



March 7, 2012

By RESS and Courier

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

Dear Ms. Walli,

**Re: Horizon Utilities Corporation ED-2006-0031
Application for 2012 Smart Meter Cost Recovery effective May 1, 2012
EB-2011-0417**

On December 13, 2011, Horizon Utilities Corporation (“Horizon Utilities”) filed an Application for Smart Meter Cost Recovery (the “Application”), effective May 1, 2012 with the Ontario Energy Board (“OEB” or the “Board”). On January 23, 2012, the Board issued the Letter of Direction and Notice of Application in respect of the above-captioned proceeding. In the Notice of Application, the Board defined the process for the adjudication of the Application. That process included the delivery of interrogatories to Horizon Utilities on February 22, 2012.

Horizon Utilities received interrogatories from Board staff and from the Vulnerable Energy Consumers Coalition (“VECC”) on February 22, 2012. Accompanying this letter, Horizon Utilities respectfully submits its responses to the interrogatories from Board staff and VECC.

Two hard copies of the responses are being submitted by courier.

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

Yours truly,

Original signed by Indy J. Butany-DeSouza

Indy J. Butany-DeSouza
Vice-President, Regulatory and Government Affairs
Horizon Utilities Corporation
Tel: (905) 317-4765

1
2 **IN THE MATTER OF** the *Ontario Energy Board Act, 1998*,
3 being Schedule B to the *Energy Competition Act, 1998 S.O.*
4 1998, c. 15;

5 **AND IN THE MATTER OF** an Application by Horizon Utilities
6 Corporation to the Ontario Energy Board for an Order or
7 Orders approving of fixing just and reasonable rates and
8 other service charges for the distribution of Electricity as of
9 May 1, 2012.

10 **HORIZON UTILITIES CORPORATION (“HORIZON UTILITIES”)**
11 **RESPONSES TO**
12 **BOARD STAFF INTERROGATORIES**

13 **DELIVERED: March 7, 2012**

14 **Question 1**

15 **Reference: Letter of Comment**

Following publication of the Notice of Application, the Board has, to date, received no letters of comment. Please confirm whether Horizon Utilities Corporation (“Horizon”) has received any letters of comment. If so, please file a copy of any letters of comment. For each, please confirm whether a reply was sent from Horizon to the author of the letter. If confirmed, please file that reply with the Board. Please ensure that the author’s contact information except for the name is redacted. If not confirmed, please explain why a response was not sent and confirm if Horizon intends to respond.

16 _____
17 **Response:**

18 Horizon Utilities confirms that, to date, it has not received any letters of comment
19 regarding this proceeding.

HORIZON UTILITIES CORPORATION (“HORIZON UTILITIES”)
RESPONSES TO
BOARD STAFF INTERROGATORIES

DELIVERED: March 7, 2012

Question 2

Reference: Section 1 – Introduction, page 4

On page 4 of its application, Horizon states that it is seeking, as part of its application approval for “[a] new deferral account to record the revenue requirement on new Smart Meter expenditures for residential and General Service (“GS”) < 50 kW customer classes in 2012 and future years until the next rebasing in 2015. This deferral account will record the revenue requirement associated with new capital expenditures after the December 31, 2011. These costs are not included in the above SMDR and SMIRR recoveries”.

In the Excel smart meter model filed as part of its application, Horizon stated that it expects to deploy 4698 more smart meters for Residential and GS < 50 kW customers, and 891 meters for GS > 50 kW customers. The capital costs for these are not reflected in the model.

4698 Residential and GS < 50 kW meters in 2012 to 2014 represents about a 2% increase over the smart meters deployed to December 31, 2011 (4698/(234020 – 4698)) for these same classes, while the 891 GS > 50 kW meters represents 64% increase over the enhanced meters deployed to that class (891/(2282 – 891)).

- a) Why does Horizon consider that the SMIRR, applied ongoing until Horizon's next cost of service rebasing application, is insufficient to keep it whole with respect to new smart meters deployed from 2012 to 2014?
- b) Please provide Horizon's views as to what impact its request for the deferral and variance account has with respect to its business risk related to growth-related capital and operating expense recovery. If its proposal decreases its business risk, is its allowed return on capital still appropriate?
- c) Please provide other precedents for the deferral and variance account requested by Horizon.

Response:

- a) The SMIRR will provide Horizon Utilities with the revenue requirement associated with Smart Meter-related expenditures incurred only up until December 31, 2011. However, Horizon Utilities has Smart Meter installations outstanding beyond this date and will continue to install such between 2012 to 2014. Horizon Utilities

15 requires the deferral account to record the revenue requirement associated with
16 capital expenditures from 2012-2014 for disposition through its next Cost of
17 Service application. Such costs are not within its 2011 Board-approved rate
18 base and, therefore, Horizon Utilities believes it appropriate that the current
19 approach for recording the revenue requirement associated with Smart Meter
20 costs continue until such time as these costs are approved in rate base. Horizon
21 Utilities views the use of the deferral account as a continuation of an existing
22 financial condition with respect to the recovery of Smart Meter costs. The meters
23 installed in the 2012-2014 period are included in the scope of meters as
24 mandated through the provincial Smart Meter program. As discussed on page
25 12 of the Application, these meters are primarily “Hard-to-Reach” or GS<50kW
26 which are being replaced upon their scheduled meter re-verification date. This is
27 a cost effective approach as it will reduce duplication of effort and related costs
28 and maintain a smooth asset life cycle replacement schedule for future re-
29 verifications.

30 b) Horizon Utilities has requested a deferral account to record the revenue
31 requirement associated with new Smart Meter capital expenditures incurred
32 between 2012-2014, for recovery at Horizon Utilities’ next rebasing. As noted in
33 a) above, the use of the deferral account results in the continuation of the current
34 approach for enabling the recovery of Smart Meter costs that are not otherwise
35 included in rate base but are required by regulation. The deferral account would
36 remain subject to a future prudence review. On this basis, there is business risk
37 indifference relative to the use of previous Smart Meter deferral and variance
38 accounts. Horizon Utilities submits that, in the absence of the requested deferral
39 account, its business risk is adversely impacted as new 2012 to 2014 Smart
40 Meter costs will not be recovered.

41 The Board’s Guideline G-2011-0002 (*Smart Meter Funding and Cost Recovery –*
42 *Final Disposition*) describes the SMIRR as being calculated “as the proxy for the
43 incremental change in the distribution rates that would have occurred if the

44 assets and operating expenses were incorporated into the rate base and the
45 revenue requirement.” The deferral account being proposed will record the
46 revenue requirement that would correspond to the addition of the Smart Meters
47 installed in the 2012-2014 period to the rate base. These 2012-2014 costs were
48 not included in the calculation of the SMIRR and have not been recovered
49 through another mechanism such as Horizon Utilities’ last Cost of Service
50 application (EB-2010-0131). The SMIRR, for which Horizon Utilities has applied
51 as part of this Application, does not include the revenue requirement associated
52 with the capital expenditures for the completion of the provincially mandated
53 Smart Meter initiative. Horizon Utilities is therefore requesting similar
54 recoverability of capital costs incurred in 2012–2014 as for capital costs incurred
55 in 2007–2011.

56 Horizon Utilities’ request for a deferral account or the continuation of the existing
57 deferral and variance accounts is consistent with the approach taken by other
58 distributors that have made or are making two applications for Smart Meter cost
59 recovery, as discussed in Horizon Utilities’ response to Board staff 2 c) below. In
60 their initial applications, those distributors would seek recovery of the revenue
61 requirement related to Smart Meters to a certain date, and would continue to
62 track costs related to subsequent Smart Meters in Accounts 1555 and 1556.
63 Horizon Utilities’ approach is similar, the only difference being that Horizon
64 Utilities is seeking to establish a deferral account to deal with the subsequent
65 expenditures.

66 The request for a deferral account represents the continuation of an existing
67 condition. Horizon Utilities has been incurring expenses with respect to the
68 implementation of Smart Meters since 2006. Those incurred expenses are the
69 subject of this Application for a review for prudence. Horizon Utilities will
70 continue to incur expenses related to the deployment of the balance of its Smart
71 Meters from 2012-2014, as outlined in the Application, in advance of any
72 recovery of these expenses (Horizon Utilities’ smart meter funding adder ends on

73 April 30, 2012). The deferral account allows for the recording of these
74 expenditures through the years leading to Horizon Utilities' next Cost of Service
75 application for 2015 distribution rates. The request for the deferral account does
76 not reduce Horizon Utilities' risk at all. In fact, it is representative of the
77 regulatory lag, that is the timing difference between an investment outlay in
78 respect of a regulatory requirement and its potential recovery, that the utility
79 experiences.

80 Without this deferral account, Horizon Utilities will incur depreciation and interest
81 expenses and will not be able to earn a fair return associated with 2012-2014
82 capital spending on Smart Meters. An assumption supporting the current
83 allowed return on capital is that all prudently incurred costs in support of the
84 provincially mandated Smart Meter program are recoverable, as outlined in O.
85 Reg. 426/06, as amended. Business risk has been established based on the
86 premise that prudent Smart Meter costs will be recovered. In the event that such
87 is not the case, Horizon Utilities' business risk would increase, not decrease.

88 Accordingly, approval of the requested deferral account will not decrease
89 business risk since the business risk associated with the approved rate of return
90 was premised on recovering prudently incurred Smart Meter costs.

91

92 c) Horizon Utilities is not aware of any other distributors that have made a similar
93 request for a new deferral account. However, what is being requested would
94 place Horizon Utilities in a similar situation to any other distributor that is making
95 two applications for Smart Meter cost recovery – the Board contemplated up to
96 two applications in its original Guideline for Smart Meter Funding and Cost
97 Recovery (G-2008-0002) – the first after at least 50% deployment, and the
98 second following 100% deployment. At page 11 of this Application, Horizon
99 Utilities has indicated that its deployment of Smart Meters will be continuing in
100 the 2012-2014 period. While the number of outstanding Smart Meters is
101 relatively small, it is clear that 100% deployment has not taken place. At page 14

102 of Guideline G-2011-0001 (*Smart Meter Funding and Cost Recovery – Final*
103 *Disposition*), in which the Board is discussing stand-alone applications, the Board
104 states:

105 “As in a cost of service application, when smart meter costs are approved for 100%
106 deployment, capital and operating costs for smart meters on a going forward basis are no
107 longer recorded in Accounts 1555 and 1556; instead the costs are recorded in the
108 applicable capital or operating expense account (e.g. Account 1860 – Meters for smart
109 meter capital assets).”

110 As this Application does not reflect 100% deployment, another possible approach
111 may be for Horizon Utilities to continue to use Accounts 1555 and 1556 for
112 recording capital costs related to the Smart Meters to be deployed in 2012-2014.
113 This would be consistent with the numerous Smart Meter-related applications
114 that have been made and disposed of by the Board where distributors have
115 exceeded 50% deployment. However, as it has not been clear that these
116 accounts will continue to be available, Horizon Utilities has requested the deferral
117 account discussed in the Application. The request for this account is consistent
118 with the premise that prudently incurred costs associated with the installation of
119 provincially mandated Smart Meters are recoverable by the utility incurring these
120 costs. This account will be subject to a prudence review as part of Horizon
121 Utilities’ 2015 Electricity Distribution Rates Cost of Service application.

122 Horizon Utilities is also aware of one situation in which the Board has permitted
123 the tracking of costs beyond final disposition of costs for smart meter
124 deployment. In its Decision on PowerStream Inc.’s (“PowerStream’s”) 2011
125 stand-alone Smart Meter application (EB-2011-0128), the Board directed
126 PowerStream to track OM&A costs for repairs to customer-owned equipment for
127 225 meters not yet installed as of April 30, 2011. That one-time cost had been
128 estimated at \$500,000, but because there was limited evidence with respect to
129 these costs, Board staff suggested (and PowerStream agreed) that the \$500,000
130 should be tracked in Account 1556 for a future true-up with rate payers. The
131 Board adopted that suggested approach at page 10 of the Decision, as follows:

132 “...the Board will consider this application to be PowerStream’s final disposition of costs

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134
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136

for smart meter deployment with the exception of the \$500,000 in forecast repair and maintenance expenses which the Board expects will continue to be tracked in account 1556 and included in PowerStream's rebasing application expected in 2012 for 2013 rates."

**HORIZON UTILITIES CORPORATION (“HORIZON UTILITIES”)
RESPONSES TO
BOARD STAFF INTERROGATORIES (“The Board”)**

DELIVERED: March 7, 2012

Question 3

Reference: Application, page 11 and Smart Meter Model, Sheet 2

On page 11 of its application, Horizon forecasts capital costs of \$2,729,880 for installing remaining smart meters for Residential and GS < 50 kW customers. Horizon documents that many of these are “hard-to-reach” customers.

On Sheet 2 of its smart meter model, Horizon documents that it will be installing 4698 smart meters for customers in these classes in 2012 and beyond. This works out to an average per meter capital cost for these smart meters of \$581.07.

Please explain the drivers, beyond these being “hard-to-reach” for materially increased per meter costs for meters to be installed from 2012 to 2014.

Response:

The increased per meter costs for the remaining 4,698 meters to be installed from 2012 to 2014 is driven primarily by higher meter and additional equipment costs. Horizon Utilities’ Smart Meter installations are consistent with O. Reg. 425/06 which identifies the required functional specifications for Smart Meter equipment, systems and technologies. The majority of the remaining installations (4,425 meters as per sheet 2 of the Smart Meter Model, version 2.17) are not in the Residential class. Rather, they are in the GS<50 kW customer class and require complex poly phase meters compatible with three phase services which are more expensive than the meters used in the Residential deployment as outlined on page 12 of the Application. These installations often require additional equipment as part of the Smart Meter installation such as meter base adaptors and instrument transformers. The costs of the additional equipment form a portion of the overall capital costs for these meters. As noted in Horizon Utilities’ response to VECC Interrogatory # 3a), the average cost per meter in the GS<50 kW customer class ranges from \$161 to \$722, depending on the type of meter installed.

HORIZON UTILITIES CORPORATION (“HORIZON UTILITIES”)
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Question 4

Reference: Smart Meter Model, Version 2.17, sheets 2 and 9

On Sheet 2 of the filed smart Meter model, Horizon documents 229,322 Residential and GS < 50 kW smart meters installed or forecasted to be installed to December 31, 2011, plus an addition 4698 smart meters to be installed in 2012 and beyond. For GS >50 kW customers, Horizon documents 1391 enhanced meters installed to December 31, 2011, and 891 to be installed subsequently.

This corresponds to 230,713 smart meters and equivalent installed to December 31, 2011 and 236,302 installed in total. On Sheet 9 of the smart meter model, Horizon documents 235,585 metered customers in 2012. Please provide documentation on Horizon’s estimate for the 235,585 metered customers in 2012. Please indicate what customer classes are factored into this customer count.

Response:

The total of 235,585 metered customers shown in Sheet 9 represents the average number of metered customers forecast in 2012, whereas the 236,302 represents the number of metered customers forecast as at the end of 2012. The forecast average number of active customers for 2012 used in Sheet 9 of the Application is calculated by taking the sum of the 2011 and 2012 number of metered customers forecast and dividing this by two. The table below summarizes the forecasted number of customers for 2011 and 2012 by customer class and provides the average number of customers in 2012, used in Sheet 9. The above-noted customer count includes the Residential class, GS<50 kW class and the GS>50 kW class.

Customer Class	# of Active Metered Customers (Forecast 2011)	2012 Customer Growth	# of Active Metered Customers (Forecast 2012)	# of Active Metered Customers (average 2012)
Residential	214,658	1,354	216,012	215,335
GS<50kW	17,931	77	18,008	17,970
GS>50kW	2,279	3	2,282	2,280
Total	234,868	1,434	236,302	235,585

**HORIZON UTILITIES CORPORATION (“HORIZON UTILITIES”)
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Question 5

Reference: Smart Meters, Application, page 21 – Additional Staffing

On page 21 of its application, Horizon states:

“The deployment of Smart Meters and the implementation of TOU rates have required additional incremental human resources. An external project management firm was retained in 2009 to assist internal staff to manage the project thereby ensuring that deliverables from multiple departments were met as per the project timelines. In addition, three new permanent positions were created in 2010 to manage the meter data collection process through the AMI.”

Horizon rebased its rates through a cost of service application for 2011 rates, dealt with under file number EB-2010-0131.

- a) Are the permanent staff positions already reflected in Horizon’s rates that were approved in its 2011 revenue requirement?
- b) Please describe the annual costs for these positions, and describe the activities involved.
- c) Are there functions, services and associated costs that Horizon is no longer incurring as a result of implementing remote meter reading through the AMI? Please explain these and provide an estimate of reduced costs. Please explain whether these are explicitly reflected in Horizon’s approved 2011 revenue requirement.

Response:

- a) Horizon Utilities confirms that the three permanent positions of: i) Manager - Meter Communications and Technology; ii) Supervisor, Meter Communications and Technology; and iii) AMI Operator are not reflected in Horizon Utilities’ rates that were approved in its 2011 revenue requirement.

The three aforementioned positions are new positions that are necessary to implement and thereafter support mandatory Time-of-Use rates. Without the provincial government mandate to install Smart Meters, and the mandatory Time-

18 of-Use pricing implementation based on the Board's "Final Determination" in EB-
19 2010-0218, these positions would not have been necessary. They were created
20 to meet these regulatory requirements and are discussed beginning at page 4 of
21 the Application.

22 b) The total annual cost for these positions, based on the annual salary and benefit
23 rates in effect as at January 1, 2011, is \$333,500.

	2011
Manager, Meter Communications and Technology	141,200
Supervisor, Meter Communications and Technology	115,300
AMI Operator	<u>77,000</u>
	<u><u>333,500</u></u>

24
25 The key responsibilities and activities for the Manager, Meter Communications
26 and Technology are to provide leadership, oversight, and direction to the meter
27 data acquisition activities, which enable mandatory time-of-use billing. These
28 activities include oversight of daily transactions with the provincial MDM/R, data
29 management, and data exception handling to ensure compliance with policies,
30 procedures, and regulation that govern the provincial MDM/R, the Customer
31 Information System ("CIS"), and customer billing. This position coordinates
32 system upgrades with the vendor and provincial MDM/R and is the liaison with
33 internal business units for AMI functions and processes. The Manager, Meter
34 Communications and Technology is also active with working groups hosted by
35 the Ontario Energy Board, The Ministry of Energy, the provincial MDM/R and
36 other Local Distribution Companies ("LDCs") to develop broader understanding
37 and solutions for industry Smart Metering issues.

38 The Supervisor, Meter Communications and Technology is responsible for the
39 day-to-day management of the collection, availability, reliability, and security of
40 all Smart Meter data for accurate billing of mandatory time of use rates.

41 The Supervisor is also accountable for the customer and data synchronization
42 processes between the MDM/R, AMI, and CIS billing system. This position
43 oversaw the development of the Smart Meter infrastructure and continues to

44 monitor the communication technology and collector data backhaul to ensure all
45 performance compliance obligations are met as detailed in the Ministry of
46 Energy's *Functional Specification for an Advanced Metering Infrastructure*. The
47 Supervisor also evaluates new or revised network, hardware, and software
48 products. With initial implementations starting only in 2005 and the provincial
49 MDM/R available as a Production system in 2008, the Ontario Smart Metering
50 infrastructure remains in the early stages of evolution towards maturity and
51 upgrades to systems are frequently required. In this regard, the Supervisor
52 investigates and implements new products and upgrades to the AMI in order to
53 maintain compliance with changes to provincial MDM/R technical specifications
54 and to implement vendor solutions to issues.

55 The Supervisor also identifies and co-ordinates trouble tickets from the provincial
56 MDM/R with respect to malfunctioning recording devices or adjustments to
57 interval data to ensure accurate billing.

58 The AMI Operator is responsible for the daily operation and administration of the
59 AMI system including the setup and maintenance related to Smart Meters,
60 collectors, repeaters, the collector communication system, and reading
61 schedules. The AMI Operator also initiates queries, creates trouble tickets,
62 ensures resolution of meter recording, data transfer, communication or reliability
63 issues, and ensures data synchronization between internal systems including the
64 AMI and CIS.

65 c) Horizon Utilities has realized a reduction in certain operating costs as a result of
66 the implementation of remote meter reading through the AMI. In particular,
67 Horizon Utilities has realized the following operating expense reductions:

68 i. Manual meter reading costs paid to third parties. In its last Cost of Service
69 Application (EB-2010-0131), Horizon Utilities provided the following
70 response to Interrogatory 28 from the Consumers Council of Canada
71 which highlighted these expense reductions:

72 *"Horizon Utilities' costs for conventional meter reading services for 2008 to*

73 2011 are shown below.

Description	2008 Actual	2009 Actual	2010 Forecast	2011 Budget
Meter Reading Expenses – Hydro	627,773	348,453	366,256	322,000

74

75 *The current conventional meter reading contract is priced based on the*
 76 *number and type of meter reads completed. The number of meters that*
 77 *must be read manually has declined due to the reading of smart metering*
 78 *through the Advanced Metering Infrastructure (“AMI”). Consequently, the*
 79 *costs associated with conventional meter reading have declined as well.*
 80 *These savings have been anticipated and built into the overall Customer*
 81 *Service business plan.*

82 *With respect to the current meter read contract, conventional meter*
 83 *reading costs per meter may increase as efficiencies associated with read*
 84 *routes are lost. However, overall costs for conventional meter reading are*
 85 *expected to decrease each year.”*

86 The aforementioned cost reductions related to conventional meter reading
 87 were reflected in the OM&A expenditures for 2011 and are therefore
 88 reflected in the Horizon Utilities’ 2011 Board-approved revenue
 89 requirement.

90 ii. Horizon Utilities has recently identified a potential for future cost reduction
 91 related to performing manual meter inspections when the meter is
 92 disconnected for non-payment. Remote meter communication may make
 93 it unnecessary to complete a physical inspection of the meter to ensure
 94 that the meter is disconnected in order to complete final billing. It is
 95 difficult to quantify the potential for these savings at this time as the
 96 automated process for utilizing the AMI system to validate the meter

97

status, as compared to the CIS, is currently in a development phase.

**HORIZON UTILITIES CORPORATION (“HORIZON UTILITIES”)
 RESPONSES TO
 BOARD STAFF INTERROGATORIES**

DELIVERED: March 7, 2012

Question 6

Reference: Smart Meter Model – Taxes/PILS Rates

Horizon has used the maximum taxes/PILS rates input on sheet 3, row 40, for the years 2006, 2007, 2008, 2009, 2010, 2011 and 2012 and beyond. These are summarized in the following table:

Year	2006	2007	2008	2009	2010	2011	2012 and beyond
Aggregate Federal and provincial income tax rate	36.12%	36.12%	33.50%	33.00%	31.00%	28.25%	26.25%

Please confirm that these are the tax rates corresponding to the taxes or PILS actually paid by Horizon in each of the historical years, and that Horizon forecasts it will pay for 2012. In the alternative, please explain the tax rates input and their derivation.

Response:

Horizon Utilities confirms that the tax rates for 2006-2012 as summarized in the above table correspond to the taxes or PILS actually paid by Horizon Utilities in the historical years and that it forecasts it will pay in 2012. For the Board’s assistance, a summary of each year’s specific tax rates is provided as follows. Horizon Utilities notes that there is a small rounding difference in the income tax rate paid in 2010 (30.99%) as compared to the rate for 2012 summarized in the table above.

2006 – 36.12% Aggregate Federal and Ontario income tax rate

- Effective Federal tax rate including surtax – 22.12%
- Effective Ontario tax rate – 14.00%

2007 – 36.12% Aggregate Federal and Ontario income tax rate

- Effective Federal tax rate including surtax – 22.12%

- 21 • Effective Ontario tax rate – 14.00%

22 2008 – 33.50% Aggregate Federal and Ontario income tax rate

- 23 • Effective Federal tax rate – 19.50%. Effective January 1, 2008, the Federal
24 corporate surtax was eliminated and the general tax reduction for CCPCs increased
25 from 7.00% to 8.50%.

- 26 • Effective Ontario tax rate – 14.00%

27 2009 – 33.00% Aggregate Federal and Ontario income tax rate

- 28 • Effective Federal tax rate – 19.00%. Effective January 1, 2009, the general tax
29 reduction for CCPCs increased from 8.50% to 9.00%.

- 30 • Effective Ontario tax rate – 14.00%

31 2010 – 30.99179% Aggregate Federal and Ontario income tax rate

- 32 • Effective Federal tax rate – 18.00%. Effective January 1, 2010, the general tax
33 reduction for CCPCs increased from 9.00% to 10.00%.

- 34 • Effective Ontario tax rate – 12.99179%. Effective July 1, 2010, the Ontario basic tax
35 rate for the year was reduced from 14.00% to 12.00%.

36 The Ontario basic tax rate is rounded to five decimal points for purposes of computing
37 Ontario basic income tax.

38 2011 – 28.24795% Aggregate Federal and Ontario income tax rate

- 39 • Effective Federal tax rate – 16.50%. Effective January 1, 2011, the general tax
40 reduction for CCPCs increased from 10.00% to 11.50%.

- 41 • Effective Ontario tax rate – 11.74795%. Effective July 1, 2011, the Ontario basic tax
42 rate for the year was reduced from 12.00% to 11.50%.

43 2012 – 26.24863% Aggregate Federal and Ontario income tax rate

- 44 • Effective Federal tax rate – 15.00%. Effective January 1, 2012 and based on
45 enacted legislation, the general tax reduction for CCPCs is expected to increase

46 from 11.50% to 13.00%. There are no further changes to the effective Federal tax
47 rate anticipated beyond 2012.

48 • Effective Ontario tax rate – 11.24863%. Effective July 1, 2012 and based on
49 enacted legislation, the Ontario basic tax rate for the year is expected to be reduced
50 from 11.50% to 11.00%.

51 2013 – 25.49589%

52 • Effective Federal tax rate – 15.00%.

53 • Effective Ontario tax rate – 10.49589%. Effective July 1, 2013 and based on
54 enacted legislation, the Ontario basic tax rate for the year is expected to be reduced
55 from 11.00% to 10.00%. There are no further changes to the effective Ontario tax
56 rate anticipated beyond 2013.

57 2014 and beyond – 25.00%

- 58 • Effective Federal tax rate – 15.00%.
- 59 • Effective Ontario tax rate – 10.00%.

**HORIZON UTILITIES CORPORATION (“HORIZON UTILITIES”)
RESPONSES TO
BOARD STAFF INTERROGATORIES**

DELIVERED: March 7, 2012

Question 7

Reference: Smart Meter Model, Sheet 8A – Interest on OM&A and Depreciation Expenses

On sheet 8A of the filed smart meter model, Horizon has a negative entry of (\$148,070.25) in cell L93 for depreciation expense for September 2011. Please explain this negative entry.

Response:

The negative entry reference for September 2011 in sheet 8A, relates to a correction made in the rate that was used to calculate depreciation associated with computer hardware and software assets.

The depreciation amount displayed in sheet 8A displays actual costs that have been reported to the Board through account 1556 and is not linked to the Smart Meter Revenue Requirement calculation in the Model.

Depreciation, for the purpose of calculating the Smart Meter Revenue Requirement, is based on the Board’s requirements as outlined in the Smart Meter Model, version 2.17, Sheet 4.

**HORIZON UTILITIES CORPORATION (“HORIZON UTILITIES”)
RESPONSES TO
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DELIVERED: March 7, 2012

Question 8

Reference: Application, Sections 8.0 and 9.0 – Cost Allocation

- a) If Horizon has made revisions to its Smart Meter Model, Version 2.17 as a result of its responses to interrogatories, please update its proposed class-specific SMDRs.
- b) Similarly, please update the calculation of class-specific SMIRRs.

Response:

- a) Horizon Utilities has not revised its Smart Meter Model, version 2.17 as a result of its responses to interrogatories. As discussed in its response to VECC Interrogatory #5, Horizon Utilities has rerun the Smart Meter Model, version 2.17 in the manner requested by VECC for the purpose of responding to the VECC interrogatory. However, Horizon Utilities maintains that the methodology used in its Application is appropriate. Horizon Utilities is not proposing amending its Application or revising the Smart Meter Model to reflect that response.
- b) As noted in Horizon Utilities’ response to Board Staff IR # 8a) above, since there have not been any revisions to the Smart Meter Model, version 2.17, updating of the calculations of class-specific SMIRRs is not required.