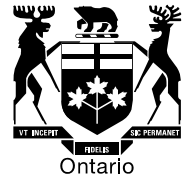


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BY EMAIL

July 27, 2012

Ontario Energy Board
P.O. Box 2319
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2300 Yonge Street
Toronto ON M4P 1E4

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

**Re: Horizon Utilities Corporation
Application for the Disposition of Account 1562 – Deferred Payments in
Lieu of Taxes
Board Staff Submission
Board File No. EB-2012-0005**

In accordance with the Notice of Application and Hearing and Procedural Order No. 1, please find attached the Board Staff Submission in the above proceeding.

Board staff reminds Horizon Utilities Corporation that its Reply Submission is due by August 15, 2012.

Yours truly,

Original Signed By

Martha McOuat
Project Advisor, Applications & Regulatory Audit

Encl.



ONTARIO ENERGY BOARD

STAFF SUBMISSION

Horizon Utilities Corporation

EB-2012-0005

July 27, 2012

**Horizon Utilities Corporation (“Horizon”)
Hamilton Hydro Inc. (“HHI”)
St. Catharines Hydro Utilities Services Inc. (“SCHUSI”)
Board staff Submission
Account 1562 – PILs Disposition**

Background

In 2001, the Board approved a regulatory payments in lieu of tax proxy approach for rate applications coupled with a true-up mechanism filed under the RRR¹ to account for changes in tax legislation and rules and to true-up between certain proxy amounts used to set rates and the actual amount of taxes paid. The variances resulting from the true-up were tracked in Account 1562 for the period 2001 through April 30, 2006.

On November 28, 2008, pursuant to sections 78, 19 (4) and 21 (5) of the *Ontario Energy Board Act, 1998*, the Board commenced a Combined Proceeding (EB-2008-0381) on its own motion to determine the accuracy of the final account balances with respect to Account 1562 Deferred Payments in Lieu of Taxes (“Deferred PILs”) (for the period October 1, 2001 to April 30, 2006) for certain electricity distributors that filed 2008 and 2009 distribution rate applications.

The Notice in the Combined Proceeding included a statement of the Board’s expectation that the decision resulting from the Combined Proceeding would be used to determine the final account balances with respect to Account 1562 Deferred PILs for the remaining distributors. In its decision and order, the Board stated that, “[e]ach remaining distributor will be expected to apply for final disposition of Account 1562 with its next general rates application (either IRM or cost of service).”²

On October 12, 2011 Horizon filed its 2012 IRM3 application along with supporting evidence for the disposition of the balance of Account 1562 deferred PILs. The Account 1562 balance in this application was a debit of \$2,313,947 (amount recoverable from customers). Horizon completed the amalgamation of HHI and SCHUSI on March 1, 2005. Since the Board did not deal with amalgamations in the Combined Proceeding, the Board directed Horizon to file a stand-alone PILs application.

¹ Reporting and Record-Keeping Requirements

² EB-2008-0381 Account 1562 Deferred PILs Combined Proceeding, Decision and Order, p. 28

On March 28, 2012 Horizon filed its stand-alone Account 1562 PILs application. The total amount that Horizon requested for disposition in this application was a debit of \$2,324,848. On April 5, 2012 Board staff contacted Horizon and requested various active Excel models to be filed as part of the evidence.

In preparing the active Excel worksheet for PILs recoveries from customers, Horizon found significant errors in evidence already filed with the Board. On May 23, 2012 Horizon changed its request for disposition to a debit of \$4,399,348 and filed updated evidence in support of its revised claim.

Board staff filed interrogatories with Horizon on July 3, 2012. Horizon replied to interrogatories on July 16, 2012 except for information related to interest expense of SCHUSI which it filed on July 23, 2012.

Submission

Board staff will make submissions on the following issues.

- Repeal of the Large Corporation Tax on January 1, 2006;
- Entering amounts from PILs proxy models into SIMPIL models;
- Depreciation adjustments that true up to ratepayers;
- Gains and losses on disposal of fixed assets;
- Interest expense true-up;
- Income tax rates; and
- Calculation of PILs recoveries from customers and the impact of the unbilled revenue accrual.

Repeal of the Large Corporation Tax on January 1, 2006

The federal government repealed the large corporation tax ("LCT") with effect from January 1, 2006. However, the repeal was not announced by the government until after the Board had approved the rate increases for 2006. The Board issued APH FAQ in July 2007³ and provided instructions for recording the impact of this change in tax law

³ Accounting Procedures Handbook, Frequently Asked Questions, July 2007.

such that 4/12ths of the 2005 LCT proxy would be recorded in Account 1562 and the amount after April 30, 2006 would be recorded in Account 1592.

HHI included \$311,123 for LCT in 2005 rates.⁴ SCHUSI did not have LCT included in its 2005 rates.

In its pre-filed evidence, Horizon stated that it had refunded the LCT to customers as part of its Account 1592 disposition in application EB-2010-0131.⁵ In answer to Board staff's interrogatories, Horizon filed the evidence from that application. Horizon stated that it had not recorded the LCT amount for the period January 1 to April 30, 2006 in Account 1592:

"Horizon Utilities regrets that it has erred in not entering the 4/12ths amount of the 2005 LCT proxy in either of account 1592 or within the amount sought for disposition with respect to account 1562."⁶

Horizon stated that it should be allowed to retain the amount of LCT repealed:

"This notwithstanding, Horizon Utilities does not agree that this amount should now be included in account 1562 for disposition to ratepayers."⁷

And:

"Horizon Utilities submits that it should recover the full 2005 LCT proxy for the period May 1, 2005 to April 30, 2006 on the basis that this matches the underlying actual period of liability for this tax."⁸

Board staff submits that accounting for changes in tax law has been a feature of the PILs methodology since its inception and that Horizon should record the repeal of the LCT for the first four months of 2006 in Account 1562 since it did not deal with the disposition of this amount in EB-2010-0131.

⁴ RP-2005-0013/ EB-2005-0036/ PILs Proxy Model.

⁵ EB-2012-0005/ May 23, 2012/ Tab2/ Page10.

⁶ Responses to Board Staff's interrogatories/ Question 8b/ Page 44/ Lines 13-15.

⁷ Ibid/ Page 44/ Lines 27-28.

⁸ Ibid/ Page 45/ Lines 43-45

Board staff submits that the LCT amount of \$103,708 ($\$311,123 / 12 * 4$) related to the period January 1 to April 30, 2006, plus interest up to August 31, 2012, should be refunded to customers consistent with the policy established by the Board.

Entering amounts from PILs proxy models into SIMPIL models

Distributors must enter the PILs proxy line item amounts from the 2002 and 2005 applications in the SIMPIL models for each year consistent with the prior evidence accepted by the Board in order to calculate the appropriate variances. In its 2001 SIMPIL model Horizon entered \$186,561 in row C29 “Non-material Item” rather than in C28 “Material Item” to correspond with the amount recorded in cell G28 of \$186,033 for capitalized fleet depreciation. Board staff submits that this results in an incorrect calculation of the true-up, which should appropriately reflect the variance between these two amounts.

In the 2002 SIMPIL model, HHI entered the amounts on the same row #28 which allowed the variance between two amounts to be calculated.

Board staff submits that the line item amounts accepted by the Board in the 2001 PILs proxy calculations should be entered in a consistent manner in the 2001 SIMPIL model to ensure that the variances are accurately calculated.

Board staff makes a further submission below on whether capitalized fleet depreciation is an appropriate variance to include in the true-up calculations.

Depreciation adjustments that true up to ratepayers

In the Board staff discussion paper that was issued in August 2008⁹ as part of the evidence in the Combined Proceeding,¹⁰ there was a list of items that were not subject to true-up under the PILs methodology. The items related to capital assets are depreciation and capital cost allowance.

⁹ EB-2007-0820/ Subsumed into EB-2008-0381/ Staff Discussion Paper/ August 20, 2008/ Appendix A, page III.

¹⁰ EB-2008-0381, Decision and Order, June 24, 2011.

Depreciation expense was recovered as part of the revenue requirement. Capitalized depreciation was included in rate base as part of the cost of fixed assets and HHI/ Horizon received the equity and debt return on rate base.

For tax purposes, the value of fixed assets was revalued by \$51,960,079¹¹ as at October 1, 2001 and the higher amount was included in undepreciated capital cost. This allowed HHI/ Horizon to deduct higher capital cost allowance (tax depreciation) which resulted in lower taxable income, and thus lower PILs assessments. HHI/ Horizon retained the tax benefits associated with the revaluation of fixed assets from 2001 through April 30, 2006.¹²

Horizon stated in response to interrogatories¹³ that ratepayers should pay for the variances caused by the addition of depreciation in the PILs true-up calculations. Horizon stated that it did not recover this depreciation from ratepayers either as depreciation expense in revenue requirement or through the return on rate base.

In the SIMPIL models for HHI and Horizon, dollar amounts related to capitalized fleet depreciation were entered on SIMPIL worksheets TAXREC or TAXREC2 for each year 2001-2005 and this creates true-up variances to ratepayers. Horizon calculated that the balance in Account 1562 would be reduced by a principal amount of \$848,874, and by a related interest reduction of \$264,789, if the depreciation amounts were moved to SIMPIL worksheet TAXREC3 (no true-up to ratepayers).¹⁴ SCHUSI did not include capitalized fleet depreciation in determining the PILs 1562 variances.

Board staff submits that these depreciation adjustments should not true-up to ratepayers under the PILs methodology, as described in the Board staff discussion paper in the Combined Proceeding. Board staff submits that Horizon should record these actual capitalized fleet depreciation amounts on sheet TAXREC3 in the SIMPIL models for the years 2001 through 2005.

Board staff submits that the capitalized fleet depreciation amounts in the PILs proxy from the applications should be retained on the same row # 28 for Material Items in

¹¹ RP-2005-0020/ EB-2005-0375/0376, OEB Tax Model, Schedule 7-2.

¹² RP-2004-0188/ 2006 Electricity Distribution Rate Handbook/ Report of the Board/ May 11, 2005/ Pages 55-57.

¹³ Responses to Board Staff's interrogatories/ Question 3a/ Pages 18-20.

¹⁴ Responses to Board Staff's interrogatories/ Question 3b/ Page 22.

column C in the SIMPIL models to allow the reversal to occur, and thus eliminate the impact of depreciation.

Gains and Losses Disposal of Fixed Assets

HHI, SCHUSI and Horizon included fixed assets in the calculation of rate base for the 2000, 2001 and 2002 applications. Distributors continued to receive the return on these assets from ratepayers even though these assets may have been disposed during the period of 2002 through 2005. Under the PILs methodology, fixed asset transactions should not true-up to ratepayers and should appear on TAXREC3 sheet of the SIMPIL model.

In its original application, HHI and Horizon trued-up gains and losses on disposal of fixed assets by recording the transactions on SIMPIL worksheet TAXREC2. In response to Board staff interrogatory #2a which asked why ratepayers should pay for PILs variances related to fixed assets, Horizon quoted from documents issued by the Board in 2001 and in 2003 that related to PILs and SIMPIL¹⁵ and stated the following:

“On this basis, Horizon Utilities submits that a true-up with respect to variances described in Board Staff interrogatory 2 a. is appropriate and consistent with the Board Staff documents described in i. and ii. above and the Decision of the Board on EB-2008-0381.”

Board staff submits that the treatment of fixed asset transactions in Horizon’s SIMPIL models is not consistent with decisions already made by the Board. In a recent decision the Board stated:

“The Board is of the view that the write-down of capital property of \$540,755 in 2002 as well as the loss on disposal of assets of \$144,597 in 2004 should not true-up to ratepayers. The Board notes that North Bay continued to receive, over the 2002 to 2006 period, depreciation and cost of capital (debt and equity) on each of these amounts as both remained in rate base until May 1, 2006, based on December 31, 2004 values which reflected the write-down.

The Board directs North Bay to move the write-down of capital property of \$540,755 in 2002, and loss on disposal of \$144,597 in 2004, to TAXREC3 in 2002 and 2004

¹⁵ Responses to Board Staff’s interrogatories/ Question 2a/ Pages 14-15.

SIMPIL models respectively. North Bay should re-file the corrected 2002 and 2004 SIMPIL models, PILs continuity schedules and EDDVAR continuity schedule.”¹⁶

Board staff submits that, consistent with the EB-2011-0187 Decision, variances or transactions related to fixed assets should be entered on SIMPIL worksheet TAXREC3.

Interest Expense True-up

When the actual interest expense, as reflected in the financial statements and tax returns, exceeds the maximum deemed interest amount approved by the Board, the excess amount is subject to a claw-back penalty and is shown in the TAXCALC worksheet as an extra deduction in the true-up calculations.

Horizon replied to Board staff's interrogatories #6, #11 and #16 and provided tables that disclose all of the components of its interest expense for the period 2001 to 2005.¹⁷ The Board-approved maximum deemed interest expense was \$2,324,639 for SCHUSI and \$9,521,976 for HHI.

Board staff notes that the Board has decided in other applications that interest on customer deposits and deferral and variance accounts should be excluded from the true-up calculations. The Board has also decided that fees charged on IESO or other prudential letters of credit should be included in the true-up calculations. Capitalized interest must also be added back to determine the interest expense for true-up purposes.¹⁸

Board staff has examined the interest expense evidence provided by Horizon for HHI and SCHUSI for 2001 through 2005, and has compared the maximum deemed interest to interest expense calculated in accordance with prior decisions of the Board as described in the preceding paragraph.

Board staff submits that interest expense calculated in accordance with Board decisions for each of HHI and SCHUSI does not exceed the maximum deemed interest for each year during the period 2001-2005, and therefore, there are no true-up variances to be included.

¹⁶ EB-2011-0187, Decision and Order, North Bay Hydro Distribution Ltd., April 4, 2012, page 16.

¹⁷ Responses to Board Staff Interrogatories #6 & #16/ July 16, 2012, Pages 28-33, 63-71/ #11 July 23, 2012.

¹⁸ EB-2011-0174, Hydro One Brampton Networks Inc. / EB-2011-0153, Burlington Hydro Inc.

Income Tax Rates Used in SIMPIL Models Sheet TAXCALC

The SIMPIL models require income tax rates to be input in order to calculate the variances that support some of the entries in account 1562 deferred PILs. These income tax rates are entered on sheet TAXCALC by the applicant. HHI's rate base in its 2002 application was \$247,324,048 and SCHUSI's rate base was \$64,127,964. Both distributors used the maximum income tax rates in the SIMPIL models.

Board staff submits that Horizon has chosen the appropriate income tax rates in order to calculate the true-up entries in the SIMPIL models.

Calculation of PILs recoveries from customers and the unbilled revenue accrual

On May 23, 2012 Horizon changed its request for disposition from a debit balance of \$2,324,848 to a debit balance of \$4,399,348 to address certain errors in its evidence as filed. Horizon stated that "The most significant of these errors was the double-counting of unbilled revenue at April 30, 2006, for HHI and for SCHUSI."

Unbilled revenue was issue #6 in the Combined Proceeding. This issue dealt with how a distributor would determine the value of energy and demand consumed before May 1, 2006 but not billed at the cut-off date, and the PILs related to that energy and demand at April 30, 2006. In that proceeding, the Board stated the following:

"If the distributor cannot calculate the unbilled revenue amount at April 30, 2006, it can use the PILs amount billed to customers after April 30, 2006 for consumption prior to May 1, 2006."¹⁹

In its responses to interrogatories Horizon provided the billings in May, June and July 2006 for HHI and SCHUSI and the PILs associated with that energy and demand. The gross billings for HHI were \$22,438,585 and the PILs component was calculated to be \$390,712. For SCHUSI the gross billings were \$7,335,658 and the PILs were calculated to be \$195,674.

¹⁹ EB-2008-0381, Decision and Order, June 24, 2011/ Settlement Agreement dated September 30, 2010, Issue #6, Page 10.

Board staff asked Horizon in interrogatories to explain what appear to be unusual billed PILs recovery amounts in different months over the period 2001-2006. Board staff observed that distributors in southern Ontario typically have shown a pattern where recoveries from customers exceed the PILs proxies due to growth in customer counts and load. Horizon replied for HHI and for SCHUSI in part as follows:

“Horizon Utilities Corporation (“Horizon Utilities”) submits that while some distributors may have experienced growth in customer counts and load which could result in a pattern where recoveries from customers exceed the PILs proxies, Horizon Utilities and its predecessor companies Hamilton Hydro Inc. (“HHI”) and St. Catharines Hydro Utility Services Inc. (“SCHUSI”) have not experienced such a pattern.

The initial PILs rates implemented in 2002 were based on 2001 billing quantities which were generally higher than the actual quantities realized in 2002 and 2003. While the rates were designed to recover these amounts in 2002 and 2003, HHI and SCHUSI did not realize the projected load that would have provided this recovery and therefore the recoveries realized were lower than anticipated.

Horizon Utilities and its predecessor companies calculated and recorded unbilled revenue at the end of each month in the periods referenced together with PILs amounts as reported in Appendix B of the Application. PILs were first included in rates as of March 1, 2002; the PILs amounts reported in Appendix B of the Application represent PILs amounts received from customers for the month of March 2002. Such represents a full month of collections from customers demonstrating that the accrual method was used to record collections.

PILs amounts collected from customers were calculated using billed and estimated unbilled billing determinants for each month, multiplied by the approved rates for PILs. For the years 2002 and 2006, these amounts were calculated using internally generated billed and unbilled statistics. For the years 2003 through 2005, Horizon Utilities has used annual actual billing quantities previously filed with the Board and has calculated the PILs amounts collected from customers on an annual basis by multiplying these annual billing quantities by the rate slivers approved by the Board. Any differences that resulted from the monthly amounts reported in Appendix B were reflected in the last month of the year so that the total collections for the year balanced with the calculated amount based on billing determinants previously

reported to the Board.”²⁰

Horizon filed evidence on March 28, 2012 and included Excel worksheets for both HHI (Appendix B-2) and for SCHUSI (Appendix B-3) which showed the PILs proxy amounts, recoveries and carrying charges by month. On May 23, 2012 Horizon filed amended evidence for the same appendices to adjust for errors that were identified. Board staff has provided a comparison of the evidence below.

HHI Recoveries in \$

PILs Proxies Compared to Recoveries	2002	2003	2004	2005	January to April 2006	May to July 2006
March 28, 2012						
PILs Proxies in Rates	8,774,379	11,245,049	9,392,047	8,518,860	2,811,229	
PILs Recovery Calculations	-9,300,330	-10,923,512	-8,764,684	-8,678,496	-3,994,333	-390,712
Difference	-525,951	321,537	627,363	-159,636	-1,183,104	
May 23, 2012						
PILs Proxies in Rates	8,774,379	11,245,049	9,392,047	8,518,860	2,811,229	
PILs Recovery Calculations	-9,351,206	-10,924,712	-8,715,809	-8,654,748	-2,626,651	-390,712
Difference	-576,827	320,337	676,238	-135,888	184,578	

²⁰ Responses to Board staff’s interrogatories, July 16, 2012, Pages 3-4

SCHSI Recoveries in \$

PILs Proxies Compared to Recoveries	2002	2003	2004	2005	January to April 2006	May to July 2006
March 28, 2012						
PILs Proxies in Rates	2,355,615	2,991,759	2,514,651	2,471,004	836,489	
PILs Recovery Calculations	-2,325,573	-3,087,581	-2,557,274	-2,861,886	-858,881	-195,674
Difference	30,042	-95,822	-42,623	-390,882	-22,392	
May 23, 2012						
PILs Proxies in Rates	2,355,615	2,991,759	2,514,651	2,471,004	836,489	
PILs Recovery Calculations	-2,330,106	-3,053,416	-2,438,252	-2,622,430	-858,881	-195,674
Difference	25,509	-61,657	76,399	-151,426	-22,392	

Board staff compared the monthly amounts calculated for PILs recoveries in 2006 and has shown these in the tables that follow. Since a material adjustment was made to the evidence in April 2006, Board staff has provided data from April 2005 as a point of reference.

HHI Recoveries in \$

PILs Proxies Compared to Recoveries & Unbilled Revenue Accrual	January 2006	February 2006	March 2006	April 2006	Billed in May-July 2006	April 2005
March 28, 2012						
PILs Proxies in Rates	702,807	702,807	702,807	702,807		702,807
PILs Recovery Calculations	-748,765	-712,796	-687,967	-1,844,835	-390,712	-610,015
Difference	-45,958	-9,989	14,840	-1,142,028		92,792
May 23, 2012						
PILs Proxies in Rates	702,807	702,807	702,807	702,807		702,807
PILs Recovery Calculations	-748,765	-712,796	-687,967	-477,153	-390,712	-610,015
Difference	-45,958	-9,989	14,840	225,654		92,792

SCHSI Recoveries in \$

PILs Proxies Compared to Recoveries & Unbilled Revenue Accrual	January 2006	February 2006	March 2006	April 2006	Billed in May-July 2006	April 2005
March 28, 2012						
PILs Proxies in Rates	209,122	209,122	209,122	209,122		209,122
PILs Recovery Calculations	-221,178	-201,471	-220,812	-215,421	-195,674	-443,878
Difference	-12,056	7,651	-11,690	-6,299		-234,756
May 23, 2012						
PILs Proxies in Rates	209,122	209,122	209,122	209,122		209,122
PILs Recovery Calculations	-221,178	-201,471	-220,812	-215,421	-195,674	-443,878
Difference	-12,056	7,651	-11,690	-6,299		-234,756

Board staff asked Horizon in interrogatories to explain what appear to be unusual amounts in different months over the period 2001-2006. Horizon's replies were indicated above and suggest that looking at individual months may be misleading. Nonetheless, Board staff is concerned that the calculated recoveries may contain anomalies caused by the treatment of unbilled revenue in months other than December year ends. An error in any month would mean that the annual statistics would also contain an error. For example, in the table below for HHI in December 2004, Board staff observes that recoveries look to be too low when one looks at the relationship of PILs proxies and recoveries for December 2003 and December 2005. Similarly, April 2006 recoveries which exclude unbilled PILs appear to be too low.

HHI Recoveries in \$

PILs Proxies vs. Recoveries Unbilled Revenue Accrual	December 2002	December 2003	December 2004	February 2005	December 2005	April 2006
PILs Proxies in Rates	731,198	937,087	782,671	731,198	702,807	702,807
PILs Recovery Calculations	-977,605	-926,947	-596,913	-622,124	-724,987	-477,153
Difference	-246,407	10,140	185,758	109,074	-22,180	225,654

For SCHUSI, Board staff is of the view that December 2004 recoveries appear to be too low when one looks at the relationship of PILs proxies and recoveries for December 2002 and December 2003. The recoveries (with a positive sign rather than negative)

shown for December 2005 imply that SCHUSI had less than zero distribution income in its financial statements for the month of December 2005 since PILs are part of the unbilled revenue. Board staff submits that if PILs recoveries were less than zero, then gross billings would have been less than zero, and this does not seem reasonable in the month of December.

SCHSI Recoveries in \$

PILs Proxies vs. Recoveries Unbilled Revenue Accrual	December 2002	December 2003	December 2004	February 2005	December 2005	April 2006
PILs Proxies in Rates	196,301	249,313	196,301	196,301	209,122	209,122
PILs Recovery Calculations	-260,586	-225,212	-68,673	-205,175	18,278	-215,421
Difference	-64,285	24,101	127,628	-8,874	227,400	-6,299

On page 10 of this submission Board staff provided a partial response from Horizon some of which is shown below:

“For the years 2003 through 2005, Horizon Utilities has used annual actual billing quantities previously filed with the Board and has calculated the PILs amounts collected from customers on an annual basis by multiplying these annual billing quantities by the rate slivers approved by the Board.”

Board staff notes that distribution rates were adjusted with effect from April 1, 2004. Up to this date since March 1, 2002, PILs were recovered through both the fixed and variable rates. Since April 1, 2004, PILs have been recovered using the variable rate only. The energy and demand for the short periods in 2004 and in 2005 are critical to the calculation of the correct amounts of PILs recovered from ratepayers.

Board staff submits that Horizon’s description of its methodology cannot result in the correct amounts being calculated for the period up to March 31, 2004 using the fixed and variable rates, and thereafter using the variable rates only. The same situation recurred on April 1, 2005 when the distribution rates were changed for the inclusion of the third tranche of MARR and higher PILs due to increased revenue requirement.²¹

Board staff understands that it has been difficult for Horizon to find the billing statistics for HHI and SCHUSI. Board staff understands that Horizon has made best efforts to

²¹ Market Adjusted Revenue Requirement

provide the calculations of recoveries from customers. However, Board staff remains concerned about the variability of results and respectfully submits that based on these results it is reasonable to assume that the billed PILs recovery data provided by Horizon still contains errors.

Board staff submits that Horizon should recalculate the recoveries in its worksheets by removing the impacts of the unbilled revenue accruals when created and when reversed for the entire period March 1, 2002 through April 30, 2006. Board staff submits that billed PILs recovery calculations for this period should be based only on actual billings to customers.

Board staff submits that Horizon has provided the unbilled PILs amount as at April 30, 2006 in its responses to interrogatories #1c, 1d, 9c, and 9d and these amounts should be added to the total of actual billings for March 1, 2002 through April 30, 2006 requested above.

Board staff requests that any numerical evidence that Horizon will re-file should be in active Excel format as well as PDF.

All of which is respectfully submitted.