility, please describe how those functions are currently being carried out, including the costs, then how it is proposed they will be carried out in the future, including the costs, and reference any changes in cost structure that arise in the Application. Please file all agreements in place or in draft relating to the supply of meter services by HESI to Horizon.

Response:

a) At the time of preparing its Application, Horizon Utilities was drafting its Master Services Agreement to document its continuing compliance with the OEBs Affiliate Relationships Code adjusting for the merger of Hamilton Hydro Inc. ("HHI") and St. Catharines Hydro Utility Services Inc ("SCHUSI") and the change in corporate structure with the incorporation of Horizon Holdings Inc. and Horizon Energy Solutions Inc.

   The Master Services Agreement has since been executed without any changes from the draft submitted in Horizon Utilities' pre-filed evidence.

b) Horizon Energy Solutions Inc. ("HESI") will be the Meter Service Provider ("MSP") to Wholesale Market Participants and Embedded Retail Generators. HESI will not be providing MSP services for Horizon Utilities. HESI may prepare IESO wholesale meter registration documents for Horizon Utilities; however that is yet to be determined. At the present time, the preparation of these documents is carried out within the Horizon Utilities Customer Connections department.

   As HESI is not the MSP for Horizon Utilities there are no agreements or draft agreements relating to the supply of meter services by HESI to Horizon Utilities.

A pro forma balance sheet and income statement have not been prepared for HESI.

2. **[Ref: A/2/1, page 4-5]** Please explain in detail why the 2008 targets for service quality indicators and reliability indicators are lower in almost every case than the last year actual performance.

Response:

Horizon Utilities establishes service quality and reliability targets at levels that purport to deliver exceptional customer service and system reliability. The 2008 targets significantly exceed OEB minimum requirements and are only two or three percent below the actual results of the previous year.

The service quality indicator's performance are influenced by many internal and external factors – seasonal work load, labour resource scheduling and availability, weather, etc. Horizon Utilities sets targets on multi-year trends with the objective of achieving continuous improvement over a broad range of operational processes and services. The aggressiveness of the year to year performance improvement varies among initiatives and operational areas of focus. The targets are set at levels that are viewed to be both challenging for management yet achievable.

3. **[Ref: A/2/5]** Please update Table 1 to include 2006 Board approved and 2006 Actual.

Response:

Horizon Utilities has provided below an updated Table 1 to include 2006 Board Approved and 2006 Actual results.

Revenue Deficiency (Sufficiency) Determination

Description	2006 Board Approved	2006 Actual	2007 Bridge Actual	2008 Test Existing Rates	2008 Test Required Revenue
Revenue					
Revenue Deficiency					**8,764,620**
Distribution Revenue	84,259,985	84,018,796	86,322,511	86,291,757	86,291,757
Other Operating Revenue (Net)	5,303,694	7,145,654	7,513,186	6,524,481	6,524,481
Smart Meter Deferral Account Adjustment	(688,168)	(688,168)	(481,824)		
Total Revenue	**88,875,511**	**90,476,282**	**93,353,872**	**92,816,239**	**101,580,859**
Costs and Expenses					
Distribution Costs	21,514,097	21,654,880	26,123,506	27,052,515	27,052,515
Operation & Maintenance	12,869,797	12,337,747	13,668,572	15,064,029	15,064,029
Depreciation & Amortization	18,973,872	19,729,625	21,275,590	23,727,691	23,727,691
Property Taxes	139,754	443,632	557,956	574,689	574,689
Capital Taxes	1,248,979	1,070,437	948,984	991,636	991,636
Deemed Interest	13,736,395	13,800,180	14,510,027	14,919,835	14,919,835
Total Costs and Expenses	**68,482,893**	**69,036,501**	**77,084,635**	**82,330,395**	**82,330,395**
Less OCT Included Above					
Total Costs and Expenses Net of OCT	**68,482,893**	**69,036,501**	**77,084,635**	**82,330,395**	**82,330,395**
Utility Income Before Income Taxes	**20,392,618**	**21,439,781**	**16,269,237**	**10,485,844**	**19,250,464**
Income Taxes:					
Corporate Income Taxes	8,364,539	8,742,775	6,181,790	3,363,993	6,387,787
Total Income Taxes	**8,364,539**	8,742,775	**6,181,790**	**3,363,993**	**6,387,787**
Utility Net Income	**12,028,079**	**12,697,007**	**10,087,448**	**7,121,851**	**12,862,677**
Capital Tax Expense Calculation:					
Total Rate Base	327,617,011	328,575,717	345,476,843	362,942,366	362,942,366
Exemption	10,000,000	10,000,000	12,500,000	15,000,000	15,000,000
Deemed Taxable Capital	**317,617,011**	**318,575,717**	**332,976,843**	**347,942,366**	**347,942,366**
Ontario Capital Tax	952,851	955,727	948,984	991,636	991,636
Income Tax Expense Calculation:					
Accounting Income	20,392,618	21,439,781	16,269,237	10,485,844	19,250,464
Tax Adjustments to Accounting Income	2,765,021	2,765,021	845,352	(735,140)	(735,140)
Taxable Income	**23,157,639**	**24,204,802**	**17,114,589**	**9,750,704**	**18,515,324**
Income Tax Expense	8,364,539	8,742,775	6,181,790	3,363,993	6,387,787
	36.12%	36.12%	36.12%	34.50%	34.50%
Actual Return on Rate Base:					
Rate Base	327,617,011	328,575,717	345,476,843	362,942,366	362,942,366
Interest Expense	13,736,395	13,800,180	14,510,027	14,919,835	14,919,835
Net Income	12,028,079	12,697,007	10,087,448	7,121,851	12,862,677
Total Actual Return on Rate Base	**25,764,473**	**26,497,187**	**24,597,475**	**22,041,686**	**27,782,512**
Actual Return on Rate Base	7.86%	8.06%	7.12%	6.07%	7.65%
Required Return on Rate Base:					
Rate Base	327,617,011	328,575,717	345,476,843	362,942,366	362,942,366
Return Rates:					
Return on Debt (Weighted)	7.00%	7.00%	7.00%	6.85%	6.85%
Return on Equity	9.00%	9.00%	9.00%	8.86%	8.86%
Deemed Interest Expense	13,736,395	13,800,180	14,510,027	14,919,835	14,919,835
Return On Equity	11,794,212	11,828,726	12,437,166	12,862,677	12,862,677
Total Return	**25,530,607**	**25,628,906**	**26,947,194**	**27,782,512**	**27,782,512**
Expected Return on Rate Base	7.79%	7.80%	7.80%	7.65%	7.65%
Revenue Deficiency (Sufficiency) After Tax	**(233,866)**	**(868,281)**	**2,349,719**	**5,740,826**	**0**
Revenue Deficiency (Sufficiency) Before Tax	**(366,103)**	**(1,359,237)**	**3,678,332**	**8,764,620**	**0**

4. **[Ref: H/1/1]** With respect to Horizon's cost allocation and rate design proposals:

   a. Please advise the number of schools that are customers of the Applicant, divided between those in Rate Class GS<50 and those in Rate Class GS>50, as well as those in other classes, if any.

   b. P.7. Please confirm that Horizon's street lighting customers are, directly or indirectly, either shareholders of the utility or affiliates of shareholders.

   c. P.8. Please advise what evidence, other than the Cost Allocation Study, Horizon has in its possession with respect to the cost of providing service to street lighting customers.

   d. P.8-9. Please confirm that Horizon has not applied for Board approval of the proposed definition of "deemed profile". Please advise when that application will be made. If it has been made, please provide the date and the EB #.

   e. Please confirm that the following chart is a correct summary of the impacts on base distribution rates (excluding rate riders and regulatory assets) of Horizon's application, cost allocation changes, and rate design proposals. If any of these numbers are incorrect, please provide the correct numbers. Attached is a spreadsheet called "Base Distribution Impacts As Filed" which shows the backup for the calculations.

Summary of Changes to Base Distribution Bills - As Filed						
Rate Class	**Profile**		**2007**	**2008**	**Change**	**%**
Residential	100	kWh	$16.19	$15.39	($0.80)	-4.94%
	250	kWh	$18.26	$17.51	($0.76)	-4.13%
	500	kWh	$21.71	$21.03	($0.68)	-3.13%
	750	kWh	$25.16	$24.56	($0.61)	-2.40%
	1,000	kWh	$28.61	$28.08	($0.53)	-1.85%
	1,500	kWh	$35.51	$35.13	($0.38)	-1.07%
	2,000	kWh	$42.41	$42.18	($0.23)	-0.54%
GS<50 KW	1,000	kWh	$32.83	$37.64	$4.81	14.65%
	2,000	kWh	$39.53	$45.54	$6.01	15.20%
	5,000	kWh	$59.63	$69.24	$9.61	16.12%
	10,000	kWh	$93.13	$108.74	$15.61	16.76%
	15,000	kWh	$126.63	$148.24	$21.61	17.07%
GS>50 KW	60	kW	$317.39	$385.02	$67.63	21.31%
	100	kW	$371.74	$462.18	$90.44	24.33%
	350	kW	$711.42	$944.43	$233.02	32.75%
	1,400	kW	$2,138.05	$2,969.88	$831.83	38.91%
	2,800	kW	$4,040.23	$5,670.48	$1,630.25	40.35%
Large User	6,500	kW	$11,535.07	$19,192.27	$7,657.20	66.38%
	20,000	kW	$15,903.67	$34,186.72	$18,283.05	114.96%

	40,000	kW	$22,375.67	$56,400.72	$34,025.05	152.06%
	105,000	kW	$43,409.67	$128,596.22	$85,186.55	196.24%
Street Lighting	36,000	Connections	$23,256.56	$40,905.08	$17,648.52	75.89%
	15,000	Connections	$9,034.08	$16,155.84	$7,121.76	78.83%
Sentinel Lighting	2	Connections	$5.15	$13.74	$8.59	166.62%
	3	Connections	$7.73	$20.62	$12.88	166.62%
Backup/Standby	2000	kW	3,924.77	6,333.33	2,408.57	61.37%
	7000	kW	11,822.27	19,612.68	7,790.41	65.90%

f. Please confirm that the following chart is a correct summary of the impacts on base distribution rates (excluding rate riders and regulatory assets) of Horizon's application, cost allocation changes, and rate design proposals, if the following changes are made:

i. The Service Revenue Requirement is reduced to $95 million.

ii. The revenue to cost ratio of each class that is less than 100% is set at 90%, and the revenue to cost ratio of the only class – residential – that is over 100% is set at 108%.

If any of these numbers are incorrect, please provide the correct numbers. Attached is a spreadsheet called "Base Distribution Impacts Alternative Model" which shows the backup for the calculations.

Summary of Changes to Base Distribution Bills - Alternative Model						
Rate Class	**Profile**		**2007**	**2008**	**Change**	**%**
Residential	100	kWh	$16.19	$15.05	($1.14)	-7.04%
	250	kWh	$18.26	$16.66	($1.61)	-8.79%
	500	kWh	$21.71	$19.33	($2.38)	-10.96%
	750	kWh	$25.16	$22.01	($3.16)	-12.54%
	1,000	kWh	$28.61	$24.68	($3.93)	-13.74%
	1,500	kWh	$35.51	$30.03	($5.48)	-15.43%
	2,000	kWh	$42.41	$35.38	($7.03)	-16.58%
GS<50 KW	1,000	kWh	$32.83	$34.50	$1.67	5.09%
	2,000	kWh	$39.53	$41.00	$1.47	3.72%
	5,000	kWh	$59.63	$60.50	$0.87	1.46%
	10,000	kWh	$93.13	$93.00	($0.13)	-0.14%
	15,000	kWh	$126.63	$125.50	($1.13)	-0.89%
GS>50 KW	60	kW	$317.39	$360.53	$43.14	13.59%
	100	kW	$371.74	$437.55	$65.81	17.70%
	350	kW	$711.42	$918.93	$207.51	29.17%
	1,400	kW	$2,138.05	$2,940.70	$802.65	37.54%
	2,800	kW	$4,040.23	$5,636.40	$1,596.17	39.51%
Large User	6,500	kW	$11,535.07	$17,440.20	$5,905.13	51.19%
	20,000	kW	$15,903.67	$30,816.00	$14,912.33	93.77%

	40,000	kW	$22,375.67	$50,632.00	$28,256.33	126.28%
	105,000	kW	$43,409.67	$115,034.00	$71,624.33	165.00%
Street Lighting	36,000	Connections	$23,256.56	$144,676.84	$121,420.28	522.09%
	15,000	Connections	$9,034.08	$55,077.12	$46,043.04	509.66%
Sentinel Lighting	2	Connections	$5.15	$12.57	$7.42	143.89%
	3	Connections	$7.73	$18.86	$11.13	143.89%
Backup/Standby	2000	kW	3,924.77	7,451.28	3,526.51	89.85%
	7000	kW	11,822.27	23,589.60	11,767.33	99.54%

Response:

a) Schools are not uniquely identified in Horizon Utilities' customer information system. However, after a manual review, it is estimated that there are approximately 73 schools in the General Service < 50 customer class and 168 schools in General Service > 50 customer class. This includes public, separate, and private school boards. There are no schools in any other customer class.

b) Horizon Utilities provides electricity distribution services to a variety of street lighting customers including the Municipalities of Hamilton and St. Catharines. The Municipalities of Hamilton and St. Catharines are indirect shareholders of Horizon Utilities. Otherwise, there are no street lighting customers that are direct or indirect shareholders of Horizon Utilities.

c) Horizon Utilities does not have any additional information in its possession on the cost of providing service to the Street Lighting customer class.

d) Horizon Utilities has not made a separate application to the OEB for approval of the proposed definition of “deemed profile”. Horizon Utilities has proposed its approach in this regard as a means of mitigating the impacts of its cost allocation-related adjustments on its Street Lighting customer class. Its request that the OEB adopt this approach is set out at Exhibit H/Tab 1/Schedule 2/pages 7-9 of its Application. Schedule 2 concludes with the following statement: "The impact of the adjusted allocation to the Street Light customer class may be mitigated by the OEB providing clarification on the definition of the street light 'deemed profile' as proposed [by] Horizon Utilities." Horizon Utilities reiterates this request. Having made its proposal and request for OEB adoption of its proposal in its Application, Horizon Utilities does not believe that it is necessary to commence a duplicate proceeding in this regard.

e) Horizon Utilities confirms that the chart presented as part of this question 4 e. does correctly summarize the impact on the distribution rates, excluding rate riders and regulatory assets.

f) There is no basis for an arbitrary reduction in Horizon Utilities' 2008 Test Year Service Revenue Requirement and the justification for Horizon Utilities' proposed cost allocation-related adjustments is clearly set out in its pre-filed evidence.

The chart provided as part of this question 4 f. does not correctly summarize the impacts on base distribution rates (excluding rate riders and regulatory assets), under the conditions described in parts i) and ii) to this question. The chart, as compiled, is based on the following changes:

i. The Service Revenue Requirement is reduced to $95 million.

ii. The revenue to cost ratio of each class that is less than 100% is set at 88.7%, and the revenue to cost ratio of the only class – residential – that is over 100% is set at 109%.

In addition, Horizon Utilities notes that while Schools did not show it in the changes listed in the question, Schools has changed the Fixed Distribution Charge for the General Service < 50 kW, the General Service > 50 kW, the Large User and the Street Light customer classes from those provided by Horizon Utilities in its Application.

Horizon Utilities has corrected the chart to reflect the changes provided in the question at parts i) and ii) and as provided below:

i. The Service Revenue Requirement is reduced to $95 million.

ii. The revenue to cost ratio of each class that is less than 100% is set at 90%, and the revenue to cost ratio of the only class – residential – that is over 100% is set at 108%.

In preparing this revised table Horizon Utilities has maintained the revised Fixed Distribution Charges used by Schools in preparing the original table shown in the question. However, Horizon Utilities reiterates that the Fixed Distribution Charges for the General Service < 50 kW, the General Service > 50 kW, the Large User and the Street Light customer classes have been changed from those provided by Horizon Utilities in its Application, and that there is no basis for changes in Horizon Utilities' proposed 2008 Fixed Distribution Charges; its Service Revenue Requirement; or its cost allocation-related adjustments.

Summary of Changes to Base Distribution Bills - Alternative Model

Rate Class	Profile		2007	2008	Change	%
Residential	100	kWh	$16.19	$15.02	($1.17)	-7.23%
	250	kWh	$18.26	$16.58	($1.68)	-9.20%
	500	kWh	$21.71	$19.18	($2.53)	-11.65%
	750	kWh	$25.16	$21.78	($3.38)	-13.43%
	1,000	kWh	$28.61	$24.38	($4.23)	-14.79%
	1,500	kWh	$35.51	$29.58	($5.93)	-16.70%
	2,000	kWh	$42.41	$34.78	($7.63)	-17.99%
GS<50 KW	1,000	kWh	$32.83	$34.70	$1.87	5.70%
	2,000	kWh	$39.53	$41.40	$1.87	4.73%
	5,000	kWh	$59.63	$61.50	$1.87	3.14%
	10,000	kWh	$93.13	$95.00	$1.87	2.01%
	15,000	kWh	$126.63	$128.50	$1.87	1.48%
GS>50 KW	60	kW	$317.39	$362.97	$45.57	14.36%
	100	kW	$371.74	$441.61	$69.87	18.80%
	350	kW	$711.42	$933.14	$221.72	31.17%
	1,400	kW	$2,138.05	$2,997.54	$859.49	40.20%

	2,800	kW	$4,040.23	$5,750.08	$1,709.85	42.32%
Large User	6,500	kW	$11,535.07	$17,572.15	$6,037.08	52.34%
	20,000	kW	$15,903.67	$31,222.00	$15,318.33	96.32%
	40,000	kW	$22,375.67	$51,444.00	$29,068.33	129.91%
	105,000	kW	$43,409.67	$117,165.50	$73,755.83	169.91%
Street Lighting	36,000	Connections	$23,256.56	$146,864.40	$123,607.84	531.50%
	15,000	Connections	$9,034.08	$55,849.20	$46,815.12	518.21%
Sentinel Lighting	2	Connections	$5.15	$12.74	$7.58	147.08%
	3	Connections	$7.73	$19.10	$11.37	147.08%
Backup/Standby	2000	kW	3,924.77	7,567.39	3,642.62	92.81%
	7000	kW	11,822.27	23,956.40	12,134.13	102.64%

5. **[Ref: I/1]** With respect to design of specific service charges:

   a. Sched. 1, p.17. Please describe what current facilities the utility currently has in place to allow all customers to pay their Horizon bills by credit card. Please include any over-the-counter facility, any recurring payment arrangement, or any other circumstances in which a customer can pay a utility bill by credit card.

   b. If there are such arrangements, for each such arrangement:

      i. Please provide whatever information Horizon has available on reductions in bad debt, collection costs, payment cycles, or other costs reasonably attributable to the availability of payment by credit card.

      ii. Please describe all charges Horizon imposes on customers for the use of the arrangement.

      iii. Please describe all costs Horizon incurs to provide the availability of that payment method to customers.

   c. If there are no such arrangements:

      i. Please provide all information in Horizon's possession on the costs and benefits of such arrangements, and describe why Horizon has elected not to implement those arrangements.

      ii. Please provide your assessment of the extent to which the lack of availability of a credit card payment facility prevents or limits Horizon's ability to initiate or expand on-line bill presentment and payment processes.

   d. Sched. 3, p. 2. Please confirm that none of the listed service charges have changed since 2006, and none are proposed to change for 2008. If that is not the case, please describe all such changes.

Response:

a) Horizon Utilities does not offer its customers the option to pay their hydro bills by credit card except in very limited circumstances. Horizon Utilities permits credit card payments through its St. Catharines office, in extenuating circumstances and only if requested, as a means to avoid disconnection. In 2007, Horizon Utilities allowed 30 customers to pay by credit card for a total of $9,839 in bill payments to prevent disconnection of service.

b) i) The response to a) above describes the very limited use of credit card payment at Horizon Utilities. By allowing such payments, Horizon Utilities may have prevented a write off of the $9,800 mentioned above. Horizon Utilities incurred bank charges at 2.08% on the above transactions.

ii) Horizon Utilities did not charge these 30 customers for the use of the credit card facilities as it does not presently have a regulated charge for credit card acceptance.

iii) As discussed above, Horizon Utilities does not provide this payment method to customers in general

c) i) Horizon Utilities is proposing to make the option of paying by credit card available at the customer's premises, as a means of avoiding further collection and or disconnection of service. As Horizon Utilities is not prepared to commit to these arrangements with its banking facility, only verbal quotes have been obtained. Based on these quotes Horizon Utilities would pay the fees provided in Exhibit I/Tab 1/Schedule1/p. 17/Table 2.

The benefits to Horizon Utilities of offering the option of payment by credit card, as a means of avoiding further collection and or disconnection of service, are; a) the collection of an estimated $75,000 in accounts that may otherwise remain unpaid; b) reduction in potential customer conflict over having service disconnected, and c) better utilization of technical field personnel to respond to customer emergencies rather than performing disconnects.

The benefit to the customer is the availability of a payment method, at their service address, as a means of avoiding further collection charges and/or disconnection of their service.

Horizon Utilities is requesting approval of the Credit Card Convenience Charge in its Application and if approved will implement these arrangements May 1, 2008.

ii) The lack of availability of a credit card payment facility does not prevent or limit Horizon Utilities' ability to initiate or expand its on-line bill presentment and payment processes. Horizon Utilities currently offers on-line bill presentment and e-notification as well as many payment options. The credit card payment option being proposed is a payment method that would allow a customer to pay an outstanding balance by credit card as a means of avoiding further collection and or disconnection of service and such payment would typically take place in person at the customers' premises.

d) Horizon Utilities confirms that, with the exception of the Credit Card Convenience Charge proposed in its Application, no specific service charges have changed since 2006.

6. **[Ref: B/1/1, App. A]** With respect to the 2007 Distribution System Capital & Maintenance Programs Report:

   a. Please confirm that this report is done annually. If it is not done annually, please advise when the last version was prepared, and when the next is scheduled.

   b. P.12 Please advise how many wood poles were tested in each of years 2004 through 2007.

   c. P.13. When was the Thermography Scanning program introduced? What benefits, including cost reductions, reliability improvements, or other benefits, have been documented since its introduction?

   d. P.18-21. For each of the substation testing, inspection, and preventative maintenance programs, please advise the schedule/cycle being proposed for the Test Year, together with the immediately prior schedule/cycle, and the reasons for any change in frequency. For each such change of frequency, please estimate the annual dollar cost of the change.

   e. P.27. Please describe the system in place, prior to the introduction of the "transformer health index", for determining the timing, frequency, and scheduling of transformer replacement and/or repair.

Response:

a) Please refer to Horizon Utilities' response to VECC Question 4 a)

b) Horizon Utilities tested 6,998 wood poles in 2004; no wood poles were tested in 2005; 6,298 wood poles were tested in 2006; and 4,641 wood poles were tested in 2007.

c) Thermography Scanning was first introduced in the late 1990's. Horizon Utilities has not documented the benefits or cost savings of thermography scanning however it has become a standard industry practice. Its use as a predictive measurement tool identifies distribution system components that are operating outside of their temperature ratings and therefore provides advance information on potential system failure.

d) Horizon Utilities has provided, in its Capital and Maintenance Programs document, Exhibit B/Tab 1/Schedule 1/Appendix A/p. 20 – Substation Predictive Testing Summary – a table on "Predictive Testing 5 Year Schedule". This table outlines the substation testing schedule, the tests to be completed and the frequency of the testing including the prior years schedule. Horizon Utilities has not made changes in the frequency of its testing and therefore there are no annual costs related to changes in the frequency interval.

e) Prior to the introduction of the transformer health index for determining the timing, frequency, and scheduling of transformer replacement and/or repair, Horizon Utilities would replace transformers based on age and loading conditions. Transformers 50 years old or more were at end of useful life and those transformers operating at 125 % or more of capacity were included in the replacement program.

7. **[Ref: B/1, Unnumbered Exhibits]** With respect to the individual department budgets:

   a. Design and Construction. With respect to this budget:

      i. Please explain the figure of $1.275 million of "Distributed Costs Allocated Out". This term appears in several budgets.

      ii. Please provide the same data as on the "2008 Budget Summary" table, but for 2006 actuals and 2007 forecast.

   b. Human Resources. Please detail the costs and benefits of outsourcing transactional services.

   c. Network/PC Support. Please advise whether all or part of this department's functions are outsourced and, if so, describe the arrangements in place for the Test Year.

   d. Network Planning and Operating. Please provide the same data as on the "2008 Budget Summary" table, but for 2006 actuals and 2007 forecast.

   e. Supply Chain Management. Please provide the same data as on the "2008 Budget Summary" table, but for 2006 actuals and 2007 forecast.

Response:

a) i) This figure of $1.275 specifically represents the departmental costs of the engineering and design department that have been redistributed to operating, maintenance and capital projects (engineering burden).

Within other budgets, this term refers to the reallocation of departmental costs to other departments, including shared services costs, or the redistribution of costs to operating, maintenance and capital projects (e.g. stores burden, fleet burden, facilities, etc.)

ii) Horizon Utilities has provided the Design and Construction 2006 Actual and 2007 Bridge Year budget summaries below.

2006 Actuals Summary - Design and Construction

Department	FTE	Operating Expenses Before Distributed Costs Allocated	Operating Wages and Benefits	Distributed Costs Added	Gross Operating Expense	Distributed Costs Allocated Out	Net Operating Expense	Total Capital
Overhead Hamilton Department 68	46	$2,868,929	$200,623	$264,086	$3,333,638	$0	$3,333,638	$1,744,214
Underground Hamilton Department 70	36	$1,103,690	$192,198	$165,034	$1,460,922	$0	$1,460,922	$1,874,505
Overhead St. Catharines Department 76	26	$1,174,211	$124,406	$24,445	$1,323,062	$0	$1,323,062	$330,837
Underground St. Catharines Department 78	n/a	$528,146	$88,898	$0	$617,044	$0	$617,044	$391,413
Customer Requested Services Hamilton Department 88	8	$707,889	$872,775	$9,388	$1,590,052	$0	$1,590,052	$26,357
Customer Requested Services St. Catharines Department 89	4	325,986	$212,664	$0	$538,650	$0	$538,650	$10,981
Design Department 56	13	$37,609	$1,037,449	$62,025	$1,137,083	-$1,153,382	-$16,299	$26,246
Construction Department 62	3	$30,390	$275,103	$10,408	$315,901	$0	$315,901	$4,703
Totals	136	$6,776,850	$3,004,116	$535,386	$10,316,352	-$1,153,382	$9,162,970	$4,409,254

2007 Forecast Summary - Design and Construction

Department	FTE	Operating Expenses Before Distributed Costs Allocated	Operating Wages and Benefits	Distributed Costs Added	Gross Operating Expense	Distributed Costs Allocated Out	Net Operating Expense	Total Capital
Overhead Hamilton Department 68	46	$3,444,559	$238,853	$460,008	$4,143,420	$0	$4,143,420	$1,437,928
Underground Hamilton Department 70	36	$1,284,808	$189,418	$222,216	$1,696,442	$0	$1,696,442	$1,430,258
Overhead St. Catharines Department 76	27	$1,354,960	$111,097	$22,788	$1,488,845	$0	$1,488,845	$482,789
Underground St. Catharines Department 78	n/a	$603,271	$76,223	$0	$679,494	$0	$679,494	$449,832
Customer Requested Services Hamilton Department 88	8	$419,257	$863,040	$36,444	$1,318,741	$0	$1,318,741	$35,552
Customer Requested Services St. Catharines Department 89	4	447,631	-$4,868	$18,228	$460,991	$0	$460,991	$26,462
Design Department 56	13	$161,000	$1,147,943	$59,220	$1,368,163	-$1,499,473	-$131,310	$13,560
Construction Department 62	3	$11,326	$310,833	$18,228	$340,387	$0	$340,387	$5,500
Totals	137	$7,726,812	$2,932,539	$837,132	$11,496,483	-$1,499,473	$9,997,010	$3,881,881

b) Horizon Utilities will outsource certain human resource transactional services in the 2008 Test Year as a means of gaining further operational efficiencies and reporting advantages, which have led to the decision to outsource this function.

Horizon Utilities will outsource the processing of payroll including the issuance of pay stubs and T-4s. The 2008 estimated costs to outsource this function, which includes building the interface to Horizon Utilities' ERP system and processing payroll for the balance of the 2008 Test Year, is $90,000. Savings are expected to be realized in year 2 and 3 and are estimated at $132,000 and $165,000 respectively. These savings are included as part of the ERP business case

c) Horizon Utilities Network/PC Support is outsourced to Atria Networks which acquired its former affiliate, Fibrewired Hamilton, in 2007. Horizon Utilities will continue to acquire services from Atria Networks in 2008, under similar terms and conditions as those between Horizon Utilities and the former Fibrewired Hamilton. Please refer to Horizon Utilities' response to OEB Staff Question 26 for additional information.

d) Horizon Utilities has provided the Network Planning and Operating 2006 Actual and 2007 Bridge Year budget summaries below.

2006 Actuals Summary - Network Planning and Operating

Department	FTE	Operating Expenses Before Distributed Costs Allocated	Operating Wages and Benefits	Distributed Costs Added	Gross Operating Expense	Distributed Costs Allocated Out	Net Operating Expense	Total Capital
Substation Services Hamilton Department 74	6	$1,030,447	$157,324	$24,611	$1,212,382	$0	$1,212,382	$298,623
Substation Services St. Catharines Department 75	0	$119,605	$42,242	$9,823	$171,670	$0	$171,670	$6,871
Network Operating Department 60	17	$99,105	$1,700,485	$59,595	$1,859,185	$0	$1,859,185	$23,824
Network Records Department 54	10	$475,080	$626,945	$47,643	$1,149,668	-$818,451	$331,217	$29,430
Asset Management Department 55	3	$102,585	$224,728	$24,341	$351,654	-$348,880	$2,774	$9,209
NPO & Generation Department 52	2	$16,274	$183,527	$205,101	$404,902	-$322,411	$82,491	$270,926
Total	38	$1,843,096	$2,935,251	$371,114	$5,149,461	-$1,489,742	$3,659,719	$638,883

2007 Forecast Summary - Network Planning and Operating

Department	FTE	Operating Expenses Before Distributed Costs Allocated	Operating Wages and Benefits	Distributed Costs Added	Gross Operating Expense	Distributed Costs Allocated Out	Net Operating Expense	Total Capital
Substation Services Hamilton Department 74	6	$1,142,363	$108,545	$36,444	$1,287,352	$0	$1,287,352	$315,960
Substation Services St. Catharines Department 75	0	$183,163	$16,649	$0	$199,812	$0	$199,812	$46,791
Network Operating Department 60	18	$145,722	$1,836,492	$88,464	$2,070,678	$0	$2,070,678	$503,330
Network Records Department 54	10	$438,652	$685,000	$54,672	$1,178,324	-$943,163	$235,161	$54,850
Asset Management Department 55	4	$92,218	$255,425	$13,668	$361,311	-$362,511	-$1,200	$10,000
NPO & Generation Department 52	2	$19,796	$218,361	$241,357	$479,514	-$511,443	-$31,929	$300
1 Total	40	$2,021,914	$3,120,472	$434,605	$5,576,991	-$1,817,117	$3,759,874	$931,231

2 e) Horizon Utilities has provided the Supply Chain Management 2006 Actual
3 and 2007 Bridge Year budget summaries below.

2006 Actuals Summary - Supply Chain Management

Department	FTE	Operating Expenses Before Distributed Costs Allocated	Operating Wages and Benefits	Distributed Costs Added	Gross Operating Expense	Distributed Costs Allocated Out	Net Operating Expense	Total Capital
Stores Hamilton Department (#20-64)	11	$136,105	$725,357	$405,224	$1,266,686	-$1,266,690	-$4	$5,675
Stores St Catharines Department (#20-65)	3	$104,750	$236,725	$152,601	$494,076	-$494,071	$5	$1,454
Fleet Services Hamilton Department (#20-66)	8	$2,343,419	$218,269	$81,203	$2,642,891	-$2,642,904	-$13	$1,076,350
Fleet Services St Catharines Department (#20-67)	2	$443,956	$27,696	$34,978	$506,630	-$506,617	$13	$807,243
Procurement/Supply Chain Department(#20-80)	6	$12,410	$326,356	$61,215	$399,981	-$239,174	$160,807	$25,817
4 Total SCM	30	$3,040,640	$1,534,403	$735,221	$5,310,264	-$5,149,456	$160,808	$1,916,539

1

2007 Forecast Summary - Supply Chain Management								
Department	FTE	Operating Expenses Before Distributed Costs Allocated	Operating Wages and Benefits	Distributed Costs Added	Gross Operating Expense	Distributed Costs Allocated Out	Net Operating Expense	Total Capital
Stores Hamilton Department (#20-64)	11	$263,376	$725,222	$578,508	$1,567,106	-$1,618,603	-$51,497	$95,400
Stores St Catharines Department (#20-65)	3	$246,221	$229,629	$247,092	$722,942	-$729,089	-$6,147	$24,900
Fleet Services Hamilton Department (#20-66)	8	$2,385,727	$212,446	$105,624	$2,703,797	-$2,796,908	-$93,111	$892,913
Fleet Services St Catharines Department (#20-67)	2	$713,548	$16,649	$53,112	$783,309	-$785,071	-$1,762	$952,626
Procurement/Supply Chain Department(#20-80)	7	$78,800	$660,313	$104,028	$843,141	-$304,230	$538,911	$14,150
Total SCM	31	$3,687,672	$1,844,259	$1,088,364	$6,620,295	-$6,233,901	$386,394	$1,979,989

8. **[Ref: B/2/1]** With respect to depreciation:

   a. Please confirm that Horizon has not done a depreciation study. Please advise the date of the utility's last depreciation study, if any.

   b. Please provide the current amortization schedule showing the rates used for each class of assets. Please advise the date and details of all changes to the utility's amortization rates in the last five years.

   c. D/2/8. Please calculate the depreciation expense for the Test Year if amortization is based on an average of monthly averages rather than the average of the opening and closing balances.

Response:

a) Horizon Utilities confirms that it has not completed a depreciation study.

b) The following table provides Horizon Utilities amortization rates used for each class of assets. There have been no changes to the amortization rates in the last five years. A new rate class was added in 2007 to reflect Smart Meters with an amortization period of 15 years.

	Depreciation rate
1805-Land	0%
1806-Land Rights	4%
1808-Buildings and Fixtures	2% - 10%
1808-Buildings and Fixtures - Betterments	10%
1810-Leasehold Improvements	Over life of Lease
1820-Distribution Station Equipment - Normally Primary below 50 kV	3 to 10%
1830-Poles, Towers and Fixtures	4.0%
1835-Overhead Conductors and Devices	4.0%
1840-Underground Conduit	4.0%
1845-Underground Conductors and Devices	4.0%
1850-Line Transformers	4.0%
1855-Services	4.0%
1860-Meters	4.0%
1861-Smart Meters	6.7%
1905-Land	0.0%
1906-Land Rights	4.0%
1908-Buildings and Fixtures	2 - 10%
1910-Leasehold Improvements	Over life of lease
1915-Office Furniture and Equipment	10%
1920-Computer Equipment - Hardware	20%
1925-Computer Software	33.3%
1930-Transportation Equipment - Autos	20%
1930-Transportation Equipment - Light Trucks	25%
1930-Large Trucks	12.50%
1935-Stores Equipment	10%
1940-Tools, Shop and Garage Equipment	10%
1945-Measurement and Testing Equipment	10%
1950-Power Operated Equipment	10%
1955-Communication Equipment	10%
1970-Load Management Controls - Customer Premises	10%
1980-System Supervisory Equipment	6.7%

c) Horizon Utilities has re-calculated its depreciation expense for the 2008 Test Year from its current method of monthly depreciation as the asset goes into service to the average of monthly averages as requested. The depreciation expense calculated on this basis is $23,671,076.

9. **[B/3/1]** With respect to the proposed capital budget:

   a. Please confirm that the figures on the table below are correct. If any are not correct, please provide corrected figures. Where a cell is marked "*", please insert the correct information. Attached is a spreadsheet entitled "Horizon Capex" which is a live Excel version of this table.

2008 Capex (B/3/1)	***2006***	***2007***	***2008***	***2006-2007***	***2007-2008***	***2006-2008***
Distribution Plant						
Service Installations	*	*	1,240	*	*	*
Roadway Relocations	*	*	948	*	*	*
Underground Upstream Projects	*	*	931	*	*	*
Subdivision Developments	*	*	686	*	*	*
Overhead Upstream Projects	*	*	500	*	*	*
Commercial Servcies Under 50KW	*	*	477	*	*	*
Enhancements for Customer Projects	*	*	128	*	*	*
Subtotal: Customer Demand Projects	6,617	5,915	4,910	-10.61%	-16.99%	-25.80%
Wood Pole Replacement	*	*	2,094	*	*	*
Proactive overhead transformer replacement	*	*	1,980	*	*	*
Proactive Underground transformer replacement	*	*	459	*	*	*
Overhead Renewal	*	*	412	*	*	*
Underground Renewal	*	*	580	*	*	*
Spadina Feeder 7 Conversion	*	*	393	*	*	*
Reactive Overhead System Replacements	*	*	1,567	*	*	*
Reactive Underground System Replacements	*	*	1,310	*	*	*
Subtotal: Renewal Projects	8,875	8,353	8,795	-5.88%	5.29%	-0.90%
Security Projects (multiple)	4,900	3,887	4,912	-20.67%	26.37%	0.24%
Capacity Projects	1,350	1,142	2,270	-15.41%	98.77%	68.15%
Reliability	30	966	385	3120.00%	-60.14%	1183.33%
Regulatory Requirements	0	0	278	0.00%	0.00%	0.00%
Stations	215	277	202	28.84%	-27.08%	-6.05%
Total Distribution Plant	***21,987***	***20,540***	***21,752***	-6.58%	5.90%	-1.07%
Customer Connections and Metering						
Meter Verification, QMS, Asset Mgmt	491	427	284	-13.14%	-33.54%	-42.28%
Wholesale Meter Verification for IESO compliance	454	643	1,437	41.51%	123.40%	216.14%
Annual capital meter upgrade & Replacement	880	765	768	-13.06%	0.39%	-12.73%
Smart Metering	1,225	8,445	10,962	589.56%	29.81%	795.16%
Other Small Projects under $100K	46	45	89	-0.65%	96.14%	94.86%
Total Cutomer Connections & Metering	**3,095**	**10,324**	**13,539**	233.54%	31.14%	337.39%
General Plant						
Builidng and Fixtures	0	0	360	0.00%	0.00%	0.00%
Renovations	1,014	1,300	0	28.26%	-100.00%	-100.00%
ERP	0	0	4,676	0.00%	0.00%	0.00%
Other Computer Hardware	569	1,209	758	112.45%	-37.32%	33.17%

Other Computer Software	219	560	237	155.42%	-57.69%	8.07%
Vehicles	1,836	1,712	1,898	-6.74%	10.88%	3.40%
Communication Equipment	691	469	243	-32.16%	-48.29%	-64.92%
Tools and Equipment	609	641	407	5.23%	-36.50%	-33.18%
Total General Plant	**4,938**	**5,891**	**8,579**	19.30%	45.62%	73.72%
Total Capital	**30,021**	**36,756**	**43,870**	22.43%	19.36%	46.13%

b. P.29. Please provide the IFS Agreement on a confidential basis. A copy of our Undertaking in the Board's form is attached.

c. P.36. Please estimate the reduction in the revenue requirement that would arise if the replacement cycle for computer hardware and software were changed to four years from three years.

d. Please confirm that, when smart meters and the ERP are excluded from the capital budget, spending has been relatively constant from 2006 through 2008 at $28.8 million, $28.3 million, and $28.2 million respectively.

Response:

a) Horizon Utilities has completed the table provided in this question and updated certain accounts in order to agree to its continuity schedules contained in its prefiled evidence at Exhibit B/Tab 2/Schedule 1. Horizon Utilities has also included as the last line to the table an adjustment to the balances as the total table provided by project is higher than the continuity schedules used in Horizon Utilities Application.

2008 Capex (B/3/1)	2006	2007	2008	2006-2007	2007-2008	2006-2008
Distribution Plant						
Service Installations	1,490	1,281	1,240	-14.03%	-3.20%	-16.78%
Roadway Relocations	1,330	1,385	948	4.14%	-31.55%	-28.72%
Underground Upstream Projects	1,199	975	931	-18.68%	-4.51%	-22.35%
Subdivision Developments	990	864	686	-12.73%	-20.60%	-30.71%
Overhead Upstream Projects	978	905	500	-7.46%	-44.75%	-48.88%
Commercial Servcies Under 50KW	140	55	477	-60.71%	767.27%	240.71%
Enhancements for Customer Projects	490	450	128	-8.16%	-71.56%	-73.88%
Subtotal: Customer Demand Projects	6,617	5,915	4,910	-10.61%	-16.99%	-25.80%
Wood Pole Replacement	1,623	2,092	2,094	28.90%	0.10%	29.02%
Proactive overhead transformer replacement	1,115	986	1,980	-11.57%	100.81%	77.58%
Proactive Underground transformer replacem	376	320	459	-14.89%	43.44%	22.07%
Overhead Renewal	1,561	1,242	412	-20.44%	-66.83%	-73.61%
Underground Renewal	1,113	897	580	-19.41%	-35.34%	-47.89%
Spadina Feeder 7 Conversion	0	0	393	0.00%	0.00%	0.00%
Buchanan Park	828	0		-100.00%	0.00%	-100.00%
Reactive Overhead System Replacements	1,298	1,519	1,567	17.03%	3.16%	20.72%
Reactive Underground System Replacement	961	1,297	1,310	34.96%	1.00%	36.32%
Subtotal: Renewal Projects	8,875	8,353	8,795	-5.88%	5.29%	-0.90%
Security Projects (multiple)	4,900	3,887	4,912	-20.67%	26.37%	0.24%
Capacity Projects	1,350	1,142	2,270	-15.41%	98.77%	68.15%
Reliability	30	966	385	3120.00%	-60.14%	1183.33%
Regulatory Requirements	0	0	278	0.00%	0.00%	0.00%
Stations	215	277	202	28.84%	-27.08%	-6.05%
Total Distribution Plant	***21,987***	***20,540***	***21,752***	-6.58%	5.90%	-1.07%
Customer Connections and Metering						
Meter Verification, QMS, Asset Mgmt	491	427	284	-13.14%	-33.54%	-42.28%
Wholesale Meter Verification for IESO com	454	643	1,437	41.51%	123.40%	216.14%
Annual capital meter upgrade & Replacem	880	765	768	-13.06%	0.39%	-12.73%
Smart Metering	1,225	7,117	10,573	481.16%	48.56%	763.36%
Other Small Projects under $100K	46	45	89	-0.65%	96.14%	94.86%
Total Cutomer Connections & Metering	**3,095**	**8,997**	**13,150**	190.65%	46.16%	324.82%
General Plant						
Builidng and Fixtures	1,305	2,824	492	116.32%	-82.58%	-62.31%
Renovations	0	0	0	0.00%	0.00%	0.00%
Land Rights	0	0	24	0.00%	0.00%	0.00%
ERP	0	0	4,676	0.00%	0.00%	0.00%
Other Computer Hardware	573	1,209	736	111.11%	-39.14%	28.48%
Other Computer Software	216	560	198	159.43%	-64.72%	-8.47%
Vehicles	1,881	1,784	1,905	-5.17%	6.80%	1.28%
Communication Equipment	650	469	243	-27.83%	-48.29%	-62.68%
Tools and Equipment	1,202	1,239	815	3.07%	-34.20%	-32.17%
Other Fixed Asset Adjustments	-2	-338	-47			
Total General Plant	**5,825**	**7,747**	**9,041**	33.00%	16.71%	55.22%
Total Capital	**30,907**	**37,283**	**43,943**	20.63%	17.86%	42.18%

b) Horizon Utilities filed the IFS Agreement with the OEB in confidence, pursuant to the OEB's Practice Direction on Confidential Filings, on October 22, 2007. The Agreement was designated as Exhibit B/ Tab 3/ Schedule 1/Appendix D in Horizon Utilities' pre-filed evidence.

As indicated at Exhibit B/Tab 3/Schedule 1/p.30, "Horizon Utilities is prepared to provide copies of the IFS Agreement to parties' counsel and experts or consultants provided that they have executed the OEB's form of Declaration and Undertaking with respect to confidentiality and that they comply with the Practice Direction, subject to Horizon Utilities' right to object to the OEB's acceptance of a Declaration and Undertaking from any person. In keeping with the requirements of the Practice Direction, Horizon Utilities is filing a confidential unredacted version of the IFS Agreement. The unredacted version of the document has been placed in a sealed envelope marked 'Confidential'." Horizon Utilities is delivering a copy of the Agreement to counsel to Schools in confidence, as Horizon Utilities is in receipt of a copy of that counsel's signed Declaration and Undertaking. Horizon Utilities reiterates that it will provide copies in confidence to counsel to and experts for the other intervenors in this proceeding following receipt of copies of signed Declarations and Undertakings, subject to Horizon Utilities' right to object to the OEB's acceptance of a Declaration and Undertaking from any person.

c) Horizon Utilities' expenditure on computer hardware and software capital replacement for the 2008 Test Year, as provided in Exhibit B/Tab 3/Schedule 1/p. 37/Table 13, is $472,820. Horizon Utilities would note that the warranty period for computer equipment is three years. Matching the replacement program to the life of the warranty allows Horizon Utilities to avoid the costs association with repairs required after the expiry of the warranty period. Horizon Utilities has removed this amount from its capital additions for the 2008 Test Year, but has not adjusted the previous years for the change in replacement years in order to maintain a consistent asset base. This calculation results in a reduction in revenue requirement of $24,565

d) Based on the revised table in part a. to this question, Horizon Utilities confirms that, when smart meters and the ERP are excluded from the capital budget, spending has been relatively constant from 2006 through 2008, not at the amounts shown in the question but rather at $29.7 million, $30.2 million, and $28.7 million respectively.

10. **[Ref: B/3/1/App.E]** Please provide the unredacted page 41 of 70 of this exhibit. Please explain why that page is numbered 41 of 70, when it is between 39 of 67 and 40 of 67. Please provide the full document that includes the page 41 of 70. All of this can be provided on a confidential basis, if necessary.

Response:

Horizon Utilities filed page 41 of 70 its Business Case for ERP Software Solution Implementation in confidence, pursuant to the OEB'.s Practice Direction on Confidential Filings, for the reasons set out at pages 29 to 31 of Exhibit B/Tab 3/Schedule 1. Horizon Utilities remains prepared to provide copies of this page to the intervenors' counsel and experts or consultants provided that they have executed the OEB.'s form of Declaration and Undertaking with respect to confidentiality and that they comply with the Practice Direction, subject to Horizon Utilities' right to object to the OEB.s acceptance of a Declaration and Undertaking from any person. Horizon Utilities is delivering a copy of this page to counsel to Schools in confidence, as Horizon Utilities is in receipt of a copy of that counsel's signed Declaration and Undertaking.

Horizon Utilities filed a scanned version of the hard copy of its Business Case for ERP Software Solution Implementation in response to OEB Staff Question 12 g as Attachment D to Horizon Utilities' responses to OEB Staff Interrogatories, due to a pagination error in the electronic version of the Business Case filed on October 22, 2007.

11. **[Ref: B/4/1]** With respect to the proposed Working Capital Allowance:

a. Please confirm that the working capital allowance is based on 15% of Operating Expenses plus Cost of Power.

b. Please confirm that Horizon has not done a lead/lag study. If a lead/lag study is scheduled, please provide details.

c. Please confirm that, if working capital allowance were recalculated at 11.6% of Operating Expenses plus Cost of Power, as was determined in a recent Hydro One study, Horizon's revenue requirement for the Test Year would be reduced by approximately $1.8 million.

Response:

a) Horizon Utilities confirms that the working capital allowance is based on 15% of Operating Expenses plus Cost of Power.

b) Horizon Utilities confirms that it has not done a lead/lag study.

c) Horizon has no basis for using a working capital allowance of 11.6% in its Application. However, in order to respond to this question, Horizon Utilities has re-calculated it revenue requirement for the 2008 Test Year using a working capital allowance of 11.6%. The table below provides the results of this calculation.

	Working Capital Allowance	
Service Revenue Requirement	11.6%	15%
OM&A Expenses	42,691,233	42,691,233
Amortization Expenses	23,727,691	23,727,691
Total Distribution Expenses	66,418,924	66,418,924
Regulated Return On Capital	26,577,135	27,782,512
PILs	7,040,603	7,379,422
Service Revenue Requirement	100,036,662	101,580,859

12. **[Ref: C/2/2/p.5]** Please explain why the forecast 2008 normalized average consumption per customer for each of residential, GS<50kW, and GS>50kW are lower than the average of the last six years' actuals and estimates in each case (8,348 kWh, 35,828 kWh, and 2,577 kW respectively). Please estimate the revenue at existing rates and resulting deficiency, on an as-filed basis, if these average consumption per customer figures were used instead of the normalized forecast in Table 4 on page 6.

Response:

Horizon Utilities used the results of the Hydro One weather normalized data provided to Horizon Utilities during its Cost of Service study. The Hydro One weather normalized data corrects consumption averages for the impacts of changes in seasonal weather patterns. As part of its Cost of Service Study, Horizon Utilities also undertook a Residential Appliance Saturation Survey across its service territory. This survey was required in order to update the Hydro One weather normalization model to better reflect today's status of the typical residential customers' appliance ownership and energy usage patterns. This average weather normalized per customer consumption for the Residential, General Service <50 kW and General Service > 50 kW customer classes was 8,015, 35,323 and 957,362 respectively.

Horizon Utilities has re-calculated its revenue at existing rates and resulting deficiency based on the last six year average of actual consumption provided above. The following table provided the revenue deficiency based on these inputs. Horizon Utilities has not adjusted its forecasted cost of power for the increase in consumption.

Description	2007 Bridge Actual	2008 Test Existing Rates	2008 Test - Required Revenue
Revenue			
Revenue Deficiency			**7,516,006.16**
Distribution Revenue	86,322,510.52	87,540,371.38	87,540,371.38
Other Operating Revenue (Net)	7,513,185.68	6,524,481.36	6,524,481.36
Smart Meter Deferral Account Adjustment	(481,823.90)		
Total Revenue	**93,353,872.30**	**94,064,852.73**	**101,580,858.90**
Costs and Expenses			
Administrative & General, Billing & Collecting	26,123,505.91	27,052,515.22	27,052,515.22
Operation & Maintenance	13,668,572.00	15,064,029.00	15,064,029.00
Depreciation & Amortization	21,275,589.50	23,727,691.00	23,727,691.00
Property Taxes	557,956.00	574,689.00	574,689.00
Capital Taxes	948,984.00	991,635.74	991,635.74
Deemed Interest	14,510,027.42	14,919,834.79	14,919,834.79
Total Costs and Expenses	**77,084,634.84**	**82,330,394.75**	**82,330,394.75**
Less OCT Included Above			
Total Costs and Expenses Net of OCT	**77,084,634.84**	**82,330,394.75**	**82,330,394.75**
Utility Income Before Income Taxes	**16,269,237.46**	**11,734,457.98**	**19,250,464.14**
Income Taxes:			
Corporate Income Taxes	6,181,789.65	3,794,764.56	6,387,786.69
Total Income Taxes	**6,181,789.65**	**3,794,764.56**	**6,387,786.69**
Utility Net Income	**10,087,447.82**	**7,939,693.42**	**12,862,677.46**
Capital Tax Expense Calculation:			
Total Rate Base	345,476,843.42	362,942,366.18	362,942,366.18
Exemption	12,500,000.00	15,000,000.00	15,000,000.00
Deemed Taxable Capital	**332,976,843.42**	**347,942,366.18**	**347,942,366.18**
Ontario Capital Tax	948,984.00	991,635.74	991,635.74
Income Tax Expense Calculation:			
Accounting Income	16,269,237.46	11,734,457.98	19,250,464.14
Tax Adjustments to Accounting Income	845,351.81	(735,140.41)	(735,140.41)
Taxable Income	**17,114,589.28**	**10,999,317.57**	**18,515,323.73**
Income Tax Expense	6,181,789.65	3,794,764.56	6,387,786.69
	36.12%	34.50%	34.50%
Actual Return on Rate Base:			
Rate Base	345,476,843.42	362,942,366.18	362,942,366.18
Interest Expense	14,510,027.42	14,919,834.79	14,919,834.79
Net Income	10,087,447.82	7,939,693.42	12,862,677.46
Total Actual Return on Rate Base	**24,597,475.24**	**22,859,528.21**	**27,782,512.25**
Actual Return on Rate Base	7.12%	6.30%	7.65%
Required Return on Rate Base:			
Rate Base	345,476,843.42	362,942,366.18	362,942,366.18
Return Rates:			
Return on Debt (Weighted)	7.00%	6.85%	6.85%
Return on Equity	9.00%	8.86%	8.86%
Deemed Interest Expense	14,510,027.42	14,919,834.79	14,919,834.79
Return On Equity	12,437,166.36	12,862,677.46	12,862,677.46
Total Return	**26,947,193.79**	**27,782,512.25**	**27,782,512.25**
Expected Return on Rate Base	7.80%	7.65%	7.65%
Revenue Deficiency After Tax	**2,349,718.55**	**4,922,984.04**	**0.00**
Revenue Deficiency Before Tax	**3,678,332.10**	**7,516,006.16**	**0.00**

13. **[Ref: D/1]** With respect to the proposed OM&A budget:

a. Please confirm that the figures on the table below are correct. If any are not correct, please provide corrected figures. Attached is a spreadsheet entitled "Horizon Opex" which is a live Excel version of this table.

2008 Opex	***2006***	***2007***	***2008***	***2006-2007***	***2007-2008***	***2006-2008***
Operations						
Supervision and Engineering	1,930	16,380	768	748.70%	-95.31%	-60.21%
Load Dispatching	1,791,196	2,038,550	2,019,235	13.81%	-0.95%	12.73%
Station Buildings and Fixtures Expense	155,011	314,795	278,498	103.08%	-11.53%	79.66%
Transformer Station Equipment – Labour	677	804	828	18.76%	2.99%	22.30%
Transformer Station Equipment - Supplies etc	58,918	2,834	2,196	-95.19%	-22.51%	-96.27%
Distribution Station Equipment – Labour	54,013	17,576	18,074	-67.46%	2.83%	-66.54%
Distribution Station Equipment - Supplies, etc.	208,579	282,117	269,576	35.26%	-4.45%	29.24%
Overhead Distribution – Labour	224,251	210,332	181,689	-6.21%	-13.62%	-18.98%
Overhead Distribution - Supplies etc.	193,392	333,550	431,083	72.47%	29.24%	122.91%
Overhead Subtransmission	12,124	3,125	0	-74.22%	-100.00%	-100.00%
Overhead Dist. Transformers	5,206	4,078	228	-21.67%	-94.41%	-95.62%
Underground Distribution – Labour	601,620	537,656	521,177	-10.63%	-3.06%	-13.37%
Underground Distribution - Supplies etc.	202,507	225,141	312,004	11.18%	38.58%	54.07%
Underground Dist. Transformers	7,685	8,906	824	15.89%	-90.75%	-89.28%
Meter Expense	1,141,595	1,223,862	1,291,705	7.21%	5.54%	13.15%
Customer Premises – Labour	1,421,418	1,442,726	1,752,162	1.50%	21.45%	23.27%
Customer Premises – Materials	139,215	247,385	109,246	77.70%	-55.84%	-21.53%
Miscellaneous Distribution	451,370	699,781	588,445	55.03%	-15.91%	30.37%
Other Rent	261,685	216,264	216,612	-17.36%	0.16%	-17.22%
Subtotal: Operations	**6,932,392**	**7,825,862**	**7,994,350**	**12.89%**	**2.15%**	**15.32%**
Maintenance						
Supervision and Engineering	106,332	108,824	132,759	2.34%	21.99%	24.85%
Distribution Stations	63,558	51,346	53,673	-19.21%	4.53%	-15.55%
Distribution Station Equipment	310,344	318,659	376,149	2.68%	18.04%	21.20%
Poles, Towers and Fixtures	419,000	300,980	333,825	-28.17%	10.91%	-20.33%
Overhead Conductors and Devices	920,813	983,895	961,025	6.85%	-2.32%	4.37%
Overhead Services	176,571	214,013	146,490	21.21%	-31.55%	-17.04%
Rights of Way	1,956,182	1,860,708	2,828,102	-4.88%	51.99%	44.57%
Underground Conduit	107,995	217,337	235,661	101.25%	8.43%	118.21%
Underground Conductors and Devices	352,677	458,605	579,301	30.04%	26.32%	64.26%
Underground Services	234,721	204,563	202,492	-12.85%	-1.01%	-13.73%
Line Transformers	421,384	540,540	646,051	28.28%	19.52%	53.32%
Meters	335,780	583,240	574,151	73.70%	-1.56%	70.99%
Subtotal: Maintenance	**5,405,357**	**5,842,710**	**7,069,679**	**8.09%**	**21.00%**	**30.79%**

Billing and Collections						
Meter Reading Expense	0	5,727	147,600	NA	2477.27%	NA
Customer Billing	383,457	438,517	397,162	14.36%	-9.43%	3.57%
Collecting	110,996	79,188	110,000	-28.66%	38.91%	-0.90%
Bad Debt Expense	716,148	759,004	1,050,000	5.98%	38.34%	46.62%
Misc. Customer Accounts Expenses	6,322,980	6,315,050	6,081,862	-0.13%	-3.69%	-3.81%
Subtotal: Billing and Collections	**7,533,581**	**7,597,486**	**7,786,624**	**0.85%**	**2.49%**	**3.36%**
Community Relations						
Supervision	1,202	0	0	-100.00%	NA	-100.00%
Community Relations – Sundry	170,216	275,476	457,418	61.84%	66.05%	168.73%
Energy Conservation	1,645,980	837,743	264,623	-49.10%	-68.41%	-83.92%
Community Safety Program	16,068	20,000	20,000	24.47%	0.00%	24.47%
Demonstrating and Selling Expense	2,780	12,968	0	366.47%	-100.00%	-100.00%
Advertising Expense	39,595	74,000	0	86.89%	-100.00%	-100.00%
Misc. Sales Expense	161,043	117,499	0	-27.04%	-100.00%	-100.00%
Subtotal: Community Relations	**2,036,884**	**1,337,686**	**742,041**	-34.33%	-44.53%	-63.57%
Administrative and General Expenses						
Executive Salaries and Expenses	1,537,735	1,992,286	2,007,330	29.56%	0.76%	30.54%
Management Salaries and Expenses	2,677,674	3,761,576	4,336,923	40.48%	15.30%	61.97%
Gen. Admin. Salaries and Expenses	2,752,772	3,493,453	5,003,028	26.91%	43.21%	81.75%
Office Supplies and Expenses	420,570	525,033	673,875	24.84%	28.35%	60.23%
Outside Services Employed	1,126,443	3,539,360	2,333,842	214.21%	-34.06%	107.19%
Property Insurance	92,928	61,320	64,638	-34.01%	5.41%	-30.44%
Injuries and Damages	469,503	468,216	523,811	-0.27%	11.87%	11.57%
Employee Pensions and Benefits	1,285,715	1,323,768	1,488,276	2.96%	12.43%	15.75%
Regulatory Expenses	750,294	825,252	1,114,013	9.99%	34.99%	48.48%
General Advertising Expenses	(3,600)	10,500	10,000	NA	NA	NA
Misc. General Expenses	310,049	720,870	701,168	132.50%	-2.73%	126.15%
Maintenance of General Plant	664,334	466,700	266,946	-29.75%	-42.80%	-59.82%
Subtotal: Administrative and General	**12,084,417**	**17,188,334**	**18,523,850**	42.24%	7.77%	53.29%
Property Taxes						
Property Taxes	443,632	557,956	574,689	25.77%	3.00%	29.54%
Subtotal: Property Taxes	**443,632**	**557,956**	**574,689**	25.77%	3.00%	29.54%
Total Opex	**34,436,263**	**40,350,034**	**42,691,233**	17.17%	5.80%	23.97%

b. Administrative and General expenses are projected to increase from 35.1% of OM&A to 43.4% of OM&A over a two year period. Please explain why this is an appropriate shift, and file whatever metrics, data, studies or other material Horizon has in its possession dealing with the appropriate levels of Administrative and General expenses in a utility like Horizon.

c. Please identify the percentage of total OM&A, calculated in the same manner as above, that was represented by Administrative and General expenses in each of Hamilton Hydro and St. Catherines Hydro for each of the years 2002 through 2004.

d. Please provide an explanation of the 20%+ increase in operating expenses relating to work done on customer premises.

e. Please provide an explanation as to why total Operations and Maintenance expenses relating to underground equipment is proposed to increase by 22.8% from $1,507,205 in 2006 to $1,851,459 in 2008.

f. Please explain by bad debt expense is expected to increase well above Horizon's historical experience.

g. Please provide an explanation of the more than doubling of Misc. General Expenses.

h. D/2/3, p.2. Please file the business case for the move to a three year tree trimming cycle. If a business case is not available, please provide a detailed calculation showing the increased costs proposed, and the decreased costs in other areas resulting from the decision. Please identify the USofA accounts in which the decreased costs will arise, and the $ decreases assumed for the 2008 Test Year.

i. D/2/3, p.5. Please recalculate the amounts of "Outside Services Employed" and "Regulatory Expenses" for each of 2006, 2007 and 2008 on the assumption that all outside service costs associated with regulatory processes are booked as Regulatory Expenses rather than Outside Services Employed.

j. D/2/7, p.8. Please reconcile the Total Compensation figures in Table 3 with the Administrative and General expenses, by line, in the above table.

k. D/2/7, p.8. Please provide the combined FTEs for Hamilton Hydro and St. Catherines Hydro, broken down in the same manner as Table 3, for each of 2002 through 2004.

l. Please provide a copy of the Applicant's Incentive Compensation Plan, together with any documents setting forth the planned or actual performance metrics for the Bridge Year and the Test Year.

m. D/2/1/App A. Please recalculate all charts in this exhibit on the following basis:

   i. Ten year amortization of the capital asset.

ii. Debt cost at 5.5% and equity cost at 8.39%.

iii. PILs calculated on the basis of announced tax rates.

iv. Income for PILs purposes calculated using CCA as the deduction rather than depreciation expense.

n. D/2/1/App A. Please confirm that one effect of Horizon's proposal for recovery of ERP revenue requirement is that $322,423 of 2007 expenses would be recoverable in 2008 and beyond.

Response:

a) Horizon Utilities confirms that the figures in the table above are correct.

b) Horizon Utilities does not have material in its possession dealing with appropriate levels of administrative and general expenses for a utility like Horizon Utilities.

Horizon has provided pre-filed evidence at Exhibit D/Tab 2/Schedule 7 and the Appendix A and B to this Schedule which includes a detailed analysis of its employee compensation, incentive plan expenses, pensions and post retirement benefits; all of which have increased over the two year period and are recorded in Administrative and General Expenses.

In addition, please refer to Horizon Utilities' Response to OEB Staff IR Question 23, b. and c. for the cost drivers and explanations as to the changes in the salary related USoA accounts 5605, 5610, and 5615, over the two year period.

c) The following table provides the OM&A data for Hamilton Hydro and St. Catharines Hydro for the years 2002 to 2004, presented in the same format as the table in part a. to this question.

St. Catharines	2002	2003	2004	2002-2003	2003-2004	2002-2004
Operations						
Supervision and Engineering	78,424	89,287	(52,538)	13.85%	-158.84%	-166.99%
Load Dispatching	28,842	11,592	23,040	-59.81%	98.76%	-20.12%
Station Buildings and Fixtures Expense	75,004	30,820	60,098	-58.91%	94.99%	-19.87%
Transformer Station Equipment - Labour	0.00	0.00	0.00			
Transformer Station Equipment - Supplies etc	0.00	0.00	0.00			
Distribution Station Equipment - Labour	49,899	61,197	48,867	22.64%	-20.15%	-2.07%
Distribution Station Equipment - Supplies, etc.	4,564	4,346	9,914	-4.78%	128.14%	117.24%
Overhead Distribution - Labour	70,856	87,199	175,026	23.07%	100.72%	147.02%
Overhead Distribution - Supplies etc.	106,923	2,255	6,437	-97.89%	185.44%	-93.98%
Overhead Subtransmission	0.00	0.00	0.00			
Overhead Dist. Transformers	0.00	136	5,719		4116.80%	
Underground Distribution - Labour	5,159	0.00	52,081	-100.00%		909.43%
Underground Distribution - Supplies etc.	6,178	3,510	4,371	-43.18%	24.53%	-29.25%
Underground Dist. Transformers	5	(1,990)	19,841	-37016.51%	-1097.15%	368013.91%
Meter Expense	523,837	539,820	598,214	3.05%	10.82%	14.20%
Customer Premises - Labour	4,916	5,897	7,686	19.97%	30.33%	56.35%
Customer Premises - Materials	73,773	93,184	110,733	26.31%	18.83%	50.10%
Miscellaneous Distribution	310,233	386,915	226,638	24.72%	-41.42%	-26.95%
Overhead Distribution Lines and Feeders - Rental Paid	30,654	33,590	33,113	9.58%	-1.42%	8.02%
Other Rent	0.00	0.00	0.00			
Subtotal: Operations	**1,369,266**	**1,347,759**	**1,329,239**	-1.57%	-1.37%	-2.92%
Maintenance						
Supervision and Engineering	295,965	146,649	143,726	-50.45%	-1.99%	-51.44%
Distribution Stations	13,758	10,446	21,135	-24.07%	102.34%	53.63%
Maintenance of Transformer Station Equipment	0.00	0.00	0.00			
Distribution Station Equipment	35,585	22,781	13,393	-35.98%	-41.21%	-62.36%
Poles, Towers and Fixtures	402,151	684,113	504,919	70.11%	-26.19%	25.55%
Overhead Conductors and Devices	288,026	378,842	454,648	31.53%	20.01%	57.85%
Overhead Services	301,753	319,295	293,267	5.81%	-8.15%	-2.81%
Rights of Way	269,408	322,177	404,566	19.59%	25.57%	50.17%
Underground Conduit	56,133	18,444	236,161	-67.14%	1180.44%	320.72%
Underground Conductors and Devices	361,003	556,276	307,320	54.09%	-44.75%	-14.87%
Underground Services	129,579	167,182	146,667	29.02%	-12.27%	13.19%
Line Transformers	238,731	234,455	240,023	-1.79%	2.37%	0.54%
Meters	29,684	7,455	10,131	-74.89%	35.90%	-65.87%
Maintenance of Other Installations on Customer Premise	688	137	0.00	-80.07%	-100.00%	-100.00%
Subtotal: Maintenance	**2,422,462**	**2,868,252**	**2,775,957**	18.40%	-3.22%	14.59%
Billing and Collections						
Supervision	184,605	184,120	95,581	-0.26%	-48.09%	-48.22%
Meter Reading Expense	565,961	285,996	283,694	-49.47%	-0.80%	-49.87%
Customer Billing	329,588	1,089,057	921,504	230.43%	-15.39%	179.59%
Collecting	639,462	437,957	536,457	-31.51%	22.49%	-16.11%
Collection Charges	260	36,635	1,685	13990.26%	-95.40%	548.08%
Bad Debt Expense	201,612	187,060	196,462	-7.22%	5.03%	-2.55%
Misc. Customer Accounts Expenses	234,338	253,597	514,481	8.22%	102.87%	119.55%
Subtotal: Billing and Collections	**2,155,827**	**2,474,422**	**2,549,865**	14.78%	3.05%	18.28%
Community Relations						
Supervision	0.00	0.00	0.00			
Community Relations - Sundry	48	6,998	14,402	14626.39%	105.80%	30206.46%
Energy Conservation	81,393	6,559	12,361	-91.94%	88.46%	-84.81%
Community Safety Program	0.00	0.00	0.00			
Demonstrating and Selling Expense	0.00	0.00	0.00			
Advertising Expense	0.00	0.00	0.00			
Misc. Sales Expense	0.00	0.00	0.00			
Subtotal: Community Relations	**81,440**	**13,557**	**26,763**	-83.35%	97.41%	-67.14%
Administrative and General Expenses						
Executive Salaries and Expenses	47,360	50,291	55,363	6.19%	10.08%	16.90%
Management Salaries and Expenses	421,330	520,937	567,476	23.64%	8.93%	34.69%
Gen. Admin. Salaries and Expenses	713,583	942,279	857,740	32.05%	-8.97%	20.20%
Office Supplies and Expenses	325,613	536,877	560,952	64.88%	4.48%	72.28%
Administrative Expense Transferred Credit	(1,546,016)	(1,834,946)	(2,102,268)	18.69%	14.57%	35.98%
Outside Services Employed	353,191	363,267	371,629	2.85%	2.30%	5.22%
Property Insurance	25,567	28,420	29,900	11.16%	5.21%	16.95%
Injuries and Damages	0.00	0.00	0.00			
Employee Pensions and Benefits	587,512	109,057	264,061	-81.44%	142.13%	-55.05%
Regulatory Expenses	224,330	235,919	263,094	5.17%	11.52%	17.28%
General Advertising Expenses	2,433	160	307	-93.42%	91.68%	-87.40%
Misc. General Expenses	52,295	9,114	(21,896)	-82.57%	-340.25%	-141.87%
Rent	23,325	0.00	0.00	-100.00%		-100.00%
Maintenance of General Plant	378,616	471,848	402,259	24.62%	-14.75%	6.24%
Subtotal: Administrative and General	**1,609,140**	**1,433,223**	**1,248,616**	-10.93%	-12.88%	-22.40%
Property Taxes						
Property Taxes	103,838	305,323	218,000	194.04%	-28.60%	109.94%
Subtotal: Property Taxes	**103,838**	**305,323**	**218,000**	194.04%	-28.60%	109.94%
Total Opex	**7,741,973**	**8,442,536**	**8,148,439**	9.05%	-3.48%	5.25%

Hamilton	*2002*	*2003*	*2004*	2002-2003	2003-2004	2002-2004
Operations						
Supervision and Engineering	81,704	19,940	2,068	-75.59%	-89.63%	-97.47%
Load Dispatching	1,349,755	1,433,816	1,462,784	6.23%	2.02%	8.37%
Station Buildings and Fixtures Expense	17,752	19,644	18,579	10.66%	-5.42%	4.66%
Transformer Station Equipment - Labour						
Transformer Station Equipment - Supplies etc	176,359	293,763	257,319			
Distribution Station Equipment - Labour			44,005			
Distribution Station Equipment - Supplies, etc.	3,996	4,860	240	21.62%	-95.06%	-93.99%
Overhead Distribution - Labour	1,044,766	563,792	420,368	-46.04%	-25.44%	-59.76%
Overhead Distribution - Supplies etc.	547,031	840,540	216,049	53.65%	-74.30%	-60.51%
Overhead Subtransmission						
Overhead Dist. Transformers	163,684	14,878	7,546		-49.28%	
Underground Distribution - Labour	525,803	549,186	518,084	4.45%		-1.47%
Underground Distribution - Supplies etc.	785,736	833,010	138,942	6.02%	-83.32%	-82.32%
Underground Dist. Transformers	72,281		4,060			-94.38%
Meter Expense	1,084,690	873,481	679,293	-19.47%	-22.23%	-37.37%
Customer Premises - Labour	1,167,334	947,333	1,015,539	-18.85%	7.20%	-13.00%
Customer Premises - Materials	28,774	52,793	66,917	83.48%	26.75%	132.56%
Miscellaneous Distribution			32,757			
Overhead Distribution Lines and Feeders - Rental Paid	30,704	31,907		3.92%		
Other Rent	94,740	168,662	132,293			
Subtotal: Operations	**7,175,109**	**6,647,604**	**5,016,842**	-7.35%	-24.53%	-30.08%
Maintenance						
Supervision and Engineering			53,976			
Distribution Stations	13,409	36,354	461,941	171.12%	1170.66%	3344.96%
Maintenance of Transformer Station Equipment	44,546					
Distribution Station Equipment	350,975	406,818	394,294	15.91%	-3.08%	12.34%
Poles, Towers and Fixtures	218,273	421,764	481,021	93.23%	14.05%	120.38%
Overhead Conductors and Devices	46,627	420,800	361,544	802.47%	-14.08%	675.39%
Overhead Services	143,964	142,357	185,185	-1.12%	30.08%	28.63%
Rights of Way	554,177	470,626	738,343	-15.08%	56.89%	33.23%
Underground Conduit	35,052	179,412	181,036	411.84%	0.91%	416.47%
Underground Conductors and Devices	98,548	286,255	427,169	190.47%	49.23%	333.46%
Underground Services	7,327	70,334	107,920	859.88%	53.44%	1372.84%
Line Transformers	127,325	135,417	249,807	6.35%	84.47%	96.20%
Meters	39,764	51,814	105,523	30.30%	103.66%	165.37%
Maintenance of Other Installations on Customer Premises						
Subtotal: Maintenance	**1,679,989**	**2,621,951**	**3,747,759**	56.07%	42.94%	123.08%
Billing and Collections						
Supervision						
Meter Reading Expense	0.00	0.00	786			
Customer Billing	0.00	253,994	164,333		-35.30%	
Collecting	84	90,915	67,344	107504.52%	-25.93%	79606.06%
Collection Charges						
Bad Debt Expense	1,121,860	2,856,941	(1,030,451)	154.66%	-136.07%	-191.85%
Misc. Customer Accounts Expenses	5,072,686	5,430,639	5,235,276	7.06%	-3.60%	3.21%
Subtotal: Billing and Collections	**6,194,630**	**8,632,489**	**4,437,287**	39.35%	-48.60%	-28.37%
Community Relations						
Supervision	37,948	3,780	271	-90.04%	-92.84%	-99.29%
Community Relations - Sundry	46,807	64,576	154,792	37.96%	139.70%	230.70%
Energy Conservation		0.00	6,105			
Community Safety Program	16,024	12,329	15,275	-23.06%	23.90%	-4.67%
Demonstrating and Selling Expense	2,297					
Advertising Expense	91,178	129,407	93,158	41.93%	-28.01%	2.17%
Misc. Sales Expense						
Subtotal: Community Relations	**194,254**	**210,092**	**269,601**	8.15%	28.32%	38.79%
Administrative and General Expenses						
Executive Salaries and Expenses	984,286	1,162,853	1,204,753	18.14%	3.60%	22.40%
Management Salaries and Expenses	2,155,886	2,760,441	2,824,826	28.04%	2.33%	31.03%
Gen. Admin. Salaries and Expenses	1,478,887	1,385,917	3,326,552	-6.29%	140.03%	124.94%
Office Supplies and Expenses	144,242	72,016	196,831	-50.07%	173.32%	36.46%
Administrative Expense Transferred Credit						
Outside Services Employed	218,971	166,346	421,849	-24.03%	153.60%	92.65%
Property Insurance	141,394	503,559	86,241	256.14%	-82.87%	-39.01%
Injuries and Damages	183,197		350,808			91.49%
Employee Pensions and Benefits	774,687	982,835	1,078,100	26.87%	9.69%	39.17%
Regulatory Expenses	1,179,432	186,024	582,843	-84.23%	213.32%	-50.58%
General Advertising Expenses	6,781	3,116	16,398	-54.05%	426.25%	141.83%
Misc. General Expenses	9,185		88,459			863.08%
Rent						
Maintenance of General Plant	1,197,664	1,387,783	22,971	15.87%	-98.34%	-98.08%
Subtotal: Administrative and General	**8,474,611**	**8,610,891**	**10,200,631**	1.61%	18.46%	20.37%
Property Taxes						
Property Taxes	953,516	881,788	722,520			
Subtotal: Property Taxes	**953,516**	**881,788**	**722,520**			
Total Opex	**24,672,110**	**27,604,815**	**24,394,640**	11.89%	-11.63%	-1.12%

d) The increase in operating expenses related to customer premises is due to the direct allocation of wages for linepersons who cover for the troubleperson during vacations and sick time and provide services on customer premises. Historically, lineperson wages were recorded in other OEB maintenance categories, including Maintenance of Overhead Services and Maintenance of Overhead Conductors and Devices.

e) The increase in O&M related to Underground Equipment is due in part to improved inspection techniques in support of identifying system maintenance requirements. In addition, Horizon Utilities has provided for an increase in underground emergency maintenance in the amount of approximately $150,000, based on recent history of underground system faults and an increase in costs due to the renumbering of switches in St. Catharines to conform to Horizon Utilities' corporate numbering scheme. This renumbering work was necessary to ensure worker safety, proper communications with field workers, and consistency in its control facilities in operating Horizon Utilities entire distribution system. Horizon Utilities has also added new tasks such as graffiti removal, manhole/vault maintenance and switching, and increased corrective network maintenance; all totaling approximately $177,000.

f) Please see Horizon Utilities' response to VECC Question 25 d).

g) The increase in Miscellaneous General Expense is primarily due to the inclusion of the Hydro One LV charges. The LV charges have been removed from Horizon Utilities rate design model for calculation of revenue requirement and will subsequently be allocated to USoA Account 1550 for recovery through regulatory deferral and variance accounts. Also included in this account are costs associated with an increase in Horizon Utilities' apprenticeship programs.

h) Please refer to Horizon Utilities' response to VECC Question 27. In addition the following table provides the calculations for the 2008 tree trimming budget based on the three tree trimming cycle.

Grid Tree Trimming	
2008 Estimate	
Carry over from 2007	1,100,000
Hamilton	1,176,792
St. Catharines	538,693
Horizon Total	2,815,485
2009 Estimate	
Hamilton	1,493,750
St. Catharines	535,000
Horizon Total	2,028,750
2010 Estimate	
Hamilton	2,524,150
St. Catharines	535,000
Horizon Total	3,059,150
Three year average	2,634,462
Budget amount - avg.	2,600,000

i) The following table provides Horizon Utilities' recalculation of "Outside Services Employed" and "Regulatory Expenses" for each of 2006, 2007 and 2008 on the assumption that all outside service costs associated with regulatory processes are booked as Regulatory Expenses rather than Outside Services Employed.

	2006	2007	2008
Total Outside Services Employed	1,083,077	3,126,260	2,044,842
Total Regulatory Expense	793,660	1,238,352	1,403,013

j) Horizon Utilities developed Table 3 in Exhibit D/Tab 2/Schedule 7/p. 8 based on year end employee counts and averages for each category. The Total Compensation is simply a total of the averages. For a reconciliation to the OM&A Cost Table for the related accounts, please refer to Horizon Utilities' response to OEB Staff Question 23 b.

k) Horizon Utilities has provided the Compensation table filed in its 2006 EDR Application for the years 2002, 2003 and 2004 below.

Number of employees (FTEs)			
	2002	**2003**	**2004**
Executive CEO, COO VP/Director(s)	22	25	22
Management - Middle Managers, Supervisors.	41.1	47.3	47.6
Non-Union - non-supervisory	32.8	34.9	35.6
Union	297.2	298.3	294.7
Compensation - Average Yearly Base Wages $'s			
	2002	**2003**	**2004**
Executive CEO, COO VP/Director(s)	91,774	98,004	101,989
Management - Middle Managers, Supervisors.	68,712	70,769	72,564
Non-Union - non-supervisory	55,884	54,906	52,973
Union	45,069	46,583	48,457
Compensation - Average Yearly Overtime $'s			
	2002	**2003**	**2004**
Executive CEO, COO VP/Director(s)	0	0	0
Management - Middle Managers, Supervisors.	842	733	261
Non-Union - non-supervisory	2,183	3,121	3,716
Union	2,011	1,726	1,414
Compensation - Average Yearly Incentive $'s			
	2002	**2003**	**2004**
Executive CEO, COO VP/Director(s)	8,242	10,098	18,541
Management - Middle Managers, Supervisors.	675	3,963	6,561
Non-Union - non-supervisory	1,249	1,585	3,320
Union	0	0	0
Compensation - Average Yearly Benefits $'s			
	2002	**2003**	**2004**
Executive CEO, COO VP/Director(s)	9,450	8,605	8,635
Management - Middle Managers, Supervisors.	8,104	7,777	7,561
Non-Union - non-supervisory	7,075	5,820	5,781
Union	7,873	7,053	7,372

l) Horizon Utilities has provided at Attachment A to these responses: its Annual Incentive Plan for 2007; its 2007 Corporate Metrics; and its 2008 Corporate Metrics.

m) Horizon Utilities debt cost is 7.0%, and there is no basis for the 5.5% debt cost being used by Schools in this question; and the ROE used by Horizon

Utilities in this Application is 8.86%. However, in order to answer this question, Horizon Utilities has recalculated all ERP charts on the following basis:

i. Ten year amortization of the capital asset, which Horizon asserts is not a relevant amortization period given the nature of the asset and generally accepted depreciation rates for such technology assets.

ii. Debt cost at 5.5%, which Horizon asserts is not relevant for the reasons noted in its response to Question 16, and equity cost at 8.39%.

iii. PILs calculated on the basis of announced tax rates.

iv. Income for PILs purposes calculated using CCA as the deduction rather than depreciation expense.

Horizon Utilities would note that Income for PILs purposes was calculated using CCA and therefore no change was required for part iv above. The revised tables are provided in Attachment B to these responses.

n) Horizon Utilities does not agree with the statement "that one effect of Horizon's proposal for recovery of ERP revenue requirement is that $322,423 of 2007 expenses would be recoverable in 2008 and beyond."

Horizon Utilities' ERP revenue requirement calculates the recovery of all costs incurred in the implementation of its ERP Solution, which includes the 2007 expenditure of $1,674,343, and spreads this recovery evenly over a five year period. In addition, the revenue requirement calculations take into consideration the savings to be realized over this same period. Horizon Utilities is proposing a five year "smoothing" period, for the recovery of its costs as a means of mitigating the potential over recovery of costs associated with the implementation of its ERP Solution, in the amount of $657,000, as explained in Exhibit D/Tab 2/Schedule 1/p. 21.

14. **[Ref: D/2/9]**. Please provide any information in the possession of Horizon explaining why the distribution loss factor increased from 2005 to 2006 and 2007.

Response:

Please refer to Horizon Utilities' response to OEB Staff Question 46 d.

15. **[Ref: D/3/1]**. With respect to the PILs calculations, please recalculate PILs and grossed-up PILs taking into account the recently announced reductions in a) the 2008 federal income tax rate to 19.5%, and b) the Ontario capital tax.

Response:

The following tables provide Horizon Utilities' calculations of PILs and grossed-up PILs taking into account the recently announced reductions in a) the 2008 federal income tax rate to 19.5%, and b) the Ontario capital tax.

2008 PILs Schedule		
Description	Source or Input	TaxPayable
Accounting Income	08' Rev Def	18,972,038
Tax Adj to Accounting Income	08' Rev Def	(735,140)
Taxable Income		18,236,898
Combined Income Tax Rate	PILs Rates	33.500%
Total Income Taxes		6,109,361
Investment Tax Credits		
Miscellaneous Tax Credits		
Total Tax Credits		
Total PILs		6,109,361

2008 Capital Taxes		
Description	OCT	LCT
Total Rate Base	362,942,366	362,942,366
Exemption	(15,000,000)	
Deemed Taxable Capital	347,942,366	362,942,366
Rate	0.285%	0.000%
Gross Tax Payable	991,636	0
Surtax	0	0
Net Capital Tax Payable	991,636	0

2008 Total Taxes

Description	Tax Payable
Total PILs	6,109,361
Net Capital Tax Payable	991,636
PILs including Capital Taxes	7,100,997

16. **[Ref: F/1/3]**. With respect to the cost of debt:

a. Please advise the market interest rates for A Positive Rated senior debt of a utility such as Horizon on February 28, 2005, and at current market rates.

b. Please confirm that all debt of Horizon is payable to affiliates. If any debt is not payable to affiliates, please provide details including date debt incurred, interest rate, other financial terms, and related transactions.

c. Please confirm that the $116 million Promissory Note of Horizon to its parent, Hamilton Utilities Corporation, is a "back-to-back" arrangement supporting the 6.25% Senior Unsecured Debentures issued by the parent and maturing on the same date, and that the backup is through negative covenants in the Promissory Note that prohibit secured borrowing by the utility unless the Promissory Note is secured.

d. Please confirm that the unregulated affiliates of Hamilton Utilities Corporation have lower credit ratings (or are unrated) relative to Horizon, and that as a result if HUC were to borrow without the backstopping of Horizon the interest rate on that borrowing would be higher than the rate available to Horizon. If Horizon or HUC has any information that would help to quantify this differential, please file it.

e. Please advise why the back to back borrowing of Horizon from HUC and HUC from the market has a 75 basis points differential in favour of HUC.

f. Horizon has a deemed long term debt amount for the Test Year of $203.25 million, of which $116 million is represented by a 7% promissory note in favour of its parent. Please provide a detailed summary of all other borrowing by Horizon planned for the Test Year to make up the difference, including lender (whether affiliate or not), interest rate, payment terms, and all other material terms.

g. Please provide details of any bank or other institutional line of credit, facility, or other such arrangements currently in place by or planned for Horizon. Please include all such arrangements in which Horizon is an authorized borrower, whether or not it is the primary borrower on the account. Please provide the same information for arrangements in place on behalf of HUC.

h. Please confirm that the reduction in the deficiency that would arise if the debt rate applied to Horizon's deemed long term debt were 5.5% instead of 7.0% is approximately $3 million. If this figure is not correct, please provide the correct figure.

i. Please file a copy of the 6.25% debentures.

Response:

a) Horizon Utilities does not have a corporate or any other credit rating at this time. Horizon Utilities has a 7.0% $116MM Promissory Note due July 31, 2012 and payable to Hamilton Utilities Corporation ("HUC"). HUC had a corporate credit rating from Standard and Poor's of A, not A Positive, as of February 28, 2005, and presently has a rating of A with a positive outlook. HUC had a corporate credit rating of A Positive as of the date of issuance of its debentures on July 31, 2002, but as part of an overall downgrade in the distribution sector, received a downgrade to A in December of 2002 following the introduction of Ontario's Bill 210, which froze electricity distribution rates for an indefinite period.

For purposes of the response, it is assumed and reasonable that Horizon Utilities has the same credit profile and rating as HUC, on a consolidated basis with present inter company arrangements. It is further assumed that:

- the market interest rates are "all-in" including costs of issuance;
- that costs of issuance are the same as those incurred by HUC for its 6.25% Senior Unsecured Debentures referred to in Q16. c.; and
- the market rates are based on a privately issued debt instrument with fixed principal of $100MM to $150MM maturing in ten years.

With consideration for the above assumptions, Horizon Utilities has provided the requested information based on both an A and A Positive rating:

	As of February 28, 2005	Current as of January 11, 2008
Credit rating		
A	5.26%	5.49%
A Positive	5.21%	5.44%

Although it has provided this information for the purpose of responding to the question from Schools, Horizon Utilities notes that the rates in the foregoing table are not relevant to this Application, or to the determination of the permitted debt rate to be used in the calculation of Horizon Utilities' revenue requirement and 2008 distribution rates. More particularly:

- they are not consistent with the market conditions that existed at the time that the original Promissory Note of the former Hamilton Hydro Inc. was issued to the City of Hamilton;
- their use would not be consistent with the OEB's treatment of existing debt in its initial (2000) or 2006 Electricity Distribution Rate Handbooks, or of "embedded debt", as that term is discussed in the OEB's December 20, 2006 "Report of the Board on Cost of Capital and 2nd Generation Incentive Regulation for Ontario's Electricity Distributors" (the "Report"). Horizon Utilities' 7% debt rate on its Promissory Note has remained unchanged since 2000. Most recently, the debt rate of 7% has (in part) formed the basis for Horizon Utilities' OEB-approved 2006 (RP-2005-0020/EB2005-0375) and 2007 (EB- 2007-0538) electricity distribution rates. Please see Horizon Utilities' response to OEB Staff Question 48.

b) All debt of Horizon Utilities is payable to affiliates as of the date of this response.

c) The terms, other than the interest rate, of the Promissory Note of Horizon are substantially consistent with the terms of the 6.25% Senior Unsecured Debentures issued by the parent. The Promissory Note matures on the same date as the 6.25% Senior Unsecured Debentures.

Horizon Utilities may not give security in respect of any obligation unless it is a Permitted Encumbrance or unless HUC causes the 6.25% Senior Unsecured Debentures to be secured equally and ratably. A Permitted Encumbrance includes certain grandfathered, small, or otherwise secured interests in short-term debt obligations such as (for example) certain revolving credit facilities, capital leases, deposits, and/or cash.

d) Horizon Utilities understands that the unregulated affiliates of HUC do not have separate credit ratings.

With consideration for Horizon Utilities' understanding of:

- the nature and magnitude of the unregulated investment holdings of HUC;
- the current inter company borrowing arrangements of HUC with Horizon Utilities and the other affiliates of HUC; and
- the credit profile of Horizon Utilities on a standalone basis;

Horizon Utilities would not be able to borrow at a lower rate than HUC.

Horizon Utilities will not speculate on hypothetical borrowing arrangements of HUC.

Horizon Utilities does not believe that HUC requires any third-party borrowing to support the financing of its unregulated affiliates. HUC is sufficiently capitalized by shareholder's equity to support its inter-company loans to its unregulated affiliates. This notwithstanding, such loans, which are entirely in the form of revolving inter-company credit facilities, provide for interest rates that are based on the specific credit risks of the unregulated affiliates.

e) Please refer to Horizon Utilities' response to OEB Staff Question 48, and more particularly, 48(b).

f) The deemed long-term debt amount for the Test Year is a pro forma amount based on the capital structure provided for in the OEB's methodology as set out in its December 20, 2006 Report on Cost of Capital and 2nd Generation Incentive Regulation for Ontario's Electricity Distributors ("CoC/ IRM Report"). The deemed long-term debt amount has been determined by applying the capital structure in the

CoC/ IRM Report to the Rate Base for the 2008 Test Year in Table 1 of Exhibit B/ Tab 1/ Schedule 1/ Page 1.

Horizon Utilities has not resolved specific plans for incremental borrowings in 2008. This notwithstanding, Horizon Utilities currently has access to debt capital through its inter company credit facility with HUC. In addition, Horizon Utilities has plans to provide for all of its own debt requirements in 2008 as elaborated in its response to Question 16(g) below.

g) There are no bank or other institutional lines of credit, facilities, or other such arrangements currently in place for Horizon Utilities. All forms of debt financing in place or available to Horizon Utilities are presently provided for by HUC.

HUC has a $100 million revolving credit facility with CIBC, the specific terms of which are competitive and confidential. In addition, HUC may issue, as required, debentures under an existing trust indenture.

h) Horizon Utilities reasserts that the 5.5% debt rate is not appropriate for reasons noted in Horizon Utilities' response to Q16(a). above. For the purpose of responding to this question, however, Horizon Utilities confirms the approximation noted in Question 16(h).

i) The 6.25% debentures were issued privately and are the property of HUC, which has a 78.9% common share ownership interest in Horizon Utilities and is separately governed and managed from Horizon Utilities. HUC will not provide a copy of the debentures. Horizon Utilities notes though, that the Promissory Note referred to in Question 16(c) contains terms that are consistent with the 6.25% debentures.

17. **[Ref: A/3/4/App B]**. With respect to the Annual Report of HUC:

a. Please provide the transcript and audio tape of all investor relations conference calls or other discussions with analysts by HUC or Horizon, including bond rating agencies, in 2007.

b. P.3. Please disaggregate the 2.3% rate reduction in 2006 between the reduction in the ROE from 9.88% to 9.00 and the savings driven by the merger.

c. P. 6. Please provide a summary of the cost savings expected in the Test Year as a result of the announced merger with Guelph Hydro.

d. The Statement on Auditing Standards requires auditors to communicate reportable conditions to the audit committee. A reportable condition is a significant deficiency in the design or function of internal control that could adversely affect the organization’s ability to record, process, summarize, and report financial data.

   i. Please advise whether HUC’s Audit Committee is aware of any reportable conditions.

   ii. Please advise whether any reportable conditions have ever been noted by HUC’s external auditor during the past 3 years.

   iii. If yes, please provide a copy of each communication by HUC’s auditors of “Internal Control related matters noted in an audit” issued to the Audit Committee.

   iv. If the Applicant is separately audited, please provide the information in (i) to (iii) above with respect to the Applicant as well.

e. Please provide the Summary Compensation Table on page 3 of the Statement of Executive Compensation, prepared on a pro forma basis, for each of 2007 and 2008.

Response:

a) No such transcripts or audio tapes exist for Horizon Utilities and, to the best of its knowledge, HUC. Horizon Utilities has not had any investor relations calls, or other discussions with analysts. Horizon Utilities does not have a credit rating with any bond rating agency.

b) Horizon Utilities' 2006 EDR based on an ROE of 9.88% would result in a total bill decrease for the average Residential customer using 1,000 kWh per month, of 2.0% compared to the actual total bill decrease with a 9.0% ROE of 2.3%.

Horizon Utilities' 2006 EDR Application was based on the harmonization of the 2004 Rate Base and Working Capital, with specific tier one adjustments as permitted by the filing guidelines at that time, of the former Hamilton Hydro Inc. and St. Catharines Hydro Utility Services Inc. As such, savings driven by the merger were not incorporated into the 2006 EDR Application. In addition, Horizon Utilities disposition of its regulatory balances resulted in reduction to its Variable Distribution Charge.

c) Such a summary did not exist at the time of filing this response. Progress on the development of a merger between Horizon Utilities and Guelph Hydro will continue over the next several months.

d) i.) The conditions referred to in Question 17 d. i. are matters of a proprietary nature to HUC, which has a 78.9% common share ownership interest in Horizon Utilities and is separately governed and managed from Horizon Utilities. HUC will not provide this information.

ii) For reasons noted in the response to Question 17 d. i., HUC will not be providing this information.

iii) Based on the responses to Q17 d. i. and Q17 d. ii., this question is not applicable.

iv) The Applicant is separately audited.

With respect to i., there have been no reportable conditions to the Audit Committee.

With respect to ii., there have been no reportable conditions ever noted by the external auditor of Horizon Utilities for the past three years.

With respect to iii., this is not applicable.

e) Horizon Utilities has provided the following tables for the 2007 Bridge Year and the 2008 Test year with respect to its executive positions. The tables set out Base Salary Ranges, Pay for Performance Ranges, Taxable Benefits and Total Compensation Ranges for those positions. Horizon Utilities will not provide 2007 compensation figures for specific individuals except as permitted under the *Municipal Freedom of Information and Protection of Privacy Act* ("MFIPPA"). Personal information is protected under Section 32 (b) of MFIPPA and cannot be disclosed without the prior written consent of the individual. The individuals in the executive positions set out below have not given their consent to the release of their 2007 compensation information, and in any event, total compensation for 2007 will not be known until the spring of 2008 following the completion of the audit of Horizon Utilities' financial statements. Similarly, 2008 compensation ranges have been shown below, but specific compensation amounts will not be known until the spring of 2009. Compensation information for the Executive employee classification (CEO, Sr. VP and CFO, VP/Directors) for the years 2005-2008 has been provided in Horizon Utilities' pre-filed evidence at Exhibit D/Tab 2/Schedule 7/Page 8, in Table 3.

2007 Bridge Year							
	Salary Range		Pay for Performance Range		Taxable Benefits	Total Compensation Range	
President & CEO	184,000	253,000	0%	45%	16,560	200,560	383,410
Senior V.P. & CFO	139,480	191,785	0%	38%	16,560	156,040	294,648
V.P. Utility Operations	118,440	162,800	0%	31%	13,680	132,120	249,740
V.P. Business Development	118,440	162,800	0%	38%	13,680	132,120	249,740
V.P. Corporate Services	105,400	144,900	0%	31%	16,560	121,960	226,665
V.P. Customer Services	105,400	144,900	0%	31%	11,040	116,440	221,145

2008 Test Year							
	Salary Range		Pay for Performance Range		Taxable Benefits	Total Compensation Range	
President & CEO	189,240	260,210	0%	45%	16,560	205,800	393,865
Senior V.P. & CFO	143,460	197,250	0%	38%	16,560	160,020	302,573
V.P. Utility Operations	121,820	167,440	0%	31%	13,680	135,500	256,468
V.P. Business Development	121,820	167,440	0%	38%	13,680	135,500	256,468
V.P. Corporate Services	108,400	149,030	0%	31%	16,560	124,960	232,653
V.P. Customer Services	108,400	149,030	0%	31%	11,040	119,440	227,134

18. Please file a copy of the most recent Strategic Plan for the applicant, and the most recent Strategic Plan for Hamilton Utilities Corporation.

Response:

Horizon Utilities offers the following comments in this regard:

- Horizon Utilities:

With respect to the request for a Horizon Utilities Strategic Plan, Horizon Utilities has provided its planning material in its Application and in response to Consumers Coalition of Canada Question 7. With respect to the Application, please see Exhibit 2/Tab 1/Schedule 1/Appendix A (Copy of Distribution System Capital & Maintenance Programs Document) and Appendix B (Copies of Departmental Budget Plans). Horizon Utilities does not have a Strategic Plan document.

- Hamilton Utilities Corporation:

With respect to HUC, Horizon Utilities is unaware of any comprehensive Strategic Plan document for HUC. HUC is governed by a separate Board of Directors and Management Team. Horizon Utilities made an inquiry of HUC with respect to the existence of a Strategic Plan in response to this interrogatory. HUC advised that it considers its strategic planning process and information to be confidential and proprietary. HUC has advised that it will not provide any strategic planning or related information in response to this interrogatory.

Horizon Utilities confirms that HUC does not participate in Horizon Utilities' strategic planning process. The strategic and financial planning processes of Horizon Utilities are undertaken by Horizon Utilities' management and its Board of Directors, independently of its shareholders. The shareholders of Horizon Utilities receive, for information, the materials referred to and accompanying Horizon Utilities' response to CCC Question 7.

ATTACHMENT A

REFERENCE: SCHOOLS QUESTION 13L

HORIZON UTILITIES CORPORATION

ANNUAL INCENTIVE PLAN

FISCAL YEAR 2007

Name:
Bonus % Eligibility:
Salary (as of date):
Par Eligible Bonus:

I Purpose of the Plan

Horizon Utilities Corporation seeks to encourage an incentive based performance culture by aligning employee efforts with the corporate vision and short and long-term strategic goals.

The Annual Incentive Program (AIP) for Horizon Utilities (the "Plan") provides eligible employees a variable compensation component, over and above the employees base line pay. The purpose of the Plan is to focus individual and corporate performance towards attaining Horizon's strategic goals.

II Objectives

The objectives of the Plan are to;

- Provide a financial reward that is directly related to performance in support of Horizon's business strategy
- Focus and reward individual achievements that support the company's strategic plans
- Motivate exceptional individual performance
- Incent and enhance rewards for above average financial returns

III Guidelines for Participation

Nothing contained herein shall be construed that participation in the Program is a contract of employment which confers upon the participant the right to continue in the employ of the company nor does it obligate the company to allow the employee to participate in the Program in future years.

IV Eligible Participants

For FY 2007, all salaried (non-union) employees are eligible for participation in the Program.

An individual must be in an eligible position for at least six (6) consecutive months during the Fiscal Year (January 1st to December 31st) to be eligible for participation in the AIP.

In order to be eligible for an award, the individual must be actively employed by Horizon Utilities on fiscal year end December 31st. However, the individual will not be eligible for an award if he/she is terminated for cause prior to the date the incentive payments are issued.

Individuals entering the Program for the first time will be eligible for a pro-rata award for their first year of participation, provided they become eligible before June 30th. For example, an employee hired or promoted into an eligible position on May 30th in the calendar year would be eligible for a pro-rated award based on 7 months of participation.

Any participant that has had a change in incentive percentage during the fiscal year due to a promotion/demotion will be eligible for a pro rata incentive award. The pro rata award will be based on the portion of the year at each respective incentive percentage, with the appropriate salary level applied.

V Termination of Employment

Eligible participants (Section IV) shall be considered for an AIP pro-rata payout for the period of active employment in the event of the death, retirement or not for cause termination during the performance period. In the event of death, the payment will be made to the Participant's estate. Should the employee have less than six months service in the performance period he/she would not be eligible for a payout.

No AIP payout in respect of the plan term will be payable in the event of termination for cause of a Participant during the performance period. Nor is an employee eligible if the employee chooses to leave the Corporation's employ during the bonus calendar year.

VI Annual Incentive Plan Components

Incentive awards are made up to two (2) components:

1. Corporate (organizational)
2. Individual personal goals and achievements

The total incentive award is broken down for FY 2007 as:

1.	Corporate	60%
2.	Individual	40%

VII Corporate/Organizational Incentive Goals

Horizon Utilities annually sets out strategic objectives that are supported by the Board of Directors and which align to the company's success and continued growth.

Financial success and continued enhancement to Shareholder value is the cornerstone of Horizon remaining a profitable company. As such, and as evident in the company's Balanced Scorecard and Strategy Map continuous improvement, productivity improvements and cost reductions support a healthy balance sheet that provide value to Customers by keeping rates reasonable and value to the Shareholders by providing a profit on their investment.

2007 Corporate Objectives (60%)

Financial ROE Objective
No Corporate payout will be made if the organization is not successful in attaining threshold. ROE is tied directly to profitability, hence if a threshold profitability cannot be attained, the organization is not in a positive financial position to payout on the Corporate metrics.

Safety Objective
Horizon Utilities is proud of its Leading Indicator safety program, which focuses on proactive as opposed to reactive safety management. The company's Internal Responsibility Program recognizes that safety is each employee's responsibility. As such, Horizon recognizes the corporate impact of maintaining and enhancing our safety culture.

Customer Satisfaction/Reliability Objective
An improvement over previous year results for both the external Customer Satisfaction Survey results and Horizon's customer reliability stats.

Controllable Cost per Customer Objective
Controllable cost per customer is directly affected and impacted favourably by improving productivity and reducing costs.

Successful Implementation of ERP
This project will impact all corners of the organization and it is imperative that we do this right the first time. Milestones will be set with clear time bound deliverables.

Improved Employee Engagement
An improvement in employee/labour relations.

VIII Individual/Personal Goals (40%)

Annually at the end of the fourth quarter, Horizon's strategic goals and objectives for the upcoming year shall be cascaded down through each functional department. The purpose is to align the entire organization to work in the same direction in achieving the overall strategic business goals for the coming year.

Individual goals are those that the employee has direct impact and control over. These goals should align to their Supervisors goals and the overall objectives of the organization.

Annually Horizon sets organizational objectives, which are cascaded to the Director in each department and supported through a comprehensive and aligned Balanced Scorecard Work Plan (BSCWP). The BSCWP for each department provides departmental initiatives and measures that support the organizations objectives.

From the BSCWP each individual sets personal objectives and measures that align and support their departments. Individual goals need to be clear and concise stretch goals that go beyond the individuals day to day job functions.

Human Resources will perform the quality and control on determining S.M.A.R.T objectives that align departmentally and organizationally and that support incentive pay over and above the employees expected performance and outputs.

IX Threshold

Corporate payouts shall only occur if a minimum stated Corporate threshold of ROE is achieved.

X Performance & Payout Periods

Performance will be assessed annually and payments will be made as soon as practical after the end of December and after the Corporation has received it's annual audited financial statements.

Payouts will be calculated as a percentage of the participant's actual base salary earnings (Section IV). Payouts are subject to applicable taxes and deductions. As such they are eligible to be included as income for OMERS purposes but not for the LTD plan.

XI Incentive is Re-earnable Income

The incentive payout is "re-earnable" each year and does not form part of the employee's base salary.

XII Amendment and Termination

The Company reserves the right at any time to amend or terminate this Plan in whole or in part by resolution of the Board.

XIII Administration, Determinations and Interpretation

Any determinations which are required to be done by Horizon Utilities Corporation pursuant to this Plan shall be properly determined or done if determined or done by the Corporation.

Any disputes or disagreements which arise under or as a result of or in any way related to the interpretation, construction or application of this Plan shall be determined by the Corporation, and any such determinations shall be final, binding and conclusive for all purposes.

This Plan and all matters to which reference is made herein shall be governed by and interpreted in accordance with the laws of the Province of Ontario and those of Canada insofar as the latter may be applicable.

2007 CORPORATE METRICS

FINANCIAL
Return on Equity (ROE)
Objective ROE metric corresponds with the approved 2007 budget. A composite metric for measuring how well we manage the financial business overall including balance sheet, income, cash and our ability to deliver dividends. ROE TARGET = 8.88%
Threshold = 8.0%
Controllable Cost per Customer
Achievement of controllable cost per customer as provided in the 2007 budget, reflective of merger savings, cost containment initiatives and isolating for one-time investments required. $ CC per C Target = $163.79 Threshold = $168.04

CUSTOMER (VALUE PROPOSITION)
Ease of Doing Business
Target: Exceed 2007 Ontario average score on Customer Satisfaction Survey by 2%
Threshold: Match Ontario average score on Customer Satisfaction Survey.

Reliability & Service
Composite metric for reliability based on the Performance Based Regulation (PBR) KPI's tracked monthly to monitor performance and reliability of the system and service to the customer. All measurements are to be at or better than three year average for target.
See attached page.

OPERATIONAL EXCELLENCE

A. The successful implementation and progress of ERP system and associated business processes
   - Q1 Vendor Selection, Vendor Contract Negotiations begins
     RFP for Integrator role completed and issued
   - Q2 Integrator selected, contract negotiations begun
     Business Case development
     Contract negotiations conclude for vendor & integrator
     Board approval sought
     Change Management Plan is implemented
   - Q3 Commence System Implementation
     Change Management Plan continues
     Resource Plan – Future state completed
   - Q4 Progress relative to Plans
     Track – timelines/budgets/benefits
     Resource Plan – Future state implemented

B. Asset Management Plan Phase 2
   - Prepare the business case for implementing enterprise asset management, including implementation plan by Q3
   - Estimate age for all major assets by end of April
   - Health index for all major assets by end Q3
   - Update CAPEX model by end of Q3
   - System 4kV conversion plan by Q4

C. CDM 2nd Generation Plan (strategy that positions Horizon for industry leadership role and that delivers customer and shareholder benefits)

LEARNING AND GROWTH
Leading Indicator Safety Program
Continuous improvement in program initiatives, training and matrix results. Target: 85% Threshold: 80%.

Labour/Employee Relations
Metrics achieved based on HR Strategic Plan outputs (workforce planning, frontline leadership development, recognition programs, succession planning tied to development) – Metrics based on improvement over 2005 Horizon Employee Culture Survey. Employee Overall Engagement Score 2005 - 37% 2007 Target: 55% Threshold: 50%

Reliability & Service Metric

Reliability Indices

Target	Threshold	3 Year Average
SAIFI = 1.34	1.75	1.40
SAIDI = 0.87	1.26	0.91
CAIDI = 0.65	0.72	0.66

Service Levels (PBR)

	Target	Threshold	3 Year Average
% of cable locates within 5 days of request	= 97%	92%	96.05%
% of telephone calls answered within 30 seconds	= 80%	70%	77.07%
% of appointments met on time	= 95%	90%	97.75%
% emergency response calls closed within 60 min.	= 97%	90%	96.21%

2008 CORPORATE METRICS

FINANCIAL
Return on Equity (ROE)
Objective ROE metric corresponds with the approved 2007 budget. A composite metric for measuring how well we manage the financial business overall including balance sheet, income, cash and our ability to deliver dividends. ROE TARGET = 9.2% Threshold = 8.3%
Controllable Cost per Customer
Achievement of controllable cost per customer as provided in the 2007 budget, reflective of merger savings, cost containment initiatives and isolating for one-time investments required. $ CC per C
Target = $176.77 Threshold = $181.77

OPERATIONAL EXCELLENCE
ERP PHASE I –
Implementation with adherence to budget and timelines, with respect to End User Training, Solutions Testing and Go Live

CUSTOMER (VALUE PROPOSITION)
Ease of Doing Business
Target: Exceed 2007 Ontario average score on Customer Satisfaction Survey by 2%
Threshold: Match Ontario average score on Customer Satisfaction Survey.

Reliability & Service
Composite metric for reliability and service inclusive of the Performance Based Regulation (PBR) KPI's tracked monthly to monitor performance and reliability of the system and service to the customer. (Based on a 3 year rolling average) - See attached page.

LEARNING AND GROWTH
Leading Indicator Safety Program
Continuous improvement in program initiatives, training and matrix results.
Target: 86%
Threshold: 81%.

Labour/Employee Relations
Overall Employee Engagement – Demonstrated satisfactory performance and advancement of HR Strategic Plan.
2008 – Conduct two mini engagement surveys during CEO Updates (Spring and Fall) to gauge employee morale and response to improvement initiatives.

Reliability and Service Composite Index

A distribution system reliability and customer service key performance indicator

Objectives of Composite Index

- To combine a number of reliability and service performance indicators to provide one performance index to assess the reliability and customer service performance
- To readily identify performance changes over time
- To readily report on over- and under-performance

Index Replaces Individual Reporting of:

- SAIDI, SAIFI, CAIDI (power interruption frequency, duration and magnitude)
- PBR Customer Service Quality Indicators

Attributes of Index

- Three contributing measurement indicator groups:
  1. Short term system performance based on current SAIDI and SAIFI measures
  2. Longer term system performance based on historic trends benchmarked to a larger utility group
  3. Current PBR Customer Service Quality Indicators
- Historic trending component reduces short term impacts of weather
- Extraordinary events factored out of index target and score
- Relative importance of each contributing measure can be adjusted over time
- An index score of .81 reflects Horizon's current performance to October 2007
- An index score of 1.0 represents a 20% improvement in the short term measure, achieving the top performer status of the LDC group, and achieving 100% performance on the PBR Service Quality Indicators
- A 10% improvement in performance of all contributing measures results in a .87 score
- A 10% decline in performance of all contributing measures results in a .67 score
- 2008 target index performance recommended to be .83 (~2% improvement overall)

Reliability and Service Index = 40% of **Short Term System Performance** + 40% of **Longer Term System Performance** + 20% of **Current PBR Service Quality Indicators**

December 2007

Short Term System Performance **– 40% contribution to composite metric**

- **50% contribution of SAIDI index measure, 50% of SAIFI index measure**
- **Combined measures contribute to 40% of overall composite index**
- **SAIDI – measure of average interruption duration**
- **SAIFI – measure of average interruption frequency**

  - Reported measures based on current rolling 12 month SAIDI and SAIFI
  - CAIDI not included as it is equal to SAIDI/SAIFI
  - High sensitivity to weather
  - Index of 0.8 equal to 2007 performance
  - Index of 1.0 equal to 20% improvement above 2007 performance

Longer Term System Performance **– 40% contribution to composite metric**

- **Benchmark performance of Horizon against long term average of 14 LDCs**
- **50% contribution of SAIDI index measure, 50% of SAIFI index measure**
- **Combined measures contribute to 40% of overall composite index**

  - Uses five year's of LDC historical SAIDI and SAIFI measures from OEB data
  - Index of 0.8 is equal to Horizon's five year average 2002-2006
  - Index of 1.0 is equal to performance of the leading LDC over five years
  - Horizon currently ranks fourth in the group of 14
  - LDC Group includes: Enersource, Guelph, Ottawa, Horizon, Milton, Burlington, Hydro One Brampton, Oakville, Toronto, Niagara Falls, Oshawa, London, PowerStream, Veridian
  - Reduces impact of weather on the overall composite metric
  - Horizon's 2008 performance (five year average including 2008 year-to-date data) to be measured against five year averages of LDC Group 2002 to 2006 (reported data of other LDCs lags one year)

Current PBR Service Quality Indicators **– 20% contribution to composite metric**

- **Measure of Telephone Accessibility, Emergency Response, Underground Locates, Appointments On Time, New Low Voltage Service Connection, New High Voltage Service Connection**
- **Each measure contributes to 1/6th of the PBR Service Index**

  - Based on existing PBR Service Quality Indicators
  - Index of 0.8 equal to 2007 targets
  - Index of 1.0 equal to 100% performance

ATTACHMENT B

REFERENCE: SCHOOLS QUESTION 13M

Horizon Utilities Corporation
2008 Future Test Year Rate Application
ERP Forecast Of Revenue Requirement
From April 1 2007 to March 31, 2013

Amounts for Recovery

2007	$ 1,671,170.16
2008	$ 1,150,447.27
2009	$ 21,034.35
2010	$ 731,789.74
2011	$ 712,136.13
2012	$ 687,069.56
2013	$ 681,155.88
	$ 5,654,803.09
Average Annual Revenue Requirment Over 6 years	$ 942,467.18

Horizon Utilities Corporation
2008 Future Test Year Rate Application
ERP Revenue Requirement Calculation for 2007
For The Period April 1, 2007 to December 31, 2007

ERP Revenue Requirement Analysis

		9 Months Ended December 31, 2007	Calculation
ERP Expenses			
Incremental Operating Expense		1,650,000	A
Depreciation Expense		-	B
		1,650,000	C=A+B
Calculated Return on Rate Base			
ERP Fixed Assets Net Book Value	-		D
Net Fixed Assets (average of ERP Fixed Assets opening and closing 2007 Net Book Value)	-		E=D/2
Working Capital Allowance	247,500		F=A*15%
Total Rate Base	247,500		G=E+F
Debt Cost - Weighted debt rate	5.50%	8,168	H=G*60%*5.5%
Return on Equity	8.39%	8,306	I=G*40%*8.39%
Return on Rate Base		16,474	J=H+I
Revenue Requirement before PILs		1,666,474	K=C+J
Calculation of Income for PILs Purposes			
Incremental Operating Expenses		1,650,000	A
Depreciation Expense		-	B
Interest Expense		8,168	H
Income for PILs Purposes		8,306	L=K-A-B-H
Grossed up PILs		4,697	M=See Below
Revenue Requirement before PILs		1,666,474	K
Grossed up PILs		4,697	M
2007 Revenue Requirement for ERP		1,671,170	N=K=M

2006 Smart Meter Deferral Account Balance - PILs Calculation

Income Tax

Net Income	8,306
Amortization	-
CCA - Class 10 (30%) Computer Hardware	-
CCA - Class 12 (100%) Computer Software	-
Change in Taxable Income	-
Revised Taxable Income	8,306
Tax Rate	36.12%
Income Taxes Payable	3,000

Ontario Capital Tax

Computer Hardware	-
Computer Software	-
Rate Base	-
Less: Exemption	-
Deemed Taxable Capital	-
Ontario Capital Tax Rate	0.30%
NET OCT Amount	-

	PILs Payable	Gross Up	Grossed Up PILs
Change in Income Taxes Payable	3,000	36.12%	4,697
Change in OCT	-		-
PIL's	3,000		4,697

2007 Fixed Assets & Depreciation

Fixed Asset Additions	-	Software
	-	Hardware
	-	
Depreciation	-	Smart meters
	-	Computers
	-	
Closing Net Fixed Assets	-	Smart meters
	-	Computers
	-	

2007 Capital Cost Allowance

Additions	-	CCA Class 10 (30%) Computer Hardware
CCA in year	-	
UCC Dec 31/07	-	
Additions	-	CCA Class 12 (100%) Computer Software
CCA in year	-	
UCC Dec 31/07	-	

Horizon Utilities Corporation
2008 Future Test Year Rate Application
ERP Revenue Requirement Forecast
For 12 Months Ended December 31, 2008

ERP Revenue Requirement Analysis

		Year Ended December 31, 2008	Calculation
ERP Expenses			
Incremental Operating Expense		1,295,000	A
Depreciation Expense		467,600	B
		1,762,600	C=A+B
Calculated Return on Rate Base			
ERP Fixed Assets Net Book Value	4,208,400		D
Net Fixed Assets (average of ERP Fixed Assets opening and closing 2008 Net Book Value)	2,104,200		E=D/2
Working Capital Allowance	194,250		F=A*15%
Total Rate Base	2,298,450		G=E+F
Long Term Debt Cost - Weighted debt rate	5.50%	70,792	H=G*56%*5.5%
Short Term Debt Cost	5.50%	5,057	I=G*4%*5.5%
Return on Equity	8.39%	77,136	J=G*40%*8.39%
Return on Rate Base		152,985	K=H+I+J
Revenue Requirement before PILs		1,915,585	L=C+K
Calculation of Income for PILs Purposes			
Incremental Operating Expenses		1,295,000	A
Depreciation Expense		467,600	B
Interest Expense		75,849	M=H+I
Income for PILs Purposes		77,136	N=L-A-B-M
Grossed up PILs		- 765,138	O=See Below
Revenue Requirement before PILs		1,915,585	P
Grossed up PILs		- 765,138	Q
2008 Revenue Requirement for ERP		1,150,447	R=P+Q

2008 ERP Revenue Requirement - PILs Calculation

Income Tax

Net Income	77,136
Amortization	467,600
CCA - Class 10 (30%) Computer Hardware	- 107,400
CCA - Class 12 (100%) Computer Software	- 1,980,000
Change in Taxable Income	- 1,619,800
Revised Taxable Income	- 1,542,664
Tax Rate	33.50%
Income Taxes Payable	- 516,792

Ontario Capital Tax

Computer Hardware	644,400
Computer Software	3,564,000
Rate Base	4,208,400
Less: Exemption	-
Deemed Taxable Capital	4,208,400
Ontario Capital Tax Rate	0.285%
NET OCT Amount	11,994

	PILs Payable	Gross Up	Grossed Up PILs
Change in Income Taxes Payable	- 516,792	33.50%	- 777,131
Change in OCT	11,994		11,994
PIL's	- 504,799		- 765,138

2008 Fixed Assets & Depreciation

Fixed Asset Additions	716,000	Computer Hardware
	3,960,000	Computer Software
	4,676,000	
Depreciation	71,600.00	Computer Hardware
	396,000.00	Computer Software
	467,600.00	
Closing Net Fixed Assets	644,400.00	Computer Hardware
	3,564,000.00	Computer Software
	4,208,400.00	

2008 Capital Cost Allowance

Additions	716,000	CCA Class 10 (30%) Computer Hardware
CCA in year	- 107,400	
UCC Dec 31/08	608,600	
Additions	3,960,000	CCA Class 12 (100%) Computer Software
CCA in year	- 1,980,000	
UCC Dec 31/08	1,980,000	

Horizon Utilities Corporation
2008 Future Test Year Rate Application
ERP Revenue Requirement Forecast
For 12 Months Ended December 31, 2009

ERP Revenue Requirement Analysis

		Year Ended December 31, 2009	Calculation
ERP Expenses			
Incremental Operating Expense		49,000	A
Depreciation Expense		467,600	B
		516,600	C=A+B
Calculated Return on Rate Base			
ERP Fixed Assets Opening Net Book Value	4,208,400		D
ERP Fixed Assets Closing Net Book	3,740,800		
ERP Average Fixed Assets Net Book Value	3,974,600		E=D/2
Working Capital Allowance	7,350		F=A*15%
Total Rate Base	3,981,950		G=E+F
Debt Cost - Weighted debt rate	5.50%	122,644	H=G*56%*5.5%
Short Term Debt Cost	5.50%	8,760	I=G*4%*5.5%
Return on Equity	8.39%	133,634	I=G*40%*8.39%
Return on Rate Base		265,039	J=H+I
Revenue Requirement before PILs		781,639	K=C+J
Calculation of Income for PILs Purposes			
Incremental Operating Expenses		49,000	A
Depreciation Expense		467,600	B
Interest Expense		131,404	H
Income for PILs Purposes		133,634	L=K-A-B-H
Grossed up PILs		- 760,604	M=See Below
Revenue Requirement before PILs		781,639	K
Grossed up PILs		- 760,604	M
2009 Revenue Requirement for ERP		21,034	N=K=M

2008 ERP Revenue Requirement - PILs Calculation

Income Tax

Net Income	133,634
Amortization	467,600
CCA - Class 10 (30%) Computer Hardware	- 182,580
CCA - Class 12 (100%) Computer Software	- 1,980,000
Change in Taxable Income	- 1,694,980
Revised Taxable Income	- 1,561,346
Tax Rate	33.00%
Income Taxes Payable	- 515,244

Ontario Capital Tax

Computer Hardware	572,800
Computer Software	3,168,000
Rate Base	3,740,800
Less: Exemption	-
Deemed Taxable Capital	3,740,800
Ontario Capital Tax Rate	0.225%
NET OCT Amount	8,417

	PILs Payable	Gross Up	Grossed Up PILs
Change in Income Taxes Payable	- 515,244	33.00%	- 769,021
Change in OCT	8,417		8,417
PIL's	- 506,827		- 760,604

2009 Fixed Assets & Depreciation

Opening Net Fixed Assets	644,400	Computer Hardware
	3,564,000	Computer Software
	4,208,400	
Depreciation	71,600.00	Computer Hardware
	396,000.00	Computer Software
	467,600.00	
Closing Net Fixed Assets	572,800.00	Computer Hardware
	3,168,000.00	Computer Software
	3,740,800.00	

2009 Capital Cost Allowance

UCC Jan 1/09	608,600	
Additions	-	CCA Class 10 (30%) Computer Hardware
CCA in year	- 182,580	
UCC Dec 31/09	426,020	
UCC Jan 1/09	1,980,000	
Additions	-	CCA Class 12 (100%) Computer Software
CCA in year	- 1,980,000	
UCC Dec 31/07	-	

Horizon Utilities Corporation
2008 Future Test Year Rate Application
ERP Revenue Requirement Forecast
For 12 Months Ended December 31, 2010

ERP Revenue Requirement Analysis

		Year Ended December 31, 2010	Calculation
ERP Expenses			
Incremental Operating Expense		- 176,000	A
Depreciation Expense		467,600	B
		291,600	C=A+B
Calculated Return on Rate Base			
ERP Fixed Assets Opening Net Book Value	3,740,800		D
ERP Fixed Assets Closing Net Book	3,273,200		
ERP Average Fixed Assets Net Book Value	3,507,000		E=D/2
Working Capital Allowance	- 26,400		F=A*15%
Total Rate Base	3,480,600		G=E+F
Debt Cost - Weighted debt rate	5.50%	107,202	H=G*56%*5.5%
Short Term Debt Cost	5.50%	7,657	I=G*4%*5.5%
Return on Equity	8.39%	116,809	I=G*40%*8.39%
Return on Rate Base		224,011	J=H+I
Revenue Requirement before PILs		515,611	K=C+J
Calculation of Income for PILs Purposes			
Incremental Operating Expenses		- 176,000	A
Depreciation Expense		467,600	B
Interest Expense		114,860	H
Income for PILs Purposes		109,152	L=K-A-B-H
Grossed up PILs		216,178	M=See Below
Revenue Requirement before PILs		515,611	K
Grossed up PILs		216,178	M
2010 Revenue Requirement for ERP		731,790	N=K=M

2008 ERP Revenue Requirement - PILs Calculation

Income Tax	
Net Income	109,152
Amortization	467,600
CCA - Class 10 (30%) Computer Hardware	- 127,806
CCA - Class 12 (100%) Computer Software	-
Change in Taxable Income	339,794
Revised Taxable Income	448,946
Tax Rate	32.00%
Income Taxes Payable	143,663
Ontario Capital Tax	
Computer Hardware	501,200
Computer Software	2,772,000
Rate Base	3,273,200
Less: Exemption	-
Deemed Taxable Capital	3,273,200
Ontario Capital Tax Rate	0.15%
NET OCT Amount	4,910

	PILs Payable	Gross Up	Grossed Up PILs
Change in Income Taxes Payable	143,663	32.00%	211,269
Change in OCT	4,910		4,910
PIL's	148,572		216,178

2010 Fixed Assets & Depreciation

Opening Net Fixed Assets	572,800	Computer Hardware
	3,168,000	Computer Software
	3,740,800	
Depreciation	71,600.00	Computer Hardware
	396,000.00	Computer Software
	467,600.00	
Closing Net Fixed Assets	501,200.00	Computer Hardware
	2,772,000.00	Computer Software
	3,273,200.00	

2010 Capital Cost Allowance

UCC Jan 1/09	426,020	
Additions	-	CCA Class 10 (30%) Computer Hardware
CCA in year	- 127,806	
UCC Dec 31/09	298,214	
UCC Jan 1/09	-	
Additions	-	CCA Class 12 (100%) Computer Software
CCA in year	-	
UCC Dec 31/07	-	

Horizon Utilities Corporation
2008 Future Test Year Rate Application
ERP Revenue Requirement Forecast
For 12 Months Ended December 31, 2011

ERP Revenue Requirement Analysis

		Year Ended December 31, 2011	Calculation
ERP Expenses			
Incremental Operating Expense		- 176,000	A
Depreciation Expense		467,600	B
		291,600	C=A+B
Calculated Return on Rate Base			
ERP Fixed Assets Opening Net Book Value	3,273,200		D
ERP Fixed Assets Closing Net Book	2,805,600		
ERP Average Fixed Assets Net Book Value	3,039,400		E=D/2
Working Capital Allowance	- 26,400		F=A*15%
Total Rate Base	3,013,000		G=E+F
Debt Cost - Weighted debt rate	5.50%	92,800	H=G*56%*5.5%
Short Term Debt Cost	5.50%	6,629	I=G*4%*5.5%
Return on Equity	8.39%	101,116	I=G*40%*8.39%
Return on Rate Base		193,917	J=H+I
Revenue Requirement before PILs		485,517	K=C+J
Calculation of Income for PILs Purposes			
Incremental Operating Expenses		- 176,000	A
Depreciation Expense		467,600	B
Interest Expense		99,429	H
Income for PILs Purposes		94,488	L=K-A-B-H
Grossed up PILs		226,619	M=See Below
Revenue Requirement before PILs		485,517	K
Grossed up PILs		226,619	M
2011 Revenue Requirement for ERP		712,136	N=K=M

2008 ERP Revenue Requirement - PILs Calculation

Income Tax

Net Income	94,488
Amortization	467,600
CCA - Class 10 (30%) Computer Hardware	- 89,464
CCA - Class 12 (100%) Computer Software	-
Change in Taxable Income	378,136
Revised Taxable Income	472,623
Tax Rate	32.00%
Income Taxes Payable	151,240

Ontario Capital Tax

Computer Hardware	429,600
Computer Software	2,376,000
Rate Base	2,805,600
Less: Exemption	-
Deemed Taxable Capital	2,805,600
Ontario Capital Tax Rate	0.15%
NET OCT Amount	4,208

	PILs Payable	Gross Up	Grossed Up PILs
Change in Income Taxes Payable	151,240	32.00%	222,411
Change in OCT	4,208		4,208
PIL's	155,448		226,619

2011 Fixed Assets & Depreciation

Opening Net Fixed Assets	501,200	Computer Hardware
	2,772,000	Computer Software
	3,273,200	
Depreciation	71,600.00	Computer Hardware
	396,000.00	Computer Software
	467,600.00	
Closing Net Fixed Assets	429,600.00	Computer Hardware
	2,376,000.00	Computer Software
	2,805,600.00	

2011 Capital Cost Allowance

UCC Jan 1/09	298,214	
Additions	-	CCA Class 10 (30%) Computer Hardware
CCA in year	- 89,464	
UCC Dec 31/09	208,750	
UCC Jan 1/09	-	
Additions	-	CCA Class 12 (100%) Computer Software
CCA in year	-	
UCC Dec 31/07	-	

Horizon Utilities Corporation
2008 Future Test Year Rate Application
ERP Revenue Requirement Forecast
For 12 Months Ended December 31, 2012

ERP Revenue Requirement Analysis

		Year Ended December 31, 2012	Calculation
ERP Expenses			
Incremental Operating Expense		- 176,000	A
Depreciation Expense		467,600	B
		291,600	C=A+B
Calculated Return on Rate Base			
ERP Fixed Assets Opening Net Book Value	2,805,600		D
ERP Fixed Assets Closing Net Book	2,338,000		
opening and closing 2009 Net Book Value)	2,571,800		E=D/2
Working Capital Allowance	- 26,400		F=A*15%
Total Rate Base	2,545,400		G=E+F
Debt Cost - Weighted debt rate	5.50%	78,398	H=G*56%*5.5%
Short Term Debt Cost	5.50%	5,600	I=G*4%*5.5%
Return on Equity	8.39%	85,424	I=G*40%*8.39%
Return on Rate Base		163,822	J=H+I
Revenue Requirement before PILs		455,422	K=C+J
Calculation of Income for PILs Purposes			
Incremental Operating Expenses		- 176,000	A
Depreciation Expense		467,600	B
Interest Expense		83,998	H
Income for PILs Purposes		79,824	L=K-A-B-H
Grossed up PILs		231,648	M=See Below
Revenue Requirement before PILs		455,422	K
Grossed up PILs		231,648	M
2012 Revenue Requirement for ERP		687,070	N=K=M

2008 ERP Revenue Requirement - PILs Calculation

Income Tax

Net Income	79,824
Amortization	467,600
CCA - Class 10 (30%) Computer Hardware	- 62,625
CCA - Class 12 (100%) Computer Software	-
Change in Taxable Income	404,975
Revised Taxable Income	484,799
Tax Rate	32.00%
Income Taxes Payable	155,136

Ontario Capital Tax

Computer Hardware	358,000
Computer Software	1,980,000
Rate Base	2,338,000
Less: Exemption	-
Deemed Taxable Capital	2,338,000
Ontario Capital Tax Rate	0.15%
NET OCT Amount	3,507

	PILs Payable	Gross Up	Grossed Up PILs
Change in Income Taxes Payable	155,136	32.00%	228,141
Change in OCT	3,507		3,507
PIL's	158,643		231,648

2012 Fixed Assets & Depreciation

Opening Net Fixed Assets	429,600	Computer Hardware
	2,376,000	Computer Software
	2,805,600	
Depreciation	71,600.00	Computer Hardware
	396,000.00	Computer Software
	467,600.00	
Closing Net Fixed Assets	358,000.00	Computer Hardware
	1,980,000.00	Computer Software
	2,338,000.00	

2012 Capital Cost Allowance

UCC Jan 1/09	208,750	
Additions	-	CCA Class 10 (30%) Computer Hardware
CCA in year	- 62,625	
UCC Dec 31/09	146,125	
UCC Jan 1/09	-	
Additions	-	CCA Class 12 (100%) Computer Software
CCA in year	-	
UCC Dec 31/07	-	

Horizon Utilities Corporation
2008 Future Test Year Rate Application
ERP Revenue Requirement Forecast
For 3 Months Ended March 31, 2013

ERP Revenue Requirement Analysis

		Period Ended March 31, 2013	Calculation
ERP Expenses			
Incremental Operating Expense		- 44,000	A
Depreciation Expense		467,600	B
		423,600	C=A+B
Calculated Return on Rate Base			
ERP Fixed Assets Opening Net Book Value	2,338,000		D
ERP Fixed Assets Closing Net Book	1,870,400		
opening and closing 2009 Net Book Value)	2,104,200		E=D/2
Working Capital Allowance	- 6,600		F=A*15%
Total Rate Base	2,097,600		G=E+F
Debt Cost - Weighted debt rate	5.50%	16,152	H=G*56%*5.5%
Short Term Debt Cost	5.50%	4,615	I=G*4%*5.5%
Return on Equity	8.39%	17,599	I=G*40%*8.39%
Return on Rate Base		33,750	J=H+I
Revenue Requirement before PILs		457,350	K=C+J
Calculation of Income for PILs Purposes			
Incremental Operating Expenses		- 44,000	A
Depreciation Expense		467,600	B
Interest Expense		20,766	H
Income for PILs Purposes		12,984	L=K-A-B-H
Grossed up PILs		223,805	M=See Below
Revenue Requirement before PILs		457,350	K
Grossed up PILs		223,805	M
2013 Revenue Requirement for ERP		681,156	N=K=M

2008 ERP Revenue Requirement - PILs Calculation

Income Tax

Net Income	12,984
Amortization	467,600
CCA - Class 10 (30%) Computer Hardware	- 10,959
CCA - Class 12 (100%) Computer Software	-
Change in Taxable Income	456,641
Revised Taxable Income	469,625
Tax Rate	32.00%
Income Taxes Payable	150,280

Ontario Capital Tax

Computer Hardware	286,400
Computer Software	1,584,000
Rate Base	1,870,400
Less: Exemption	-
Deemed Taxable Capital	1,870,400
Ontario Capital Tax Rate	0.15%
NET OCT Amount	2,806

	PILs Payable	Gross Up	Grossed Up PILs
Change in Income Taxes Payable	150,280	32.00%	221,000
Change in OCT	2,806		2,806
PIL's	153,086		223,805

2013 Fixed Assets & Depreciation

Opening Net Fixed Assets	358,000	Computer Hardware
	1,980,000	Computer Software
	2,338,000	
Depreciation	71,600.00	Computer Hardware
	396,000.00	Computer Software
	467,600.00	
Closing Net Fixed Assets	286,400.00	Computer Hardware
	1,584,000.00	Computer Software
	1,870,400.00	

2013 Capital Cost Allowance

UCC Jan 1/09	146,125	
Additions	-	CCA Class 10 (30%) Computer Hardware
CCA in year	- 43,837	
UCC Dec 31/09	102,287	

UCC Jan 1/09	-	
Additions	-	CCA Class 12 (100%) Computer Software
CCA in year	-	
UCC Dec 31/07	-	