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April 16, 2014

Delivered by Courier and Electronic Filing

Ontario Energy Board
2300 Yonge Street
26th Floor, Box 2319
Toronto, ON M4P 1E4

Attention: Ms. Kristen Walli, Board Secretary

Dear Ms. Walli:

Re: Horizon Utilities Corporation – Five Year Custom IR Cost of Service Distribution Rate Application
Board File No. EB-2014-0002

We are counsel to Horizon Utilities Corporation ("Horizon Utilities") with respect to the above-captioned matter. Please find accompanying this letter an electronic version of Horizon Utilities' Five Year Custom IR Application for Electricity Distribution Rates and Charges for the five year period commencing January 1, 2015, together with the following Excel versions of the models that Horizon Utilities is required to file in "live" form:

- Continuity Statements (2011 – 2019)
- Revenue Requirement Workforms (2015 – 2019)
- Smart Meter Model
- Load Forecast Data
- Cost Allocation Models (2015 – 2019)
- Deferral and Variance Account Continuity Schedule
- RTSR Model
- PILs Models (2015 – 2019)
- Appendix 2-W Bill Impacts (2015 – 2019)
- Appendix 2-Z Tariff of Rates and Charges (2015 – 2019)
- COS Checklist

Two paper copies of the Application will be delivered to the Board.

Horizon Utilities has redacted a limited amount of information from the public version of the pre-filed evidence, as follows, and requests that it be maintained in confidence pursuant to Rules 10.01 and 10.02 of the Board's *Rules of Practice and Procedure* and Sections 5.1.1 and 5.1.2 of the Board's *Practice Direction on Confidential Filings* (the "Practice Direction") for the reasons set out below:

- **Assumed Union Wage Increases**

Exhibit 1, Tab 2, Schedule 6, page 6
Exhibit 4, Tab 4, Schedule 4, page 6
Exhibit 4, Tab 4, Schedule 4, page 8 - Table #4-54 (APPENDIX 2-K)

Horizon Utilities has redacted certain information, including information in the Board's Appendix 2-K (Table 4-54), regarding assumed compensation and benefit increases for the 2015-2019 Test Years. More particularly, with respect to Table 4-54, Horizon Utilities has redacted certain 2015-2019 base wage and benefit-related information for the two employee categories (Executive/Management and Non-Union/Union), although total salary and benefit information would remain public.

Horizon Utilities' current collective agreement with the International Brotherhood of Electrical Workers (the "IBEW") expires on May 31, 2015. Negotiations between Horizon Utilities and the IBEW will be taking place in the months prior to that expiry date. As such, any reference to, or inclusion of, Union compensation information provided in this Application is sensitive and could prejudice the 2015 collective bargaining process. Appendix "A" to the Practice Direction sets out the Board's considerations in determining requests for confidentiality. Among the considerations set out in that Appendix are the following:

(a)(i) prejudice to any person's competitive position;

(a)(iii) whether the information could interfere significantly with negotiations being carried out by a party;

(a)(iv) whether the disclosure would be likely to produce a significant loss or gain to any person; and

(g) any other matters relating to FIPPA (the *Freedom of Information and Protection of Privacy Act*) and FIPPA exemptions.

With respect to item (g) above, the OEB has provided a summary of pertinent FIPPA provisions at Appendix E of the Practice Direction. That summary provides, in part, as follows:

> "Under section 17(1), the Board must not, without the consent of the person to whom the information relates, disclose a record where:
>
> (a) the record reveals a trade secret or scientific, technical, commercial, financial or labour relations information;
>
> (b) the record was supplied in confidence implicitly or explicitly; and
>
> (c) disclosure of the record could reasonably be expected to have any of the following effects:

i. prejudice significantly the competitive position or interfere significantly with the contractual or other negotiations of a person, group of persons or organization;

…

iii. result in undue loss or gain to any person, group, committee or financial institution or agency;

…"

Horizon Utilities submits that the disclosure of assumed 2015-2019 wage and benefit increases for the Union employee group could reasonably be expected to prejudice Horizon Utilities' negotiating position in the upcoming collective bargaining process and interfere significantly with those negotiations. Horizon Utilities acknowledges that the current version of Appendix 2-K has been streamlined, in part by grouping the information for Executive and Management compensation and benefits and the information for Non-Union and Union compensation and benefits. However, Horizon Utilities has redacted information related to all employee groups (although it has disclosed values for total salary and benefits) for the 2015-2019 Test Years because, without those redactions, the budgeted adjustments to Union wages and benefits for the 2015-2019 period will be easier to estimate, nullifying the effect of any specific Union-related redactions.

- **Physical Security**

Exhibit 2, Tab 6, Schedule 1, pages 40, 41, 55 and 57
Exhibit 2, Tab 6, Schedule 3, page 132
Exhibit 2, Tab 6, Appendix 2-4 – Distribution System Plan, Pages 195 and 272; Appendix G, pages 99, 100, 101, 118, 220, 221, 222, 427 and 429; and Appendix L – Physical Security Report

Certain text is being redacted from the public version of these pages, and Appendix L to the Distribution System Plan is being filed in confidence in its entirety, on the basis that this material contains information regarding the security of Horizon Utilities' facilities, and Horizon Utilities' current and planned measures to protect those facilities. The compromising of Horizon Utilities' physical facilities could reasonably be expected to result in unauthorized access to and release of personal information with respect to Horizon Utilities' customers and employees; the creation of risks to the safety of customers and staff of Horizon Utilities; and unauthorized access to and interference with Horizon Utilities' electricity distribution system.

Among the Board's considerations in determining requests for confidentiality set out in Appendix A to its *Practice Direction on Confidential Filings* (the "Practice Direction") are the following:

(a)(i) prejudice to any person's competitive position;

(a)(iv) whether the disclosure would be likely to produce a significant loss or gain to any person;

(c) whether the information pertains to public security; and

(g) any other matters relating to FIPPA and FIPPA exemptions.

Section 20 of FIPPA provides:

> **Danger to safety or health**
>
> A head may refuse to disclose a record where the disclosure could reasonably be expected to seriously threaten the safety or health of an individual.

Section 13 of the *Municipal Freedom of Information and Protection of Privacy Act* is identical to Section 20 of FIPPA.

- **Personal Information - Corporate Tax Returns**

Exhibit 4, Appendix 4-12.1 and 4-12.2

Horizon Utilities has made a small number of redactions of personal information from the corporate income tax documents discussed below in the Application, and is requesting that the Board allow the redacted information to remain in confidence in this proceeding. As discussed below, Horizon Utilities submits that the redacted information constitutes personal information, as that term is defined in FIPPA, and accordingly, it should not be disclosed to any parties to this proceeding, in accordance with Rule 9A.02 of the Board's Rules of Practice and Procedure and Section 4.3 of the Board's Practice Direction.

The redactions are from 2011 and 2012 corporate tax returns filed as appendices 4-12.1 and 4-12.2 respectively, in Exhibit 4 of the Application. The redacted information consists of: the names and employment dates of co-op students who were the subject of the Ontario co-operative tax credit claims; the trade code, names, contract/training agreement numbers, original registration dates of apprenticeship contract or training agreement, employment dates of apprentices who were the subject of apprenticeship tax credit claims; and personal addresses of Directors and Officers of Horizon Utilities. The redactions have been made in the following areas of those documents:

2011 T2 Corporation Income Tax Return

- Ontario Co-Operative Education Tax Credit, Part 4, areas 410, 430, and 435
- Ontario Apprenticeship Training Tax, Part 4, areas 400, 410, 420, 425, 430, and 435
- Director/Officer information – Part 7, areas 720, 730, 760, 770, 780, and 790

2012 T2 Corporation Income Tax Return

- Calculation of the Ontario Apprenticeship Training Tax Credit – Part 21, areas 601 and 602
- Calculation of the Ontario Co-Operative Education Tax Credit – Part 4, areas 400, 405 410, 425, 430, and 435
- Director/Officer information – Part 7, areas 720, 730, 760, 770, 780, and 790

To be clear, Horizon Utilities has not redacted any monetary values in the forms, and Horizon Utilities respectfully submits that the redacted material is not relevant to this proceeding in any event. Horizon Utilities has redacted only personal information relating to identifiable individuals. The information falls within the definition of "personal information" contained in Section 2 of FIPPA. Specifically, the information is recorded information about identifiable individuals including information relating to the education and employment history of the individuals; identifying numbers assigned to the individuals; and the individuals' names, which appear with other personal information relating to the individuals. As noted above, the information should not be disclosed to any parties to this proceeding.

Horizon Utilities will be filing confidential unredacted versions of the documents in accordance with Rule 9A.01.

- **Personal Information – Customer Names**

Exhibit 2, Appendix 2-4 – Distribution System Plan, Appendix H – Long Term Load Forecast

This Appendix to the Distribution System Plan contains Horizon Utilities' 2013 Load Forecast Report. The report includes various references to the names of specific Horizon Utilities customers and transmission customers of Hydro One Networks Inc. The document identifies capital projects related to specific customers, and it identifies by name certain customers served by particular transformer stations in the Horizon Utilities service area. Horizon Utilities is not permitted to disclose customer information, and does not have the consent of the customers identified in the report to the disclosure of their identities. The redacted information should not be disclosed to any parties to the proceeding.

Horizon Utilities will be filing confidential unredacted versions of the documents in accordance with Rule 9A.01.

In light of the foregoing, Horizon Utilities requests the Board's confirmation that this information shall remain confidential. Horizon Utilities is prepared to provide copies of the unredacted material (with the exception of the tax material discussed above) to parties' counsel and experts or consultants provided that they have executed the Board'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 Board's acceptance of a Declaration and Undertaking from any person.

Documents marked as confidential that are being placed on the public record

Horizon Utilities notes that the following documents that are included in the Application have been provided to it in confidence by their authors, and they contain language confirming this. Horizon Utilities has contacted the authors and received their confirmation that their documents may be placed on the public record in this proceeding.

- Exhibit 1, Appendix 1-16 – HHI Shareholders Agreement
- Exhibit 2, Appendix 2-4 (Distribution System Plan), Appendix B – Kinectrics' 2013 Asset Condition Assessment
- Exhibit 2, Appendix 2-4 (Distribution System Plan), Appendix C – KPMG Assurance Review of Kinectrics' Asset Condition Assessment Review
- Exhibit 4, Appendix 4-1 – 15th Annual Electric Utility Customer Satisfaction Survey
- Exhibit 4, Appendix 4-2 – Contractors and Developers Satisfaction Survey
- Exhibit 4, Appendix 4-5 – Mercer Letters 2010, 2011, 2012, October 2013 (for 2012/2013), October 2013 (for 2014)
- Exhibit 4, Appendix 4-9 – Kinectrics' Useful Life of Assets

We ask that copies of all correspondence and orders pertaining to this proceeding be delivered to the following individuals:

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Vice-President, Regulatory Affairs
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Borden Ladner Gervais

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
JCS
Encl.

TOR01: 5558506: v1

IN THE MATTER OF the Ontario Energy Board Act, 1998, S.O. 1998, c.15, Schedule B, as amended;

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 January 1, 2015, January 1, 2016, January 1, 2017, January 1, 2018 and January 1, 2019.

Title of Proceeding:	An application by **HORIZON UTILITIES CORPORATION** for an Order or Orders approving the 2015 through 2019 revenue requirement and customer rates for the distribution of electricity, to be implemented on January 1st of each Test Year under the Custom Application process, as described in the Board's *Renewed Regulatory Framework for Electricity Distributors*.
Applicant's Name:	**HORIZON UTILITIES CORPORATION** ("Horizon Utilities")
Applicant's Address for Service:	55 John Street North PO Box 2249, Station LCD 1 Hamilton, Ontario L8N 3E4

Attention:	Indy J. Butany-DeSouza, MBA Vice-President, Regulatory Affairs
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APPLICATION

Introduction

1. The Applicant is Horizon Utilities Corporation (referred to in this Application as the "Applicant" or "Horizon Utilities"). The Applicant is a corporation incorporated pursuant to the Ontario *Business Corporations Act* with its head office in the City of Hamilton. The Applicant carries on the business of distributing electricity within the Cities of Hamilton and St. Catharines.

2. The Applicant hereby applies to the Ontario Energy Board (the "OEB" or the "Board") pursuant to Section 78 of the *Ontario Energy Board Act, 1998 (the "OEB Act")* for approval of its proposed distribution rates and other charges, effective January 1, 2015, January 1, 2016, January 1, 2017, January 1, 2018 and January 1, 2019. A list of requested approvals is set out in Exhibit 1, Tab 7, Schedule 6.

   Except where specifically identified in the Application, the Applicant followed the updated Chapter 2 of the OEB's Filing Requirements for Transmission and Distribution Applications dated July 17, 2013, and Chapter Five of the Ontario Energy Board's Filing Requirements for Transmission and Distribution Applications (the "Filing Requirements") issued on March 28, 2013.

Proposed Distribution Rates and Other Charges

3. The Schedule of Rates and Charges proposed in this Application is identified in Exhibit 1, Tab 1, Appendix 1-1 and at Exhibit 8, Tab 1, Schedule 6, and the material being filed in support of this Application sets out Horizon Utilities' approach to its distribution rates and charges.

Proposed Effective Date of Rate Order

4. The Applicant requests that the OEB make its Rate Order effective January 1, 2015, January 1, 2016, January 1, 2017, January 1, 2018 and January 1, 2019 in accordance with the Filing Requirements.

5. In the event that the OEB is unable to provide a Decision and Order in this Application for implementation by the Applicant as of January 1, 2015, the Applicant requests that the OEB issue an interim Order approving the proposed distribution rates and other charges, effective January 1, 2015 which may be subject to adjustment based on its final Decision and Order.

The Proposed Distribution Rates and Other Charges are Just and Reasonable

6. The Applicant submits that the proposed distribution rates contained in this Application are just and reasonable on the following grounds:

   a) the proposed rates for the distribution of electricity have been prepared in accordance with the Filing Requirements and reflect traditional rate making and cost of service principles;

   b) the proposed adjusted rates are necessary to meet the Applicant's Market Adjusted Return on Equity ("MARE") and Payments in Lieu of Taxes ("PILs") requirements;

   c) there are no impacts to any of the customer classes or consumption level subgroups that are so significant as to warrant the deferral of any adjustments being requested by the Applicant or the implementation of any other mitigation measures;

   d) the other service charges proposed by the Applicant are the same as those previously approved by the OEB; and

   e) such other grounds as may be set out in the material accompanying this Application Summary.

Relief Sought

7. The Applicant applies for an Order or Orders approving the proposed distribution rates and other charges set out in Exhibit 8, Tab 3, Schedules 3, 5, 7, 9 and 11 to this Application as just and reasonable rates and charges pursuant to Section 78 of the OEB Act, to be effective January 1, 2015, January 1, 2016, January 1, 2017, January 1, 2018 and January 1, 2019, or as soon as possible thereafter.

Form of Hearing Requested

8. The Application is fully supported by the pre-filed evidence and the Applicant requests that this Application be disposed of by way of a written hearing, but understands that the Board will be making a determination as to the process for this proceeding.

DATED at Toronto, Ontario, this 16th day of April, 2014.

All of which is respectfully submitted,

BORDEN LADNER GERVAIS LLP

James C. Sidlofsky

Counsel to Horizon Utilities Corporation

APPENDIX 1-1: SCHEDULE OF PROPOSED RATES AND CHARGES

File Number:	EB-2014-0002
Exhibit:	
Tab:	
Schedule:	
Page:	
Date:	

Appendix 2-Z
Tariff of Rates and Charges

For each class, Applicants are required to copy and paste the class descriptions (located directly under the class name) and the description of the applicability of those rates (description is found under the class name and directly under the word "APPLICATION"). By using the drop-down lists located under he column labeled "Rate Description", please select he descriptions of the rates and charges that BEST MATCHES the descriptions on your most recent Board-Approved Tariff of Rates and Charges. **If the description is not found in the drop-down list,** please enter the description in the green shaded cells under he correct class exactly as it appears on Select the appropriate rate classes as they appear on your most recent Board-Approved Tariff of Rates and Charges, including the MicroFit Class.

How many classes are listed on your most recent Board-Approved Tariff of Rates and Charges? 10

Select Your Rate Classes from the Blue Cells below.
Please ensure hat a rate class is assigned to **each shaded cell.**

Rate Class Classification

RESIDENTIAL
GENERAL SERVICE LESS THAN 50 KW
GENERAL SERVICE 50 TO 4,999 KW
LARGE USE
LARGE USE (2)
UNMETERED SCATTERED LOAD
SENTINEL LIGHTING
STREET LIGHTING
STANDBY POWER
microFIT

Once all blue shaded cells above are filled out, press the following button to create your tariff template

Horizon Utilities
TARIFF OF RATES AND CHARGES
Effective and Implementation Date January 1, 2015

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

EB-2014-0002

RESIDENTIAL SERVICE CLASSIFICATION

This classification applies to an account taking electricity at 750 volts or less where the electricity is used exclusively in a separate metered living accommodation. Customers shall be residing in single-dwelling units that consist of a detached house or one unit of a semi-detached, duplex, triplex or quadruplex house, with a residential zoning. Separately metered dwellings within a town house complex or apartment building also qualify as residential customers. All customers are single-phase. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges, assessments, or credits that are required by law to be invoiced by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, the Global Adjustment, the Ontario Clean Energy Benefit and the HST.

MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	customer	16.38
Smart Meter Entity Charge (effective from May 1, 2013 until Oct 31, 2018)	customer	0.79
SMDR Rate Rider - effective until Dec 31, 2015	customer	0.01
Distribution Volumetric Rate	kWh	0.0161
Rate Rider for Deferral/Variance Account Disposition (2015) - effective until Dec 31, 2015	kWh	(0.0007)
Rate Rider for Global Adjustment Sub-Account Disposition (2015) - effective until Dec 31, 2015 (Applicable only for Non-RPP Customers)	kWh	0.0012

Rate Rider for Disposition of Group 2 Account 1575 - Transition to IFRS - effective until Dec 31, 2015	kWh	0.0001
Rate Rider for Disposition of Group 2 Account 1568 - LRAMVA - effective until Dec 31, 2015	kWh	(0.0001)
Low Voltage Service Rate	kWh	0.00006
Retail Transmission Rate – Network Service Rate	kWh	0.0076
Retail Transmission Rate – Line and Transformation Connection Service Rate	kWh	0.0056

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate	$/kWh	0.0044
Rural Rate Protection Charge	$/kWh	0.0012
Standard Supply Service - Administrative Charge (if applicable)	$	0.25

GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION

This classification applies to a non residential account taking electricity at 750 volts or less whose average monthly maximum demand is less than, or is forecast to be less than, 50 kW. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

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MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	customer	41.33
Smart Meter Entity Charge (effective from May 1, 2013 until Oct 31, 2018)	customer	0.79
SMDR Rate Rider - effective until Dec 31, 2015	customer	2.30
Distribution Volumetric Rate	kWh	0.0107
Rate Rider for Deferral/Variance Account Disposition (2015) - effective until Dec 31, 2015	kWh	(0.0009)
Rate Rider for Global Adjustment Sub-Account Disposition (2015) - effective until Dec 31, 2015 (Applicable only for	kWh	0.0012
Rate Rider for Disposition of Group 2 Account 1575 - Transition to IFRS - effective until Dec 31, 2015	kWh	0.0001
Rate Rider for Disposition of Group 2 Account 1568 - LRAMVA - effective until Dec 31, 2015	kWh	(0.0001)
Low Voltage Service Rate	kWh	0.00006
Retail Transmission Rate – Network Service Rate	kWh	0.0065
Retail Transmission Rate – Line and Transformation Connection Service Rate	kWh	0.0051

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate	kWh	0.0044
Rural Rate Protection Charge	kWh	0.0012
Standard Supply Service - Administrative Charge (if applicable)	$	0.25

GENERAL SERVICE 50 TO 4,999 KW SERVICE CLASSIFICATION

This classification applies to a non residential account whose average monthly maximum demand used for billing purposes is equal to or greater than, or is forecast to be equal to or greater than, 50 kW but less than 5,000 kW. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

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Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges, assessments, or credits that are required by law to be invoiced by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, the Global Adjustment, the Ontario Clean Energy Benefit and the HST.

MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	customer	376.90
Distribution Volumetric Rate	kW	2.5408
Rate Rider for Deferral/Variance Account Disposition (2015) - effective until Dec 31, 2015	kW	(0.3401)
Rate Rider for Global Adjustment Sub-Account Disposition (2015) - effective until Dec 31, 2015 (Applicable only for Non-RPP Customers)	kW	0.4464
Rate Rider for Disposition of Group 2 Account 1575 - Transition to IFRS - effective until Dec 31, 2015	kW	0.0461

Rate Rider for Disposition of Group 2 Account 1568 - LRAMVA - effective until Dec 31, 2015	kW	(0.0191)
Low Voltage Service Rate	kW	0.0217
Retail Transmission Rate – Network Service Rate	kW	2.6038
Retail Transmission Rate – Line and Transformation Connection Service Rate	kW	2.0115

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate	kWh	0.0044
Rural Rate Protection Charge	kWh	0.0012
Standard Supply Service - Administrative Charge (if applicable)	$	0.25

LARGE USE SERVICE CLASSIFICATION

This classification applies to an account whose average monthly maximum demand used for billing purposes is equal to or greater than, or is forecast to be equal to or greater than, 5,000 kW. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated

It should be noted that this schedule does not list any charges, assessments, or credits that are required by law to be

MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	customer	17,835.83
Distribution Volumetric Rate	kW	1.0523
Rate Rider for Deferral/Variance Account Disposition (2015) - effective until Dec 31, 2015	kW	(0.4086)
Rate Rider for Global Adjustment Sub-Account Disposition (2015) - effective until Dec 31, 2015 (Applicable only for Non-RPP Customers)	kW	0.5293
Rate Rider for Disposition of Group 2 Account 1575 - Transition to IFRS - effective until Dec 31, 2015	kW	0.0546
Rate Rider for Disposition of Group 2 Account 1568 - LRAMVA - effective until Dec 31, 2015	kW	(0.0226)
Low Voltage Service Rate	kW	0.0249
Retail Transmission Rate – Network Service Rate	kW	2.9745
Retail Transmission Rate – Line and Transformation Connection Service Rate	kW	2.3115

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate	kWh	0.0044
Rural Rate Protection Charge	kWh	0.0012
Standard Supply Service - Administrative Charge (if applicable)	$	0.25

LARGE USE (2) SERVICE CLASSIFICATION

This classification applies to an account whose average monthly maximum demand used for billing purposes is equal to or greater than, or is forecast to be equal to or greater than, 15,000 kW and it is served with dedicated assets . Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

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MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	customer	3,015.85
Distribution Volumetric Rate	kW	0.1779
Rate Rider for Deferral/Variance Account Disposition (2015) - effective until Dec 31, 2015	kW	(0.1693)
Rate Rider for Global Adjustment Sub-Account Disposition (2015) - effective until Dec 31, 2015 (Applicable only for Non-RPP Customers)	kW	0.2147
Rate Rider for Disposition of Group 2 Account 1575 - Transition to IFRS - effective until Dec 31, 2015	kW	0.0222
Rate Rider for Disposition of Group 2 Account 1568 - LRAMVA - effective until Dec 31, 2015	kW	(0.0092)
Low Voltage Service Rate	kW	0.02492
Retail Transmission Rate – Network Service Rate	kW	2.9745
Retail Transmission Rate – Line and Transformation Connection Service Rate	kW	2.3115

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate	$/kWh	0.0044
Rural Rate Protection Charge	$/kWh	0.0012
Standard Supply Service - Administrative Charge (if applicable)	$	0.25

UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION

This classification applies to an account taking electricity at 750 volts or less whose average monthly maximum demand is less than, or is forecast to be less than, 50 kW and the consumption is unmetered. Such connections include cable TV power packs, bus shelters, telephone booths, traffic lights, railway crossings, etc. The level of the consumption will be agreed to by the distributor and the customer, based on detailed manufacturer information/ documentation with regard to electrical consumption of the unmetered load or periodic monitoring of actual consumption. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

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MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	connection	9.54
Distribution Volumetric Rate	kWh	0.0148
Rate Rider for Deferral/Variance Account Disposition (2015) - effective until Dec 31, 2015	kWh	(0.0007)
Rate Rider for Global Adjustment Sub-Account Disposition (2015) - effective until Dec 31, 2015 (Applicable only for Non-RPP Customers)	kWh	0.0012
Rate Rider for Disposition of Group 2 Account 1575 - Transition to IFRS - effective until Dec 31, 2015	kWh	0.0001
Low Voltage Service Rate	kWh	0.00006
Retail Transmission Rate – Network Service Rate	kWh	0.0066
Retail Transmission Rate – Line and Transformation Connection Service Rate	kWh	0.0052

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate	$/kWh	0.0044
Rural Rate Protection Charge	$/kWh	0.0012
Standard Supply Service - Administrative Charge (if applicable)	$	0.25

SENTINEL LIGHTING SERVICE CLASSIFICATION

This classification applies to safety/security lighting with a Residential, General Service or Large Use customer. This is typically exterior lighting, and often unmetered. Consumption is estimated based on the equipment rating and estimated hours of use. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

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MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	connection	5.69
Distribution Volumetric Rate	kW	15.5994
Rate Rider for Deferral/Variance Account Disposition (2015) - effective until Dec 31, 2015	kW	(0.0949)
Rate Rider for Global Adjustment Sub-Account Disposition (2015) - effective until Dec 31, 2015 (Applicable only for Non-RPP Customers)	kW	0.4331
Rate Rider for Disposition of Group 2 Account 1575 - Transition to IFRS - effective until Dec 31, 2015	kW	0.0447
Low Voltage Service Rate	kW	0.01745
Retail Transmission Rate – Network Service Rate	kW	2.1637
Retail Transmission Rate – Line and Transformation Connection Service Rate	kW	1.6186

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate	$/kWh	0.0044

Rural Rate Protection Charge	$/kWh	0.0012
Standard Supply Service - Administrative Charge (if applicable)	$	0.25

STREET LIGHTING SERVICE CLASSIFICATION

This classification applies to an account for roadway lighting with a Municipality, Regional Municipality, Ministry of Transportation and private roadway lighting, controlled by photo cells. The consumption for these

APPLICATION

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MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	connection	2.97
Distribution Volumetric Rate	kW	7.9159
Rate Rider for Deferral/Variance Account Disposition (2015) - effective until Dec 31, 2015	kW	(0.7659)
Rate Rider for Global Adjustment Sub-Account Disposition (2015) - effective until Dec 31, 2015 (Applicable only for Non-RPP Customers)	kW	0.4434
Rate Rider for Disposition of Group 2 Account 1575 - Transition to IFRS - effective until Dec 31, 2015	kW	0.0458
Low Voltage Service Rate	kW	0.0170
Retail Transmission Rate – Network Service Rate	kW	2.0498
Retail Transmission Rate – Line and Transformation Connection Service Rate	kW	1.5782

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate	$/kWh	0.0044
Rural Rate Protection Charge	$/kWh	0.0012
Standard Supply Service - Administrative Charge (if applicable)	$	0.25

STANDBY POWER SERVICE CLASSIFICATION

This classification refers to an account that has Load Displacement Generation and requires the distributor to provide back-up service. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

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MONTHLY RATES AND CHARGES - Delivery Component

GS < 50 kW Standby Charge	kW	2.5407
GS < 50 kW Rate Rider for Deferral/Variance Account Disposition (2015) - effective until Dec 31, 2015	kW	0.0078
	kW	1.0523
	kW	0.1779

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate		
Rural Rate Protection Charge		
Standard Supply Service - Administrative Charge (if applicable)		

microFIT SERVICE CLASSIFICATION

This classification applies to an electricity generation facility contracted under the Ontario Power Authority's microFIT program and connected to the distributor's distribution system. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

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MONTHLY RATES AND CHARGES - Delivery Component

microFIT	0	5.4

ALLOWANCES

Transformer Allowance for Ownership - per kW of billing demand/month		
Transformer Allowance Discount	kW	(0.73)
Primary Metering Allowance for transformer losses – applied to measured demand and energy	%	(1.00)

SPECIFIC SERVICE CHARGES

APPLICATION

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Customer Administration

Arrears certificate	$	15.00
Statement of Account	$	15.00
Pulling Post Dated Cheques	$	15.00
Duplicate Invoices for previous billing	$	15.00
Request for other billing information	$	15.00
Easement Letter	$	15.00
Income Tax Letter	$	15.00
Notification charge	$	15.00
Account History	$	15.00
Returned cheque charge (plus bank charges)	$	15.00
Charge to certify cheque	$	15.00
Legal letter charge	$	15.00
Account set up charge/change of occupancy charge (plus credit agency costs if applicable)	$	30.00
Special meter reads	$	30.00
Meter dispute charge plus Measurement Canada fees (if meter found correct)	$	30.00
Credit Card Convenience Charge	$	15.00
Paymentus Service Fee	$	5.95
Credit check (plus credit agency costs)	$	15.00

Non-Payment of Account

Late Payment – per month	%	1.50
Late Payment – per annum	%	19.56
Collection of account charge – no disconnection	$	30.00
Collection of account charge – no disconnection – after regular hours	$	165.00
Disconnect/Reconnect at meter – during regular hours	$	65.00
Disconnect/Reconnect at meter – after regular hours	$	185.00
Disconnect/Reconnect at pole – during regular hours	$	185.00
Disconnect/Reconnect at pole – after regular hours	$	415.00
Service call – customer owned equipment	$	30.00
Service call – after regular hours	$	165.00
Temporary Service – Install & remove – overhead – no transformer	$	500.00
Temporary Service – Install & remove – underground – no transformer	$	300.00
Temporary Service – Install & remove – overhead – with transformer	$	1,000.00
Specific Charge for Access to the Power Poles - $/pole/year	$	22.35

Administrative Billing Charge	$	150.00
Install/Remove load control device – during regular hours	$	65.00
Install/Remove load control device – after regular hours	$	185.00

RETAIL SERVICE CHARGES (if applicable)

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Retail Service Charges refer to services provided by a distributor to retailers or customers related to the supply of competitive electricity.

One-time charge, per retailer, to establish the service agreement between the distributor and the retailer	$	100.00
Monthly Fixed Charge, per retailer	$	20.00
Monthly Variable Charge, per customer, per retailer	$/cust.	0.50
Distributor-consolidated billing monthly charge, per customer, per retailer	$/cust.	0.30
Retailer-consolidated billing monthly credit, per customer, per retailer	$/cust.	(0.30)
Service Transaction Requests (STR)		
Request fee, per request, applied to the requesting party	$	0.25
Processing fee, per request, applied to the requesting party	$	0.50
Request for customer information as outlined in Section 10.6.3 and Chapter 11 of the Retail Settlement Code directly to retailers and customers, if not delivered electronically through the Electronic Business Transaction (EBT) system, applied to the requesting party		
Up to twice a year	$	no charge
More than twice a year, per request (plus incremental delivery costs)	$	2.00

LOSS FACTORS

If the distributor is not capable of prorating changed loss factors jointly with distribution rates, the revised loss factors will be implemented upon the first subsequent billing for each billing cycle.

Total Loss Factor – Secondary Metered Customer < 5,000 kW	1.0379
Total Loss Factor – Secondary Metered Customer > 5,000 kW	1.0160
Distribution Loss Factor - Primary Metered Customer < 5,000 kW	1.0276
Distribution Loss Factor - Primary Metered Customer > 5,000 kW	1.0060

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Appendix 2-Z
Tariff of Rates and Charges

For each class, Applicants are required to copy and paste the class descriptions (located directly under the class name) and the description of the applicability of those rates (description is found under the class name and direc ly under he word "APPLICATION"). By using the drop-down lists located under the column labeled "Rate Description", please select he descriptions of the rates and charges that BEST MATCHES the descriptions on your most recent Board-Approved Tariff of Rates and Charges. **If the description is not found in the drop-down list,** please enter the description in the green shaded cells under he correct class exactly as it appears on Select the appropriate rate classes as they appear on your most recent Board-Approved Tariff of Rates and Charges, including the MicroFit Class.

How many classes are listed on your most recent Board-Approved Tariff of Rates and Charges? 10

Select Your Rate Classes from the Blue Cells below.
Please ensure hat a rate class is assigned to **each shaded cell.**

Rate Class Classification

RESIDENTIAL
GENERAL SERVICE LESS THAN 50 KW
GENERAL SERVICE 50 TO 4,999 KW
LARGE USE
LARGE USE (2)
UNMETERED SCATTERED LOAD
SENTINEL LIGHTING
STREET LIGHTING
STANDBY POWER
microFIT

Once all blue shaded cells above are filled out, press the following button to create your tariff template

Horizon Utilities
TARIFF OF RATES AND CHARGES
Effective and Implementation Date January 1, 2016

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

EB-2014-0002

RESIDENTIAL SERVICE CLASSIFICATION

This classification applies to an account taking electricity at 750 volts or less where the electricity is used exclusively in a separate metered living accommodation. Customers shall be residing in single-dwelling units that consist of a detached house or one unit of a semi-detached, duplex, triplex or quadruplex house, with a residential zoning. Separately metered dwellings within a town house complex or apartment building also qualify as residential customers. All customers are single-phase. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges, assessments, or credits that are required by law to be invoiced by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, the Global Adjustment, the Ontario Clean Energy Benefit and the HST.

MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	custome	17.13
Smart Meter Entity Charge (effective from May 1, 2013 until Oct 31, 2018)	custome	0.79
Distribution Volumetric Rate	kWh	0.0168
Low Voltage Service Rate	kWh	0.00006
Retail Transmission Rate – Network Service Rate	kWh	0.0078
Retail Transmission Rate – Line and Transformation Connection Service Rate	kWh	0.0057

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate	$/kWh	0.0044
Rural Rate Protection Charge	$/kWh	0.0013
Standard Supply Service - Administrative Charge (if applicable)	$	0.25

GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION

This classification applies to a non residential account taking electricity at 750 volts or less whose average monthly maximum demand is less than, or is forecast to be less than, 50 kW. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

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MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	custome	43.26
Smart Meter Entity Charge (effective from May 1, 2013 until Oct 31, 2018)	custome	0.79
Distribution Volumetric Rate	kWh	0.0112
Low Voltage Service Rate	kWh	0.00006
Retail Transmission Rate – Network Service Rate	kWh	0.0067
Retail Transmission Rate – Line and Transformation Connection Service Rate	kWh	0.0052

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate	kWh	0.0044
Rural Rate Protection Charge	kWh	0.0013
Standard Supply Service - Administrative Charge (if applicable)	$	0.25

GENERAL SERVICE 50 TO 4,999 KW SERVICE CLASSIFICATION

This classification applies to a non residential account whose average monthly maximum demand used for billing purposes is equal to or greater than, or is forecast to be equal to or greater than, 50 kW but less than 5,000 kW. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges, assessments, or credits that are required by law to be invoiced by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, the Global Adjustment, the Ontario Clean Energy Benefit and the HST.

MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	custome	394.61
Distribution Volumetric Rate	kW	2.6460
Low Voltage Service Rate	kW	0.0217
Retail Transmission Rate – Network Service Rate	kW	2.6913
Retail Transmission Rate – Line and Transformation Connection Service Rate	kW	2.0527

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate	kWh	0.0044
Rural Rate Protection Charge	kWh	0.0013
Standard Supply Service - Administrative Charge (if applicable)	$	0.25

LARGE USE SERVICE CLASSIFICATION

This classification applies to an account whose average monthly maximum demand used for billing purposes is equal to or

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the

It should be noted that this schedule does not list any charges, assessments, or credits that are required by law to be

MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	custome	18,655.46
Distribution Volumetric Rate	kW	1.1007
Low Voltage Service Rate	kW	0.0249
Retail Transmission Rate – Network Service Rate	kW	3.0744
Retail Transmission Rate – Line and Transformation Connection Service Rate	kW	2.3588

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate	kWh	0.0044
Rural Rate Protection Charge	kWh	0.0013
Standard Supply Service - Administrative Charge (if applicable)	$	0.25

LARGE USE (2) SERVICE CLASSIFICATION

This classification applies to an account whose average monthly maximum demand used for billing purposes is equal to or greater than, or is forecast to be equal to or greater than, 15,000 kW and it is served with dedicated assets . Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

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It should be noted that this schedule does not list any charges, assessments, or credits that are required by law to be invoiced by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, the Global Adjustment, the Ontario Clean Energy Benefit and the HST.

MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	custome	3,598.73
Distribution Volumetric Rate	kW	0.2123
Low Voltage Service Rate	kW	0.0249
Retail Transmission Rate – Network Service Rate	kW	3.0744
Retail Transmission Rate – Line and Transformation Connection Service Rate	kW	2.3588

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate	$/kWh	0.0044
Rural Rate Protection Charge	$/kWh	0.0013
Standard Supply Service - Administrative Charge (if applicable)	$	0.25

UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION

This classification applies to an account taking electricity at 750 volts or less whose average monthly maximum demand is less than, or is forecast to be less than, 50 kW and the consumption is unmetered. Such connections include cable TV power packs, bus shelters, telephone booths, traffic lights, railway crossings, etc. The level of the consumption will be agreed to by the distributor and the customer, based on detailed manufacturer information/ documentation with regard to electrical consumption of the unmetered load or periodic monitoring of actual consumption. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

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MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	connect	9.73
Distribution Volumetric Rate	kWh	0.0151
Low Voltage Service Rate	kWh	0.00006
Retail Transmission Rate – Network Service Rate	kWh	0.0068
Retail Transmission Rate – Line and Transformation Connection Service Rate	kWh	0.0053

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate	$/kWh	0.0044
Rural Rate Protection Charge	$/kWh	0.0013
Standard Supply Service - Administrative Charge (if applicable)	$	0.25

SENTINEL LIGHTING SERVICE CLASSIFICATION

This classification applies to safety/security lighting with a Residential, General Service or Large Use customer. This is typically exterior lighting, and often unmetered. Consumption is estimated based on the equipment rating and estimated hours of use. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

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MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	connect	5.95
Distribution Volumetric Rate	kW	16.3289
Low Voltage Service Rate	kW	0.0175
Retail Transmission Rate – Network Service Rate	kW	2.2364
Retail Transmission Rate – Line and Transformation Connection Service Rate	kW	1.6517

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate	$/kWh	0.0044
Rural Rate Protection Charge	$/kWh	0.0013
Standard Supply Service - Administrative Charge (if applicable)	$	0.25

STREET LIGHTING SERVICE CLASSIFICATION

This classification applies to an account for roadway lighting with a Municipality, Regional Municipality, Ministry of Transportation and private roadway lighting, controlled by photo cells. The consumption for these

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

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MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	connect	3.11
Distribution Volumetric Rate	kW	8.2861
Low Voltage Service Rate	kW	0.0170
Retail Transmission Rate – Network Service Rate	kW	2.1187
Retail Transmission Rate – Line and Transformation Connection Service Rate	kW	1.6104

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate	$/kWh	0.0044
Rural Rate Protection Charge	$/kWh	0.0013
Standard Supply Service - Administrative Charge (if applicable)	$	0.25

STANDBY POWER SERVICE CLASSIFICATION

This classification refers to an account that has Load Displacement Generation and requires the distributor to provide back-up service. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

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MONTHLY RATES AND CHARGES - Delivery Component

GS < 50 kW Standby Charge	kW	2.6456
Large Use (1) Standby Charge	kW	1.1007
Large Use (2) Standby Charge	kW	0.2123

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate		
Rural Rate Protection Charge		
Standard Supply Service - Administrative Charge (if applicable)		

microFIT SERVICE CLASSIFICATION

This classification applies to an electricity generation facility contracted under the Ontario Power Authority's microFIT program and connected to the distributor's distribution system. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

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MONTHLY RATES AND CHARGES - Delivery Component

microFIT	0	5.40

ALLOWANCES

Transformer Allowance for Ownership - per kW of billing demand/month		
Transformer Allowance Discount	kW	(0.73)
Primary Metering Allowance for transformer losses – applied to measured demand and energy	%	(1.00)

SPECIFIC SERVICE CHARGES

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

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Customer Administration

Arrears certificate	$	15.00
Statement of Account	$	15.00
Pulling Post Dated Cheques	$	15.00
Duplicate Invoices for previous billing	$	15.00
Request for other billing information	$	15.00
Easement Letter	$	15.00
Income Tax Letter	$	15.00
Notification charge	$	15.00
Account History	$	15.00
Returned cheque charge (plus bank charges)	$	15.00
Charge to certify cheque	$	15.00
Legal letter charge	$	15.00
Account set up charge/change of occupancy charge (plus credit agency costs if applicable)	$	30.00
Special meter reads	$	30.00
Meter dispute charge plus Measurement Canada fees (if meter found correct)	$	30.00
Credit Card Convenience Charge	$	15.00
Credit check (plus credit agency costs)	$	15.00

Non-Payment of Account

Late Payment – per month	%	1.50
Late Payment – per annum	%	19.56
Collection of account charge – no disconnection	$	30.00
Collection of account charge – no disconnection – after regular hours	$	165.00
Disconnect/Reconnect at meter – during regular hours	$	65.00
Disconnect/Reconnect at meter – after regular hours	$	185.00
Disconnect/Reconnect at pole – during regular hours	$	185.00
Disconnect/Reconnect at pole – after regular hours	$	415.00
Service call – customer owned equipment	$	30.00
Service call – after regular hours	$	165.00
Temporary Service – Install & remove – overhead – no transformer	$	500.00
Temporary Service – Install & remove – underground – no transformer	$	300.00
Temporary Service – Install & remove – overhead – with transformer	$	1,000.00
Specific Charge for Access to the Power Poles - $/pole/year	$	22.35
Administrative Billing Charge	$	150.00
Install/Remove load control device – during regular hours	$	65.00
Install/Remove load control device – after regular hours	$	185.00

RETAIL SERVICE CHARGES (if applicable)

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

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Retail Service Charges refer to services provided by a distributor to retailers or customers related to the supply of competitive electricity.

One-time charge, per retailer, to establish the service agreement between the distributor and the retailer	$	100.00
Monthly Fixed Charge, per retailer	$	20.00
Monthly Variable Charge, per customer, per retailer	$/cust.	0.5000
Distributor-consolidated billing monthly charge, per customer, per retailer	$/cust.	0.3000
Retailer-consolidated billing monthly credit, per customer, per retailer	$/cust.	(0.300)
Service Transaction Requests (STR)		
Request fee, per request, applied to the requesting party	$	0.25
Processing fee, per request, applied to the requesting party	$	0.50
Request for customer information as outlined in Section 10.6.3 and Chapter 11 of the Retail Settlement Code directly to retailers and customers, if not delivered electronically through the Electronic Business Transaction (EBT) system, applied to the requesting party		
Up to twice a year	$	no charge
More than twice a year, per request (plus incremental delivery costs)	$	2.00

LOSS FACTORS

If the distributor is not capable of prorating changed loss factors jointly with distribution rates, the revised loss factors will be implemented upon the first subsequent billing for each billing cycle.

Total Loss Factor – Secondary Metered Customer < 5,000 kW	1.0379
Total Loss Factor – Secondary Metered Customer > 5,000 kW	1.0160
Distribution Loss Factor - Primary Metered Customer < 5,000 kW	1.0276
Distribution Loss Factor - Primary Metered Customer > 5,000 kW	1.0060

File Number:	EB-2014-0002
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Appendix 2-Z
Tariff of Rates and Charges

For each class, Applicants are required to copy and paste the class descriptions (located directly under the class name) and the description of the applicability of those rates (description is found under the class name and direc ly under he word "APPLICATION"). By using the drop-down lists located under the column labeled "Rate Description", please select he descriptions of the rates and charges that BEST MATCHES the descriptions on your most recent Board-Approved Tariff of Rates and Charges. **If the description is not found in the drop-down list,** please enter the description in the green shaded cells under he correct class exactly as it appears on Select the appropriate rate classes as they appear on your most recent Board-Approved Tariff of Rates and Charges, including the MicroFit Class.

How many classes are listed on your most recent Board-Approved Tariff of Rates and Charges? 10

Select Your Rate Classes from the Blue Cells below.
Please ensure hat a rate class is assigned to **each shaded cell.**

Rate Class Classification

RESIDENTIAL
GENERAL SERVICE LESS THAN 50 KW
GENERAL SERVICE 50 TO 4,999 KW
LARGE USE
LARGE USE (2)
UNMETERED SCATTERED LOAD
SENTINEL LIGHTING
STREET LIGHTING
STANDBY POWER
microFIT

Once all blue shaded cells above are filled out, press the following button to create your tariff template

Horizon Utilities
TARIFF OF RATES AND CHARGES
Effective and Implementation Date January 1, 2017

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

EB-2014-0002

RESIDENTIAL SERVICE CLASSIFICATION

This classification applies to an account taking electricity at 750 volts or less where the electricity is used exclusively in a separate metered living accommodation. Customers shall be residing in single-dwelling units that consist of a detached house or one unit of a semi-detached, duplex, triplex or quadruplex house, with a residential zoning. Separately metered dwellings within a town house complex or apartment building also qualify as residential customers. All customers are single-phase. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

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MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	customer	17.49
Smart Meter Entity Charge (effective from May 1, 2013 until Oct 31, 2018)	customer	0.79
Distribution Volumetric Rate	kWh	0.0171
Low Voltage Service Rate	kWh	0.00006
Retail Transmission Rate – Network Service Rate	kWh	0.0081
Retail Transmission Rate – Line and Transformation Connection Service Rate	kWh	0.0058

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate	$/kWh	0.0044
Rural Rate Protection Charge	$/kWh	0.0013
Standard Supply Service - Administrative Charge (if applicable)	$	0.25

GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION

This classification applies to a non residential account taking electricity at 750 volts or less whose average monthly maximum demand is less than, or is forecast to be less than, 50 kW. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

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MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	customer	44.28
Smart Meter Entity Charge (effective from May 1, 2013 until Oct 31, 2018)	customer	0.79
Distribution Volumetric Rate	kWh	0.0115
Low Voltage Service Rate	kWh	0.00006
Retail Transmission Rate – Network Service Rate	kWh	0.0069
Retail Transmission Rate – Line and Transformation Connection Service Rate	kWh	0.0053

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate	kWh	0.0044
Rural Rate Protection Charge	kWh	0.0013
Standard Supply Service - Administrative Charge (if applicable)	$	0.25

GENERAL SERVICE 50 TO 4,999 KW SERVICE CLASSIFICATION

This classification applies to a non residential account whose average monthly maximum demand used for billing purposes is equal to or greater than, or is forecast to be equal to or greater than, 50 kW but less than 5,000 kW. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

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MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	customer	404.56
Distribution Volumetric Rate	kW	2.7051
Low Voltage Service Rate	kW	0.0217
Retail Transmission Rate – Network Service Rate	kW	2.7789
Retail Transmission Rate – Line and Transformation Connection Service Rate	kW	2.0938

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate	kWh	0.0044
Rural Rate Protection Charge	kWh	0.0013
Standard Supply Service - Administrative Charge (if applicable)	$	0.25

LARGE USE SERVICE CLASSIFICATION

This classification applies to an account whose average monthly maximum demand used for billing purposes is equal to or

APPLICATION

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MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	customer	19,042.30
Distribution Volumetric Rate	kW	1.1235
Low Voltage Service Rate	kW	0.0249
Retail Transmission Rate – Network Service Rate	kW	3.1744
Retail Transmission Rate – Line and Transformation Connection Service Rate	kW	2.4060

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate	kWh	0.0044
Rural Rate Protection Charge	kWh	0.0013
Standard Supply Service - Administrative Charge (if applicable)	$	0.25

LARGE USE (2) SERVICE CLASSIFICATION

This classification applies to an account whose average monthly maximum demand used for billing purposes is equal to or greater than, or is forecast to be equal to or greater than, 15,000 kW and it is served with dedicated assets . Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

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MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	customer	4,784.55
Distribution Volumetric Rate	kW	0.2823
Low Voltage Service Rate	kW	0.0249
Retail Transmission Rate – Network Service Rate	kW	3.1744
Retail Transmission Rate – Line and Transformation Connection Service Rate	kW	2.4060

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate	$/kWh	0.0044
Rural Rate Protection Charge	$/kWh	0.0013
Standard Supply Service - Administrative Charge (if applicable)	$	0.25

UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION

This classification applies to an account taking electricity at 750 volts or less whose average monthly maximum demand is less than, or is forecast to be less than, 50 kW and the consumption is unmetered. Such connections include cable TV power packs, bus shelters, telephone booths, traffic lights, railway crossings, etc. The level of the consumption will be agreed to by the distributor and the customer, based on detailed manufacturer information/ documentation with regard to electrical consumption of the unmetered load or periodic monitoring of actual consumption. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

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MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	connection	9.93
Distribution Volumetric Rate	kWh	0.0154
Low Voltage Service Rate	kWh	0.00006
Retail Transmission Rate – Network Service Rate	kWh	0.0070
Retail Transmission Rate – Line and Transformation Connection Service Rate	kWh	0.0054

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate	$/kWh	0.0044
Rural Rate Protection Charge	$/kWh	0.0013
Standard Supply Service - Administrative Charge (if applicable)	$	0.25

SENTINEL LIGHTING SERVICE CLASSIFICATION

This classification applies to safety/security lighting with a Residential, General Service or Large Use customer. This is typically exterior lighting, and often unmetered. Consumption is estimated based on the equipment rating and estimated hours of use. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

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MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	connection	6.09
Distribution Volumetric Rate	kW	16.7141
Low Voltage Service Rate	kW	0.0175
Retail Transmission Rate – Network Service Rate	kW	2.3091
Retail Transmission Rate – Line and Transformation Connection Service Rate	kW	1.6848

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate	$/kWh	0.0044
Rural Rate Protection Charge	$/kWh	0.0013
Standard Supply Service - Administrative Charge (if applicable)	$	0.25

STREET LIGHTING SERVICE CLASSIFICATION

This classification applies to an account for roadway lighting with a Municipality, Regional Municipality, Ministry of Transportation and private roadway lighting, controlled by photo cells. The consumption for these

APPLICATION

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MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	connection	3.19
Distribution Volumetric Rate	kW	8.4815
Low Voltage Service Rate	kW	0.0170
Retail Transmission Rate – Network Service Rate	kW	2.1876
Retail Transmission Rate – Line and Transformation Connection Service Rate	kW	1.6427

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate	$/kWh	0.0044
Rural Rate Protection Charge	$/kWh	0.0013
Standard Supply Service - Administrative Charge (if applicable)	$	0.25

STANDBY POWER SERVICE CLASSIFICATION

This classification refers to an account that has Load Displacement Generation and requires the distributor to provide back-up service. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

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MONTHLY RATES AND CHARGES - Delivery Component

GS < 50 kW Standby Charge	kW	2.7056
Large Use (1) Standby Charge	kW	1.1235
Large Use (2) Standby Charge	kW	0.2823

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate		
Rural Rate Protection Charge		
Standard Supply Service - Administrative Charge (if applicable)		

microFIT SERVICE CLASSIFICATION

This classification applies to an electricity generation facility contracted under the Ontario Power Authority's microFIT program and connected to the distributor's distribution system. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

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MONTHLY RATES AND CHARGES - Delivery Component

microFIT	0	5.40

ALLOWANCES

Transformer Allowance for Ownership - per kW of billing demand/month		
Transformer Allowance Discount	kW	(0.73)
Primary Metering Allowance for transformer losses – applied to measured demand and energy	%	##########

SPECIFIC SERVICE CHARGES

APPLICATION

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Customer Administration

Arrears certificate	$	15.00
Statement of Account	$	15.00
Pulling Post Dated Cheques	$	15.00
Duplicate Invoices for previous billing	$	15.00
Request for other billing information	$	15.00
Easement Letter	$	15.00
Income Tax Letter	$	15.00
Notification charge	$	15.00
Account History	$	15.00
Returned cheque charge (plus bank charges)	$	15.00
Charge to certify cheque	$	15.00
Legal letter charge	$	15.00
Account set up charge/change of occupancy charge (plus credit agency costs if applicable)	$	30.00
Special meter reads	$	30.00
Meter dispute charge plus Measurement Canada fees (if meter found correct)	$	30.00
Credit Card Convenience Charge	$	15.00
Paymentus Service Fee	$	5.95
Credit check (plus credit agency costs)	$	15.00

Non-Payment of Account

Late Payment – per month	%	1.50
Late Payment – per annum	%	19.56
Collection of account charge – no disconnection	$	30.00
Collection of account charge – no disconnection – after regular hours	$	165.00
Disconnect/Reconnect at meter – during regular hours	$	65.00
Disconnect/Reconnect at meter – after regular hours	$	185.00
Disconnect/Reconnect at pole – during regular hours	$	185.00
Disconnect/Reconnect at pole – after regular hours	$	415.00
Service call – customer owned equipment	$	30.00
Service call – after regular hours	$	165.00
Temporary Service – Install & remove – overhead – no transformer	$	500.00
Temporary Service – Install & remove – underground – no transformer	$	300.00
Temporary Service – Install & remove – overhead – with transformer	$	1,000.00
Specific Charge for Access to the Power Poles - $/pole/year	$	22.35
Administrative Billing Charge	$	150.00
Install/Remove load control device – during regular hours	$	65.00
Install/Remove load control device – after regular hours	$	185.00

RETAIL SERVICE CHARGES (if applicable)

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Retail Service Charges refer to services provided by a distributor to retailers or customers related to the supply of competitive electricity.

One-time charge, per retailer, to establish the service agreement between the distributor and the retailer	$	100.00
Monthly Fixed Charge, per retailer	$	20.00
Monthly Variable Charge, per customer, per retailer	$/cust.	0.5000
Distributor-consolidated billing monthly charge, per customer, per retailer	$/cust.	0.3000
Retailer-consolidated billing monthly credit, per customer, per retailer	$/cust.	(0.3000)
Service Transaction Requests (STR)		
Request fee, per request, applied to the requesting party	$	0.25
Processing fee, per request, applied to the requesting party	$	0.50
Request for customer information as outlined in Section 10.6.3 and Chapter 11 of the Retail Settlement Code directly to retailers and customers, if not delivered electronically through the Electronic Business Transaction (EBT) system, applied to the requesting party		
Up to twice a year	$	no charge
More than twice a year, per request (plus incremental delivery costs)	$	2.00

LOSS FACTORS

If the distributor is not capable of prorating changed loss factors jointly with distribution rates, the revised loss factors will be implemented upon the first subsequent billing for each billing cycle.

Total Loss Factor – Secondary Metered Customer < 5,000 kW	1.0379
Total Loss Factor – Secondary Metered Customer > 5,000 kW	1.0160
Distribution Loss Factor - Primary Metered Customer < 5,000 kW	1.0276
Distribution Loss Factor - Primary Metered Customer > 5,000 kW	1.0060

File Number:	EB-2014-0002
Exhibit:	
Tab:	
Schedule:	
Page:	
Date:	

Appendix 2-Z
Tariff of Rates and Charges

For each class, Applicants are required to copy and paste the class descriptions (located directly under the class name) and the description of the applicability of hose rates (description is found under the class name and direc ly under he word "APPLICATION"). By using the drop-down lists located under the column labeled "Rate Description", please select the descriptions of the rates and charges that BEST MATCHES the descrip ions on your most recent Board-Approved Tariff of Rates and Charges. **If the description is not found in the drop-down list,** please enter the descrip ion in the green shaded cells under the correct class exactly as Select the appropriate rate classes as they appear on your most recent Board-Approved Tariff of Rates and Charges, including the MicroFit Class.

How many classes are listed on your most recent Board-Approved Tariff of Rates and Charges? 10

Select Your Rate Classes from the Blue Cells below.
Please ensure hat a rate class is assigned to **each shaded cell.**

Rate Class Classification

RESIDENTIAL
GENERAL SERVICE LESS THAN 50 KW
GENERAL SERVICE 50 TO 4,999 KW
LARGE USE
LARGE USE (2)
UNMETERED SCATTERED LOAD
SENTINEL LIGHTING
STREET LIGHTING
STANDBY POWER
microFIT

Once all blue shaded cells above are filled out, press the following button to create your tariff template

Horizon Utilities
TARIFF OF RATES AND CHARGES
Effective and Implementation Date January 1, 2018

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

EB-2014-0002

RESIDENTIAL SERVICE CLASSIFICATION

This classification applies to an account taking electricity at 750 volts or less where the electricity is used exclusively in a separate metered living accommodation. Customers shall be residing in single-dwelling units that consist of a detached house or one unit of a semi-detached, duplex, triplex or quadruplex house, with a residential zoning. Separately metered dwellings within a town house complex or apartment building also qualify as residential customers. All customers are single-phase. Further servicing details are available in the distributor's Conditions of Service.

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MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	custome	17.74
Smart Meter Entity Charge (effective from May 1, 2013 until Oct 31, 2018)	custome	0.79
Distribution Volumetric Rate	kWh	0.0173
Low Voltage Service Rate	kWh	0.00006
Retail Transmission Rate – Network Service Rate	kWh	0.0084
Retail Transmission Rate – Line and Transformation Connection Service Rate	kWh	0.0060

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate	$/kWh	0.0044
Rural Rate Protection Charge	$/kWh	0.0013
Standard Supply Service - Administrative Charge (if applicable)	$	0.25

GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION

This classification applies to a non residential account taking electricity at 750 volts or less whose average monthly maximum demand is less than, or is forecast to be less than, 50 kW. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

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MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	custome	44.91
Smart Meter Entity Charge (effective from May 1, 2013 until Oct 31, 2018)	custome	0.79
Distribution Volumetric Rate	kWh	0.0117
Low Voltage Service Rate	kWh	0.00006
Retail Transmission Rate – Network Service Rate	kWh	0.0072
Retail Transmission Rate – Line and Transformation Connection Service Rate	kWh	0.0054

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate	kWh	0.0044
Rural Rate Protection Charge	kWh	0.0013
Standard Supply Service - Administrative Charge (if applicable)	$	0.25

GENERAL SERVICE 50 TO 4,999 KW SERVICE CLASSIFICATION

This classification applies to a non residential account whose average monthly maximum demand used for billing purposes is equal to or greater than, or is forecast to be equal to or greater than, 50 kW but less than 5,000 kW. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

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MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	custome	410.35
Distribution Volumetric Rate	kW	2.7395
Low Voltage Service Rate	kW	0.0217
Retail Transmission Rate – Network Service Rate	kW	2.8664
Retail Transmission Rate – Line and Transformation Connection Service Rate	kW	2.1349

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate	kWh	0.0044
Rural Rate Protection Charge	kWh	0.0013
Standard Supply Service - Administrative Charge (if applicable)	$	0.25

LARGE USE SERVICE CLASSIFICATION

This classification applies to an account whose average monthly maximum demand used for billing purposes is equal to or

APPLICATION

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MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	custome	19,314.38
Distribution Volumetric Rate	kW	1.1396
Low Voltage Service Rate	kW	0.0249
Retail Transmission Rate – Network Service Rate	kW	3.2744
Retail Transmission Rate – Line and Transformation Connection Service Rate	kW	2.4533

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate	kWh	0.0044
Rural Rate Protection Charge	kWh	0.0013
Standard Supply Service - Administrative Charge (if applicable)	$	0.25

LARGE USE (2) SERVICE CLASSIFICATION

This classification applies to an account whose average monthly maximum demand used for billing purposes is equal to or greater than, or is forecast to be equal to or greater than, 15,000 kW and it is served with dedicated assets . Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

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MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	custome	4,856.33
Distribution Volumetric Rate	kW	0.2865
Low Voltage Service Rate	kW	0.0249
Retail Transmission Rate – Network Service Rate	kW	3.2744
Retail Transmission Rate – Line and Transformation Connection Service Rate	kW	2.4533

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate	$/kWh	0.0044
Rural Rate Protection Charge	$/kWh	0.0013
Standard Supply Service - Administrative Charge (if applicable)	$	0.25

UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION

This classification applies to an account taking electricity at 750 volts or less whose average monthly maximum demand is less than, or is forecast to be less than, 50 kW and the consumption is unmetered. Such connections include cable TV power packs, bus shelters, telephone booths, traffic lights, railway crossings, etc. The level of the consumption will be agreed to by the distributor and the customer, based on detailed manufacturer information/ documentation with regard to electrical consumption of the unmetered load or periodic monitoring of actual consumption. Further servicing details are available in the distributor's Conditions of Service.

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MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	connect	10.04
Distribution Volumetric Rate	kWh	0.0156
Low Voltage Service Rate	kWh	0.00006
Retail Transmission Rate – Network Service Rate	kWh	0.0073
Retail Transmission Rate – Line and Transformation Connection Service Rate	kWh	0.0055

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate	$/kWh	0.0044
Rural Rate Protection Charge	$/kWh	0.0013
Standard Supply Service - Administrative Charge (if applicable)	$	0.25

SENTINEL LIGHTING SERVICE CLASSIFICATION

This classification applies to safety/security lighting with a Residential, General Service or Large Use customer. This is typically exterior lighting, and often unmetered. Consumption is estimated based on the equipment rating and estimated hours of use. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges, assessments, or credits that are required by law to be invoiced by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, the Global Adjustment, the Ontario Clean Energy Benefit and the HST.

MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	connect	6.19
Distribution Volumetric Rate	kW	16.9648
Low Voltage Service Rate	kW	0.0175
Retail Transmission Rate – Network Service Rate	kW	2.3819
Retail Transmission Rate – Line and Transformation Connection Service Rate	kW	1.7179

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate	$/kWh	0.0044
Rural Rate Protection Charge	$/kWh	0.0013
Standard Supply Service - Administrative Charge (if applicable)	$	0.25

STREET LIGHTING SERVICE CLASSIFICATION

This classification applies to an account for roadway lighting with a Municipality, Regional Municipality, Ministry of Transportation and private roadway lighting, controlled by photo cells. The consumption for these

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

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MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	connect	3.23
Distribution Volumetric Rate	kW	8.6087
Low Voltage Service Rate	kW	0.0170
Retail Transmission Rate – Network Service Rate	kW	2.2565
Retail Transmission Rate – Line and Transformation Connection Service Rate	kW	1.6750

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate	$/kWh	0.0044
Rural Rate Protection Charge	$/kWh	0.0013
Standard Supply Service - Administrative Charge (if applicable)	$	0.25

STANDBY POWER SERVICE CLASSIFICATION

This classification refers to an account that has Load Displacement Generation and requires the distributor to provide back-up service. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

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MONTHLY RATES AND CHARGES - Delivery Component

GS < 50 kW Standby Charge	kW	2.7399
Large Use (1) Standby Charge	kW	1.1396
Large Use (2) Standby Charge	kW	0.2865

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate		
Rural Rate Protection Charge		
Standard Supply Service - Administrative Charge (if applicable)		

microFIT SERVICE CLASSIFICATION

This classification applies to an electricity generation facility contracted under the Ontario Power Authority's microFIT program and connected to the distributor's distribution system. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

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MONTHLY RATES AND CHARGES - Delivery Component

microFIT	0	5.40

ALLOWANCES

Transformer Allowance for Ownership - per kW of billing demand/month		
Transformer Allowance Discount	kW	(0.73)
Primary Metering Allowance for transformer losses – applied to measured demand and energy	%	(1.00)

SPECIFIC SERVICE CHARGES

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

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Customer Administration

Arrears certificate	$	15.00
Statement of Account	$	15.00
Pulling Post Dated Cheques	$	15.00
Duplicate Invoices for previous billing	$	15.00
Request for other billing information	$	15.00
Easement Letter	$	15.00
Income Tax Letter	$	15.00
Notification charge	$	15.00
Account History	$	15.00
Returned cheque charge (plus bank charges)	$	15.00
Charge to certify cheque	$	15.00
Legal letter charge	$	15.00
Account set up charge/change of occupancy charge (plus credit agency costs if applicable)	$	30.00
Special meter reads	$	30.00
Meter dispute charge plus Measurement Canada fees (if meter found correct)	$	30.00
Credit Card Convenience Charge	$	15.00
Paymentus Service Fee	$	5.95
Credit check (plus credit agency costs)	$	15.00

Non-Payment of Account

Late Payment – per month	%	1.50
Late Payment – per annum	%	19.56
Collection of account charge – no disconnection	$	30.00
Collection of account charge – no disconnection – after regular hours	$	165.00
Disconnect/Reconnect at meter – during regular hours	$	65.00
Disconnect/Reconnect at meter – after regular hours	$	185.00
Disconnect/Reconnect at pole – during regular hours	$	185.00
Disconnect/Reconnect at pole – after regular hours	$	415.00
Service call – customer owned equipment	$	30.00
Service call – after regular hours	$	165.00
Temporary Service – Install & remove – overhead – no transformer	$	500.00
Temporary Service – Install & remove – underground – no transformer	$	300.00
Temporary Service – Install & remove – overhead – with transformer	$	1,000.00
Specific Charge for Access to the Power Poles - $/pole/year	$	22.35
Administrative Billing Charge	$	150.00
Install/Remove load control device – during regular hours	$	65.00
Install/Remove load control device – after regular hours	$	185.00

RETAIL SERVICE CHARGES (if applicable)

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

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Retail Service Charges refer to services provided by a distributor to retailers or customers related to the supply of competitive electricity.

One-time charge, per retailer, to establish the service agreement between the distributor and the retailer	$	100.00
Monthly Fixed Charge, per retailer	$	20.00
Monthly Variable Charge, per customer, per retailer	$/cust.	0.5000
Distributor-consolidated billing monthly charge, per customer, per retailer	$/cust.	0.3000
Retailer-consolidated billing monthly credit, per customer, per retailer	$/cust.	(0.3000)
Service Transaction Requests (STR)		
Request fee, per request, applied to the requesting party	$	0.25
Processing fee, per request, applied to the requesting party	$	0.50
Request for customer information as outlined in Section 10.6.3 and Chapter 11 of the Retail Settlement Code directly to retailers and customers, if not delivered electronically through the Electronic Business Transaction (EBT) system, applied to the requesting party		
Up to twice a year	$	no charge
More than twice a year, per request (plus incremental delivery costs)	$	2.00

LOSS FACTORS

If the distributor is not capable of prorating changed loss factors jointly with distribution rates, the revised loss factors will be implemented upon the first subsequent billing for each billing cycle.

Total Loss Factor – Secondary Metered Customer < 5,000 kW	1.0379
Total Loss Factor – Secondary Metered Customer > 5,000 kW	1.0160
Distribution Loss Factor - Primary Metered Customer < 5,000 kW	1.0276
Distribution Loss Factor - Primary Metered Customer > 5,000 kW	1.0060

File Number:	EB-2014-0002
Exhibit:	
Tab:	
Schedule:	
Page:	
Date:	

Appendix 2-Z
Tariff of Rates and Charges

For each class, Applicants are required to copy and paste the class descriptions (located directly under the class name) and the description of the applicability of hose rates (description is found under the class name and direc ly under he word "APPLICATION"). By using the drop-down lists located under the column labeled "Rate Description", please select the descriptions of the rates and charges that BEST MATCHES the descrip ions on your most recent Board-Approved Tariff of Rates and Charges. **If the description is not found in the drop-down list,** please enter the descrip ion in the green shaded cells under the correct class exactly as Select the appropriate rate classes as they appear on your most recent Board-Approved Tariff of Rates and Charges, including the MicroFit Class.

How many classes are listed on your most recent Board-Approved Tariff of Rates and Charges? 10

Select Your Rate Classes from the Blue Cells below.
Please ensure hat a rate class is assigned to **each shaded cell.**

Rate Class Classification

RESIDENTIAL
GENERAL SERVICE LESS THAN 50 KW
GENERAL SERVICE 50 TO 4,999 KW
LARGE USE
LARGE USE (2)
UNMETERED SCATTERED LOAD
SENTINEL LIGHTING
STREET LIGHTING
STANDBY POWER
microFIT

Once all blue shaded cells above are filled out, press the following button to create your tariff template

Horizon Utilities
TARIFF OF RATES AND CHARGES
Effective and Implementation Date January 1, 2019

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

EB-2014-0002

RESIDENTIAL SERVICE CLASSIFICATION

This classification applies to an account taking electricity at 750 volts or less where the electricity is used exclusively in a separate metered living accommodation. Customers shall be residing in single-dwelling units that consist of a detached house or one unit of a semi-detached, duplex, triplex or quadruplex house, with a residential zoning. Separately metered dwellings within a town house complex or apartment building also qualify as residential customers. All customers are single-phase. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

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MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	custome	18.25
Distribution Volumetric Rate	kWh	0.0178
Low Voltage Service Rate	kWh	0.00006
Retail Transmission Rate – Network Service Rate	kWh	0.0086
Retail Transmission Rate – Line and Transformation Connection Service Rate	kWh	0.0061

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate	$/kWh	0.0044
Rural Rate Protection Charge	$/kWh	0.0013
Standard Supply Service - Administrative Charge (if applicable)	$	0.25

GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION

This classification applies to a non residential account taking electricity at 750 volts or less whose average monthly maximum demand is less than, or is forecast to be less than, 50 kW. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

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MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	custome	46.20
Distribution Volumetric Rate	kWh	0.0120
Low Voltage Service Rate	kWh	0.00006
Retail Transmission Rate – Network Service Rate	kWh	0.0074
Retail Transmission Rate – Line and Transformation Connection Service Rate	kWh	0.0055

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate	kWh	0.0044
Rural Rate Protection Charge	kWh	0.0013
Standard Supply Service - Administrative Charge (if applicable)	$	0.25

GENERAL SERVICE 50 TO 4,999 KW SERVICE CLASSIFICATION

This classification applies to a non residential account whose average monthly maximum demand used for billing purposes is equal to or greater than, or is forecast to be equal to or greater than, 50 kW but less than 5,000 kW. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

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MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	custome	422.19
Distribution Volumetric Rate	kW	2.8097
Low Voltage Service Rate	kW	0.0217
Retail Transmission Rate – Network Service Rate	kW	2.9539
Retail Transmission Rate – Line and Transformation Connection Service Rate	kW	2.1761

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate	kWh	0.0044
Rural Rate Protection Charge	kWh	0.0013
Standard Supply Service - Administrative Charge (if applicable)	$	0.25

LARGE USE SERVICE CLASSIFICATION

This classification applies to an account whose average monthly maximum demand used for billing purposes is equal to or

APPLICATION

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Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the

It should be noted that this schedule does not list any charges, assessments, or credits that are required by law to be

MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	custome	19,868.86
Distribution Volumetric Rate	kW	1.1723
Low Voltage Service Rate	kW	0.0249
Retail Transmission Rate – Network Service Rate	kW	3.3743
Retail Transmission Rate – Line and Transformation Connection Service Rate	kW	2.5006

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate	kWh	0.0044
Rural Rate Protection Charge	kWh	0.0013
Standard Supply Service - Administrative Charge (if applicable)	$	0.25

LARGE USE (2) SERVICE CLASSIFICATION

This classification applies to an account whose average monthly maximum demand used for billing purposes is equal to or greater than, or is forecast to be equal to or greater than, 15,000 kW and it is served with dedicated assets . Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

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MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	custome	4,995.75
Distribution Volumetric Rate	kW	0.2947
Low Voltage Service Rate	kW	0.02492
Retail Transmission Rate – Network Service Rate	kW	3.3743
Retail Transmission Rate – Line and Transformation Connection Service Rate	kW	2.5006

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate	$/kWh	0.0044
Rural Rate Protection Charge	$/kWh	0.0013
Standard Supply Service - Administrative Charge (if applicable)	$	0.25

UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION

This classification applies to an account taking electricity at 750 volts or less whose average monthly maximum demand is less than, or is forecast to be less than, 50 kW and the consumption is unmetered. Such connections include cable TV power packs, bus shelters, telephone booths, traffic lights, railway crossings, etc. The level of the consumption will be agreed to by the distributor and the customer, based on detailed manufacturer information/ documentation with regard to electrical consumption of the unmetered load or periodic monitoring of actual consumption. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

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MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	connect	10.32
Distribution Volumetric Rate	kWh	0.0160
Low Voltage Service Rate	kWh	0.00006
Retail Transmission Rate – Network Service Rate	kWh	0.0075
Retail Transmission Rate – Line and Transformation Connection Service Rate	kWh	0.0056

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate	$/kWh	0.0044
Rural Rate Protection Charge	$/kWh	0.0013
Standard Supply Service - Administrative Charge (if applicable)	$	0.25

SENTINEL LIGHTING SERVICE CLASSIFICATION

This classification applies to safety/security lighting with a Residential, General Service or Large Use customer. This is typically exterior lighting, and often unmetered. Consumption is estimated based on the equipment rating and estimated hours of use. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

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MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	connect	6.36
Distribution Volumetric Rate	kW	17.4518
Low Voltage Service Rate	kW	0.0175
Retail Transmission Rate – Network Service Rate	kW	2.4546
Retail Transmission Rate – Line and Transformation Connection Service Rate	kW	1.7510

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate	$/kWh	0.0044
Rural Rate Protection Charge	$/kWh	0.0013
Standard Supply Service - Administrative Charge (if applicable)	$	0.25

STREET LIGHTING SERVICE CLASSIFICATION

This classification applies to an account for roadway lighting with a Municipality, Regional Municipality, Ministry of Transportation and private roadway lighting, controlled by photo cells. The consumption for these

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

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MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	connect	3.33
Distribution Volumetric Rate	kW	8.8558
Low Voltage Service Rate	kW	0.0170
Retail Transmission Rate – Network Service Rate	kW	2.3253
Retail Transmission Rate – Line and Transformation Connection Service Rate	kW	1.7072

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate	$/kWh	0.0044
Rural Rate Protection Charge	$/kWh	0.0013

Standard Supply Service - Administrative Charge (if applicable)	$	0.25

STANDBY POWER SERVICE CLASSIFICATION

This classification refers to an account that has Load Displacement Generation and requires the distributor to provide back-up service. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

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MONTHLY RATES AND CHARGES - Delivery Component

GS < 50 kW Standby Charge	kW	2.8095
Large Use (1) Standby Charge	kW	1.1723
Large Use (2) Standby Charge	kW	0.2947

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate		
Rural Rate Protection Charge		
Standard Supply Service - Administrative Charge (if applicable)		

microFIT SERVICE CLASSIFICATION

This classification applies to an electricity generation facility contracted under the Ontario Power Authority's microFIT program and connected to the distributor's distribution system. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

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MONTHLY RATES AND CHARGES - Delivery Component

microFIT	0	5.40

ALLOWANCES

Transformer Allowance for Ownership - per kW of billing demand/month		
Transformer Allowance Discount	kW	(0.73)
Primary Metering Allowance for transformer losses – applied to measured demand and energy	%	(1.00)

SPECIFIC SERVICE CHARGES

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, the Global Adjustment, the Ontario Clean Energy Benefit and the HST.

Customer Administration

Arrears certificate	$	15.00
Statement of Account	$	15.00
Pulling Post Dated Cheques	$	15.00
Duplicate Invoices for previous billing	$	15.00
Request for other billing information	$	15.00
Easement Letter	$	15.00
Income Tax Letter	$	15.00
Notification charge	$	15.00
Account History	$	15.00
Returned cheque charge (plus bank charges)	$	15.00
Charge to certify cheque	$	15.00
Legal letter charge	$	15.00
Account set up charge/change of occupancy charge (plus credit agency costs if applicable)	$	30.00
Special meter reads	$	30.00
Meter dispute charge plus Measurement Canada fees (if meter found correct)	$	30.00
Credit Card Convenience Charge	$	15.00
Credit check (plus credit agency costs)	$	15.00
Paymentus Service Fee	$	5.95

Non-Payment of Account

Late Payment – per month	%	1.50
Late Payment – per annum	%	19.56
Collection of account charge – no disconnection	$	30.00
Collection of account charge – no disconnection – after regular hours	$	165.00
Disconnect/Reconnect at meter – during regular hours	$	65.00
Disconnect/Reconnect at meter – after regular hours	$	185.00
Disconnect/Reconnect at pole – during regular hours	$	185.00
Disconnect/Reconnect at pole – after regular hours	$	415.00
Service call – customer owned equipment	$	30.00
Service call – after regular hours	$	165.00
Temporary Service – Install & remove – overhead – no transformer	$	500.00
Temporary Service – Install & remove – underground – no transformer	$	300.00
Temporary Service – Install & remove – overhead – with transformer	$	1,000.00
Specific Charge for Access to the Power Poles - $/pole/year	$	22.35
Administrative Billing Charge	$	150.00
Install/Remove load control device – during regular hours	$	65.00
Install/Remove load control device – after regular hours	$	185.00

RETAIL SERVICE CHARGES (if applicable)

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, the Global Adjustment, the Ontario Clean Energy Benefit and the HST.

Retail Service Charges refer to services provided by a distributor to retailers or customers related to the supply of competitive electricity.

One-time charge, per retailer, to establish the service agreement between the distributor and the retailer	$	100.00
Monthly Fixed Charge, per retailer	$	20.00
Monthly Variable Charge, per customer, per retailer	$/cust.	0.5000
Distributor-consolidated billing monthly charge, per customer, per retailer	$/cust.	0.3000
Retailer-consolidated billing monthly credit, per customer, per retailer	$/cust.	(0.3000)
Service Transaction Requests (STR)		
Request fee, per request, applied to the requesting party	$	0.25
Processing fee, per request, applied to the requesting party	$	0.50
Request for customer information as outlined in Section 10.6.3 and Chapter 11 of the Retail Settlement Code directly to retailers and customers, if not delivered electronically through the Electronic Business Transaction (EBT) system, applied to the requesting party		
Up to twice a year	$	no charge
More than twice a year, per request (plus incremental delivery costs)	$	2.00

LOSS FACTORS

If the distributor is not capable of prorating changed loss factors jointly with distribution rates, the revised loss factors will be implemented upon the first subsequent billing for each billing cycle.

Total Loss Factor – Secondary Metered Customer < 5,000 kW	1.0379
Total Loss Factor – Secondary Metered Customer > 5,000 kW	1.0160
Distribution Loss Factor - Primary Metered Customer < 5,000 kW	1.0276
Distribution Loss Factor - Primary Metered Customer > 5,000 kW	1.0060

EXECUTIVE SUMMARY

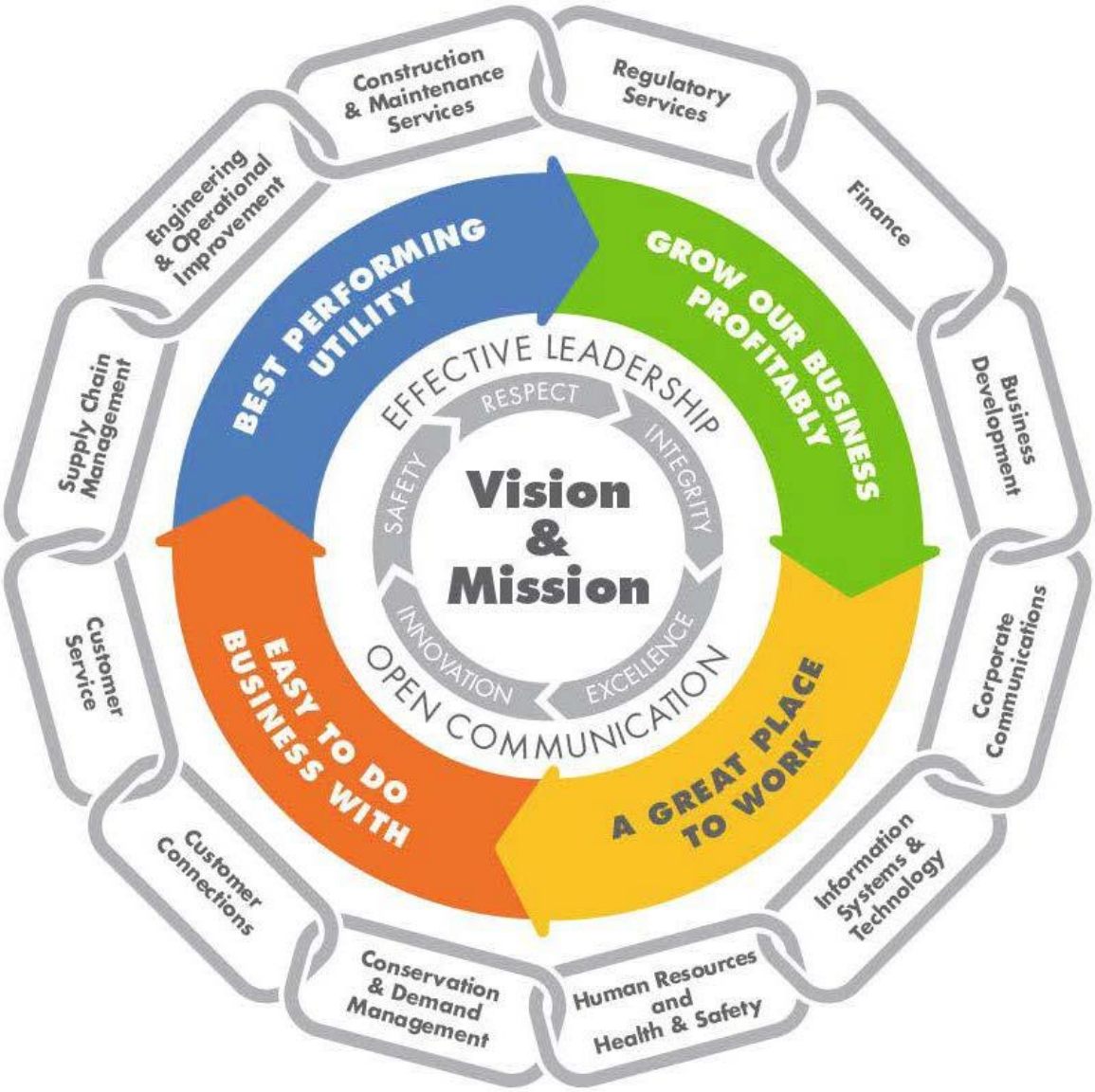
This Executive Summary includes the items set out in Section 2.4.1 of Chapter 2 of the Board's Filing Requirements for Electricity Distribution Companies' Cost of Service Rate Applications, based on the forward Test Years (the "Chapter 2 Requirements").

INTRODUCTION TO HORIZON UTILITIES CORPORATION

Horizon Utilities Corporation ("Horizon Utilities") is one of the largest municipally-owned electricity distribution companies in Ontario, providing electricity and related utility services to more than 240,000 residential and commercial customers in Hamilton and St. Catharines. The company is owned by Horizon Holdings Inc., a company owned by Hamilton Utilities Corporation (78.9%) and St. Catharines Hydro Inc. (21.1%). The latter two companies are respectively owned by the City of Hamilton and the City of St. Catharines.

Horizon Utilities' corporate objectives are: to be easy to do business with; to be the best performing utility; to be a great place to work; and to grow our business profitably. Figure 1-1 below illustrates the alignment of corporate objectives, values, and various business activities of Horizon Utilities.

Figure 1-1: Horizon Utilities' Corporate Objectives and Core Values



ALIGNMENT WITH THE RRFE

Horizon Utilities' corporate objectives, as identified above, are: to be easy to do business with; to be the best managed utility; to be a great place to work; and to grow our business profitably.

These corporate objectives are consistent with the four performance outcomes set out in the RRFE: (i) Customer Focus - services are provided in a manner that responds to identified customer preferences; (ii) Operational Effectiveness - continuous improvement in productivity and cost performance is achieved; and utilities deliver on system reliability and quality objectives; (iii) Public Policy Responsiveness - utilities deliver on obligations mandated by government (i.e. in legislation and in regulatory requirements, Ministerial directives to the Board); and (iv) Financial Performance - financial viability is maintained; and savings from operational effectiveness are sustainable. Horizon Utilities has incurred its OM&A expenditures and forecasts those expenditures in the context of these performance outcomes. Each of these outcomes is analyzed in further detail below.

The following initiatives support the RRFE outcomes:

Customer Focus:

Horizon Utilities has provided for the following activities in 2015 to 2019 in support of customer focus outcomes during this period:

Horizon Utilities utilizes a continuous improvements framework to increase the engagement of its customers.

In order to continuously monitor and integrate customer issues, concerns, and needs into its business plans, Horizon Utilities performs an annual Customer Satisfaction Survey (and has done so since 2001) in addition to information obtained from daily conversations between its Call Centre representatives and customers. The three top priorities of Horizon Utilities' customers are: ensuring that the distribution system provides reliable electricity supply to their homes and businesses; that Horizon Utilities is accessible to its customers; and maintaining distribution costs as low as practical. These priorities guide Horizon Utilities' plans for projects and initiatives that enhance the customer experience in a cost effective manner.

Horizon Utilities has also formally engaged customers with respect to its Distribution System Plan ("DSP") and corresponding indicative customer rate implications, which is provided in Appendix 2-4 of Exhibit 2. This customer engagement exercise was multi-faceted comprising: a DSP Review Workbook presented in an online format over the internet; an online survey available to all of Horizon Utilities' customers; facilitated discussions with commercial customers and community stakeholders; a residential customer telephone survey; and a series of one-on-one meetings with key account customers. Customer outreach and its results are addressed in detail in the DSP in Appendix 2-4 of Exhibit 2.

Since its last Cost of Service ("CoS") Application for 2011 electricity distribution rates (EB-2010-0131), based on customer feedback and service trends, Horizon Utilities has invested in web services to: enhance its accessibility to customers; provide enhanced self-service options; and improve the information available to customers regarding their electricity bills.

The following initiatives have been undertaken from 2011 to 2014 with respect to customer focus:

- Completed a customer communication campaign on Time of Use ("TOU") pricing (2011);
- Implemented a website strategy and social media strategy to create a more user-friendly, effective, and informative website experience;
- Added new channels for customer communications and enhanced customer account and energy management tools, including:
    - Established a Facebook presence as a channel for customer communications (2011);
    - Began utilizing Twitter as a channel for customer communications (2011);
    - Launched the new user-friendly Horizon Utilities website (2012);
    - Added outage mapping to the Horizon Utilities website to provide additional outage and restoration information to customers (2012);
    - Enhanced self-service options (myAccount), including: (i) reporting of move-in and move-out information online; and (ii) electricity management tools

(myElectric) including a) Smart Meter data presentment in hourly, daily, and monthly views, b) "predict my bill" calculator, and c) custom alert features which notify the customer when a threshold related to consumption or cost of electricity is reached (2012). myAccount and myElectric are cost effective customer communication channels that provide customers with 24x7 accessibility to their account information and related energy management tools. The self service options assist in cost containment in Customer Service as identified in Exhibit 4, Tab 3, Schedule 4;

- Added a new mobile website to ensure that customers can access their Horizon Utilities account and outage information from their mobile device (2013); and
- Implemented a self-service portal for electrical contractors to enable the submission of service layout requests at the time that is most convenient to them, and avoid any wait times in contacting the office for appointments (2013);

- Implemented Canada Post's e-post service for electronic bill delivery (2013);
- Implemented the Geospatial Information System ("GIS") and the first phase of the multi-phase Outage Management System ("OMS") initiative to improve outage restoration times for customers and provide enhanced multi-channel communications during outage events (scheduled for Q3 2014); and
- Increased customer accessibility to Customer Care agents through the utilization of an overflow Call Centre service (2014).

The material costs (as defined by Horizon Utilities' materiality threshold defined in Tab 6, Schedule 1 of this Exhibit) associated with these initiatives are identified and discussed under new business requirements ("NBRs") within the OM&A Cost Drivers in Exhibit 4, Tab 2, Schedule 2.

Horizon Utilities has provided for the following initiatives in 2015 to 2019 in support of customer focus outcomes during this period:

- Increase customer accessibility and improve Call Centre response through the expanded utilization of an outsourced overflow service (2015 and beyond);
- Implement the OMS initiative as provided in Exhibit 2, Tab 6, Schedule 1 (2015 and beyond);
- Continuously improve the Horizon Utilities website to meet customer expectations, including software upgrades to:
    - The myAccount customer portal, which provides customers with 24x7 accessibility to their account information; and
    - The myElectric suite of customer tools which enables customers to understand and manage their consumption and costs.
- Provide feedback survey opportunities to customers including the annual Customer Satisfaction Survey and bi-annual Contractor and Developer Survey to inform and refine Horizon Utilities' customer processes and services, detailed in Exhibit 4, Tab 3, Appendices 4-1 and 4-2; and
- Renew aging, end-of life infrastructure to mitigate system health degradation and related reliability risks and avoid further deterioration of service levels.

Operational Effectiveness:

Operational effectiveness is pursued through sustainable investment practices, achieving productivity gains, and asset optimization. Horizon Utilities has undertaken the following initiatives in the area of operational effectiveness from 2011 to 2014:

- Prepared a comprehensive DSP that provides for approximately $692,664,000 in planned investments in the renewal of Horizon Utilities' distribution system over the next twenty years. This reflects the priority that Horizon Utilities places on sustaining and improving the reliability of its distribution service to its customers.
- Performed detailed Asset Condition Assessments ("ACA") on distribution assets in the development of the above-mentioned DSP. The ACA provides essential insights into the state of the distribution system and building assets to support capital expenditures as detailed in Appendix B of the DSP filed as Appendix 2-4 in Exhibit 2. (Cumulative

expenditure of $526,000 between 2011 and 2014 as identified in Exhibit 4, Tab 1, Schedule 1).

- Implemented a centralized Planning and Scheduling process, which included the creation of a new Project Controls Office department, to efficiently and effectively deploy labour, vehicles, tools and materials to support significant and necessary growth in capital and maintenance programs (Cumulative expenditure of $701,943 between 2011 and 2013 as identified in Exhibit 4, Tab 1, Schedule 1). The master schedule is the key enabler for effectively managing resources and includes information regarding; all vacations; training; planned maintenance; reactive repairs; planned capital work; priorities; displays real-time status of current projects, as well as key information on future scheduled work. Visibility into the current status of each project, along with any delays or work completed ahead of plan, allows schedulers to insert additional work to increase workforce output and address emerging urgent customer work. The benefits of this initiative are more efficient and effective planning; improved workforce output from coordination and sequencing of related work and combining jobs of various types to fill the available time in a day; real-time prioritization to improve response to customer needs; improved inventory management using the forecasting features of the system; and improved fleet utilization. Discussion of related productivity gains are included in Exhibit 4, Tab 3, Schedule 4.

- Launched an e-mobile paperless work order system ("e-mobile"). Electronic service orders can now be directly dispatched to staff in the field and staff can electronically complete their service order work, thereby eliminating paper processes, manual data entry, and unproductive travel to and from worksites. As of the end of 2013, e-mobile has achieved more than $1,075,000 in: operating expenditure reductions; staff capacity; and future cost avoidance which are described in Exhibit 4, Tab 3, Schedule 4);

- Engaged Evans Consulting Services in 2013, a leading building assessment firm, to conduct a Building Condition Assessment ("BCA") (provided in Appendix K of the DSP filed as Appendix 2-4 in Exhibit 2) of the five main Horizon Utilities buildings and 28 substations to support a long-term plan for facilities renewal and maintenance. The assessment was undertaken to: understand building related requirements; determine the

level of required investments; prioritize the prospective building renewal projects; and optimize the existing building footprint to their full potential. The building renewals completed from 2012-2014 have:

- Re-claimed approximately 40,295 sq. ft. of warehouse/storage space and converted this space into office environments. These conversions have resulted in operational efficiencies, and improved communication by consolidating department teams. Prior to this conversion, employees within the same departments were located either in different buildings or on different floors. Investment in building renewal is discussed in further detail in Exhibit 2, Tab 6, Schedule 1;

- Renewed end-of–life assets and systems, which will reduce operations and maintenance costs since new assets require less maintenance, and systems are more energy efficient;

- Optimized work spaces and new meeting rooms have reduced the amount of travel time to other locations, which has improved productivity;

- Improved health and safety, and environmental (air quality and climate) related improvements have improved the overall work environment for employees. Efficiencies and productivity improvements have been achieved through a reduction in absenteeism and fewer follow ups and investigations from employee complaints;

- Provided security improvements to protect property, assets, and life by securing employee and customer entrances to prevent unauthorized access to Horizon Utilities' buildings. Building studies and recommendations are detailed further in Exhibit 2, Tab 6, Schedule 1; and

- Addressed the changing business environment and sustainability-based risks by updating technologies and underlying processes, through systems such as the Enterprise Resource Planning ("ERP") system as further explained in Exhibit 2**,** Tab 6, Schedule 1.

- Horizon Utilities continues to strive for excellence in Occupational Health and Safety. Health and safety is the number one priority in all business activities and rooted in the corporate health and safety policy statement: *"No job is so important, no emergency so great, that we cannot take the time to do our work safely"*. The implementation of a systematic Occupational Health and Safety Management system ("OHSMS") provides Horizon Utilities with the ability to proactively manage occupational health and safety and the costs associated with work related incidents such as loss of productivity, and retraining. Analysis of occupational health and safety observations, inspections and incidents, based upon an industry standard, enables Horizon Utilities to identify areas for improvement, and take appropriate measures to reduce the potential for injuries. Implementation of formal processes to continually identify health and safety risks, develop mitigating actions, review performance and revise health and safety activities provides Horizon Utilities with the ability to improve not only its established health and safety practices but also to develop new practices as required. Horizon Utilities has chosen to implement Canadian Standards Association Z1000 ("CSA Z1000"), a national, workplace health and safety management standard. CSA Z1000 provides a framework for developing and implementing an OHSMS through a more systemic approach to meeting defined occupational health and safety objectives and increasing awareness of health and safety in the workplace. Horizon Utilities also introduced a new 'Safe & Healthy' logo, a visual expression and constant reminder of the commitment to the safety and well-being of all employees. This logo was introduced to enhance the safety culture across the organization and will be attached to all safety, health and wellness-related programs.

Horizon Utilities recognizes that its employees are its most valuable asset and has implemented biennial employee surveys to measure and monitor employee engagement and satisfaction. The next survey is scheduled for 2015. Through the solicitation of employee opinions, ideas and insights, Horizon Utilities can identify organizational strengths and successes and corresponding opportunities for continued improvement in areas such as communication, learning and leadership development, and health and wellness programs. Employee engagement is a measure of the relationship between an organization and its employees. The survey serves as a measurement tool to identify

sources of employee satisfaction and the effectiveness of current programs and practices. The feedback received from these surveys enables Horizon Utilities to implement programs and initiatives that increase employee engagement. Engaged employees are more likely to expend discretionary effort to go above and beyond normal job requirements to further the organization's interests and reputation with higher levels of performance, productivity and customer service. The positive impacts of an engaged workforce on business performance and results are well documented in studies and articles by leading global firms including AON[1] (www.aon.com) and Gallup[2] (www.gallup.com) as well as Harvard Business Review[3] (www.hbr.org);

- In each of the 2012 Historical Year to the 2015 Test Year Horizon Utilities will invest in the multi-year implementation and upgrade of its Geospatial Information System ("GIS") and Outage Management System ("OMS"), which will deliver: sustainment, and enhancement for the significant investment of asset data compiled over several decades; more detailed information on the distribution system's operating status; and more timely restoration of outages including enhanced multi-channel customer communications during power outages. The GIS phase of this project is forecasted to go live in June 2014 with the OMS following in two phases and going live in October 2014 and May 2015, respectively. The GIS/OMS project and its associated costs are further explained in Exhibit 2, Tab 6, Schedule 1 and Exhibit 4, Tab 3, Schedule 3;

- Phase 2 of the ERP upgrade project, scheduled for 2014, as described in Exhibit 2, Tab 6, Schedule 1 and Exhibit 4, Tab 3, Schedule 4, involves the removal of custom program modifications. These modifications were necessary components of the initial implementation in 2008 but are no longer required as a result of new application functionality available in IFS version 8.1 which was implemented in Phase 1 as discussed in Exhibit 2, Tab 6, Schedule 1. Removal of these modifications will

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[1] 2013 Trends in Global Employee Engagement

[2] State of the American Workplace – Employee Engagement Insights for U.S. Business Leaders, Gallup Business Journal, June 11, 2013

[3] The Impact of Employee Engagement on Performance, September 2013

contribute to operational effectiveness by: reducing the costs of annual software maintenance fees by $50,000 related to the modifications; avoiding $40,000 in future cost for annual software maintenance on modifications for which IFS will start billing if the modifications are not removed; and reduce costs related to future upgrades by eliminating the requirement to transition modifications to future software versions. The avoided cost of not having to rewrite the custom modifications during the next upgrade is estimated at $658,000. This represents a recurring opportunity for savings at each subsequent upgrade. This phase will also include the creation of program interfaces to other systems that will improve staff productivity by eliminating duplication of effort and manual data entry. Productivity gains from this initiative are included in Exhibit 4, Tab 3, Schedule 4; and

- Horizon Utilities continues to refine its long-term distribution system capital plan through a logical and sequential process including: i) the development of detailed ACAs by an independent engineering consulting firm using industry best practices; ii) a comprehensive Asset Management Plan ("AMP"); and iii) a long-term DSP providing for annual distribution system capital investments on a prioritized basis. Horizon Utilities engaged the engineering firm Kinectrics Inc. ("Kinectrics") to perform ACAs for its key distribution assets. The Kinectrics Asset Condition Assessment Report ("ACA Report") is included in Appendix B of the DSP filed as Appendix 2-4 in Exhibit 2. In addition to the distribution system, asset condition assessments and studies were also completed on all of Horizon Utilities' facilities. The independent studies included: a Resource and Office Space Utilization Study ("Space Study") by PRISM Partners Inc.; a Building Condition Assessment ("BCA") by Evans Consulting Services; a Security Study by CAPSYS Integrated Technology Consultants; a window assessment for the Head Office by MMM Group Limited; and a roof assessment for the Head Office by Garland Canada Inc. The studies were undertaken to aid in the development of the Horizon Utilities long-term building renewal strategy.

Public Policy Responsiveness

Horizon Utilities recognizes the importance of supporting public policy objectives and compliance with applicable legislative and regulatory requirements. On June 23, 2004, the Ontario government mandated that all Residential and General Service < 50 kW customers

have a Smart Meter installed by the target date of December 31, 2010. Horizon Utilities completed 98.0% of installations for customers in these classes by the end of 2011 and 99.6% by the end of 2013. Horizon Utilities anticipates that all remaining Residential and General Service < 50 kW Smart Meter installations will be completed by the end of 2014. Should any exceptions remain, they will be managed through normal meter replacement practices in 2015 and beyond, as required.

Horizon Utilities has included evidence related to its Smart Meter implementation from 2012-2014 in Exhibit 2, Tab 5, Schedule 1 and Exhibit 9, Tab 6, Appendix 9-2 of this Application. All TOU-eligible customers with a Smart Meter are billed on TOU rates in compliance with the related regulation. Horizon Utilities has incurred Smart Meter and TOU capital and operating expenditures costs of $27,440,059 and $5,153,485 respectively through to December 31, 2011. Smart Meter expenditures have been included in OM&A expenditures since 2012, subsequent to the Board's approval of Horizon Utilities' Smart Meter Prudence Review Application ("SMPA") (EB-2011-0417).

The OEB assigned Conservation and Demand Management ("CDM") targets for electricity distributors as a condition of licence on November 12, 2010. Horizon Utilities' targets for 2011-2014 are 281.42 GWh of cumulative energy and 60.36 MW of demand savings. Horizon Utilities continues to work with the OPA to ensure that it meets its targets, which are a condition of its licence, by December 31, 2014.

Table 1-1– OPA Verified CDM Savings and Estimated Savings to Target

	2011 Verified	2012 Verified	2013 Estimated	2014 Estimated	% of 2014 Target	Target
Annual Peak (MW) Savings	12.02	20.3	34.3	53.87	89%	60.36
Annual Energy (GWh) Savings	128.51	186.7	225.87	281.42	100%	281.42

Based on OPA preliminary results received for 2013, Horizon Utilities has achieved an estimated 34.30 MW in peak demand savings and 225.87 GWh in estimated energy savings,

which represents 57% and 80% of Horizon Utilities' 2011-2014 target, respectively. Final 2013 results will be issued by the OPA in September 2014.

Currently, Horizon Utilities is estimating that it will reach 89% of its target for annual peak savings and 100% of its target for energy savings. Distributors have been confronted with a number of challenges which will contribute to Horizon Utilities not meeting its peak demand savings target, as described in Horizon Utilities' 2012 CDM Annual Report (EB-2010-0215) in Exhibit 4, Tab 9, Appendix 4-13. Such challenges include: delays experienced with the OPA in reviewing and granting approvals for large scale industrial load displacement projects; program design constraints impacting the engagement of Horizon Utilities commercial and industrial customers; and there are only a few Board-Approved (Tier 2 and 3) CDM Programs available in market for customers. TOU, which was deemed by the OEB as a Board-Approved CDM Program, will contribute an incremental annual peak savings of 8 MW for 2014. The OPA will provide measurement and verification of savings from TOU pricing. The OPA has not released any verified results for TOU savings to Horizon Utilities as of the filing of this Application.

Horizon Utilities has incurred additional costs from the connection of renewable generation. The OPA launched the Feed-in Tariff ("FIT") program in 2009 for projects generating over 10kW. The OPA established the Micro-Feed-in Tariff ("Micro-FIT") for projects under 10kW, to encourage small generation projects for homeowners and other interested participants. Horizon Utilities has completed 24 FIT connections and 275 Micro-FIT connections. Horizon Utilities has completed 575 additional service layout requests for pending connections. Horizon Utilities forecasts the connection of approximately 2 to 6 FIT and 100 MicroFIT projects annually based on historical results as discussed in the Appendix F of the DSP filed as, Appendix 2-4 in Exhibit 2,. Horizon Utilities hired a licensed professional engineer to support the connection process and manage these projects in August 2013.

Horizon Utilities is not proposing any significant new investments during the 2015 to 2019 Test Years to comply with existing public policy requirements. Horizon Utilities may seek recovery of any incremental costs associated with new legislative or regulatory requirements if such arise prior to Horizon Utilities' next CoS Application, as proposed in the Reopeners section at Tab 12, Schedule 2, of this Exhibit.

Financial Performance

Horizon Utilities submits that financial viability is maintained and savings from operational effectiveness are sustainable through this Application. The proposed rate adjustments in the Test Years will generate the appropriate levels of cash flow to support working capital and debt servicing obligations including increased requirements for such to support growth in operating and capital programs described in this Application. The return on equity in each of the Test Years is in accordance with the existing cost of capital parameters issued by the OEB on November 25, 2013 in its Cost of Capital Parameter Update for 2014 Cost of Service Applications for Rates Effective May 1, 2014. As documented in the Report of the Board on Rate Setting Parameters and Benchmarking under the Renewed Regulatory Framework for Ontario's Electricity Distributors (EB-2010-0379) issued December 4, 2013, the Board intends to update the Cost of Capital parameters for setting rates in Cost of Service applications only once per year. Horizon Utilities intends to update its cost of capital parameters for 2015 based on the new parameters expected to be issued in 2014 for 2015 Cost of Service applications. Horizon Utilities is requesting that its return on capital be updated annually to reflect the cost of capital parameters issued by the Board for each subsequent Test Year, 2016 through 2019, as discussed in Exhibit 5, Tab 1, Schedule 1. With respect to long-term debt, Horizon Utilities proposes to continue to use the dollar weighted average Funded Debt Rate subject to adjustment to reflect the actual market-based cost of any new debt issuances that may be made after this original filing. As discussed in Exhibit 6, Tab 2, Schedule 1, Horizon Utilities has expressed concern over the method by which PILs are included in the revenue requirement and its negative effect on returns reported externally.

Scorecard

The Board issued its *Report of the Board on Performance Measurement for Electricity Distributors: A Scorecard Approach* on March 5, 2014. The Board issued the introductory scorecard to Horizon Utilities on March 11, 2014. A copy of the scorecard is included as Figure 1-2 below.

Figure 1-2: Horizon Utilities' OEB-issued Scorecard

Performance Outcomes	Horizon Utilities Corporation Performance Categories	Measures	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Actual	Trend	Target Industry	Target Distributor-specific for 2013
Customer Focus Services are provided in a manner that responds to identified customer preferences.	Service Quality	New Residential Services Connected On Time	99.8%	99.7%	99.4%	99.2%	99.9%	down	90.0%	
		Scheduled Appointments Met On Time	96.3%	96.6%	97 3%	95.4%	98.2%	down	90.0%	
		Telephone Calls Answered On Time	81.6%	81.7%	74 0%	80.0%	81.0%	down	65.0%	
	Customer Satisfaction	First Contact Resolution								
		Billing Accuracy								
		Customer Satisfaction Survey Results								
Operational Effectiveness Continuous improvement in productivity and cost performance is achieved and distributors deliver on system reliability and quality objectives.	Safety	Public Safety [measure to be determined]	Consultation with ESA will identify a measure that is readily available for use.							
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted	0.69	1.15	2 23	1.43	4.29	up		at least within 0.69 and 2.23
		Average Number of Times that Power to a Customer is Interrupted	1.12	1.55	1.74	1.83	1.74	up		at least within 1.12 and 1.74
	Asset Management	Distribution System Plan Implementation Progress								
	Cost Control	Efficiency Assessment								
		Total Cost per Customer	$ 440	$ 449	$ 453	$ 470				
		Total Cost per Km of Line	$ 30,703	$ 30 810	$ 31,197	$ 32,513				
Public Policy Responsiveness Distributors deliver on obligations mandated by government (e.g.. In legislation and in regulatory requirements imposed further to Ministerial directives to he Board).	Conserva ion & Demand Management	Net Annual Peak Demand Savings (Percent of target achieved)			20%	23%	N/A			60.36
		Net Cumulative Energy Savings (Percent of target achieved)			46%	66%	N/A			281.42
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time			50 00	66.00	10.00		Applicable timeline prescribed by Ontario Regulation 326/09 made under the Electricity Act, 1998	
		New Micro-embedded Generation Facilities Connected On Time							90%	
Financial Performance Financial viability is maintained, and savings from opera ional effec iveness are sustainable.	Financial Ra ios	Liquidity: Current Ratio (Current Assets/Current Liabilities)	0.39	1.10	0.70	0.75	0.58			
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	0.66	0.87	0.85	0.92	0.89			
		Profitability: Regulatory Return on Equity – Deemed (Included in rates)			9.58%	9.58%	9 58%			
		Profitability: Regulatory Return on Equity – Achieved			9.00%	11.29%	8 25%			

Legend
- up
- down
- flat
- target met
- target not met

Horizon Utilities will update its information for the Board's Reporting and Record Keeping ("RRR") filing as well as for the completion of the annual scorecard. The Board has identified that some of the measures identified in the scorecard are new and the definition of those measures is evolving. Horizon Utilities will report on all of the measures in compliance with the Board's revision to the measures as they are finalized.

AWARDS AND ACHIEVEMENTS

Horizon Utilities is committed to being a socially-aware, environmentally-conscious and innovative economic contributor in the communities it serves and has been recognized for its industry leadership in these areas.

Horizon Utilities is the first company in Canada to earn the Canadian Electricity Association's ("CEA") Sustainable Electricity Company™ designation, the press release for which is included as Appendix 1-2 to this Exhibit; established by the CEA for utilities across Canada and worldwide. Horizon Utilities was also honoured with the prestigious Sustainability Company of the Year Award by the CEA for 2011 and 2012. These awards recognized Horizon Utilities' organization-wide sustainability efforts and acknowledged its success against the environmental, social and economic foundational pillars of sustainability.

Horizon Utilities was a recipient of the CEA's Environmental Commitment Award in 2013 for its innovative energy conservation mapping initiative; Horizon Utilities' CEA Environmental Commitment Award media release is included in Appendix 1-3 of this Exhibit. Horizon Utilities was also awarded the Environmental Excellence Award from the Electricity Distributors Association ("EDA") for this energy mapping project. The press release for this award is included in Appendix 1-4 of this Exhibit.

Horizon Utilities won the Canadian BLOOM Sustainability Leadership award in the municipal category in 2013. The BLOOM Sustainability Leadership Awards recognize organizations that excel in creating value through their sustainability strategy, actions and outcomes. A copy of Horizon Utilities' BLOOM Award media release is included in Appendix 1-5 of this Exhibit.

Horizon Utilities was the winner of the Quality Urban Energy Systems of Tomorrow ("QUEST") Community Energy Builder Award recognizing leadership and innovation in advancing smart energy communities in Canada. Horizon Utilities was the recipient in the Utility category for both its innovative Smart Growth Connection Policy and its Energy Conservation Mapping Project. Enhancing urban intensification through the smart growth development policy and conservation marketing through energy mapping are two practical, effective ways that Horizon Utilities is demonstrating its commitment to community-based energy solutions and sustainable

development for the benefit of its customers and communities. The news release for the QUEST award is included as Appendix 1-6 of this Exhibit.

Horizon Utilities has submitted annual filings with the Global Reporting Initiative™ ("GRI"), a leading organization in the sustainability field, since 2008. The GRI promotes the use of sustainability reporting as a way for organizations to become more sustainable and contribute to sustainable development. Horizon Utilities was the first utility to complete a GRI report and has expanded the scope of its filings since 2008. Horizon Utilities self-declared a GRI Application Level of "A+" on its external GRI report in 2010, 2011, and 2012. A copy of the 2012 Report is attached in Appendix 1-7 of this Exhibit. A sustainability report demonstrates the economic, environmental and social impacts caused by an organization's everyday activities.

Horizon Utilities was the first utility in Ontario to seek and receive "external assurance" for a GRI filing in 2009. It first made a self-declared filing at the "B" level in 2008, and "B+" in 2009. The "+" is a recognition that external assurance was sought and achieved over selected indicators. The letter grade indicates the Application Level. Ernst & Young LLP provided the external review of compliance to the GRI disclosure guidelines for Horizon Holdings' filings since 2009.

The company was recognized as one of Hamilton-Niagara's Top 10 Employers for three consecutive years: 2012; 2013; and 2014. This designation, organized by the authors of Canada's Top 100 Employers list, recognizes employers in the Hamilton-Niagara area that lead their industries in providing exceptional places to work in terms of progressive and forward-thinking programs.

Horizon Utilities achieved the Smart Commute Workplace designation in 2012. Smart Commute is a program of Metrolinx and the municipalities in the Greater Toronto and Hamilton area. The organization helps local employers and commuters explore different commuting choices (such as carpooling, cycling, and transit) with a goal to easing gridlock, improving air quality, and reducing greenhouse gas emissions while making a person's commute less expensive and more enjoyable. This designation supports the company's: leadership in corporate social responsibility; commitment to conservation; and contribution to a healthier workplace.

The Hamilton Environmentalists of the Year Awards Committee presented Horizon Utilities with an Award of Merit in 2013. The Environmentalists of the Year Awards are presented annually to

recognize individuals, groups, students and businesses in the Hamilton area for excellence in environmental efforts. Horizon Utilities was recognized with an Award of Merit for incorporating environmentally responsible behaviour and sustainable environmental practices into its business. A copy of Horizon Utilities' Hamilton Environmentalists of the Year media release is included as Appendix 1-8 to this Exhibit.

The safety of employees and the public is the top priority for Horizon Utilities and is one of Horizon Utilities core values (as illustrated in Figure 1-1). Horizon Utilities has exceeded one-million hours without a Lost Time Injury ("LTI") twice in the last five years. As of December 2013, Horizon Utilities had exceeded 2,600,000 hours without an LTI, which corresponds to 6,500 hours per employee. Horizon Utilities takes great pride in ensuring the safety of its employees and is proud of the work that they do in sometimes dangerous weather and settings.

HORIZON UTILITIES' UNIQUE FEATURES

Horizon Utilities is one of the approximately 73 local distribution companies ("LDCs"), providing similar regulated services across Ontario. While all these LDCs operate in the same context, some are confronted by distinct operational and service territory-related characteristics and challenges. Horizon Utilities has many unique features compared to other LDCs, including: scale of operations; supply connection; capital expenditure; customer growth rate; customer density along underground lines; commercial customer profile and related concentration risks; and residential customer profile.

Horizon Utilities differs from the vast majority of LDCs in terms of scale of operation. Horizon Utilities is one of only nine LDCs in Ontario that serves more than 100,000 customers and one of only five LDCs with more than 200,000 customers. The median size of LDCs in Ontario is only 20,000 customers and the average is only 51,000 customers.

Horizon Utilities differs from most other LDCs, and particularly as compared to smaller LDCs, in terms of supply connection configuration because it takes supply almost exclusively at transmission voltages. A majority of LDCs in Ontario's electricity system are wholly or largely electrically embedded in the distribution system of Hydro One Networks Inc. ("Hydro One"). These LDCs are connected to a host LDC rather than taking power from the high voltage transmission system. The significance of this distinction is that transmission connected LDCs own distribution stations and sub-transmission feeder lines while embedded LDCs do not. The ownership of additional assets by transmission connected LDCs, such as distribution stations and sub-transmission feeder lines, result in higher associated capital and maintenance cost responsibilities relative to embedded distributors. On balance, transmission connected LDCs necessarily have asset configuration drivers for higher Gross Property Plant and Equipment ("GPPE") per customer and higher Operations and Maintenance costs per customer than embedded LDCs.

Horizon Utilities differs from many other LDCs because it serves two older, built out urban communities with correspondingly low customer growth rates. Most LDC boundaries in Ontario, with few exceptions, are municipally delimited. There are municipalities with older urban communities having low growth rates, like those served by Horizon Utilities, and newer LDCs in

suburban municipalities with comparatively higher growth rates. This difference manifests in the OM&A expenditure characteristics. New suburban LDCs are not confronted by infrastructure maintenance and capital renewal challenges of LDCs in older municipalities. Suburban LDCs, where the focus is on new capital rather than maintenance, can capitalize more labour costs, resulting in lower pressure on the key sector comparator of OM&A costs.

The LDC growth rate and municipal delimitation of service territory also create unique conditions for LDCs serving older communities in terms of capital expenditures. In fast growing suburban communities, the capital is largely for new construction in "greenfield" conditions and is largely financed through capital contributions. Greenfield is defined as properties which have never been previously developed[4]. Horizon Utilities' capital requirement in Hamilton and St. Catharines is largely for infrastructure renewal and such is financed from existing customers through rates. Construction costs for renewal, especially in dense, well developed urban communities like those comprising Horizon Utilities' service area, are more costly than in new suburban communities.

Horizon Utilities has one of the highest customer densities in terms of underground lines of any LDC, and especially for an established urban community. Most LDCs with a high degree of underground lines are in new suburban communities, where the undergrounding is relatively new and primarily in subdivisions. The costs of undergrounding are advantageous in these cases because the maintenance is minimal. By comparison, the undergrounding in Horizon Utilities' service area is older and includes underground networks in the downtown core and commercial districts and in industrial areas like the Hamilton waterfront. The extent of underground lines may be comparable on a percentage basis among LDCs, but the characteristics and cost profile of the underground network is vastly different in Horizon Utilities' case.

Horizon Utilities differs from other LDCs in terms of commercial customer load profile and collection risk, because it serves two of Ontario's most industrial cities, both of which have large commercial customers (i.e., GS>5MW, also known as Large Use). Only 23 of Ontario's 73 LDCs

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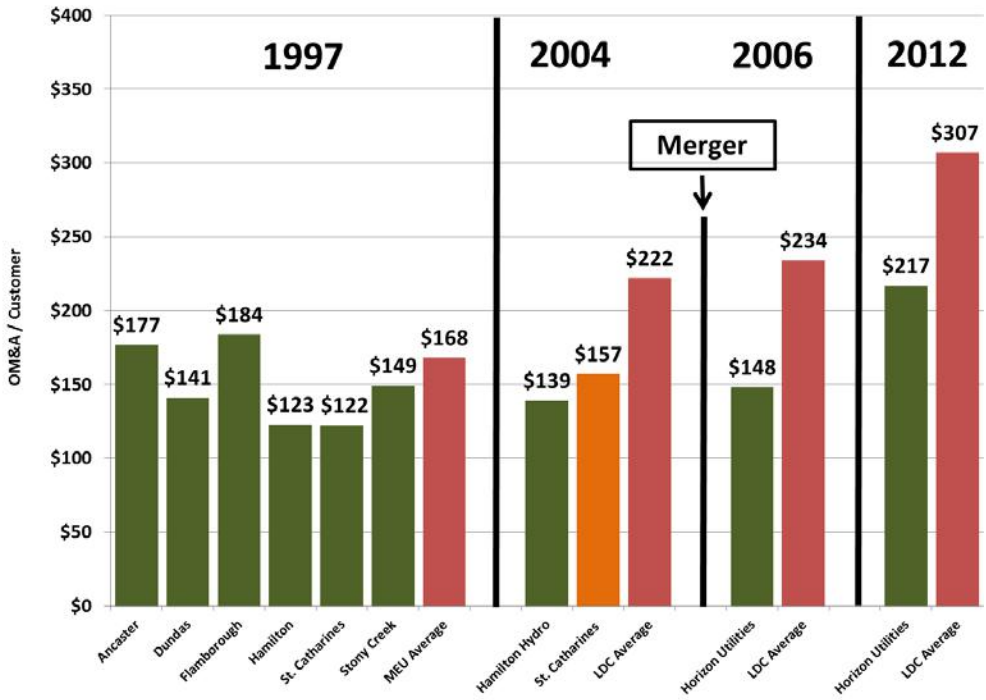
[4] From the Ministry of Municipal Affairs and Housing document "A Practical Guide to Brownfield Development in Ontario"

have customers in the "Large Use" customer class and the average number of Large Use customers for these 23 LDCs is six and the median is three. Horizon Utilities has eleven Large Use customers.

While two LDCs have more Large Use customers, Horizon Utilities has some very Large Use customers based on historical circumstances. Many of Horizon Utilities' Large Use customers are located in areas that predate Ontario Hydro's and now Hydro One's ownership of the provincial transmission grid. While most of the major Large Use customers in Ontario are transmission connected, some Large Use customers in Horizon Utilities' service area are distribution connected based on legacy connection arrangements. The result is that, compared to most LDCs, Horizon Utilities bears a disproportionate concentration risk with respect to revenue and credit loss. Serving cities with a heavy industry concentration, including steel processing and manufacturing, Horizon Utilities also experiences a greater level of exposure to adverse economic conditions compared to other LDCs. This is certainly the case compared to most suburban and small town LDCs.

Horizon Utilities is also distinct compared to other LDCs in terms of its residential customer profile and low average revenue per residential customer. Horizon Utilities' average annual consumption per residential customer is 7,662 kWh, where the sector average is 9,072 or 18% higher. This is the third lowest consumption per customer in Ontario, where the lowest is largely a summer resort community (with fewer year-round residents than other LDCs) and the second lowest is an industrial city similar to Hamilton and St. Catharines. This profile, which is consistent with communities with below average incomes, is characteristic of less volumetric revenue per customer and greater need for low income assistance.

Figure 1-3 - Horizon Utilities' OM&A Performance Against Sector Average Enhanced by Mergers



Source 1997 Ontario MUD Bank; 2004, 2006 and 2012 OEB Yearbooks.

Horizon Utilities has an impressive business record on LDC consolidation. It represents the merger of seven separate municipal electric utilities and three different annexations of the former Ontario Hydro rural distribution system. In each case, Horizon Utilities (or its predecessors) executed a successful integration plan that left the new utility and its customers better off with lower costs.

Figure 1-3 above demonstrates how each successive entity performed better than the LDC average following consolidation since electricity restructuring in the 1990s. As of 2012, Horizon Utilities had the 11th lowest controllable costs per customer of the 73 utilities in Ontario, including Hydro One. It has also ensured its customers have among the lowest residential and commercial rates of any of these distributors.

Horizon Utilities' first major merger occurred in 2000. This was the result of the municipal amalgamation that created the new and expanded City of Hamilton on the boundary of the former Hamilton-Wentworth Region. Through this municipal amalgamation process, the new Hamilton Hydro Inc. was created through the merger and business incorporation of the five municipal electric utility commissions in Ancaster, Dundas, Flamborough, Hamilton, and Stoney Creek. Hamilton Hydro Inc. was then one of the largest LDCs in Ontario with 180,000 customers.

The Hamilton Hydro merger in 2000 mitigated all cost increases attributed to industry restructuring in the new sector, with the exception of increases due to inflation. Where the LDC average controllable cost (OM&A) per customer increased 32%, from $168 to $222, Hamilton Hydro's OM&A increased just 13% during the same period (1997 to 2004) from $123 to $139.

The second merger was that of Hamilton Hydro Inc. and St. Catharines Hydro Utility Services Inc., which resulted in the creation of Horizon Utilities. This merger was one of the largest in Ontario and has proven to be very successful. Among its successes was that it reduced controllable costs by 12%, or $6.4MM, which exceeded planned reductions.

Today these savings continue to be sustained and, as a consequence, they have served to maintain low rates for Horizon Utilities' customers. Horizon Utilities' OM&A costs per customer in 2004, excluding depreciation and taxes, were $139 in Hamilton and $157 in St. Catharines versus an industry average of $222. By 2006, in the first full year after the merger, Horizon Utilities OM&A cost per customer was $148 while the industry average had increased to $234, making Horizon Utilities 37% lower than the industry average. As a result, Horizon Utilities was able to mitigate a great deal of pressure for rate increases. Horizon Utilities' costs per customer by 2012 were $217, which was still 30% lower than the sector average at $307.

This was the 11th lowest among the 73 LDCs in the 2012 OEB Yearbook of Electricity Distributors, making it a top quartile performer in the sector.

In the 2015 Test Year, Horizon Utilities is projecting that OM&A cost will be $257.41. When this 2015 figure is measured against the 2012 Yearbook values for OM&A cost for all LDCs in the sector, Horizon Utilities still ranks 29th of 73 LDCs. This means Horizon Utilities' 2015 OM&A

cost would still be in the top half in sector performance in 2012 despite the handicap of inflation and cost increases.

There is presently no source for 2015 OM&A values for other LDCs to compare with the Horizon Utilities' 2015 Test Year. A proxy representation can nevertheless be constructed by inflating the 2012 OM&A values by 2 percent for three years to create 2015 equivalents. When this data calculation is performed, Horizon Utilities' Test Year OM&A of $257.41 ranks 21st of 73 LDCs, placing it in the 29th percentile, well above the median performance for the sector. Recognizing that the COS history of the sector has tracked a course above inflation, Horizon Utilities' prospective ranking of the 29th percentile may underrepresent its performance.

APPLICATIONS SINCE 2011

Horizon Utilities filed a Cost of Service Application for rates effective January 1, 2011 (EB-2010-0131) with the OEB on August 26, 2010. Horizon Utilities has filed: annual Incentive Regulation Mechanism ("IRM") Applications; a Payment in Lieu of Taxes ("PILs") Application; a stand-alone Smart Meter Prudence Application ("SMPA"); and a Service Area Amendment ("SAA") Application since that time. The impact of the IRM applications is summarized below:

Table 1-2: Applications since 2011 COS Application

Board File Number	Application Type	Date of Board Decision	Approved Increase in Revenue Requirement	Total Revenue
EB-2013-0137	IRM	5-Dec-13	$ 1,519,897	$ 102,431,036
EB-2012-0132	IRM	6-Dec-12	$ 1,047,710	$ 100,335,313
EB-2011-0172	IRM	21-Dec-11	$ 559,414	$ 99,708,708

CUSTOM IR APPLICATION

The OEB's RRFE Report provided three different approaches to rate setting. Horizon Utilities reviewed all of the options as presented by the Board, and determined that the Custom IR Application is the process by which it will file. Horizon Utilities had already identified to the Board in its last CoS application (EB-2010-0131) its need to address the increasing levels of capital expenditures for several consecutive years in order to renew its distribution system.

The Custom IR approach is the best approach at this time to ensure that Horizon Utilities continues to have adequate financial capacity and cash flow to address real cost growth in annual renewal investments in its distribution system infrastructure over the next several years. Horizon Utilities must increase its distribution system investments over the next several years to address the replacement of a significant portion of distribution system infrastructure that is well beyond the end of its useful life. Addressing such investment is consistent with the principal interest of customers and the public at large for continuous, reliable electricity delivery and public safety. Continuing with the present level of capital expenditure will exacerbate trends of declining reliability and increasing service disruption, and increase public and employee safety risks. The other approaches to rate making will not result in sufficient regulated cash flow to support these rising investment requirements.

Key Elements of the Application

A) REVENUE REQUIREMENT

Horizon Utilities is requesting approval for service revenue requirements for each of its 2015-2019 Test Years, base revenue requirements for each of its 2015-2019 Test Years, and resulting rates and riders based on a forecast for 2015-2019 capital expenditure, OM&A, depreciation expense, cost of capital, Payments in Lieu of Taxes ("PILs"), and revenue from other sources ("Other Revenue").

Horizon Utilities seeks approval for service revenue requirements of $118,433,942, $124,145,010, $127,299,380, $129,586,516, and $133,635,798 in the 2015, 2016, 2017, 2018, and 2019 Test Years, respectively. The 2015 Test Year service revenue requirement

represents an increase of 15.72% compared to the 2011 Board-Approved service revenue requirement as shown in Tables 1-3, 1-4 and 1-5 below.

Table 1-3: Service Revenue Requirement

	2011 Board Approved CGAAP	2015 Test Year MIFRS	2016 Test Year MIFRS	2017 Test Year MIFRS	2018 Test Year MIFRS	2019 Test Year MIFRS
OM&A Expenses	$ 42,418,667	$ 62,332,489	$ 64,089,437	$ 65,946,564	$ 67,394,756	$ 68,821,878
Depreciation and Amortization	$ 27,025,538	$ 24,970,618	$ 26,487,624	$ 26,379,676	$ 25,824,486	$ 26,490,670
Return on Equity - Target *	$ 14,142,097	$ 18,106,344	$ 18,792,922	$ 19,582,055	$ 20,495,153	$ 21,466,097
Interest	$ 12,328,781	$ 9,809,232	$ 10,181,190	$ 10,608,708	$ 11,605,518	$ 12,571,676
Taxes Other than PILs	$ 337,800	$ 300,190	$ 304,693	$ 309,263	$ 313,902	$ 318,611
PILs	$ 6,093,853	$ 2,915,069	$ 4,289,143	$ 4,473,115	$ 3,952,701	$ 3,966,866
Service Revenue Requirement	**$ 102,346,735**	**$ 118,433,942**	**$ 124,145,010**	**$ 127,299,380**	**$ 129,586,516**	**$ 133,635,798**
Revenue Offsets	$ 5,896,000	$ 5,477,916	$ 5,516,509	$ 5,555,937	$ 5,666,198	$ 5,753,899
Base Revenue Requirement	**$ 96,450,735**	**$ 112,956,026**	**$ 118,628,501**	**$ 121,743,444**	**$ 123,920,317**	**$ 127,881,899**
Return on Equity - Target *	9.85%	9 36%	9.36%	9.36%	9.36%	9 36%

Table 1-4: Increase in Service Revenue Requirement

	2015 Increase over 2011 Board Approved $	2016 Test Year Increase Over 2015 Teat Year $	2017 Test Year Increase Over 2016 Teat Year $	2018 Test Year Increase Over 2017 Teat Year $	2019 Test Year Increase Over 2018 Teat Year $
OM&A Expenses	$ 19,913,821	$ 1,756,949	$ 1,857,126	$ 1,448,192	$ 1,427,122
Depreciation and Amortization	$ (2,054,920)	$ 1,517,006	$ (107,948)	$ (555,190)	$ 666,185
Return on Equity - Target *	$ 3,964,247	$ 686,578	$ 789,133	$ 913,098	$ 970,944
Interest	$ (2,519,549)	$ 371,958	$ 427,518	$ 996,810	$ 966,158
Taxes Other than PILs	$ (37,610)	$ 4,503	$ 4,570	$ 4,639	$ 4,709
PILs	$ (3,178,784)	$ 1,374,075	$ 183,971	$ (520,413)	$ 14,164
Service Revenue Requirement	**$ 16,087,206**	**$ 5,711,068**	**$ 3,154,371**	**$ 2,287,135**	**$ 4,049,282**
Revenue Offsets	$ (418,084)	$ 38,594	$ 39,428	$ 110,262	$ 87,700
Base Revenue Requirement	**$ 16,505,290**	**$ 5,672,475**	**$ 3,114,943**	**$ 2,176,874**	**$ 3,961,582**

Table 1-5: Percentage (%) Increase in Service Revenue Requirement

	2015 Increase over 2011 Board Approved %	2016 Test Year Increase Over 2015 Teat Year %	2017 Test Year Increase Over 2016 Teat Year %	2018 Test Year Increase Over 2017 Teat Year %	2019 Test Year Increase Over 2018 Teat Year %
OM&A Expenses	46 95%	2.82%	2.90%	2.20%	2.12%
Depreciation and Amortization	-7.60%	6.08%	-0.41%	-2.10%	2.58%
Return on Equity - Target *	28 03%	3.79%	4.20%	4.66%	4.74%
Interest	-20.44%	3.79%	4.20%	9.40%	8.32%
Taxes Other than PILs	-11.13%	1.50%	1.50%	1.50%	1.50%
PILs	-52.16%	47.14%	4.29%	-11.63%	0.36%
Service Revenue Requirement	**15.72%**	**4.82%**	**2.54%**	**1.80%**	**3.12%**
Revenue Offsets	-7 09%	0.70%	0.71%	1.98%	1.55%
Base Revenue Requirement	**17.11%**	**5.02%**	**2.63%**	**1.79%**	**3.20%**

The determination of this revenue requirement is discussed in detail in Exhibit 6, Tab 1, Schedule 1, and represents the 2015 through 2019 Rate Base requirements (as discussed in

Exhibit 2), Cost of Capital (as discussed in Exhibit 5), and Distribution Expenses and PILs (as discussed in Exhibit 4).

The proposed revenue requirement for the 2015 Test Year represents a revenue deficiency of $10,067,729. The revenue deficiency is calculated by comparing the 2015 base revenue requirement to the 2014 approved distribution rates applied to the forecast of customers, connections, load, and demand for the 2015 Test Year. Further details on the drivers behind this revenue deficiency are provided in Exhibit 6, Tab 1, Schedule 1 for the 2015 through 2019 Test Years.

The principal drivers of the revenue deficiency are:

- An increase in OM&A Costs associated with the smart meter implementation; increases in salary, wage and benefit costs; repairs and maintenance; and new business requirements;
- An increase in distribution system investments to renew aging infrastructure and address declining system reliability; and
- An increase in buildings investments to replace assets which have reached end-of-life and to address operational deficiencies, building accessibility, the removal of hazardous materials, security, and air quality.

Causes of Revenue Deficiency

The items comprising Horizon Utilities' Revenue Deficiency for each of the 2015 – 2019 Test Years are outlined below, including references as to where further details on the components can be located within the Application.

Table 1-6 - Revenue Deficiency Components

Description	2015	2016	2017	2018	2019	*Exhibit*	*Tab*	*Schedule*
Revenue								
Revenue Deficiency	10,067,729	5,299,581	2,805,433	1,745,644	3,568,776			
Distribution Revenue	102,888,297	113,328,920	118,938,011	122,174,673	124,313,123	*3*	*2*	*2*
Other Operating Revenue (Net)	5,477,916	5,516,509	5,555,937	5,666,198	5,753,899	*3*	*3*	*1*
Total Revenue	**118,433,942**	**124,145,010**	**127,299,380**	**129,586,516**	**133,635,798**	*3*	*1*	*1*
Costs and Expenses								
Administrative & General, Billing & Collecting	27,761,504	28,585,132	29,591,760	30,057,612	30,737,413	*4*	*1*	*1*
Operation & Maintenance	34,570,984	35,504,306	36,354,803	37,337,143	38,084,465	*4*	*1*	*1*
Depreciation & Amortization	24,970,618	26,487,624	26,379,676	25,824,486	26,490,670	*4*	*5*	*1*
Property Taxes	300,190	304,693	309,263	313,902	318,611	*4*	*6*	*1*
Deemed Interest	9,809,232	10,181,190	10,608,708	11,605,518	12,571,676	*5*	*1*	*2*
Total Costs and Expenses	**97,412,529**	**101,062,945**	**103,244,211**	**105,138,661**	**108,202,835**			
Utility Income Before Income Taxes	**21,021,413**	**23,082,065**	**24,055,170**	**24,447,854**	**25,432,963**			
Income Taxes								
Corporate Income Taxes	2,915,069	4,289,143	4,473,115	3,952,701	3,966,866	*4*	*6*	*1*
Total Income Taxes	**2,915,069**	**4,289,143**	**4,473,115**	**3,952,701**	**3,966,866**			
Utility Net Income	**18,106,344**	**18,792,922**	**19,582,055**	**20,495,153**	**21,466,097**			
Income Tax Expense Calculation								
Accounting Income	21,021,413	23,082,065	24,055,170	24,447,854	25,432,963			
Tax Adjustments to Accounting Income	(9,465,237)	(6,329,306)	(6,563,773)	(8,826,055)	(9,641,214)			
Taxable Income	**11,556,176**	**16,752,759**	**17,491,396**	**15,621,799**	**15,791,749**			
Tax Rate after SMTC	**26.09%**	**26.22%**	**26.23%**	**26.20%**	**26.20%**			
Income Tax After SMTC	**3,015,579**	**4,392,436**	**4,588,194**	**4,092,921**	**4,138,072**			
Apprentice Tax Credit	(100,511)	(103,293)	(115,079)	(140,220)	(171,207)			
Income Tax Expense	2,915,069	4,289,143	4,473,115	3,952,701	3,966,866			
Actual Return on Rate Base								
Rate Base	483,609,614	501,947,697	523,024,973	547,413,274	573,346,618	*2*	*1*	*1*
Interest Expense	9,809,232	10,181,190	10,608,708	11,605,518	12,571,676	*5*	*1*	*5*
Net Income	18,106,344	18,792,922	19,582,055	20,495,153	21,466,097			
Total Actual Return on Rate Base	**27,915,576**	**28,974,112**	**30,190,763**	**32,100,671**	**34,037,773**			
Actual Return on Rate Base	5.77%	5.77%	5.77%	5.86%	5.94%			
Required Return on Rate Base								
Rate Base	483,609,614	501,947,697	523,024,973	547,413,274	573,346,618	*2*	*1*	*1*
Return Rates								
Return on Debt (Weighted)	3.38%	3.38%	3.38%	3.53%	3.65%	*5*	*1*	*5*
Return on Equity	9.36%	9.36%	9.36%	9.36%	9.36%	*5*	*1*	*5*
Deemed Interest Expense	9,809,232	10,181,190	10,608,708	11,605,518	12,571,676	*5*	*1*	*5*
Return On Equity	18,106,344	18,792,922	19,582,055	20,495,153	21,466,097	*5*	*1*	*5*
Total Return	**27,915,576**	**28,974,112**	**30,190,763**	**32,100,671**	**34,037,773**			
Expected Return on Rate Base	5.77%	5.77%	5.77%	5.86%	5.94%	*5*	*1*	*5*
Revenue Deficiency After Tax	**0**	**(0)**	**(0)**	**0**	**0**			
Revenue Deficiency Before Tax	**0**	**(0)**	**(0)**	**0**	**0**			

B) BUDGETING ASSUMPTIONS

Economic Overview/Business Environment

Horizon Utilities identified three key areas of focus to support its corporate objectives of being the best performing utility and growing the business:

i) Productivity strategy – through projects and initiatives to improve cost efficiency and effectiveness;

ii) Customer value proposition - Enhancing the customer experience by delivering improvements to service in a cost effective manner; and

iii) Sustainable investment practice - Focus on the renewal of the distribution system in order to maintain reasonable service levels and manage load growth.

Horizon Utilities will continue to be confronted by financial challenges in the short to medium term due to modest local economic growth, low customer growth in its service territory, limited load growth expectations in the commercial sector, required capital investment levels for distribution plant in excess of annual depreciation expense, and a regulatory environment that expects productivity and cost improvements on an annual basis.

Operating Base

Horizon Utilities distributes electricity to over 240,000 customers within a service area of 426 square kilometres. Horizon Utilities owns, operates and maintains 1,904 kilometres of underground cable, 1,524 kilometres of overhead cable, and 52,031 poles. Horizon Utilities delivers electricity at its supply voltages of 13.8 kV and 27.6 kV, and also at stepped down voltages of 4.16 kV and 8.3 kV provided through its 28 distribution substations. Voltage is further stepped down through approximately 24,040 transformers in order to supply individual customers at their connection points.

Horizon Utilities is forecasting low customer growth relative to the 2013 Actual, with an annual average increase of 1,756 customer/connections in the Bridge and Test Years. The customer base is estimated at 251,000 at the end of 2019, which represents a Compound Annual Growth

Rate ("CAGR") of approximately 0.8%. The growth is primarily expected to be in the Residential and General Service rate classes, and is driven by service area population growth. Horizon Utilities is not aware of any additional Large Use (1) ("LU (1)") or Large Use ("LU (2)") customers to be connected in the 2015 to 2019 Test Years. As such, the number of customers in the LU (1) and LU (2) customer counts are expected to remain constant throughout the Application period.

The forecast for customer electricity usage is expected to follow a similar trend to historical performance. Customer electricity usage for the Residential, Unmetered Scattered Load ("USL") and General Service > 50kW classes are assumed to continue to decline while that for the Large Use and General Service < 50kW are expected to increase. The Street Lighting usage per customer has remained stable through the 2011-2013 historical periods and based on the historical trend is forecasted to be similar over the forecasted Test Years, as identified in Exhibit 3, Tab 2, Schedule 1.

Key Budgeting Parameters

[redacted]

The budget assumes no change in pension contribution rates in 2014, and this assumption is supported by an announcement in 2013 by OMERS. Post-employment benefits are forecasted according to actuarial valuations provided to Horizon Utilities.

Non-wage Inflation

Inflation on third-party purchases is assumed to be 1.5% which is consistent with the 2012 Consumer Price Index from Statistics Canada.

In general, non-wage operating expenses are based on detailed operating work plans with supplier costs at current price levels for 2013 and rising by 1.5% per year commencing in 2014.

Interest Rates

The allowable short-term interest rate is set at 2.11% in accordance with the rate specified by the OEB for 2014 Cost of Service applications. The allowable long-term interest rate is derived from weighted average cost of debt calculations. The allowable long-term interest rate for 2014 to 2017 is 3.47%, and is calculated using the future costs of existing debt obligations. The weighted average cost of debt rises to 3.63% in 2018 and to 3.76% in 2019 due to an anticipated new debt issuance in 2018 described below.

Working Capital

The distribution revenue requirement underlying this application in 2015 to 2019 incorporates a working capital allowance of 12.7% of the sum of the cost of power and OM&A expenses. The Working Capital Allowance is based on Horizon Utilities' Lead/Lag Study appended as Appendix 2-3 in Exhibit 2.

Return on Equity

The current Board-approved Return on Equity ("ROE") for Horizon Utilities, as established for rate making purposes in Horizon Utilities' 2011 cost of service application, is 9.58%. The current 2014 ROE for regulated utilities filing cost of service applications for 2014 is 9.36%. The ROE is based on the policy of the OEB for determining the cost and mix of financial capital for regulated utility rate-making purposes, and changes annually based on a percentage of the corresponding change in Government of Canada long bonds.

C) LOAD FORECAST

Horizon Utilities' forecasted energy consumption for the 2015 Test Year is 4,712,295,573 kWh. This is 298,593,343 kWh, or 6.77%, higher than the 2011 Board Approved kWh forecast as provided in Table 1-7. Horizon Utilities' forecasted number of new customers for the 2015 Test Year is 6,037, or an increase of 2.7% over 2011 Board Approved.

Table 1-7: Customer, kWh, and kW Forecast

Year	Customers	kWh	kW (from Applicable Classes)
2009 Actual	234,487	4,597,287,013	7,915,976
2010 Actual	235,870	4,874,096,937	8,276,984
2011 Actual	237,305	4,703,245,687	7,906,045
2012 Actual	238,488	4,743,613,182	7,993,635
2013 Actual	240,114	4,718,181,692	7,881,323
2014 Bridge Year	241,692	4,720,212,823	7,979,551
2015 Test Year	243,319	4,712,295,573	8,027,466
2016 Test Year	245,123	4,716,078,768	8,056,840
2017 Test Year	247,036	4,706,567,248	8,099,828
2018 Test Year	249,021	4,703,656,447	8,130,739
2019 Test Year	250,909	4,699,541,403	8,161,782

Horizon Utilities has filed a detailed class specific weather normalized load, customer, connection and device forecast in Exhibit 3, Tab 1, Schedule 2. In 2011, Horizon Utilities submitted a multivariate regression model based on trends in historical data for the amount of electricity (in kWh) purchased from the Independent Electricity System Operator ("IESO") for use by Horizon Utilities' customers, excluding Large Use customers. Horizon Utilities separately forecasted demand for the Large Use customer class. The Board had accepted this methodology.

Horizon Utilities is proposing a different approach to the load forecasts in the Application. The new approach is to forecast class specific sales for each of the Residential, GS < 50 kW, GS > 50 kW, Unmetered Scattered Load, Sentinel Lighting and Street Lighting rate classes. Under this approach, a separate regression model is used for each of these rate classes; producing six equations with specific variables used to explain class-specific sales. Horizon Utilities submits that this approach produces more accurate class specific forecasts which are, in turn, used to set the proposed distribution rates discussed in Exhibit 8. The use of class specific regression models has been approved by the Board in other recent Cost of Service Applications, including those filed by: Enersource Hydro Mississauga (EB-2012-0033); Hydro Ottawa Limited (EB-2011-0054); and PowerStream Incorporated (EB-2012-0161).

D) RATE BASE AND CAPITAL PLAN

Summary of Major Drivers of the Distribution System Plan

The major drivers of Horizon Utilities' Distribution System Plan are the necessary renewal investments in: the distribution system; buildings and related underlying systems and processes; and the Smart Meter implementation. A significant portion of Horizon Utilities' asset infrastructure is now largely due for renewal. Horizon Utilities has been able to extend the life of this equipment through careful management and prudent investments focused on the long term stewardship of these assets. However, the health of a significant portion of these assets is degrading and must be replaced along a carefully managed timeframe in a manner that balances distribution system risks and customer rate impacts. Building infrastructure systems are at or nearing end of life, resulting in: poor equipment performance; increased risk of system failure; poor work environments for employees; and increased health and safety risks.

Distribution System

Horizon Utilities operates within the cities of Hamilton and St. Catharines. These service territories contain some of the oldest distribution assets in the province. Hamilton and St. Catharines evolved around a heavy industrial base and have "in service" distribution assets approaching 100 years of age. System Average Interruption Duration Index ("SAIDI") and System Average Interruption Frequency Index ("SAIFI"), Horizon Utilities' two primary system performance metrics, have been trending negatively since 2006, representing a decrease in service to customers. The decline in these metrics is consistent with an aging distribution system. As such, significant capital investment to address infrastructure renewal is an immediate, necessary requirement.

Horizon Utilities identified an urgent need for increased investment in the renewal of its electricity distribution system in its last Cost of Service Application (EB-2011-0131). Horizon Utilities had undertaken significant studies resulting in a comprehensive asset management plan and asset condition assessments on the most critical components of its distribution infrastructure: substations. These asset condition assessments indicated a critical requirement for Horizon Utilities to immediately invest in substation asset renewal and decommissioning in

order to avoid increased risk of more frequent and severe service disruptions to many customers; and to avoid expensive and reactive maintenance in the future.

Horizon Utilities' need to increase investment in the renewal of aging distribution system infrastructure is ongoing. A significant portion of its distribution assets is currently at, or nearing, end-of-life; irrespective of the substation asset renewal and decommissioning. Horizon Utilities has continued to improve its asset management processes since its last rebasing where the evaluation of distribution asset condition has evolved from an end-of-life assessment to a more sophisticated health index model.

Horizon Utilities engaged an engineering firm, Kinectrics Inc. ("Kinectrics"), at the end of 2012 to conduct an Asset Condition Assessment ("ACA") of its key distribution assets. Kinectrics provided a quantifiable evaluation of the asset condition; aided in prioritizing and allocating sustainment resources; and facilitated the continued development of Horizon Utilities' asset management planning. Kinectrics' ACA was based on a Health Index methodology, which incorporates many inputs including maintenance history, inspection records, failure history, and other condition parameters.

KPMG LLP (Canada) ("KPMG") was retained to provide an independent assurance review of the methodology and analytics used in the Kinectrics ACA. KPMG completed a report for Horizon Utilities (January 23, 2014 – "KPMG" Report) (Appendix C of the DSP filed as Appendix 2-4 in Exhibit 2) in which it provided its opinion that the approach used by Kinectrics to arrive at the presented results is in line with industry practice and generally accepted methodologies. Horizon Utilities used the KPMG Report as validation of the outcomes of the Kinectrics ACA.

The Kinectrics analysis provided clear corroboration for the assertion that, based on sound engineering principles and best asset management practices, the health of Horizon Utilities' distribution system is degrading and increasing levels of investment for the next several years is required to halt further system health degradation to increasingly unacceptable levels.

Kinectrics identified that 30% of the assets within five of 22 identified asset groups have a health index of "poor" or "very poor". This level of Health Index distribution is unacceptable. An unacceptable Health Index Distribution occurs when:

- at least 20% of the assets within the group have a Health Index of either "very poor" or "poor"; or

- the assets within the group, which have a "very poor" or "poor" health index, require a significant five-year investment (greater than $5,000,000).

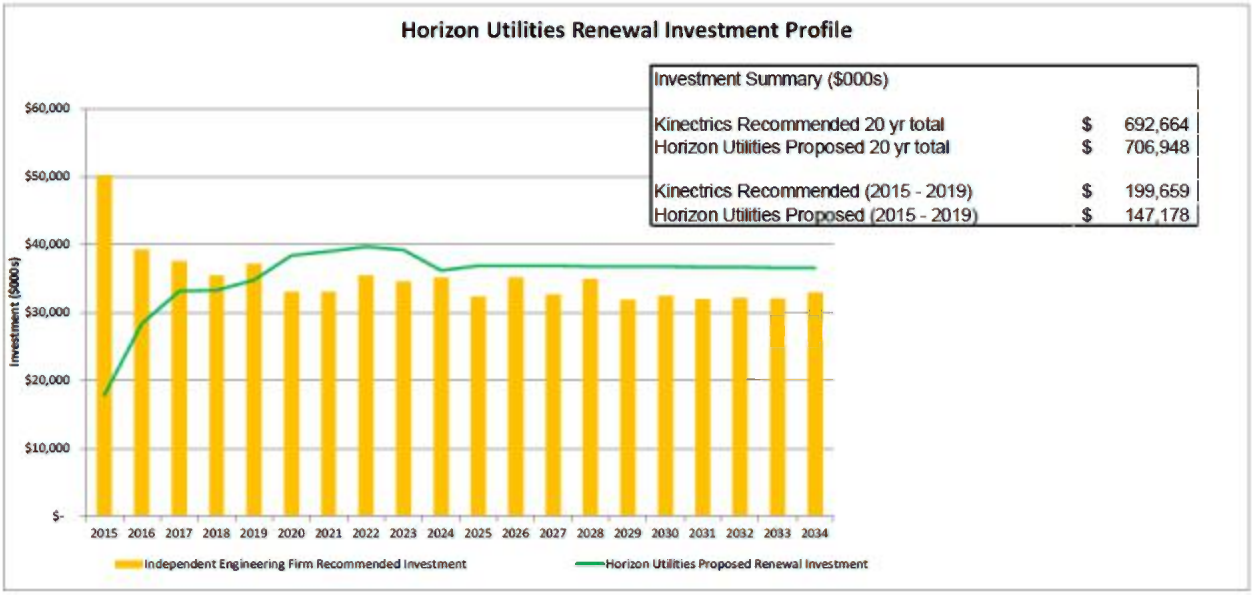
At Horizon Utilities' 2013 level of renewal investment, the ratio of assets operating at an unacceptable Health Index distribution will continue to increase resulting in increased service interruptions and more expensive reactive replacement and repair. The consequent asset failure rate will be higher than Horizon Utilities' ability to provide for repairs and replacements in a planned manner.

Kinectrics recommended implementing asset specific programs not only to address improving the overall condition of the asset categories listed above, but also to maintain the existing overall condition level for the remaining asset categories. The failure to do so could result in: deteriorating reliability performance; taking unnecessary risks associated with failures of assets with significant consequence of failure (such as underground cables, substation breakers and overhead conductors); and creating future investment needs that would be substantially higher than historical levels. Kinectrics identified a 20 year System Renewal investment requirement of $693MM and a five year investment from 2015-2019 of $200MM.

Horizon Utilities has adopted a balanced approach to investing in the necessary renewal of its distribution system, buildings and related underlying systems and processes and is proposing a 20 year renewal investment of $706MM and a five year investment from 2015-2019 of $147MM. Figure 1-4 below illustrates Kinectrics' recommended renewal investment level with Horizon Utilities' proposed investment for the 20-year period.

Implementing the level of investment required to address the declining health of Horizon Utilities' assets over a short period would result in a large and material rate impact to customers. Horizon Utilities has scheduled investments as multi-year initiatives in order to: address immediate risks associated with end-of-life assets; manage distribution system risks; and balance rate payer and utility affordability.

Figure 1-4 Horizon Utilities' Proposed Renewal Investment Profile



The major initiatives driving the increased renewal investment are Horizon Utilities' 4kV and 8kV Renewal Program (Appendix F of the DSP filed as Appendix 2-4 in Exhibit 2) and Underground Cross-linked Polyethylene ("XLPE") Cable Renewal Program in section 3.5.3 of the DSP filed as Appendix 2-4 in Exhibit 2.

The 4kV and 8kV distribution system, constructed in the 1950s, represents the majority of Horizon Utilities' oldest distribution assets, which are at or near end-of-life ("EOL"). Conversion to a higher voltage level will provide greater security as higher voltage systems are designed with more redundancy and better interoperability. Kinectrics' ACA provided the Health Index for 22 asset groups. Fourteen of these asset groups have an unacceptable Health Index distribution. Horizon Utilities' 4kV and 8kV Renewal Program addresses the renewal of assets in seven of the fourteen asset groups and is necessary to address the risk of imminent asset failures and prolonged customer outages. For these reasons, Horizon Utilities prioritized renewal of these voltage systems in the capital expenditure plan and designated these projects as the primary vehicle for renewal of the overhead distribution system and the decommissioning of substation assets.

The Underground XLPE Cable Renewal Program is the primary vehicle for renewal of the underground distribution system. XLPE cable currently has 29% of assets with a health index of "poor" or "very poor". The volume of assets with a health index of "poor" or "very poor" increases to 45% in five years, 55% in ten years, 64% in 15 years and 70% in 20 years if annual renewal investment was to continue at 2013 levels. The failure rates associated with this level of risk will result in a significant increase in the number of outages experienced by customers compared to current levels and increased operational and maintenance costs associated with the location of faults, restoration, and repair. Without proactive replacements, as assets continue to age and degrade, the cable will fail at a higher rate than Horizon Utilities' ability to repair it. Reliability will also deteriorate to unacceptable levels. Reactive replacements will be materially more expensive than the plan that has been submitted in this Application. The cost of reactive renewal is estimated to be three times the cost of planned renewal.

This current backlog of XLPE cable requiring renewal cannot be addressed in a single year and requires a multiple year investment strategy. The optimal level of renewal for XLPE cable, based on a 40-year useful life replacement cycle, is 50 km/year. Horizon Utilities' proposed

aggregate investment of $36,014,000 for the 2015 to 2019 Test Years provides for the replacement of 180 km of cable over this period. This represents a managed, gradual increase in investment in order to balance rate payer and utility affordability. This proposed investment is below the minimum investment required to maintain the current Health Index in 2015 to 2019, and the backlog of XLPE cable with a "very poor" or "poor" health index will continue to grow until 2019. It will take Horizon Utilities until 2017 to reach the recommended level of renewal, due to long lead times required to address planning and municipal consent processes and customer consultations.

It is imperative that Horizon Utilities increases investment in system renewal now to mitigate system health degradation and related reliability risks, and to allow a graduated management of the cost implications for its customers. The principal driver of the increase in capital additions in each of the Test Years as compared to the 2011 Board-Approved Year is distribution system renewal. System renewal investments are discussed in further detail in Exhibit 2, Tab 6, Schedule 1 and Section 3.5 of the DSP filed as Appendix 2-4 in Exhibit 2 as well as Appendix A and Appendix G of the DSP.

In addition to the distribution system investments, Horizon Utilities has made, and is proposing to make, significant investments in General Plant assets which include modifications, replacements or additions to Horizon Utilities' assets that are not part of its distribution system and that are used to support day to day business and operations activities.

The primary drivers of the general plant investments are buildings and information systems technology.

Buildings

Horizon Utilities' buildings and infrastructure systems are at or nearing end of life, resulting in: poor equipment performance; increased risk of system failure; poor work environments for employees; and increased health and safety risks. The majority of the office space remains as originally constructed and configured and does not meet the needs of the current workforce. Expenditures for the maintenance and operations of Horizon Utilities' buildings are increasing year-over-year due to: required structural repairs; additional expenses to procure replacement parts for obsolete systems; and replacement of end-of-life ("EOL") systems.

Horizon Utilities identified that a long-term building asset renewal plan was necessary and commenced a series of studies in 2010 to:

- understand building and operational requirements;
- determine the level of required investment; and,
- prioritize the prospective building renewal projects.

The studies identified several issues and gaps. Necessary renovations are required to address: operational deficiencies; building accessibility; the removal of hazardous materials; security; and air quality. Horizon Utilities needs to replace assets which have reached EOL and ensure compliance with Ontario Building and Fire Codes. These issues and gaps are discussed in further detail in Exhibit 2, Tab 6, Schedule 1.

Renovations began in 2012 and are scheduled to continue through to 2019 at a total investment of $22,057,000 over the eight years.

Information Systems Technology ("IST")

The capital investment strategy for IST is focused on the delivery and maintenance of enterprise class systems and technologies that provide the necessary tools and services to support Horizon Utilities' business, customers, and employees in an efficient, effective, and secure manner. Enterprise class systems: inter-operate and interface with other key business databases and tools; are secure; and have the ability to be customized for the needs of specific departments.

This Application proposes necessary material investments for IST with an aggregate value of $7,431,276 across the 2015 and 2019 Test Years. Such investments are principally comprised of necessary replacements and upgrades of EOL systems that are no longer supported by vendors; necessary systems to sustain operations; and systems required to advance efficiency, effectiveness, and security objectives.

The major projects through the 2015 to 2019 Test Years include the following:

- upgrade key operational systems such as the Industrial and Financial Systems ("IFS") Enterprise Resource Planning ("ERP") system; and

- implementation of new enterprise operational systems including GIS and OMS.

The scope of and justification for IST projects is included in Exhibit 2, Tab 6, Schedule 1.

Smart Meter Implementation

Horizon Utilities had substantially completed its mass deployment of Smart Meters in 2009. As at the end of 2011, Horizon Utilities had installed 230,713 Smart Meters representing 97.4% of all metering points. Horizon Utilities expects that the cumulative capital costs for the installation of Smart Meters will be $25,509,051 which is included in rate base for the 2015 Test Year. This includes capital costs for installations expected to be incurred up until December 31, 2014.

Rate Base and Capital Expenditures Requested

Horizon Utilities has calculated its 2015 Test Year rate base as $483,609,614, which represents a 31.0% or $114,556,978 increase over the 2011 Board-Approved rate base of $369,052,637. Horizon Utilities has calculated its rate base for each of the 2016 to 2019 Test Years as follows:

- The 2016 Test Year rate base is calculated as $501,947,697, a 3.8% or $18,338,082 increase over the 2015 Test Year rate base.

- The 2017 Test Year rate base is calculated as $523,024,973, a 4.2% or $21,077,276 increase over the 2016 Test Year rate base.

- The 2018 Test Year rate base is calculated as $547,388,621, a 4.7% or $24,363,648 increase over the 2017 Test Year rate base.

- The 2019 Test Year rate base is calculated as $573,321,816, a 4.7% or $25,933,195 increase over the 2018 Test Year rate base.

Horizon Utilities is forecasting capital expenditures for the 2015 Test Year of $39,939,881 (reported on a Modified International Financial Reporting Standards basis ("MIFRS" and "IFRS" as appropriate), which represents an increase of 2.4% or $939,881 over the 2011 Board-

Approved amount of $39,000,000 (reported on the former Canadian Generally Accepted Accounting Principles basis ("CGAAP")) as indicated in Table 1-8 below.

Table 1-8 - Board-Approved Capital Expenditures vs. 2015 Test Year Capital Expenditures

Category	2011 Board-Approved	2015 Test Year	Variance ($)	Variance (%)
System Access	$ 5,289,234	$ 8,242,598	$ 2,953,364	55.8%
System Renewal	$ 22,253,908	$ 18,070,329	$ (4,183,579)	-18.8%
System Service	$ 3,593,929	$ 4,139,747	$ 545,818	15.2%
General Plant	$ 7,862,929	$ 9,487,208	$ 1,624,279	20.7%
Total	**$ 39,000,000**	**$ 39,939,882**	**$ 939,882**	**2.4%**

This increase is primarily driven by:

- an increase to necessary capital expenditures of $10,279,539, principally in support of system access projects and necessary renewal based investments in the distribution system and, to a lesser extent, buildings;

- partly offset by a decrease in capital expenditures of $9,339,658 corresponding to a change to capitalization policies resulting from the transition to IFRS. The transition to IFRS is discussed in further detail in Exhibit 6, Tab 2, Schedule 1.

Horizon Utilities is forecasting capital expenditures for the 2016 to 2019 Test Years as follows:

- 2016 Test Year capital expenditures are forecast to be $42,947,588, a 7.5% or $3,007,707 increase over the 2015 Test Year capital expenditures.

- 2017 Test Year capital expenditures are forecast to be $47,425,652, a 10.4% or $4,478,063 increase over the 2016 Test Year capital expenditures.

- 2018 Test Year capital expenditures are forecast to be $48,942,849, a 3.2% increase or $1,517,197 over the 2017 Test Year capital expenditures.

- 2019 Test Year capital expenditures are forecast to be $51,272,306, a 4.8% or $2,329,457 increase over the 2018 Test Year capital expenditures.

Renewable Energy Generation

Horizon Utilities plans its distribution system investments to accommodate the connection of potential future renewable generation during the design phase of any project. Capital investments related to the accommodation of Renewable Energy Generation ("REG") investments are project specific and are recovered through capital contributions.

In general, Horizon Utilities has sufficient capacity to support REG connections in both Hamilton and St. Catharines. However, Horizon Utilities identifies that some feeders are constrained. Three feeders are constrained due to the presence of existing generation. These generators cause a minimum loading constraint on these feeders as identified in Appendix E of the DSP, filed as Appendix 2-4 in Exhibit 2.

Horizon Utilities has also identified constraints on the host transmitter, Hydro One. The most common of these is thermal or short circuit loading. The substations in St. Catharines will be relieved when Allanburg TS breaker upgrades are completed in 2014 by Hydro One. Horizon Utilities has not included any capital expenditures specifically related to REG in its DSP.

Regional Planning Initiatives

The DS Plan Filing Requirements are intended to ensure that, among other things, the Board's expectations for the optimization of investments reflect regional considerations. The Board also made amendments to the DSC such that distributors would be required to request one of three documents from the lead transmitter: a regional infrastructure plan; a letter regarding the status of the regional infrastructure plan; or a Needs Assessment Report (where participation in a regional planning process is not required).

Horizon Utilities service area falls into two Regional Planning areas: Burlington to Nanticoke; and Niagara. Horizon Utilities received a letter from Hydro One dated February 12, 2014 confirming the status of regional planning for the two Regional Planning areas of which Horizon Utilities is a part. A copy of the letter is provided in Appendix I of the DSP, filed as Appendix 2-4 in Exhibit 2.

Horizon Utilities has been working with the OPA and Hydro One with respect to Regional Planning for the Burlington to Nanticoke region. Horizon Utilities has completed Hydro One's

requests for information on system loading and generation to complete the 'Needs Screening' assessment for the Burlington to Nanticoke region. Most recently, Horizon Utilities hosted a Hydro One Regional Planning meeting at Horizon Utilities facilities on January 31, 2014. Hydro One has not initiated the Needs Screening phase for the Niagara region; this is anticipated for 2016-2017. Horizon Utilities will support the Regional Planning process for the Niagara region once these meetings commence. Horizon Utilities actively participates with regional distributors, the IESO and Hydro One at an operational level as well.

Horizon Utilities does not seek to recover renewable energy connection costs related to Regulation 330/09 from its customers in this Application.

E) OPERATIONS, MAINTENANCE, AND ADMINISTRATION EXPENSE

Horizon Utilities is requesting recovery of 2015 Test Year OM&A of $62,632,679 (reported on an MIFRS basis), which represents a $20,496,478 or 48.6% increase over the 2011 Board-Approved OM&A of $42,136,201 (reported on a CGAAP basis) . As discussed in Exhibit 4, Tab 1, Schedule 1, a significant portion of this increase is attributable to the conversion to MIFRS and the addition of Smart Meter related costs totaling $9,145,756 or 44.6% of the increase. Horizon Utilities has calculated its OM&A for the 2016 to 2019 Test Years as follows:

- The 2016 Test Year OM&A is $64,394,131, an increase of $1,761,452 or 2.8% over the 2015 Test Year OM&A.
- The 2017 Test Year OM&A is $66,255,827, an increase of $1,861,696 or 2.9% over the 2016 Test Year OM&A.
- The 2018 Test Year OM&A is $67,708,658, an increase of $1,452,831 or 2.2% over the 2017 Test Year OM&A.
- The 2019 Test Year OM&A is $69,140,489, an increase of $1,431,831 or 2.1% over the 2018 Test Year OM&A.

The principal drivers of the changes to OM&A provided for in this Application and discussed in detail in Exhibit 4 are as follows:

- The transition from CGAAP to MIFRS causes an increase in OM&A as a result of changes to capitalization policies that no longer permit the capitalization of indirect overhead costs;
- The inclusion of Smart Meter costs, which were excluded from 2011 OM&A when these costs were recorded to a deferral account;
- Fees charged to and from affiliated businesses, as a result of refinements to the Transfer Pricing Study that are effective in 2014;
- Wage and price inflation;
- Increases to pension contribution rates for the Ontario Municipal Employees Retirement System ("OMERS");
- Increased investment in distribution system maintenance; and
- New business requirements (Initiatives aligned to the strategic objectives of Horizon Utilities).

<u>Change in accounting standard</u>

Horizon Utilities adopted IFRS effective January 1, 2012.

Horizon Utilities has prepared this Application in accordance with the requirements of the OEB for regulatory accounting, reporting, and filing. Such requirements include certain modified accounting treatments for regulated utilities reporting under IFRS as specified by the OEB in its Report of the Board: *Transition to International Financial Reporting Standards* dated July 28, 2009 ("IFRS Report"). Specifically, the OEB requires modified IFRS ("MIFRS") filings and reporting requirements for utilities that have adopted IFRS. Horizon Utilities has incorporated the MIFRS requirements specified in the IFRS Report within the accounting and reporting components of the Application. Consequently, Horizon Utilities has filed financial information within this Application as follows:

- 2011 - its last Board-Approved year and the IFRS transition year - in CGAAP and MIFRS; and

- 2012-2019 Historical, Bridge and Test Years in MIFRS.

The transition to IFRS had a significant impact on OM&A costs. IFRS diverges from CGAAP in that it does not permit the capitalization of indirect overhead costs as PP&E. The impact of removing indirect overhead costs from capital in 2011 was a reduction in PP&E and a corresponding increase in OM&A. The transition to IFRS is discussed in further detail in Exhibit 6, Tab 2, Schedule 1.

The proposed OM&A expenditures for the Test Years range from $62,632,679 in the 2015 Test Year to $69,140,489 in the 2019 Test Year. These expenditures are necessary to sustain and improve service to Horizon Utilities' customers including: managing related business risks; maintaining business continuity; investing in employees to enhance engagement and performance; and promoting health and safety in the workplace. Horizon Utilities has maintained a reasonable balance between necessary investments and customer bill impacts in developing its OM&A forecasts for the 2015-2019 Test Years, as evidenced by lower OM&A growth during the Test Years than during the 2012 to 2014 IRM period, when higher growth was experienced to meet business requirements described further in Exhibit 4.

INFLATION RATE

A single rate of inflation has not been used in cost projections due to fundamental differences between labour costs and third-party purchases of goods and services. Inflation for labour is determined by the terms of the Collective Agreement for unionized employees and [redacted] Inflation on third-party purchases is assumed to be 1.5%. The foregoing assumptions apply to the 2014 Bridge Year and each of the Test Years from 2015 to 2019.

TOTAL COMPENSATION

Horizon Utilities total compensation for the 2015-2019 Test Years and the change from the last Board-Approved amount in 2011 is provided in Table 1-8 below.

[redacted]

Salaries, wages, and benefits increases are the main contributors to the OM&A cost variance in the 2015 Test Year over 2011 Actual as discussed in Exhibit 4, Tab 2, Schedule 2. The increase in salaries, wages, and benefits is driven primarily by salary and wage increases resulting from wage inflation and promotions; FTE growth; and pension and benefits increases, both in relation to wage growth and contribution rates, in particular the increase in employer contribution rates mandated by the OMERS Pension Plan in 2011, 2012 and 2013.

Union employees comprise approximately 70% of Horizon Utilities' workforce and are governed by Horizon Utilities' Collective Agreement with the International Brotherhood of Electrical Workers ("IBEW"). The current four year agreement was effective June 1, 2011 and provides for the following annual increases:

- June 1, 2011 to May 31, 2012 2.8%
- June 1, 2012 to May 31, 2013 2.9%
- June 1, 2013 to May 31, 2014 3.1%
- June 1, 2014 to May 31, 2015 3.1%

In addition to the percentage increase, some skilled trades employees are entitled to annual stepped progression rate increases as they acquire more skill and experience in accordance with the terms of the Collective Agreement.

Non-union employee wage growth resulting from annual wage increases, promotions and adjustments have averaged [redacted] per annum, from 2011 to 2015, exclusive of FTE increases since 2011. This is aligned with Horizon Utilities' compensation approach and competitive market data. The second largest driver to increased salaries, wages and benefits costs is the growth of 20 FTE between 2011 and 2015. This increase in headcount is necessary to provide resource capability to match work demand to sustain business operations and to support new business requirements. As mentioned above, expenditure on benefits increased driven primarily by the increase in employer contribution rates for OMERS. OMERS introduced employer and employee pension contribution increases as part of a long-term plan to eliminate a deficit between plan assets and plan obligations. A detailed explanation of employee compensation including benefits and movement in FTE is provided in Exhibit 4, Tab 4, Schedule 2.

Benefits primarily include: group health insurance; Canada Pension Plan ("CPP"); Employment Insurance ("EI"); Employer Health Tax ("EHT"); pension contributions; and post-employment benefits. A primary contributor to the benefits cost increase is an increase in the employer contribution rates for Ontario Municipal Employees Retirement System ("OMERS"). OMERS introduced employer and employee pension contribution increases as part of a long-term plan to eliminate a deficit between plan assets and plan obligations. The following table presents changes to OMERS contribution rates from 2011 to 2013: (i) up to the Yearly Maximum Pensionable Earnings ("YMPE"); and (ii) on earnings in excess of the YMPE.

Table 1-9: OMERS Contribution Rates 2011 - 2013

Year	YMPE	Up to YMPE	Over YMPE
2011	$ 48,300	7.40%	10.70%
2012	$ 50,100	8.30%	12.80%
2013	$ 51,100	9.00%	14.60%

While many of these cost increases are generally outside Horizon Utilities' control, these increases have been mitigated by productivity initiatives discussed in detail in Exhibit 4, Tab 3, Schedule 4.

OM&A Trend Analysis

Table 1-10 - OM&A Trend Analysis: Forecast vs. Price Cap provides the following analyses of OM&A from 2011 Approved through to the 2019 Test Year:

i. Actual and projected Application growth on both total and per customer bases;

ii. Projected growth from 2011 Approved under a Price Cap Index approach that incorporates: a) historical, assumed, and forecast wage and price inflation assumptions underlying the application; and b) productivity and stretch factor values based on the *Report of the Board: Rate Setting Parameters and Benchmarking under the Renewed Regulatory Framework for Ontario's Electricity Distributors* dated December 4, 2013 (EB-2010-0379) ("Rate Setting Report");

iii. "Real" OM&A growth underlying the Application between 2011 Approved and the 2019 Test Year as represented by the difference between i) and ii).

1 **Table 1-10 – OM&A Trend Analysis: Forecast vs. Price Cap**

		2011 Board Approved MIFRS	2012 Actual MIFRS	2013 Actual MIFRS	2014 Bridge Year MIFRS	2015 Test Year MIFRS	2016 Test Year MIFRS	2017 Test Year MIFRS	2018 Test Year MIFRS	2019 Test Year MIFRS
	OM&A Analysis - Actual and Forecast per Application									
	Total OM&A - MIFRS including Smart Meters (A)	$ 51 281 957	$ 51 478 365	$ 54 516 505	$ 60 387 369	$ 62 632 679	$ 64 394 131	$ 66 255 827	$ 67 708 658	$ 69 140 489
	Customer/ Connections Counts (D)	237,161	238,444	240,014	241,573	243,237	245,038	246,941	248,923	250,790
	Total OM&A/ Customer - Application	$ 216.23	$ 215.89	$ 227.14	$ 249.98	$ 257 50	$ 262.79	$ 268 31	$ 272.01	$ 275.69
	Year over Year Change in OM&A/ Customer		$ (0.34)	$ 11.25	$ 22.84	$ 7 52	$ 5.30	$ 5 51	$ 3.70	$ 3.68
	Cumulative/ Permanent Change in OM&A/ Customer Cost Structure		$ (0.34)	$ 10.91	$ 33.74	$ 41 26	$ 46.56	$ 52 07	$ 55.77	$ 59.46
	Customer Growth Rate - Annual		0.54%	0.66%	0.65%	0.69%	0.74%	0.78%	0.80%	0.75%
	OM&A/ Customer Growth Rate per Application									
	Year over Year per Application		-0.16%	5.21%	10.05%	3.01%	2 06%	2.10%	1.38%	1.35%
	Cumulative from 2011 Approved		-0.16%	5.04%	15.60%	19.08%	21 53%	24.08%	25.79%	27.50%
	CAGR - Total Actual OM&A Growth		-0.16%	2.49%	4.95%	4.46%	3 98%	3.66%	3.33%	3.08%
	OM&A Analysis - Price Cap vs. Application									
	Price Cap Index - Actual/ Forecast Inflation									
	Labour Based OM&A (including wage components of Management Fees)		$ 32,500,000	$ 35,100,000	$ 37,800,000	$ 39,100,000	$ 40,600,000	$ 41,800,000	$ 42,600,000	$ 43,800,000
	Non-Labour OM&A		19 000 000	19 400 000	22 600 000	23 500 000	23 800 000	24 500 000	25 100 000	25 300 000
(i)	**Total OM&A (rounded)**		**$ 51,500,000**	**$ 54,500,000**	**$ 60,400,000**	**$ 62,600,000**	**$ 64,400,000**	**$ 66,300,000**	**$ 67,700,000**	**$ 69,100,000**
	Labour OM&A as % of Total OM&A		63.1%	64.4%	62.6%	62 5%	63.0%	63 0%	62.9%	63.4%
	Non-Labour OM&A as % of Total OM&A		36.9%	35.6%	37.4%	37 5%	37.0%	37 0%	37.1%	36.6%
	Labour inflation index (actual and forecast)		2.9%	3.1%	3.1%	2 8%	2.8%	2 8%	2.8%	2.8%
	Non-Labour inflation index (application assumption)		1.7%	2.2%	1.7%	1 5%	1.5%	1 5%	1.5%	1.5%
	Inflation (Actual/ Forecast Combined Labour and Non-Labour Index)		2.46%	2.78%	2.58%	2.31%	2 32%	2.32%	2.32%	2.32%
	Productivity Factor		0.00%	0.00%	0.00%	0.00%	0 00%	0.00%	0.00%	0.00%
	Stretch Factor		-0.40%	-0.40%	-0.15%	-0.15%	-0.15%	-0.15%	-0.15%	-0.15%
	Price Cap Index - Actual/ Forecast + X-Factor		2.06%	2.38%	2.43%	2.16%	2.17%	2.17%	2.17%	2.17%
	Price Cap Index - Adjusted for Customer Growth		2.07%	2.40%	2.44%	2.18%	2.19%	2.19%	2.19%	2.19%
	Price Cap OM&A/ Customer (on 2011 Approved) (E)	$ 216.23	$ 220.71	$ 225.99	$ 231.51	$ 236 55	$ 241.72	$ 247 01	$ 252.40	$ 257.93
	Price Cap OM&A/ Customer Growth (Year over Year)		$ 4.47	$ 5.29	$ 5.52	$ 5 04	$ 5.17	$ 5 29	$ 5.40	$ 5.53
	Price Cap OM&A/ Customer Growth (Cumulative)		$ 4.47	$ 9.76	$ 15.28	$ 20 32	$ 25.49	$ 30.77	$ 36.17	$ 41.70
	Difference - Application vs. Price Cap OM&A (Cumulative)		$ (4.81)	$ 1.15	$ 18.47	$ 20 95	$ 21.07	$ 21 30	$ 19.60	$ 17.76
	CAGR - Price Cap OM&A/ Customer		2.07%	2.23%	2.30%	2.27%	2 25%	2.24%	2.23%	2.23%
	Analysis of OM&A/ Customer Difference under Price Cap vs. 2011									
	Year over Year Change in OM&A/ Customer (Application)		$ (0.34)	$ 10.91	$ 33.74	$ 41 26	$ 46.56	$ 52 07	$ 55.77	$ 59.46
	Less: Net Inflationary Growth (Price Cap)		4.47	9.76	15.28	20 32	25.49	30.77	36.17	41.70
	Real Growth in OM&A/ Customer vs. 2011 Approved		$ (4.81)	$ 1.15	$ 18.47	$ 20 95	$ 21.07	$ 21 30	$ 19.60	$ 17.76
(ii)	**Projected OM&A under Price Cap (B = D * E) (rounded)**		**$ 52,600,000**	**$ 54,200,000**	**$ 55,900,000**	**$ 57,500,000**	**$ 59,200,000**	**$ 61,000,000**	**$ 62,800,000**	**$ 64,700,000**
(iii)	**Real OM&A Growth - Application vs. Price Cap (C = A - B) (rounded)**	**51,281,957**	**$ (1,100,000)**	**$ 300,000**	**$ 4,500,000**	**$ 5,100,000**	**$ 5,200,000**	**$ 5,300,000**	**$ 4,900,000**	**$ 4,400,000**

2

The analysis demonstrates that Horizon Utilities is projecting and requesting real OM&A growth, net of achieved and forecast productivity and inflation, of approximately $4,400,000 from 2011 Approved through the 2019 Test Year ("Real OM&A Growth – Application vs. Price Cap" value for 2019 Test Year). This represents a customer adjusted Cumulative Annual Growth Rate ("CAGR") during this period, corresponding to real OM&A growth, of 0.82% (3.08% "CAGR – Total" for the 2019 Test Year less 2.26% "CAGR – Price Cap OM&A/ Customer" for the 2019 Test Year).

Table 1-11 provides examples of real OM&A cost increases since 2011 Board-Approved and through the 2019 Test Year that are elaborated further within the Application (rounded to nearest $100,000 as a result of some complexity in extracting inflationary and productivity components within budgeted values and with recognition that the analysis outcomes are estimates):

Table 1-11 – Real OM&A Cost Increases 2011 – 2019

(Rounded to $00,000)	Value	Application Reference
Drivers of Real Increases in OM&A Costs		
Non-Controllable		
OMERS contribution rate increases	$ 600,000	Employee Compensation, Exhibit 4, Tab 4, Schedule 2
Postage rate increases	$ 200,000	Customer Service Department, Exhibit 4, Tab 3, Schedule 3
Insurance Premiums	$ 200,000	Corporate Adminstration, Exhibit 4, Tab 3, Schedule 3
AMI Licensing	$ 200,000	Customer Service, Exhibit 4, Tab 3, Schedule 3
Total Non-Controllable	$ 1,200,000	
Regulatory		
Custom R Application Costs	$ 600,000	Regulatory Costs, Exhibit 4, Tab 4, Schedule 6
Managed		
Transfer Pricing/ Management Fees	$ 300,000	Shared Service and Corporate Cost Allocation, Exhibit 4, Tab 4, Schedule 3
GIS/ OMS Project - ongoing third party OM&A support costs	$ 500,000	Engineering and Operations, Exhibit 4, Tab 3, Schedule 3
Change in FTE	$ 2,300,000	Employee Compensation, Exhibit 4, Tab 3, Schedule 3
Consulting/ contract support in Human Resources and Finance	$ 500,000	Corporate Finance and Human Resources, Exhibit 4, Tab 3, Schedule 3
Growth in Information Systems Technology third party licensing and support costs	$ 1,200,000	Information Systems and Technology, Exhibit 4, Tab 3, Schedule 3
Tree trimming	$ 300,000	Construction and Maintenance, Exhibit 4, Tab 3, Schedule 3
Maintenance - buildings, vehicles, equipment, property, utilities	$ 1,800,000	Supply Chain Management, Exhibit 4, Tab 3, Schedule 3
Total Controllable	$ 6,900,000	
Total - principle drivers of real cost growth 2011 to 2019	$ 8,700,000	

The above list is not an exhaustive list of OM&A growth in real terms provided in this Application. The excess of $8,700,000 in Table 1-11 over the $4,400,000 of projected net real growth computed as "Real OM&A Growth – Application vs. Price Cap" in Table 1-10 represents the amount of productivity achieved and forecast from 2011 Approved through the 2019 Test Year above the amount implicit in the corresponding price cap index analysis. The total

sustained OM&A productivity achievement underlying this Application is forecast at $6,645,000 by the 2019 Test Year as provided and elaborated at Exhibit 4, Tab 3, Schedule 4.

The "Projected OM&A under Price Cap" value of $64,700,000 for the 2019 Test Year represents the amount of OM&A Horizon Utilities would have expected to be approved naturally from 2011 to that year, as the progression to that point would have been largely consistent with IRM based adjustments for inflation less the X-factor value comprising productivity and stretch factors. Horizon Utilities is seeking approval for approximately $4,400,000 of OM&A in excess of this value ($64,700,000) for reasons identified in this Application.

There is urgency to step up OM&A in 2014 and 2015 to address the non-controllable, regulatory, and managed cost drivers that will affect Horizon Utilities in those years and thereafter. The rationale and justification for such managed growth is articulated in the Application and corresponds to themes such as: support for urgent and rising distribution renewal investment and ongoing medium-term growth in maintenance programs; delivery of customer value through information technology investments to enhance distribution system management and monitoring and timely customer access and response; and to provide functional and sustainable office and operating centre work environments.

The value of these real cost drivers exceeds $4,400,000 but achieved and expected productivity mitigates the gross value of real cost increases. Table 1-12 provides a comparison of OM&A levels in this application with OM&A levels excluding productivity initiatives and efficiencies.

Table 1-12– Impact to OM&A CAGR Exclusive of Productivity Savings

	2011 Actual - Restated MIFRS	2012 Actual MIFRS	2013 Actual MIFRS	2014 Bridge Year MIFRS	2015 Test Year MIFRS
OM&A per Application	$ 50,790,410	$ 51,478,365	$ 54,516,505	$ 60,387,369	$ 62,632,679
YOY growth		*1.4%*	*5.9%*	*10.8%*	*3.7%*
Add: Productivity Savings	$ 75,000	$ 1,540,000	$ 3,530,000	$ 4,990,000	$ 6,175,000
OM&A without Productivity	$ 50,865,410	$ 53,018,365	$ 58,046,505	$ 65,377,369	$ 68,807,679
YOY growth		*4.2%*	*9.5%*	*12.6%*	*5.2%*

	2016 Test Year MIFRS	2017 Test Year MIFRS	2018 Test Year MIFRS	2019 Test Year MIFRS	CAGR 2011 to 2019	CAGR 2011 to 2015	CAGR 2015 to 2019
OM&A per Application	$ 64 394,131	$ 66 255,827	$ 67,708,658	$ 69,140,489			
YOY growth	*2.8%*	*2.9%*	*2.2%*	*2.1%*	*3.9%*	*5.4%*	*2.5%*
Add: Productivity Savings	$ 6,335,000	$ 6,395,000	$ 6,495,000	$ 6,645,000			
OM&A without Productivity	$ 70,729,131	$ 72,650,827	$ 74,203,658	$ 75,785,489			
YOY growth	*2.8%*	*2.7%*	*2.1%*	*2.1%*	*5.1%*	*7.8%*	*2.4%*

Horizon Utilities is experiencing real increases in its capital expenditure and OM&A programs in order to address: renewal of the distribution system and corresponding growth in supportive resource requirements; sustainment based investments and OM&A in IT systems, facilities, fleet, and distribution system maintenance; and other requirements as described in this Application. However, Horizon Utilities is prioritizing and pacing this cost growth in order to manage customer rate increases at a graduated pace. Additionally, there has been considerable emphasis and success with respect to productivity initiatives, in order to mitigate and moderate customer rate growth, as elaborated in Exhibit 4, Tab 3, Schedule 4. Productivity initiatives delivered $3,530,000 of savings in 2013 and will continue to deliver $4,990,000 in savings in 2014, thereafter rising to an expected sustained level of $6,645,000 by 2019. In the absence of these savings, OM&A growth during this investment period would be 9.5% and 12.6% in 2013 and 2014 respectively, instead of the lower rates of 5.9% and 10.8%.

Price Cap Index Analysis

The continuing application of a Price Cap Index for a duration such as that provided in Table 1-10 results in OM&A growth expectations indicative of distributors operating in a “steady-state mode” with primarily sustainment investment needs. Distributors with such expectations would generally be expected to file an application under the Annual IR Index approach specified in the

RRFE Report. Based on the expected OM&A growth analysis in Table 1-10 OM&A is projected at $64,700,000 by 2019.

Within this Application and with reference to corresponding 2011 Approved amounts, Horizon Utilities has provided for capital investment and OM&A that materially exceed historical levels. Such requirements align to the Custom IR method for rate application specified in the RRFE Report. On this basis, the application of a Price Cap Index would not be expected to provide a sufficiency of revenue requirement cash flow to finance such growth in capital investment and OM&A. Table 1-12 demonstrates that OM&A growth to $69,140,489 by the 2019 Test Year is approximately $4,400,000 in excess of "Projected OM&A Growth under Price Cap".

Horizon Utilities recognizes the expectation of the Board for productivity and is committed to delivering such to its customers to provide them with electricity distribution at a reasonable cost. Such expectation has effectively been extracted by the Board from 2012 through 2014 distribution rates through the Total Productivity Factor and Stretch Factor-components of Incentive Rate Mechanism rate adjustment.

The Board approved productivity factor applicable to Horizon Utilities for purposes of the 2012 and 2013 IRM rate adjustments was 0.72%. The Rate Setting Report (page 17) identifies that *"The Board believes that setting the productivity factor at zero reflects a reasonable balance of the estimated productivity trend in the sector over the last 10 years and a value that is reasonable to project into the future…"*. Although the Board applied a 0.72% productivity factor to 2012 and 2013 IRM rate adjustments, more current analysis within and underlying the Rate Setting Report clarifies realistic expectations for productivity at 0% for those years. Consequently, Horizon Utilities has used a 0% productivity factor for all years within its price index analysis in Table 1-10.

The Stretch Factors used in the price index analysis in Table 1-10 correspond to historical and current Board Approved values.

The Board has specified an approach to an inflation factor within the Rate Setting Report. The Board has adopted a 2-factor input price index ("IPI") that includes a labour and non-labour component weighted based on estimates from a review of the cost shares of medium to large distributors (70% Non-Labour and 30% Labour). Additionally, the Board has adopted the GDP-

IPI-FDD as the non-labour input index and the Average Weekly Earnings ("AWE")-All Employees-Ontario as the labour input index.

Horizon Utilities submits that the estimated weightings do not correspond to its actual labour and non-labour weightings for purposes of analyzing an OM&A price index. The direct and indirect (i.e., salary, wages, and benefits component of customer services management fee – refer to Exhibit 4, Tab 4, Schedule 3) labour component of OM&A is within a relatively tight range of 62% to 64% of OM&A with the remainder categorized as non-labour. Horizon Utilities has used its actual and forecast weightings in Table 1-10 for purposes of its price cap analysis.

The AWE-All Employees-Ontario index does not adequately correlate to the actual and forecast labour inflation for Horizon Utilities. Labour inflation for Horizon Utilities correlates to: i) wage increases provided under existing and anticipated collective bargaining arrangements for its unionized staff; and ii) market-based changes to non-union wages. Historical and forecast information corresponding to salaries, wages, and benefits is provided in Exhibit 4, Tab 2, Schedule 2.

Horizon Utilities has used a labour inflation index corresponding to (i) and (ii) above for purposes of the price index analysis in Table 1-10. This is appropriate since, as a practical matter, no single distributor can influence the market value for labour. Union contracts are heavily influenced by pattern bargaining within the sector. Non-union wages are determined with respect to independent market based intelligence. Consequently, Horizon Utilities submits that more reasonable expectations for prudently incurred labour costs should correspond to its particular circumstances rather than a non-specific labour index for average weekly earnings for workers in Ontario. Horizon Utilities has used its current collective agreement (expiring May 31, 2015) with IBEW as the basis of labour inflation for 2012 through 2014.

Horizon Utilities has used the Board approved GDP-IPI-FDD index for the non-labour index corresponding to its IRM years 2012 to 2014 and an assumption of 1.5%[5] for 2015 through 2019, which also underlies the non-labour component of OM&A in those Test Years.

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[5] Consistent with the 2012 Consumer Price Index from Statistics Canada

Lastly, the Price Cap Index is computed on a customer adjusted basis and applied to 2011 Approved OM&A/ Customer. This is appropriate since OM&A varies with the number of customers. This notwithstanding, Table 1-10 demonstrates that the Cumulative Annual Growth Rate ("CAGR") impact of customer growth for Horizon Utilities on the Price Cap Index applied to 2011 OM&A/ Customer is 0.02% ("Price Cap Index – Adjusted for Customer Growth" less "Price Cap Index – Actual/ Forecast + X-Factor").

Horizon Utilities' Comparison to LDC Sector

Horizon Utilities has an impressive record of cost control leadership in Ontario's LDC sector. Horizon Utilities' customers have benefitted from low rates across all customer classes; Horizon Utilities has the 24th lowest average revenue per customer among the 73 Local Distribution Companies ("LDC") in the OEB's 2012 Yearbook of Electricity Distributors.

This cost control success is evidenced in the benchmarking results of the Report of the Board- *Defining and Measuring Performance of Electricity Transmitters and Distributors* (EB-2010-0379), which was a component of the RRFE. Horizon Utilities was placed in the Group II stretch factor cohort, where a Group II utility is defined as having actual costs 10 to 25 percent below predicted costs under the OEB's econometric benchmarking framework. The significance of this categorization is that Horizon Utilities is ranked as high as 7th and not below 21st of the 71 LDCs ranked, given that only six of 71 LDCs are in Group I and 15 are in its Group II.

Horizon Utilities is proposing increases in its costs and revenue requirement in this Application, and thus customer rates, to support necessary renewal investment and the growth of its distribution system. Horizon Utilities operates with unique customer and service territory characteristics, many of which are shaped by the particular development of the electricity industry and the community locally as discussed in the previous section entitled Horizon Utilities' unique features. These characteristics are now driving the need for increased investment and operating costs. Notwithstanding the proposed increase in revenue requirement, Horizon Utilities submits that rate payers will still be well served and will receive good value in service and price. This conclusion is evident in comparisons of average revenue per customer between Horizon Utilities, the LDC sector, and the cohort of Group II LDCs resulting from the above mentioned benchmarking exercise.

Horizon Utilities average revenue per customer metric of $465 is the 22nd lowest among the 73 LDCs[6]; it is considered a strong performer in the sector. Horizon Utilities ranks 7th out of 15 LDCs when this per customer metric is compared within the Group II cohort based on 2012 data, making it a strong performer even within the Group II cohort.

Horizon Utilities' 2015 Test Year distribution revenue per customer results remain low when compared with all other LDCs whether based on 2012 data or 2015 proxy data. Horizon Utilities ranks 32nd of 73 LDCs when its 2015 Test Year distribution revenue per customer of $487 is measured against the 2012 distribution revenue per customer for all LDCs in the sector. Horizon Utilities' 2015 distribution revenue per customer is projected to be in the top half in sector performance against 2012 values, despite inflation and cost increases driving the proposed 2015 costs.

A proxy representation of 2015 values for all LDCs on average distribution revenue per customer can be constructed by inflating the 2012 values, using both 2 and 3 percent to show the potential range of impact of inflation and cost increases above inflation. When each LDC's data is inflated by 2 percent for three years to create proxy 2015 equivalents, Horizon Utilities' 2015 Test Year distribution revenue per customer value of $487 ranks 22nd out of 73 LDCs and 7th out of the 15th Group II cohort LDCs. This places it comparatively in the same position it held against the sector in 2012, and therefore remains a top performer and one well above the median. At 3 percent, it ranks 16 h out of 73 LDCs making it a top quartile performer against the proxy results, and 5th out of the 15th Group II cohort LDCs.

F) COST OF CAPITAL

Horizon Utilities has prepared its Application in accordance with the Board's guidelines provided in the *Report of the Board on Cost of Capital for Ontario's Regulated Utilities issued on December 11, 2009* (the "Cost of Capital Review"). The Cost of Capital Review identifies the intention of the OEB to conduct its first regular review in 2014 and any changes to the policy made as a result of that review would apply to the setting of rates for the 2015 rate year.

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[6] 2012 OEB Yearbook of Electricity Distributors

Horizon Utilities understands that any such changes to policy may result in adjustments to its evidence provided in Exhibit 5 of this Application.

Horizon Utilities has used the most recent cost of capital parameters issued by the OEB on November 25, 2013 in its Cost of Capital Parameter Update for 2014 Cost of Service Applications for Rates Effective May 1, 2014 (the "2014 Cost of Capital Parameters"). There are no deviations from the Board's cost of capital methodology. As documented in the *Report of the Board on Rate Setting Parameters and Benchmarking under the Renewed Regulatory Framework for Ontario's Electricity Distributors* (EB-2010-0379) issued November 21, 2013, the Board intends to update the Cost of Capital parameters for setting rates in cost of service applications only once per year. Horizon Utilities will update its cost of capital parameters for 2015 based on the new parameters expected to be issued in 2014 for 2015 Cost of Service applications.

Horizon Utilities requests that: i) the cost of capital parameters for the 2016-2019 Test Years be subject to annual adjustments based on any Board revisions to such parameters applicable for each year for Cost of Service applications; and ii) such annual adjustments incorporate the actual market-based cost of any new debt issuances since this original filing. Horizon Utilities has provided further detail on the justification of this approach in Exhibit 5, Tab 1, Schedule 1.

G) COST ALLOCATION AND RATE DESIGN

Cost Allocation

Horizon Utilities has not deviated from the Board's cost allocation methodologies as set out in the following documents:

- Report of the Board, Review of Electricity Distribution Cost Allocation Policy, March 31, 2011; and
- Review of the Board's Cost Allocation Policy for Unmetered Loads, December 19, 2013.

Horizon Utilities has prepared a Cost Allocation model for each of the five Test Years using the Board's V3.1 Cost Allocation Model. The revenue-to-cost ratios for each class for each Test Year have been determined using the total revenues over costs in each respective Test Year.

Horizon Utilities engaged Elenchus Research Associates Inc. to undertake a review of Horizon Utilities' 2011 Cost Allocation Model (the "2011 Horizon Model") to determine whether there could be refinements that would better reflect the principles of cost causality in allocation costs to customers. This review identified two significant areas of concern with respect to allocating costs consistent with the principle of cost causality. Firstly, it was determined that the largest customers in the Large Use customer class are served exclusively with dedicated facilities and were being allocated costs for distribution facilities that are used exclusively by other customer classes. Secondly, it was determined that certain accounts defined as "primary assets" in the 2011 Horizon Model included both secondary and primary assets when examined on a sub-account basis. Consequently, Horizon Utilities is proposing the introduction of a new customer class and changes to the allocation of sub-accounts to customer classes, to conform more consistently to the principle of cost causality.

In order to appropriately address cost causality, and the uniqueness of some of its customers, Horizon Utilities is proposing a new Large Use 2 ("LU (2)") customer class, for customers with demand over 15 MW, that are also served by dedicated assets. Customers who meet the criteria of the proposed LU (2) class are presently allocated costs for distribution facilities that are used exclusively by other rate classes and not by the proposed LU (2) class under the existing Large Use rate class definition.

The following table compares the test year revenues proposed to be collected from the LU (2) class to the revenues that would be collected from this pool of customers if the new rate class was not created. As demonstrated in Table 1-13 below, the introduction of the LU (2) customer class removes approximately $4 Million per year in costs of assets that are not utilized by these customers.

Table 1-13 LU (2) Revenues at Proposed Rates vs LU (2) Revenues at LU (1) Rates

	Revenue Requirement as LU (1) Customers A	Revenue Requirement as LU (2) Customers B	Revenue Difference as LU (1) Customers A-B
2015	$4,085,475	$480,086	$3,605,389
2016	$4,332,153	$580,573	$3,751,579
2017	$4,496,349	$782,837	$3,713,512
2018	$4,616,370	$804,863	$3,811,507
2019	$4,808,926	$838,452	$3,970,474

Further discussion on Cost Allocation and the proposed LU (2) Rate Class is provided in Exhibit 7, Tab 1, Schedule 1.

Rate Design

Horizon Utilities is not proposing a substantial adjustment to the existing fixed/variable split by rate class, except in the case of the LU (1) and LU (2) classes. The proposed fixed/variable split for the LU (1) and LU (2) classes is the direct result of the introduction of the LU (2) class and reflects the existing split of fixed and variable revenue that is collected from the customers assigned to the LU (1) and LU (2) classes.

The 50/50 split embedded in Horizon Utilities' existing Large Use rates considers the aggregate billing for all 11 existing Large Use customers. The LU (2) class comprises 4 customers with demand greater than 15MW. While the aggregate revenues and costs for the proposed LU (1) and LU (2) classes result in a similar weighted average fixed/variable split to that embedded within the existing rates, the LU (2) class attracts a lower fixed percentage due to its comparatively higher demand. Conversely, the LU (1) class attracts a higher fixed percentage due to its comparatively lower level of demand. Table 1-14 separates the 2011 Board Approved amounts that would correspond to the proposed LU (1) and LU (2) class and demonstrates, on a weighted average total basis, that the proposed fixed/ variable allocations in 2015 through 2019 are consistent with those approved in the 2011 Cost of Service Application.

Table 1-14 - 2011 Board Approved Fixed and Variable Revenues Restated at LU (1) and LU (2)

	2011 Board Approved			
Customer Class	**Fixed $**	**Variable $**	**Fixed %**	**Variable %**
Restated at LU (1)	$ 2,074,840	$ 833,208	71.35%	28.65%
Restated at LU (2)	$ 1,185,623	$ 2,506,456	32.11%	67.89%
Total (Large Use)	$ 3,260,462	$ 3,339,664	49.40%	50.60%

Further discussion on rate design is included in Exhibit 8, Tab 1.

H) DEFERRAL AND VARIANCE ACCOUNTS

The Report of the Board on Electricity Distributors' Deferral and Variance Account Review Initiative (EB-2008-0046) ("EDDVAR") classified variance and deferral accounts into two groups: Group 1 and Group 2. The audited balances in Horizon Utilities' Group 1 Accounts were reviewed and cleared during its 2014 IRM application (EB-2013-0137); as these balances had exceeded the preset disposition threshold of $0.001/kWh outlined in the EDDVAR report.

Horizon Utilities is proposing in this Application that, as directed in the EDDVAR Report, the balances in the Group 1 and Group 2 Deferral and Variance accounts be cleared as identified in Table 1-15 below. With the exception of the Smart Meter Disposition Rider and Account 1575 – IFRS-CGAAP Transitional PP&E Amounts, the balances in the accounts represent the current audited balances as at December 31, 2013 including the forecasted interest through December 31, 2014.

The balance in Account 1575 represents the differences arising as a result of accounting policy changes caused by the transition from the former CGAAP to MIFRS from January 1, 2011 to December 31, 2014; in compliance with OEB guidance in Article 510 of the Accounting Procedures Handbook.

The balance in the Smart Meter Disposition Rider represents the recovery of revenue requirement associated with Smart Meter investments in 2012-2014, as provided in Exhibit 9, Tab 7, Schedule 1.

The total amount proposed for disposition of $21,366, representing amounts owing to customers is identified in Table 1-15 below:

Table 1-15 Disposition of Deferral and Variance Accounts

Deferral and Variance Accounts	Total Disposition	Disposition Period
Group 1 Accounts excluding GA (RPP)	($4,603,416)	One Year
Group 1 Accounts GA (non-RPP)	$3,086,847	One Year
Group 2 Accounts	$352,497	One Year
Sub-Total Group 1 and Group 2 Accounts	**($1,164,072)**	
LRAMVA	$10,634	One Year
IFRS-CGAAP Transitional PP&E Amounts [1]	$597,714	One Year
Smart Meter Disposition Rider	$534,358	One Year
Total Disposition	**($21,366)**	

1 Including Rate of Return Component

Horizon Utilities proposes to dispose of all of the balances in the Deferral and Variance accounts over a one year period. Further details on Horizon Utilities' deferral and variance account balances is included in Exhibit 9, Tab 1, Schedule 2.

Horizon Utilities seeks the Board's approval for the establishment of the following new Deferral and Variance account: Excess Revenues from Large User Load Displacement Generation. Horizon Utilities is requesting standby power rates equal to the variable distribution rate for both the LU (1) and LU (2) rate classes. Horizon Utilities proposes that setting the standby rate equal to the variable distribution rate is appropriate as this will maintain revenue neutrality with respect to any load displacement generation activities. Horizon Utilities proposes to track any incremental revenues earned on generation activities in the LU (1) and LU (2) customer classes over and above that which is approved in the load forecast in this Application. Should the balance of this account meet the criteria for disposition at the time of the next disposition period for Group 2 deferral accounts, Horizon Utilities proposes that it will be appropriate to return these revenues to the LU (1) and LU (2) customers at that time.

I) BILL IMPACTS

Horizon Utilities has considered the impacts on its customers in preparing this Application. A summary of these impacts, on the basis of Distribution Charges, and Total Bill (excluding HST and the Ontario Clean Energy Benefit ["OCEB"]) are provided in Tables 1-17 through 1-20 below.

The total bill impacts for each of the 2015 through 2019 Test Years are under the 10% threshold and as such, rate mitigation is not needed and therefore not discussed as part of this Application.

Table 1-16 provides the distribution bill impacts for a residential customer using 800 kWh per month and for a General Service < 50 kW customer using 2,000 kWh per month.

Table1-16: Distribution Bill Impacts

		Residential (at 800 kWh)	GS < 50 kW (at 2,000 kWh)
2015	**$$$**	$2.58	$12.32
	%	9.67%	24.44%
2016	**$$$**	$1.31	$2.93
	%	4.48%	4.67%
2017	**$$$**	$0.60	$1.62
	%	1.96%	2.47%
2018	**$$$**	$0.41	$1.03
	%	1.32%	1.53%
2019	**$$$**	$0.91	$1.89
	%	2.88%	2.77%

Further details on bill impacts are provided in Exhibit 8, Tab 4, Schedule 1.

Table 1-17: Distribution Bill $ Impact Summary

Rate Class	kWh	kW	Distribution $ (2015 vs 2014)	Distribution $ (2016 vs 2015)	Distribution $ (2017 vs 2016)	Distribution $ (2018 vs 2017)	Distribution $ (2019 vs 2018)
Residential (on TOU)	100		$1.60	$0.82	$0.39	$0.27	$0.56
Residential (on TOU)	200		$1.74	$0.89	$0.42	$0.29	$0.61
Residential (on TOU)	500		$2.16	$1.10	$0.51	$0.35	$0.76
Residential (on TOU)	800		$2.58	$1.31	$0.60	$0.41	$0.91
Residential (on TOU)	1,000		$2.86	$1.45	$0.66	$0.45	$1.01
Residential (on TOU)	1,500		$3.56	$1.80	$0.81	$0.55	$1.26
Residential (on TOU)	2,000		$4.26	$2.15	$0.96	$0.65	$1.51
GS < 50 kW (On TOU)	1,000		$10.22	$2.43	$1.32	$0.83	$1.59
GS < 50 kW (On TOU)	2,000		$12.32	$2.93	$1.62	$1.03	$1.89
GS < 50 kW (On TOU)	5,000		$18.62	$4.43	$2.52	$1.63	$2.79
GS < 50 kW (On TOU)	10,000		$29.12	$6.93	$4.02	$2.63	$4.29
GS < 50 kW (On TOU)	15,000		$39.62	$9.43	$5.52	$3.63	$5.79
GS > 50 kW (On RPP)	44,000	100	$118.20	$28.23	$15.86	$9.23	$18.86
GS > 50 kW (On RPP)	110,000	250	$184.31	$44.01	$24.73	$14.39	$29.39
GS > 50 kW (On RPP)	154,000	350	$228.38	$54.53	$30.63	$17.83	$36.41
GS > 50 kW (On RPP)	880,000	2,000	$955.53	$228.11	$128.15	$74.59	$152.24
GS > 50 kW (On RPP)	1,760,000	4,000	$1,836.93	$438.51	$246.35	$143.39	$292.64
Large Use (1) (On RPP)	3,321,500	6,500	($7,665.19)	$1,134.23	$535.04	$376.73	$767.03
Large Use (1) (On RPP)	3,832,500	7,500	($7,992.09)	$1,182.63	$557.84	$392.83	$799.73
Large Use (1) (On RPP)	5,110,000	10,000	($8,809.34)	$1,303.63	$614.84	$433.08	$881.48
Large Use (1) (On RPP)	6,387,500	12,500	($9,626.59)	$1,424.63	$671.84	$473.33	$963.23
Large Use (2) (On RPP)	7,665,000	15,000	($38,379.82)	$1,098.88	$2,235.82	$134.78	$262.42
Large Use (2) (On RPP)	10,220,000	20,000	($44,386.32)	$1,270.88	$2,585.82	$155.78	$303.42
USL (On RPP)	250		$0.19	$0.26	$0.28	$0.16	$0.38
USL (On RPP)	500		$0.24	$0.34	$0.35	$0.21	$0.48
Sentinel (721 Connections)	97,008	216	$1,468.24	$349.36	$184.43	$120.05	$233.24
Street Lighting (36,000 Devices)	2,400,000	6,800	$31,625.04	$7,524.96	$3,971.12	$2,585.76	$5,024.68

Table 1-18: Distribution Bill % Impact Summary

Rate Class	kWh	kW	Distribution % (2015 vs 2014)	Distribution % (2016 vs 2015)	Distribution % (2017 vs 2016)	Distribution % (2018 vs 2017)	Distribution % (2019 vs 2018)
Residential (on TOU)	100		9.76%	4.56%	2.07%	1.41%	2.88%
Residential (on TOU)	200		9.74%	4.54%	2.05%	1.39%	2.88%
Residential (on TOU)	500		9.70%	4.50%	2.00%	1.34%	2.88%
Residential (on TOU)	800		9.67%	4.48%	1.96%	1.32%	2.88%
Residential (on TOU)	1,000		9.66%	4.46%	1.95%	1.30%	2.88%
Residential (on TOU)	1,500		9.63%	4.44%	1.91%	1.27%	2.88%
Residential (on TOU)	2,000		9.61%	4.43%	1.89%	1.26%	2.88%
GS < 50 kW (On TOU)	1,000		24.44%	4.67%	2.42%	1.49%	2.81%
GS < 50 kW (On TOU)	2,000		24.44%	4.67%	2.47%	1.53%	2.77%
GS < 50 kW (On TOU)	5,000		24.43%	4.67%	2.54%	1.60%	2.70%
GS < 50 kW (On TOU)	10,000		24.43%	4.67%	2.59%	1.65%	2.65%
GS < 50 kW (On TOU)	15,000		24.43%	4.67%	2.61%	1.67%	2.63%
GS > 50 kW (On RPP)	44,000	100	23.05%	4.47%	2.41%	1.37%	2.76%
GS > 50 kW (On RPP)	110,000	250	22.26%	4.35%	2.34%	1.33%	2.68%
GS > 50 kW (On RPP)	154,000	350	22.01%	4.31%	2.32%	1.32%	2.66%
GS > 50 kW (On RPP)	880,000	2,000	21.22%	4.18%	2.25%	1.28%	2.59%
GS > 50 kW (On RPP)	1,760,000	4,000	21.11%	4.16%	2.24%	1.28%	2.57%
Large Use (1) (On RPP)	3,321,500	6,500	(23.70%)	4.60%	2.07%	1.43%	2.87%
Large Use (1) (On RPP)	3,832,500	7,500	(23.70%)	4.60%	2.07%	1.43%	2.87%
Large Use (1) (On RPP)	5,110,000	10,000	(23.70%)	4.60%	2.07%	1.43%	2.87%
Large Use (1) (On RPP)	6,387,500	12,500	(23.70%)	4.60%	2.07%	1.43%	2.87%
Large Use (2) (On RPP)	7,665,000	15,000	(87.10%)	19.33%	32.96%	1.49%	2.87%
Large Use (2) (On RPP)	10,220,000	20,000	(87.10%)	19.33%	32.96%	1.49%	2.87%
USL (On RPP)	250		1.49%	1.98%	2.05%	1.15%	2.74%
USL (On RPP)	500		1.46%	1.99%	2.04%	1.18%	2.70%
Sentinel (721 Connections)	97,008	216	24.46%	4.68%	2.36%	1.50%	2.87%
Street Lighting (36,000 Devices)	2,400,000	6,800	24.46%	4.68%	2.36%	1.50%	2.87%

1-19: Total Bill $ Impact Summary

Rate Class	kWh	kW	Total Bill $ (2015 vs 2014)	Total Bill $ (2016 vs 2015)	Total Bill $ (2017 vs 2016)	Total Bill $ (2018 vs 2017)	Total Bill $ (2019 vs 2018)
Residential (on TOU)	100		$0.42	$0.80	$0.43	$0.32	($0.20)
Residential (on TOU)	200		$0.89	$0.86	$0.50	$0.39	($0.12)
Residential (on TOU)	500		$2.28	$1.05	$0.72	$0.61	$0.12
Residential (on TOU)	800		$3.67	$1.23	$0.93	$0.82	$0.37
Residential (on TOU)	1,000		$4.60	$1.35	$1.07	$0.97	$0.53
Residential (on TOU)	1,500		$6.92	$1.66	$1.43	$1.32	$0.93
Residential (on TOU)	2,000		$9.24	$1.96	$1.78	$1.68	$1.34
GS < 50 kW (On TOU)	1,000		$11.70	$0.24	$1.63	$1.24	$1.11
GS < 50 kW (On TOU)	2,000		$16.64	$0.85	$2.24	$1.85	$1.72
GS < 50 kW (On TOU)	5,000		$31.45	$2.69	$4.07	$3.69	$3.55
GS < 50 kW (On TOU)	10,000		$56.14	$5.75	$7.11	$6.75	$6.59
GS < 50 kW (On TOU)	15,000		$80.83	$8.81	$10.16	$9.81	$9.64
GS > 50 kW (On RPP)	44,000	100	$253.63	$32.31	$28.73	$22.09	$31.73
GS > 50 kW (On RPP)	110,000	250	$531.05	$54.20	$56.90	$46.54	$61.57
GS > 50 kW (On RPP)	154,000	350	$715.99	$68.79	$75.68	$62.84	$81.46
GS > 50 kW (On RPP)	880,000	2,000	$3,767.56	$309.62	$385.55	$331.79	$409.64
GS > 50 kW (On RPP)	1,760,000	4,000	$7,466.43	$601.53	$761.15	$657.79	$807.44
Large Use (1) (On RPP)	3,321,500	6,500	($804.34)	$1,432.62	$1,491.84	$1,334.18	$1,723.83
Large Use (1) (On RPP)	3,832,500	7,500	($75.71)	$1,526.93	$1,661.84	$1,497.58	$1,903.73
Large Use (1) (On RPP)	5,110,000	10,000	$1,745.84	$1,762.70	$2,086.84	$1,906.08	$2,353.48
Large Use (1) (On RPP)	6,387,500	12,500	$3,567.40	$1,998.46	$2,511.84	$2,314.58	$2,803.23
Large Use (2) (On RPP)	7,665,000	15,000	($22,346.03)	$1,586.48	$4,443.82	$2,344.28	$2,470.42
Large Use (2) (On RPP)	10,220,000	20,000	($25,161.92)	$4,075.01	$5,529.82	$3,101.78	$3,247.42
USL (On RPP)	250		$0.91	$0.21	$0.35	$0.26	$0.46
USL (On RPP)	500		$1.71	$0.24	$0.51	$0.41	$0.64
Sentinel (721 Connections)	97,008	216	$1,707.84	$299.50	$207.28	$142.92	$256.09
Street Lighting (36,000 Devices)	2,400,000	6,800	$38,475.03	$10,341.39	$4,659.28	$3,273.92	$5,711.48

1-20: Total Bill % Impact Summary

Rate Class	kWh	kW	Total Bill % (2015 vs 2014)	Total Bill % (2016 vs 2015)	Total Bill % (2017 vs 2016)	Total Bill % (2018 vs 2017)	Total Bill % (2019 vs 2018)
Residential (on TOU)	100		1.39%	2.59%	1.36%	1.00%	(0.61%)
Residential (on TOU)	200		2.04%	1.94%	1.11%	0.86%	(0.26%)
Residential (on TOU)	500		2.76%	1.23%	0.83%	0.70%	0.14%
Residential (on TOU)	800		3.02%	0.98%	0.74%	0.65%	0.29%
Residential (on TOU)	1,000		3.12%	0.89%	0.70%	0.62%	0.34%
Residential (on TOU)	1,500		3.25%	0.76%	0.65%	0.59%	0.42%
Residential (on TOU)	2,000		3.33%	0.68%	0.62%	0.58%	0.46%
GS < 50 kW (On TOU)	1,000		7.29%	0.14%	0.95%	0.71%	0.63%
GS < 50 kW (On TOU)	2,000		5.88%	0.29%	0.75%	0.61%	0.56%
GS < 50 kW (On TOU)	5,000		4.84%	0.39%	0.59%	0.54%	0.51%
GS < 50 kW (On TOU)	10,000		4.45%	0.44%	0.54%	0.51%	0.49%
GS < 50 kW (On TOU)	15,000		4.31%	0.45%	0.52%	0.50%	0.49%
GS > 50 kW (On RPP)	44,000	100	4.37%	0.53%	0.47%	0.36%	0.52%
GS > 50 kW (On RPP)	110,000	250	3.78%	0.37%	0.39%	0.32%	0.42%
GS > 50 kW (On RPP)	154,000	350	3.66%	0.34%	0.37%	0.31%	0.40%
GS > 50 kW (On RPP)	880,000	2,000	3.41%	0.27%	0.34%	0.29%	0.36%
GS > 50 kW (On RPP)	1,760,000	4,000	3.38%	0.26%	0.33%	0.29%	0.35%
Large Use (1) (On RPP)	3,321,500	6,500	(0.19%)	0.34%	0.35%	0.31%	0.40%
Large Use (1) (On RPP)	3,832,500	7,500	(0.02%)	0.31%	0.34%	0.30%	0.39%
Large Use (1) (On RPP)	5,110,000	10,000	0.27%	0.27%	0.32%	0.29%	0.36%
Large Use (1) (On RPP)	6,387,500	12,500	0.45%	0.25%	0.31%	0.29%	0.35%
Large Use (2) (On RPP)	7,665,000	15,000	(2.34%)	0.17%	0.48%	0.25%	0.26%
Large Use (2) (On RPP)	10,220,000	20,000	(1.99%)	0.33%	0.44%	0.25%	0.26%
USL (On RPP)	250		2.25%	0.52%	0.85%	0.62%	1.09%
USL (On RPP)	500		2.41%	0.33%	0.69%	0.56%	0.86%
Sentinel (721 Connections)	97,008	216	9.61%	1.54%	1.05%	0.72%	1.27%
Street Lighting (36,000 Devices)	2,400,000	6,800	9.25%	2.28%	1.00%	0.70%	1.21%

APPENDIX 1-2: CEA SUSTAINABLE ELECTRICITY COMPANY DESIGNATION

Media Release

Horizon Utilities first company to achieve Sustainable Electricity designation

(HAMILTON/ST. CATHARINES, ON) April 24, 2013 – Horizon Utilities Corporation is the first company in Canada to earn the Sustainable Electricity Company™ designation from the Canadian Electricity Association (CEA).

"We're very honoured to be recognized by the CEA for our commitment to advancing sustainable business practices in our operations," said Max Cananzi, President and CEO of Horizon Utilities Corporation. "This is an exciting day for Horizon Utilities and the electricity sector. This is also validation of a strategy we introduced several years ago as part of our commitment to contributing to the sustainability of our communities."

The Sustainable Electricity Company™ designation was established by CEA for utilities across Canada and worldwide. The designation requires utilities to commit to ISO 14001 standards on Environmental Management Systems and ISO 26000 guidelines on Social Responsibility. In addition, companies must also pass a third-party external verification to validate the implementation of CEA brand criteria.

"I am impressed with the level of commitment the sector has dedicated to sustainability over the last few years, and I particularly congratulate Horizon Utilities for the leadership it has shown," said David Morrison, President and CEO of Yukon Energy Corporation and Executive Chair of the CEA Sustainability Committee.

Horizon Utilities is the current recipient the CEA's Sustainability Company of the Year Award, having won in both 2011 and 2012. The company's business practices are governed by its Sustainability Policy and it evaluates its sustainability performance using the Global Reporting Initiative™ (GRI) framework. The organization also publishes a 'sustainability-based' annual report, documenting the social, environmental and economic dimensions of its business in equal measure. Horizon Utilities adopted its sustainability strategy in 2008.

"This is a historic day for the Canadian electricity sector," said Jim Burpee, President and CEO of the Canadian Electricity Association. "I congratulate Horizon Utilities for attaining this brand designation based on internationally recognized standards."

About Horizon Utilities Corporation
Horizon Utilities Corporation, one of the largest municipally owned electricity distribution companies in Ontario, is the first company in Canada to earn the Canadian Electricity Association's Sustainable Electricity Company™ designation. It is a two-time winner of the CEA's Sustainability Company of the Year award (2011 and 2012) and a repeat Top 10 Employer in Hamilton-Niagara (2012 and 2013). It is the 2013 winner of the electricity sector's Environmental Excellence Award. The company provides electricity and related utility services to 239,000 residential, commercial and industrial customers in Hamilton and St. Catharines. Horizon Utilities' employees are committed to delivering a safe and reliable supply of electricity,

providing unparalleled customer value, and helping to create a culture of energy conservation in Ontario.

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APPENDIX 1-3: CEA ENVIRONMENTAL COMMITMENT AWARD 2013

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Media Release

Horizon Utilities wins national Environmental Commitment Award for sophisticated Energy Conservation Mapping project

Innovative collaboration recognized by Canadian Electricity Association at Sustainable Electricity Awards

(HAMILTON/ST. CATHARINES, ON) June 14, 2013 – Horizon Utilities' innovative energy conservation mapping initiative was honoured by the Canadian Electricity Association (CEA) with its prestigious 2013 Environmental Commitment Award, which was presented at the CEA Sustainable Electricity Awards dinner in Calgary last night.

"Horizon Utilities greatly appreciates the Canadian Electricity Association's recognition of our energy conservation mapping initiative and the support of our project partners in this collaboration," said Max Cananzi, President and CEO of Horizon Utilities. "Energy mapping is a powerful tool that brings existing information and databases together in creative new ways to identify customers who can best benefit from specific conservation programs. We can use a more sophisticated, efficient approach to match conservation programs with the customers who can realize the most energy savings."

Neil Freeman, Vice President, Business Development, accepts Horizon Utilities' Environmental Commitment Award.

Energy mapping allows Conservation and Demand Management (CDM) marketing programs to be designed to reach targeted residential and commercial customers with pinpoint accuracy. The project involves linking individual electricity consumption for all Horizon Utilities customers in Hamilton and St. Catharines with key building attributes, like square metres of floor area, age of buildings, heating and air conditioning type, and demographic data about neighbourhoods.

Combining this data in a Geographic Information System (GIS) creates a centralized, geo-referenced database that can be queried and mapped. The resulting customer energy intensity profiles and underlying data are being used to plan Horizon's CDM marketing campaigns -- and get the right messages and incentives to the right people in the most effective ways.

"The land use data and customer energy intensity profiles being developed by the pilot project are already being used for our 2013 marketing campaigns to help our customers become as energy efficient as possible," added Cananzi. "This will contribute to the sustainability of the environment by reducing energy consumption and improving air quality while delivering cost savings to customers."

Launched with a $500,000 grant from the Ontario Power Authority's Conservation Fund, the energy mapping pilot project has a number of influential partners who have generously contributed over $300,000 of financial and in-kind support.

Project partners include the Canadian Urban Institute, Municipal Property Assessment Corporation, Teranet, Natural Resources Canada, Statistics Canada, Environics Analytics, the Cities of Hamilton and St. Catharines and the Regional Municipality of Niagara.

To learn more about the many valuable and innovative CDM programs offered by Horizon Utilities, visit www.horizonutilities.com/conservation.

For more information on the Canadian Electricity Association, visit www.electricity.ca. June is National Electricity Month in Canada, see powerforthefuture.ca for more details on the CEA's campaign.

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About Horizon Utilities Corporation
Horizon Utilities Corporation, one of the largest municipally owned electricity distribution companies in Ontario, is the first company in Canada to earn the Canadian Electricity Association's Sustainable Electricity Company™ designation. It is a two-time winner of the CEA's Sustainability Company of the Year award (2011 and 2012) and a repeat Top 10 Employer in Hamilton-Niagara (2012 and 2013). It is the 2013 winner of the electricity sector's Environmental Excellence Award. The company provides electricity and related utility services to 239,000 residential, commercial and industrial customers in Hamilton and St. Catharines. Horizon Utilities' employees are committed to delivering a safe and reliable supply of electricity, providing unparalleled customer value, and helping to create a culture of energy conservation in Ontario.

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APPENDIX 1-4: EDA ENVIRONMENTAL EXCELLENCE AWARD

Media Release

Horizon Utilities' Innovative Energy Conservation project receives environmental excellence award

Electricity Distributors Association recognizes energy mapping project

(HAMILTON/ST. CATHARINES, ON) March 19, 2013 – An innovative project designed by Horizon Utilities Corporation to identify which customers can benefit most from energy conservation programs has won the prestigious 2013 Environmental Excellence Award from the Electricity Distributors Association (EDA).

Rather than customers having to determine their own conservation needs, Horizon Utilities' unique "energy mapping" tailors Conservation and Demand Management (CDM) programs for residential and commercial customers with pinpoint accuracy. The project links individual electricity consumption for all customers in Hamilton and St. Catharines with key building attributes like square metres of floor area.

Horizon Utilities' energy mapping tool is the first of its kind in Canada to match energy use data with the delivery of tailored conservation programs.

"We are excited about the power of our energy mapping because it lowers the cost of living and the cost of business for residential and commercial customers," says Max Cananzi, President and CEO of Horizon Utilities. "We are proud that this project knowledge will be shared across Ontario with other electricity distribution companies, whose customers will also benefit from this more sophisticated and targeted approach to conservation."

The EDA Environmental Excellence Award is awarded annually to recognize Ontario utilities for outstanding efforts in striving to protect and improve the environment. Selection criteria include environmental benefit and stewardship, economic benefit, innovation and originality, and the extent to which the program could be adopted by other utilities.

"We believe that this project will have a significant impact on the success of Conservation and Demand management programs, which will improve the sustainability of our environment while delivering economic benefits to customers", added Cananzi.

To learn more about the many valuable and innovative CDM programs offered by Horizon Utilities, visit www.horizonutilities.com/conservation.

About Horizon Utilities Corporation
Horizon Utilities Corporation, one of the largest municipally owned electricity distribution companies in Ontario, is a two-time winner of the Sustainability Company of the Year award (2011 and 2012). It is also a two-time Top 10 Employer in Hamilton-Niagara (2012 and 2013). The company provides electricity and related utility services to 239,000 residential, commercial and industrial customers in Hamilton and St. Catharines. Horizon Utilities' employees are committed to delivering a safe and reliable supply of electricity, providing unparalleled customer value, and helping to create a culture of energy conservation in Ontario.

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APPENDIX 1-5: BLOOM SUSTAINABILITY AWARD

Media Release

Horizon Utilities wins national BLOOM Sustainability Leadership Award

Long-term sustainable development strategy improves financial performance and fosters economic growth in Hamilton and St. Catharines

(Hamilton / St. Catharines, ON) October 2, 2013 – Horizon Utilities Corporation won the 2013 BLOOM Sustainability Leadership Award at the Sustainability Applied 2013 Gala Dinner and Awards Ceremony last night in Mississauga.

"Winning the BLOOM Sustainability Leadership Award is a tremendous honour for Horizon Utilities. Our strategic decision to focus on sustainable development has made us a better and stronger company," said Neil Freeman, Vice-President, Business Development. "Horizon is committed to being a socially-aware, environmentally-conscious and innovative economic contributor in the communities we serve."

Neil Freeman, Vice President, Business Development, accepted Horizon Utilities' 2013 BLOOM Sustainability Leadership Award.

Horizon Utilities, which is jointly owned by the municipalities of Hamilton and St. Catharines, won the BLOOM Award in the institutional/municipal category. Horizon would like to congratulate the Regional Municipality of Niagara, for its nomination in the same category, and the other award winners and nominees.

"Building a sustainability-based business operation and employee culture requires a thoughtful, planned and strategic approach. We have incorporated sustainable development performance indicators in all aspects of our business operations," said Freeman. "Making the commitment to sustainable development has allowed us to run our business with greater efficiency, insight and intelligence."

Horizon Utilities began reporting its "triple bottom line" results in 2008 with a Sustainability-Based Annual Report and a Global Reporting Initiative (GRI) sustainability filing. Both give equal weight to social, environmental and economic performance measures, with the GRI filing's scope having expanding to the "A+" application level since 2010 and external assurance performed by Ernst & Young since 2009. The 2012 GRI and Annual reports are available at horizonutilities.com.

About the BLOOM Sustainability Leadership Awards
The BLOOM Sustainability Leadership Awards recognize organizations that excel in creating value through their sustainability strategy, actions and outcomes. For more information, visit bloomcentre.com and sustainabilityapplied.com.

About Horizon Utilities Corporation
Horizon Utilities Corporation, one of the largest municipally owned electricity distribution companies in Ontario, is the first company in Canada to earn the Canadian Electricity Association's Sustainable Electricity Company™ designation. Horizon Utilities is the 2013 winner of the CEA's Environmental Commitment Award and the Ontario Electricity Distributors Association's Environmental Excellence Award. It is a repeat Top 10 Employer in Hamilton-Niagara (2012 and 2013). The company provides electricity and related utility services to 239,000 residential, commercial and industrial customers in Hamilton and St. Catharines. Horizon Utilities' employees are committed to delivering a safe and reliable supply of electricity, providing unparalleled customer value, and helping to create a culture of energy conservation in Ontario. For more information visit horizonutilities.com.

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APPENDIX 1-6: QUEST COMMUNITY BUILDER AWARD

Media Release

Horizon Utilities wins QUEST 2013 Community Energy Builder Award

Innovative projects to encourage smart growth development and improve energy conservation receive national 'smart energy' recognition

(Hamilton / St. Catharines, ON) November 15, 2013 – Horizon Utilities Corporation is the winner of the Quality Urban Energy Systems of Tomorrow (QUEST) Community Energy Builder Award.

The QUEST Community Energy Builder Awards are part of the 2013 QUEST conference and trade show (questcanada.org) in Markham and recognize leadership and innovation in advancing smart energy communities in Canada.

Horizon Utilities, the municipally-owned local electricity distributor in Hamilton and St. Catharines, is the recipient in the Utility category for its innovative Smart Growth Connection Policy and its Energy Conservation Mapping Project.

"To be recognized by QUEST with a national Community Energy Builder Award is a tremendous honour for Horizon Utilities," said Max Cananzi. "The new Smart Growth Connection Policy encourages more sustainable urban development and the Energy Conservation Mapping Project helps us more effectively engage customers to help them reduce their energy consumption."

Smart Growth Connection Policy
Horizon Utilities is the first utility in Canada to implement a "smart growth" inspired connection policy, recognizing that compact development is more sustainable and more energy efficient. The new policy provides incentives for infill development of repurposed commercial buildings. Horizon will charge lower electricity connection costs to commercial customers who locate or relocate to an infill site because the electrical infrastructure is already mostly in place.

A new database of Horizon and customer-owned assets will help businesses find properties with electricity infrastructure already in place and offers lower start-up costs for electrical connections than "greenfield" sites.

Neil Freeman, Vice President, Business Development, officially unveiled the new Smart Growth Connection Policy in a presentation at QUEST 2013 on November 13.

Energy Conservation Mapping Project
Horizon Utilities' Energy Conservation Mapping Project is revolutionizing the the delivery of Conservation and Demand Management (CDM) services for customers.

Energy Conservation Mapping involves combining customers' electricity consumption with property attribute and geo-reference databases with demographic information in a Geographic Information System (GIS). The resulting energy mapping data allows CDM professionals to

correctly market to residential and commercial customers that can most benefit from energy conservation programs.

Read the Ontario Power Authority's Case Study on Horizon's Energy Conservation Mapping Project.

"Enhancing urban intensification through the smart growth development policy and conservation marketing through energy mapping are two practical, effective ways that Horizon Utilities is putting its commitment to community-based energy solutions and sustainable development into operation for the benefit of our communities," said Cananzi.

Successful QUEST:
Horizon Utilities' Neil Freeman, VP Business Development, left, receives the 2013 QUEST Community Energy Builder Award for Utilities from Gord Reynolds, Chief Innovation Officer, Global Utilities Practice, Capgemini Canada Inc. and Mary Wiens, CBC Metro Morning, and Emcee for the Smart Energy Gala Dinner and Awards Ceremony.

About Horizon Utilities Corporation
Horizon Utilities Corporation, one of the largest municipally owned electricity distribution companies in Ontario, is the first company in Canada to earn the Canadian Electricity Association's Sustainable Electricity Company™ designation. Horizon Utilities is the 2013 winner of the BLOOM Sustainability Leadership Award, the CEA's Environmental Commitment Award and the Ontario Electricity Distributors Association's Environmental Excellence Award. The company is a repeat Top 10 Employer in Hamilton-Niagara (2012 and 2013).

Horizon Utilities provides electricity and related utility services to 239,000 residential, commercial and industrial customers in Hamilton and St. Catharines. Its employees are committed to delivering a safe and reliable supply of electricity, providing unparalleled customer value, and helping to create a culture of energy conservation in Ontario. For more information, visit horizonutilities.com.

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APPENDIX 1-7: GRI SUSTAINABILITY REPORT

Global Reporting Initiative™ ("GRI") Filing: Horizon Holdings Inc. 2012

(Report includes Horizon Utilities Corporation and Horizon Energy Solutions Inc.)

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Profile Disclosures:

(1.1 to 4.17)

1. Strategy and Analysis

1.1 - Statement from the most senior decision-maker of the organization (e.g. CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy.

Answer: Please see the Chair and CEO letter in the 2012 Annual Report, available at: http://www.horizonutilities.com/

1.2 - Description of key impacts, risks, and opportunities.

Answer: Please see the Chair and CEO letter in 2012 Annual Report and Risk Factors in Management's Discussion and Analysis, available at: http://www.horizonutilities.com/

2. Organizational Profile

2.1 - Name of the organization

Answer: Horizon Holdings Inc.("HHI")
N.B: References in this filing to HHI includes Horizon Utilities Corporation and Horizon Energy Solutions Inc. unless otherwise stated.

2.2 - Primary brands, products, and/or services. The reporting organization should indicate the nature of its role in providing these products and services, and the degree to which it utilizes outsourcing.

Answer:

- Horizon Utilities Corporation ("Horizon Utilities") provides electricity and related utility services to 239,000 residential and commercial customers in the cities of Hamilton and St. Catharines.
- Horizon Energy Solutions Inc. ("HESI") is a developer of renewable energy projects and provider of a suite of energy management and conservation services to commercial clients and local distribution companies (LDCs).
- More information can be found on the websites listed below and in HHI's Consolidated MD&A and Financial Statements, which are also available on the HHI and Horizon Utilities websites.

- Horizon Utilities Corporation: http://www.horizonutilities.com
- Horizon Energy Solutions Inc. or HESI: http://www.horizonenergysolutionsinc.com
- Horizon Holdings Inc.: http://www.horizonholdingsinc.com

Outsourcing is utilized in terms of the contracting out of certain operational tasks (e.g. tree trimming, utility construction, solar PV installation).

2.3 - Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.

Answer:

- This report focuses on HHI and two of its subsidiaries: Horizon Utilities, a regulated electricity distribution business, and HESI, an energy services business. Horizon Utilities also owns a 99.9% interest in Solar Sunbelt General Partnership ("SSGP"), a general partnership established between Horizon Utilities and Horizon Solar Corp., a wholly-owned subsidiary of HHI to undertake a commercial rooftop solar photovoltaic generation business. HHI has no direct business functions separate from its subsidiaries.
- HHI is jointly owned by Hamilton Utilities Corporation ("HUC"- 78.9%) and St. Catharines Hydro Inc. ("SCHI"- 21.1%). These two companies are owned, respectively, by the Corporation of the City of Hamilton and the Corporation of the City of St. Catharines.
- Prior to the creation of HHI in 2006, Horizon Utilities was owned directly by HUC and SCHI. HESI

was also created in late 2006, as a commercial provider of energy services.

- Horizon Utilities is regulated by the Ontario Energy Board ("OEB") under license (ED-2006-031) with respect to the rates it may charge its electricity distribution customers, its conditions of service, and other matters. For more information on the OEB, please see: http://www.oeb.gov.on.ca/OEB/
- Boundary note: The focus of the GRI index data is solely on HHI and its subsidiaries: Horizon Utilities and HESI. In 2012, Horizon Utilities continued to be the most significant business of HHI. As such, much of the data that follows is based on Horizon Utilities.
- All data shown in the GRI index sections that follow are for HHI or for Horizon Utilities and HESI combined, unless otherwise noted.
- Additional details can be found in HHI's 2012 Consolidated MD&A and Financial Statements.

2.4 - Location of organization's headquarters

Answer: Hamilton, Ontario, Canada

2.5 - Number of countries where the organization operates, and name of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report

Answer: Operates in Canada only.

2.6 - Nature of ownership and legal form:

Answer:

- HHI is incorporated under the *Business Corporations Act* (Ontario) and, throughout 2012, was subject to a Shareholders Agreement with Hamilton Utilities Corporation and St. Catharines Hydro Inc., its two shareholders.
- The Shareholders Agreement requires that the Board of Directors observe the standards of corporate governance which apply to publicly traded corporations to the extent this is practical. Although it is not a publicly traded corporation, HHI recognizes the role of good corporate governance in a successful business enterprise and provides voluntary disclosure on its corporate governance practices.
- At present, the accountability and responsibility of committee oversight in HHI and HESI is the responsibility of their full Boards of Directors. Horizon Utilities, for its part, has three board committees in addition to its Board of Directors.

2.7 - Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)

Answer: HHI, through Horizon Utilities, distributes electricity in the cities of Hamilton and St. Catharines in the province of Ontario in Canada. In the case of St. Catharines, Horizon Utilities serves the entire city. In the case of Hamilton, Horizon Utilities serves all of the former municipalities of Dundas, Hamilton, Stoney Creek, the urban core of the former village of Ancaster, the Waterdown portion of the former municipality of Flamborough, and the former police village of Lynden, which straddles the former municipalities of Ancaster and Flamborough. The rest of the current City of Hamilton is served by Hydro One Networks Inc. Distribution territory maps are included as reference in the appendix at the end of this report.

Horizon Utilities delivers electricity principally to four distinct class types of customers in both Hamilton and St. Catharines:

1) Residential: Accounts where the electricity is used exclusively in a separately metered living accommodation where the electricity is taken at 750 volts or less.
2) General Service less than 50 kW: Non-residential accounts whose average monthly maximum demand is less than, or is forecast to be less than, 50 kW where the electricity is taken at 750 volts or less.
3) General Service 50 to 4,999 kW: Non-residential accounts where the average monthly maximum demand used for billing purposes is equal to or greater than, or is forecast to be equal to or greater than, 50 kW but less than 5,000 kW.
4) Large User: Accounts where the average monthly maximum demand used for billing purposes is

equal to or greater than, or is forecast to be equal to or greater than, 5,000 kW.

HHI also provides commercial rooftop solar generation through its 100% ownership interest in Solar Sunbelt General Partnership ("SSGP"). The sales and marketing is provided through HESI.

HESI also provides commercial energy services to clients across Ontario, including:
1) Sentinel light rentals (Hamilton and St. Catharines)
2) Meter services across Ontario
3) Renewable energy solutions and energy management services across Ontario

Note: Prior to October 31, 2011, HESI provided water heater rental services to customers in the City of St. Catharines – Refer to Section 2.9

2.8 - Scale of the reporting organization, including:
a) Number of employees
b) Net sales (for private sector organizations) or net revenues (for public sector organizations)
c) Total capitalization broken down in terms of debt and equity (for private sector organizations)
d) Quantity of products or services provided
e) Total Assets
f) Beneficial ownership (including identity and percentage of ownership of largest shareholders)
g) Breakdowns by country/region of the following:
i) Sales/revenues by countries/regions that make up 5 percent or more of total revenues
ii) Costs by countries/regions that make up 5 percent or more of total revenues
iii) Employees

Answer:
a) See LA1
b) See EC1 (2.2)

c) Debt / Equity Position ('000s)	**2012**	**2011****	**2010****
Long Term Debt*	189,649	155,592	155,554
Equity	233,292	192,462	182,395
Debt Position	45%	45%	46%
Equity Position	55%	55%	54%

Source: Horizon Holdings Audited Financial Statements 2010-2012

d) km of Line	**2012**	**2011**	**2010**
Total km of Line	3,428	3,415	3,415
Aerial km of Line	1,524	1,543	1,543
Underground km of Line	1,904	1,872	1,872

Source: Horizon Utilities' GIS Data.

e) Property Plant & Equipment ('000s)	**2012**	**2011**	**2010**
Gross Property Plant & Equipment	408,956	622,805	613,890
Accumulated Amortization***	(32,908)	(279,410)	(280,971)
Net Property Plant & Equipment	376,048	343,395	332,919

Source: Horizon Holdings Audited Financial Statements 2010-2012.
Note:
*Includes current portion of long term debt.
**HHI adopted International Financial Reporting Standards ("IFRS") effective January 1, 2012. Values for 2011 and 2010 have not been restated and remain based on the former Canadian Generally Acceptable Accounting Principles ("CGAAP") applicable to those periods.
***As a result of the transition of HHI to IFRS, the gross value of Property Plant and Equipment was reset to its former net book value as of January 1, 2011; the opening balance sheet date for the comparative year to 2012. Correspondingly, accumulated amortization as of this date was set to zero. The accumulated amortization for 2012 represents the amount of accumulated amortization for 2011 and 2012 computed under IFRS.

f) See 2.3
g) i) & ii) N/A – HHI only operates in Canada; iii) See a)

2.9 - Significant changes during the reporting period regarding size, structure, or ownership including:
- The location of, or changes in operations, including facility openings, closings, and expansions;

and

- Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organizations).

Answer: None

2.10 - Awards received in the reporting period

Awards: Horizon Utilities received the following awards in 2012:

Sustainable Electricity Company Brand Designation: Horizon Utilities has become the first utility in Canada to receive the Canadian Electricity Association (CEA) Sustainable Electricity Company designation. This recognizes Horizon Utilities' organization-wide sustainability efforts and acknowledges the company's success against the three foundational pillars of sustainability – environmental, social and economic. Achievement of the designation follows a rigorous examination of company practices by third-party examiners.
http://www.horizonutilities.com/ourCompany/publications/Documents/Media%20release%20-%20Horizon%20Utilities%20first%20to%20earn%20sustainable%20electrcity%20designation.pdf

CEA Sustainability Company of the Year for the second consecutive year (2011 and 2012)
Horizon Utilities is the first company to ever be named Sustainability Company of the Year by the Canadian Electricity Association (CEA) for two consecutive years. The award, which was presented on June 13, 2012 at a reception in Ottawa, recognizes Horizon Utilities' commitment to sustainable development and to our communities.
http://www.horizonutilities.com/ourCompany/publications/Documents/Media%20Release%20-%20CEA%20Company%20of%20the%20Year.pdf

EDA Environmental Excellence Award: At the Electricity Distributors Association (EDA) Annual meeting on March 18, 2013, Horizon Utilities received the prestigious Environmental Excellence Award (2012 Year) for its Energy Conservation Mapping Project, which will have applicability for all Ontario LDCs. The project links individual electricity consumption for all customers in Hamilton and St. Catharines with key building attributes like square meters of floor area and demographic data. The purpose is to identify accurately which customers can benefit most from energy conservation and demand management programs. Reaching more customers more effectively will improve the sustainability of our environment while delivering economic benefits to customers.
http://www.horizonutilities.com/ourCompany/publications/Documents/Media%20release%20-%20Horizon%20Utilities%20wins%20EDA%20Environmental%20Excellence%20Award.pdf

Top 10 Employer in Hamilton-Niagara: For the second consecutive year, Horizon Utilities was selected as a Top 10 Employers in the Hamilton-Niagara area by the authors of Canada's Top 100 Employers list. The honor was announced on November 19, 2012. Horizon Utilities was selected because it offers a comprehensive benefits package and a rewarding work environment for its employees.
http://www.horizonutilities.com/ourCompany/publications/Documents/Horizon%20Utilities%20repeats%20as%20a%20Top%2010%20employer.pdf

Smart Commute Workplace: Horizon Utilities earned the Smart Commute Workplace designation. This designation recognizes Horizon Utilities' leadership commitment in corporate social responsibility and contributions to a healthier workplace. Smart Commute is an initiative of Metrolinx, the provincial transportation planning agency, and the municipalities in the Greater Toronto Area and Hamilton. The initiative helps local employers and commuters explore different commute choices like carpooling, cycling and transit. The goal is to ease gridlock, improve air quality, and reduce greenhouse gas emissions, while making a commute less expensive and more enjoyable.
http://www.horizonutilities.com/ourCompany/Pages/awards-recognition.aspx

	EU1-EU5
	Answer: EU1-EU5 – See Economic section

3. Report Parameters

3.1 - Reporting period (e.g. fiscal/calendar year) for information provided

Answer: January 1, 2012 to December 31, 2012. Where available, data for 2010 to 2012 are provided. For next report timelines, please see 3.3.

3.2 - Date of most recent previous report

Answer: Horizon Holding's 2011 GRI Filing and Sustainability-Based Annual Report were published on July 19, 2012.

3.3 - Reporting cycle

Answer: Annually

3.4 - Contact point for questions regarding the report or its contents

Answer: Please direct inquiries to: sustainability@horizonutilities.com

Report Scope and Boundary

3.5 - Process for defining report content, including: Determining materiality; Prioritizing topics within the report; and Identifying stakeholders the organization expects to use the report. Include an explanation of how the organization has applied the 'Guidance on Defining Report Content' and the associated Principles.

Answer: HHI's process for defining its GRI report content is straightforward. All data that is available and applicable are reported. In this context, there has been no topic prioritization. Each topic is reported as equal in importance. The following are relevant to the data reported in terms of defining what is applicable/material to HHI:

- HHI has used the GRI G3 and GRI Electric Utility Sector Supplement Final Version 2010 (EUSS) as the framework for reporting. (NB: Reference to Sections with 'EU' are additional questions from the GRI EUSS, 30 in all)
- The principal business of HHI is regulated electricity distribution through Horizon Utilities.
- HHI did not report any electricity generation in past years, but, as of 2012, now wholly owns five in-service rooftop solar PV systems under Ontario's Feed-in-Tariff program. These systems became operational at various points in 2012. Beginning in 2013, HHI will report on generation.
- HHI only operates in Canada, and thus any international data questions are not applicable.
- HHI is not reporting on any supply chain data as defined by GRI – the focus is on operations.
- HHI is not reporting on any product stewardship data once the product has left Horizon Utilities control.
- Where no data are reported or metrics are deemed not applicable, an explanation is provided.
- HHI uses the GRI reporting framework as a continuous improvement tool for the organization.
- HHI expects this report to be read and used primarily by the following stakeholders: its own shareholders, employees, and customers; the shareholders, employees, and customers of other local distribution companies (LDCs); other utility industry stakeholders in Ontario and Canada, such as regulatory agencies, planning authorities, companies and interest groups; and local, provincial and federal politicians, public servants, departments and agencies; and local Chambers of Commerce.
- Stakeholder involvement and engagement: Horizon Utilities provided hard copy and web access of the 2011 GRI Filing and Sustainability-Based Annual Report to all of the stakeholders listed in the previous bullet. Feedback on the reports was welcomed. Horizon Utilities received many comments

with respect to the data reported, report content, and structure. All of this feedback was taken into consideration in drafting the 2012 GRI Filing and Sustainability-Based Annual Report.

3.6 - Boundary of the report

Answer: Please see 2.3 for complete discussion and rationale.

3.7 - State any specific limitations on the scope or boundary of the report

Answer: Please see 2.3, 3.1 and 3.5 for complete discussion and rationale.

3.8 - Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations:

Answer: Please see 2.3.

3.9 - Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.

Answer: The GRI Indicator Protocols have been used in data measurement techniques, where possible. Where GRI indicator protocols have not been used, an explanation is given. Standard units of measure are:

- Millions of dollars: $MM
- Thousands of dollars: $K
- Unit of electrical power capacity: W: watt; kW: kilowatt (1,000 watts); MW: megawatt (one million watts); GW: gigawatt (one million kilowatts)
- Unit of electrical energy produced or consumed: kWh: kilowatthour (1,000 watthours); MWh: megawatthour (one million watthours); GWh: gigawatthour (one million kilowatthours); TWh: terawatthour (one billion kWh kilowatthours)
- Volume: L - Litres; mL - milliliters; m^3 - Cubic Metres
- Environmental data: ppm - Parts per million; g – Grams; kg – Kilograms; t – Tonnes
- Temperature: Degrees Celsius - ^oC

Sources used are:

- Internal documentation using standard measurements, such as those listed above
- Fleet emissions: Canadian Federal Government – Environment Canada National Inventory Report – Greenhouse Gas Sources and Sinks in Canada, 1990-2007 (Published April 2009) – Annex 12, Table A12-11: Emission Factors for Energy Mobile Combustion Sources
- Facilities emissions: Consulting firm report using Canadian federal emission standards
- Various internal systems (e.g. IFS) and third party providers (e.g. Pinchin)
- In 2012, Horizon Utilities initiated the staged implementation of a new Financial Planning Software Solution. It is a fully-integrated tool to facilitate the preparation of financial projections and serves to replace legacy processes relying on a large number of spreadsheet files. The change will improve access to financial planning data, reduce risks of errors or inconsistent financial projection data, and provide higher quality financial projections. This will result in reduced efforts to analyze variances in actual financial results to budget targets on a monthly basis
- During 2012, Horizon Utilities improved the data collection process and quality by continuing to make concerted efforts to increase the extent of automation for several key indicators (e.g. spills, disconnects/reconnects).

3.10 - Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g. mergers/acquisitions, change of base years/periods, nature of business, measurement methods)

Answer: Please refer to EN8 indicator for complete discussion rationale on revised 2011 water consumption figures and EN16 indicator for complete discussion rationale on revised 2010 and 2011 electricity emissions calculations figures based on Carbon Dioxide Equivalent.

3.11 - Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report
Answer: During the 2012 reporting year, significant changes were made to the measurement methods, processes and tools to improve data availability and accuracy to support the following GRI indicators: EC1, EC9,EU6, EU7,EU8,EN1,EN3,EN16,EN17,EN14,LA1,LA2,LA7,LA10,PR5,EU15,EU17,EU18,EU25 and EU27. Please refer to these indicators for additional data.
GRI Content Index
3.12 - Table identifying the location of the Standard Disclosures in the report.
Answer: Please see Table of Contents, located on the first page of this report.
3.13 - Policy and current practice with regard to seeking external assurance for the report. If not included in the assurance report accompanying the sustainability report, explain the scope and basis of any external assurance provided. Also explain the relationship between the reporting organization and the assurance provider(s):
Answer: For the fourth year (2009, 2010, 2011, and 2012), HHI has sought "external assurance" for its GRI filing. Please refer to the assurance statement accompanying this filing, located on the HHI and Horizon Utilities' websites at: http://www.horizonholdingsinc.com and http://www.horizonutilities.com. For the 2012 reporting year, Horizon Utilities increased the number of indicators for the limited sustainable assurance, from 10 to 15 indicators.

4. Governance, Commitments, and Engagement
Governance
4.1 - Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight. Describe the mandate and composition (including number of independent members and/or non-executive members) of such committees and indicate any direct responsibility for economic, social, and environmental performance.
Answer: See 2012 Sustainability-Based Annual Report, governance section.
4.2 - Indicate whether the Chair of the highest governance body is also an executive officer (and if so, their function within the organization's management and the reasons for this arrangement)
Answer: The Chair is not an executive officer.
4.3 - For organizations that have a unitary board structure state the number of members of the highest governance body that are independent and/or non-executive members. State how the organization defines 'independent' and 'non-executive'. This element applies only for organizations that have unitary board structures. See the glossary for a definition of 'independent'.
Answer: See the 2012 Sustainability-Based Annual Report, governance section.
4.4 - Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body. Include reference to processes regarding: The use of shareholder resolutions or other mechanisms for enabling minority shareholders to express opinions to the highest governance body; and informing and consulting employees about the working relationships with formal representation bodies such as organization level 'work councils', and representation of employees in the highest governance body. Identify topics related to economic, environmental, and social performance raised through these mechanisms during the reporting period.
Answer:

- HHI shareholders agreement requires unanimous approval of major corporate actions by HUC and SCHI and, in some cases, their shareholders, the City of Hamilton and the City of St. Catharines. All shareholders are treated as equals in this regard and their input or approval, as the case may be, must be sought on major corporate actions.
- Each shareholder (HUC and SCHI) is entitled to nominate directors in proportion to its respective shareholdings. As such, shareholders have direct representation on the Board of Directors.
- HHI has a "whistleblowing" policy whereby employees can anonymously send opinions or concerns directly to the Board of Directors.
- HHI conducts Annual General Meetings (AGMs) with its shareholders. It is also present, by invitation, at the AGMs of HUC and SCHI. Such AGMs are interactive with the shareholders;
- The shareholder of Horizon Utilities, HESI, and its shareholders HUC and SCHI, and their shareholders (City of Hamilton and City of St. Catharines), have ready access to HHI's senior management. They can either send notices to HHI's Board of Directors, or call HHI representatives to appear, including at municipal council or committee meetings. Through these mechanisms, they can provide input to the company.
- The employees of Horizon Utilities have access to its Board of Directors through the CEO. Employees have three main ways to express their opinions to the Board of Directors through the CEO: 1) by way of their executive team member or direct supervisor; 2) via a direct email question system to the CEO developed by the company; 3) by directly requesting a meeting. This system provides optional anonymity for employees and the responses are published on the company's intranet site. The company also holds all-employee meetings, referred to, as "CEO Updates", usually twice a year. (See 4.14)

4.5 - Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).

Answer:

- Board compensation is determined through an annual market analysis and the Board's Human Resources and Governance Committee makes a recommendation to the Board.
- CEO compensation is approved by the Board of Directors as the CEO is considered the Board's sole employee.
- Executive compensation is set and approved by the CEO in consultation with the Board of Directors. For both CEO and executive compensation, the Board of Directors receives an independent report from a third-party consultant on a bi-annual basis.
- Horizon Utilities' compensation for all management employees is based on merit and performance (variable) components. The performance or incentive drivers are aligned to Horizon's "balanced scorecard", which balances responsibility between financial, operational/environmental, and social (employees and community/customers) considerations. This is consistent with a triple bottom line approach.
- Sustainability metrics are in the performance of many management employees.

4.6 - Processes in place for the highest governance body to ensure conflicts of interest are avoided

Answer: See the 2012 Sustainability-Based Annual Report, governance section.

4.7 - Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics:

Answer: The Boards of Directors are the highest governing body of HHI and its two subsidiaries. Although there is not a documented process to select members to guide each organization's strategy based explicitly on social or environmental concerns, considerations are made to ensure the composition of the Horizon Utilities Board has a mix of competencies and representational backgrounds. These areas include finance law, operations, business, human resources, and transportation. The members of the HHI and HESI Boards are from the Board of Horizon Utilities.

4.8 - Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation. Explain the

degree to which these:

- are applied across the organization in different regions and department/units; and
- relate to internationally agreed standards.

Answer: Horizon Utilities and its employees, contractors and subcontractors are committed to delivering value to our customers by providing safe, reliable, and efficient electricity and innovative energy solutions. Our commitment is to conduct business in an environmentally responsible manner; Horizon recognizes that sustainable development is only possible if adequate provision is made for protecting the environment.

See the "About Us" section on Horizon Utilities' and Horizon Energy Solutions' websites:
http://www.horizonutilities.com/
http://www.horizonenergysolutionsinc.com/

Note: The majority of HHI's business operation in 2012 was Horizon Utilities. As such, most of the policies accessible via the website links above are policies of Horizon Utilities, but some such as sustainability apply to all of HHI.

All policies of Horizon Utilities are applied across the full organization and are in effect with the same force, regardless of department or business unit. All policies are developed in accordance with federal, provincial, and municipal laws, regulations, and standards; through this practice, adherence to any relatable international standards is achieved. In 2011, Horizon Utilities adopted the CSA Z1000 (Safety) and ISO14001 (Environmental) Standards Guidelines to establish centralization, and increase clarity and accountabilities. In addition, Horizon Utilities became the first Canadian local distribution company (LDC) to adopt ISO 26000, the International Standards Organization's guideline on social responsibility.

4.9 - Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles. Include frequency with which the highest governance body assesses sustainability performance.

Answer: See the 2012 Sustainability-Based Annual Report, governance section.

4.10 - Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.

Answer: The Board and each Committee of the Board conduct a self-evaluation on their performance annually; based mostly on governance, stewardship and the areas that fall under their mandate.

Commitments to External Initiatives

4.11 - Explanation of whether and how the precautionary approach or principle is addressed by the organization. Article 15 of the Rio Principles introduced the precautionary approach. A response to 4.11 could address the organization's approach to risk management in operational planning or the development and introduction of new products. Article 15: "In order to protect the environment, the precautionary approach shall be widely applied by States according to their capabilities. Where there are threats of serious or irreversible damage, lack of full scientific certainty shall not be used as a reason for postponing cost-effective measures to prevent environmental degradation."

Answer: See HHI's Sustainability Policy and Management's Discussion and Analysis (MD&A), available on HHI's and Horizon Utilities' websites: http://www.horizonholdingsinc.com and www.horizonutilities.com.

4.12 - Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses. Include date of adoption, countries/operations where applied, and the range of stakeholders involved in the development and governance of these initiatives (e.g. multi-stakeholder, etc.). Differentiate between non-binding, voluntary initiatives and those with which the organization has an obligation to comply.

Answer:

- Canadian Electricity Association (CEA) – Sustainable Electricity Program – Adopted in February 2009 and applied throughout Horizon Utilities' organization. As a CEA member, Horizon Utilities participated in the development of this program. Stakeholders involved were utility members of the CEA, a public advisory panel, and CEA staff. This initiative is voluntary-binding, meaning Horizon Utilities is voluntarily a member of the CEA, but a condition of membership in the CEA is adherence to all CEA policies, agreements, and initiatives, including sustainability.
- Global Reporting Initiative (GRI) – With the publication of its first GRI filing for the 2008 reporting year, HHI, in its sustainability reporting, followed GRI's guidelines. In 2009, Horizon Utilities developed a Sustainability Continuous Improvement Plan that provided the focus and commitment on continuous improvement efforts.
- Horizon Utilities also has various commitments through its membership in the Electricity Distributors Association (Ontario) (EDA), which are also voluntary-binding in that Horizon Utilities is voluntarily a member of the EDA, but a condition of membership is adherence to all EDA policies, agreements, and initiatives.

4.13 – Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: Has positions in governance bodies; Participates in projects or committees; Provides substantive funding beyond routine membership dues; or views membership as strategic. This refers primarily to memberships maintained at the organizational level

Answer: The following are the organizations/associations that Horizon Utilities is a member of:

- Canadian Electricity Association
- Electricity Distributors Association
- Association of Energy Services Professionals
- Hamilton-Halton Construction Association
- Coalition of Large Distributors
- Ontario Energy Network
- Ontario Energy Association
- Ontario Chamber of Commerce
- Hamilton Chamber of Commerce
- Greater Niagara Chamber of Commerce
- Stoney Creek Chamber of Commerce
- Sustainable Hamilton
- Clean Air Hamilton
- Greater Horseshoe Strategic Energy Alliance
- Hamilton-Halton Home Builders Association
- Niagara Home Builders Association
- Hamilton Community Energy Collaborative
- Business Improvement Associations within Horizon Utilities service territory

Within these organizations, Horizon Utilities may hold various governance positions and sit on committees, along with participating in the development of various targeted projects that are industry specific.

4.14 - List of stakeholder groups engaged by the organization. Examples of stakeholder groups are: Communities; Civil society; Customers; Shareholders and providers of capital; Suppliers; and Employees, other workers, and their trade unions.

Answer (Horizon Utilities):

- Employees – Unionized – International Brotherhood of Electrical Workers – Labour Management Committee; meets on regular basis.
- Employees – All – Communication – via intranet and mailings of company newsletter; Bulletin boards in every location containing notices; CEO Update meetings (usually two times per year).
- Community – 38 community events, within Horizon Utilities' service territories in 2012; various sponsorships of public events; and public information sessions.
- Customers – Via our call center, which responds to all complaints/concerns/questions; via notices in customer bills, newspaper advertisements, meetings with specific customer classes, meetings with key customers and billboard advertisements (CDM).
- Shareholders – Shareholder Boards are represented on the HHI Board; there is an annual general meeting of shareholders.
- Capital Markets – banks and private investors for debt capital. HHI meets annually with S&P, its rating agency, to renew its credit rating.
- Builders and Developers – Horizon Utilities liaises with local Builders and Developers. In 2012, Horizon Utilities continued to have numerous meetings for local Builders and Developers where they asked questions, raised concerns to our staff and received updates.
- Municipalities – Horizon Utilities participated in the Utility Coordinating Committee (UCC) at the City of Hamilton and the Region of Niagara, and in St. Catharines Development Process Review Task Force.
- Suppliers and Contractors - Horizon Utilities liaises with local Suppliers and Contractors. In 2012, Horizon Utilities continued to have numerous meetings for Suppliers and Contractors where they asked questions, raised concerns to our staff and received updates.

4.15 - Basis for identification and selection of stakeholders with whom to engage. This includes the organization's process for defining its stakeholder groups, and for determining the groups with which to engage and not to engage.

Answer: All stakeholders that are directly affected by or directly affect Horizon Utilities are engaged through various means. Within Horizon Utilities' service territory, all customers, contractors and developers are considered stakeholders. They may communicate with Horizon Utilities at their discretion through Horizon Utilities' call center representatives. Customers are actively engaged through Horizon Utilities' participation in community events, public information campaigns, an annual Customer Satisfaction Survey, and also through public information sessions as required. The cities of Hamilton and St. Catharines, through their elected representatives and staff, are engaged as necessary based on the requirements of the Shareholders Agreement, as good governance otherwise dictates, or with respect to significant community or constituency issues in Horizon Utilities. They do so either directly or through their holding company representatives.

4.16 - Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group. This could include surveys, focus groups, community panels, corporate advisory panels, written communication, management/union structures, and other vehicles. The organization should indicate whether any of the engagement was undertaken specifically as part of the report preparation process.

Answer: See 4.14; None of the engagement was undertaken specifically as part of the report preparation process. See 3.5 for stakeholder engagement as part of the report process.

4.17 - Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.

Answer: Horizon Utilities has defined stakeholders as the customers it serves, contractors, financial markets, employees and their families, industry and business partners, labour representatives, media, municipal, provincial and federal governments, police, fire departments, regulatory agencies, Horizon retired employees, shareholders and suppliers. Horizon Utilities communication principles, practices and goals are defined within the Corporate Communication Policy 6.07, Shareholder Communication Policy 6.05 and External Environmental Communication and Reporting Procedure ENV-PRCD-0007. The following are the top concerns or topics raised during 2012 by our customers:

- **Increased Electricity Costs:** Several rate changes occurred in 2012. Key information points were developed for Customer Service representatives to explain and address customer concerns clearly. Communications were also delivered through media releases and interviews. The focus of the communication was on the amount of the change and the rationale which was provided by the OEB.
- **Websites**: New websites were developed for HHI, Horizon Utilities, and HESI, with customer and stakeholder information needs in mind. For Horizon Utilities, outage notifications were moved to the home page, making them easier to find. Horizon Utilities also launched a social media presence, specifically on Facebook and Twitter, to augment its communication with customers.
- **Conservation and Demand Management:** Information was shared throughout the year to provide customers with the opportunity to take advantage of provincial programs. Horizon Utilities staff attended community events throughout the year, answered questions and provided literature through information booths.

Economic:

(EC1 to EC9, EU1 to EU12)

EC1 - Direct economic value generated and distributed including revenues, operating costs, employee compensation, donations and other community investments, retained earnings and payments to capital providers and government:

Net Income and Retained Earnings:	**2012**	**2011***	**2010***
Net Income Actual ('000s)	26,176	17,805	12,708
Retained Earnings Actual ('000s)	97,807	53,650	43,583

Source: 2010-2012 Horizon Holdings Inc. Audited Financial Statements
* HHI adopted International Financial Reporting Standards ("IFRS") effective January 1, 2012. Values for 2011 and 2010 have not been restated and remain based on the former Canadian Generally Acceptable Accounting Principles ("CGAAP") applicable to those periods.

- Net income for 2012 was $26.1MM compared to an IFRS restated value of $17.1MM on in 2011 and $12.7MM in 2010.
- On July 7, 2011, the OEB approved the 2011 Cost of Service Application, with rates effective May 1, 2011.

Revenues ('000s):	**2012**	**2011***	**2010***
Electricity Distribution Revenues:			
Residential	62,033	60,715	60,742
General Service < 50 kW	12,676	11,808	10,459
General Service > 50 kW	14,435	18,768	13,929
Large User	5,422	5,774	3,509
Unmetered Scattered Load	500	539	632
Sentinel Lighting	38	38	28
Streetlighting	2,081	2,107	1,918
Total Distribution Revenue	**97,185**	**99,749**	**91,217**
Other Revenues:			
Sale of energy less cost of power purchased	10,204	N/A	N/A
Other Income from Operations	11,902	11,490	10,517
Total Revenues	119,291	111,239	101,734
('000s)	**2012**	**2011***	**2010***
Total Operating Costs	57,140	48,357	46,762

Source: Totals are sourced from 2010-2012 Horizon Holdings Audited Financial Statements. Other data sourced from internal data.

Total Operating Costs:
Operating expenses include labour, materials, and other third-party costs in support of the operation and maintenance of the distribution system; billing and collection; general administration costs; and other costs in support of the non-regulated business activities of HESI and the Solar PV business.

Distribution Revenue (% by Customer Class)			
Class	**2012**	**2011**	**2010**
Residential	63.8%	60.9%	66.6%
Commercial	30.6%	33.3%	29.6%
Large Users	5.6%	5.8%	3.8%

Source: Internal company data

Capital Expenditures	2012	2011*	2010*
Distribution system	42,744	33,725	30,041
Smart meters	1,300	775	2,230
Other	12,931	5,684	6,922
Total	**56,975**	**40,184**	**39,193**

Employee Payroll and Benefits:
Payroll and benefits are included in both capital and operating expense

Dividend to Shareholders:	F2012	F2011	F2010
Payment to Shareholders - Dividend (in '000)	10,684	7,625	8,113

Source: 2010-2012 Horizon Holdings Inc. Management's Discussion and Analysis and Audited Financial Statements
* HHI adopted International Financial Reporting Standards ("IFRS") effective January 1, 2012. Values for 2011 and 2010 have not been restated and remain based on the former Canadian Generally Acceptable Accounting Principles ("CGAAP") applicable to those periods.

HHI paid dividends to its shareholders in the amount of $10,684 in 2012, $7,625 in 2011, $8,113 in 2010.

- Dividends on common shares are declared at the discretion of the Board of Directors, based on its shareholder approved dividend policy and the recommendations of management.
- HHI's dividend policy provides for regular annual dividends of up to 60% of annual consolidated net earnings, subject to certain prudential considerations, including statutory and contractual compliance, financial prudence, and providing for sustainable investment in electricity distribution infrastructure.

Taxes:	F2012	F2011*	F2010*
PILs Expense Accruing to the Province (in '000)	7,169	6,956	6,087

Source: 2010-2012 Horizon Holdings Inc. Audited Financial Statements. NB: Income taxes only – includes capital tax.
*HHI adopted International Financial Reporting Standards ("IFRS") effective January 1, 2012. Values for 2011 and 2010 have not been restated and remain based on the former Canadian Generally Acceptable Accounting Principles ("CGAAP") applicable to those periods.

- Horizon Utilities is currently exempt from taxes under the *Income Tax Act (Canada)* and the *Ontario Corporations Tax Act* (collectively referred to as the "Tax Acts").
- Commencing October 1, 2001, and pursuant to the *Energy Competition Act*, 1998, Horizon Utilities is required to compute taxes under taxation laws and remit such amounts to the Ontario Electricity Financial Corporation to be applied against certain debt obligations of the former Ontario Hydro continuing in the Ontario Electricity Financial Corporation.
- The effective rate of PILs expense in 2012 was 21.50% (2011 IFRS restated was 24.94%) versus the statutory rate of 26.50% (2011 – 28.25%).

Direct Economic Value Generated and Distributed ('000s):	2012	2011*	2010*
Operating Expenditures	57,140	48,213	46,881
Capital Expenditures	56,975	40,184	39,193
Dividends to Shareholders	10,684	7,625	8,113
Payments in Lieu of Taxes Expense (PILs)	7,169	6,956	6,087
Energy Incentives and Rebates (Ontario Power Authority funded)	3,100	4,338	3,725
Charitable Contributions (Employees and Corporate)	257	214	81
Economic Benefit	**135,325**	**107,530**	**104,080**

Source: 2010-2012 Horizon Holdings Audited Financial Statements, except for charity and energy incentives, which are sourced internally.
* HHI adopted International Financial Reporting Standards ("IFRS") effective January 1, 2012. Values for 2011 and 2010 have not been restated and remain based on the former Canadian Generally Acceptable Accounting Principles ("CGAAP") applicable to those periods.

NB: The "Energy Incentives and Rebates" reported are reflective of the incentives paid out to customers by Horizon Utilities but funded as per the agreement with the Ontario Power Authority to implement conservation and demand management programs. The funding source of the conservation programs for the years 2010 – 2012 is through the IESO Global Adjustment charges related to the energy portion of the bill and not through Horizon Utilities distribution charges. Customer incentives for participation in

conservation programs are sourced through Global Adjustment charges by the Ontario Power Authority sent to Horizon Utilities for payment to the customer. In Horizon's 2010 Annual Report (page 23), we reported these figures incorrectly. The reported 'Energy Incentives and Rebates' figure should have been stated as per above ($3,725,000); but was stated as $1,028,104 – a difference of $2,696,896. The figure was corrected for the 2011 Annual Report.

EC2 - Financial implications and other risks and opportunities for the organization due to climate change:

Answer:
2.1: Please see HHI's Sustainability Policy, available at: http://www.horizonholdingsinc.com and www.horizonutilities.com.
2.2: Risks due to physical changes associated with climate change (e.g. impacts of modified weather patterns and heat-related illness): Please see HHI's 2012 MD&A and Sustainability-Based Annual Report, available at: http://www.horizonholdingsinc.com and www.horizonutilities.com.
Supplementary information:

- In 2012, Horizon Utilities developed a Climate Change Adaptation Strategy Report as the framework for continuous improvement efforts.
- With facilities and infrastructure in areas prone to extreme weather events, Horizon Utilities continues to take a proactive approach to reducing potential risks and believes that such occurrences will not materially affect its operating or financial performance.
- In the unlikely circumstance that Horizon Utilities is materially affected, costs associated with damage caused by extraordinary circumstances outside of management's control may be recovered through rates subject to the approval of the Ontario Energy Board.
- There may be other externally-driven impacts, particularly in areas where the electricity grid is vulnerable to overloading due to extreme cold or hot weather events. Horizon Utilities endeavours to mitigate the risk of these potential impacts through; i) CDM programs to reduce peak demand; and, ii) its capital renewal/replacement program and advanced asset management program focused on increasing reliability.

Regulatory risks (e.g. the cost of activities and systems to comply with new regulations): Please see HHI's 2012 MD&A and Sustainability-Based Annual Report, available at: http://www.horizonholdingsinc.com and www.horizonutilities.com.

EC3 - Coverage of the Organization's defined Benefit Plan Obligations

Answer: **('000s)**	**2012**	**2011**	**2010**
Expensed contributions to OMERS in respect of employees required contribution	3,221	2,569	2,130

Source: 2010-2012 Horizon Holdings Inc. Audited Financial Statements

- HHI participates in the Ontario Municipal Employees Retirement Fund (OMERS), a multi-employer plan, on behalf of its employees.
- The plan is a contributory defined benefit pension plan. Contributions during 2012 were 8.3% for employee earnings below the year's maximum pensionable earnings, and 12.8% thereafter.
- Contributions for 2013 will increase to 9.0% for employee earnings below the year's maximum pensionable earnings, and 14.6% for earnings above that limit.
- The employer and the employee contribute equally to the OMERS pension plan. For further information on contribution levels to OMERS, please visit the following link: http://www.omers.com/Employers/Contributions/Previous_contribution_tables.htm
- HHI makes contributions to the plan on behalf of all permanent employees (permanent includes full-time and part-time, and contributions begin at the start of employment).
- Contributions are remitted monthly to OMERS by HHI following weekly employee payroll deductions.
- Further information on the sufficiency of the OMERS Pension Plan, is available at the following link: http://www.omers.com/About_OMERS/Annual_report.htm

EC4 - Significant Financial Assistance Received from Government

Answer:
2.1 – Horizon Utilities does not receive any direct financial assistance from any level of government, with the exception of its Conservation and Demand Management (CDM) initiatives:

- Horizon Utilities received $13,354,265 in funding provided by the Ontario Power Authority ("OPA") to implement Horizon Utilities' 2012 Conservation and Demand Management (CDM) initiatives. Funding received includes; program administration, customer incentives, performance incentives, variable cost payments, capability resource, and liability payments received.

- Horizon Utilities Energy Density Mapping Pilot project is supported by the OPA's Conservation Fund.

2.2 – See Profile Disclosure section 2.3.

EC5 - Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation

Answer: Horizon Utilities' entry level wages exceed minimum wages. The entry level wage that would apply is 214% of the current minimum wage level in Ontario, Canada.

EC6 - Policy, practices and proportion of spending on locally based suppliers at significant locations of operation

Answer:
2.1 & 2.2:
- Horizon Utilities' geographic definition of 'local' is the Greater Golden Horseshoe area of Ontario.

2.3 & 2.4:
- Horizon Utilities does not have a formal policy regarding buying from locally-based suppliers, but in 2012 developed and implemented a Sustainable Design and Procurement Policy that provides, where feasible and within reason, preference to local suppliers during the evaluation process.
- The selection weighting matrix on sourcing documents was modified to include 5% weighting on sustainable and environmental practices. Supplier selection is determined based on services and materials specifications, safety practices and, going forward, on sustainable and environmental practices to support Horizon Utilities' projects and initiatives. Supplier selection is conducted and managed by structured Procurement Procedures, Policies and Documents.
- The following table provides Horizon's supplier classifications based on its 2012 supplier base:

Classification	**2012**	**2011**	**2010**
Greater Golden Horseshoe	34%	34%	34%
Within Province (outside GGH)	59%	58%	58%
Out of Province	3%	3%	3%
Out of Country	4%	5%	5%

2.5:
Horizon Utilities sourcing processes and practices ensure that suppliers' responses are evaluated and selected based on a requirements selection weighting matrix and evaluation team of Procurement and, if required, members of the business unit procuring the goods and services.

EC7 - Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation

Answer:
- Horizon Utilities does not have a formal policy or common practice of granting hiring preference to local residents, but commuting requirements are such that a large percentage of employees are effectively local. Senior Management employees reside within the Greater Golden Horseshoe area and mostly in Hamilton and St. Catharines.
- Definition of Senior Management – Horizon's Senior Leadership Team consists of the executive management team and the directors of business units.

EC8 - Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in kind or pro bono engagement:

Answer:	**2012**	**2011***	**2010***
Distribution System Capital Expenditures	$32,744	$33,725	$31,757
Smart Meter Capital Expenditures	$1,300	$775	$1,370
Total Infrastructure Investments ('000s)	**$34,044**	**$34,500**	**$33,127**

Source: Horizon Utilities Inc. 2012 MD&A.
* HHI adopted International Financial Reporting Standards ("IFRS") effective January 1, 2012. Values for 2011 and 2010 have not been restated and remain based on the former Canadian Generally Acceptable Accounting Principles ("CGAAP") applicable to those periods.

2.1: Comprehensive Asset Management Plan:
Horizon Utilities has a strategic imperative to conduct its business in a manner that aligns to leading asset management principles and practices to ensure a high level of reliability and availability for its customers. This strategy is supported by a Corporate Asset Management Plan implemented in 2009.

EC9 - Understanding and describing significant indirect economic impacts, including the extent of impacts

2012 Economic impacts of conservation and demand management programs:

Program	**Economic Impact**
Commercial and Institution Program	$3,100,493
2012 Total Economic Impact	**$3,100,493**

EU1 - Installed capacity, broken down by energy source and by regulatory regime

Answer: Not applicable – generation-specific.

EU2 - Net energy output broken down by primary energy source and by regulatory regime

Answer: Not applicable – generation-specific.

EU3 - Number of residential, industrial, institutional and commercial customer accounts

Answer: **# of Customers**	**2012**	**2011**	**2010**
Total Customers	239,300	237,435	236,664
Residential Customers	216,742	215,025	214,219
General Service < 50 kW	20,373	20,232	20,169
General Service > 50 kW	2,174	2,167	2,263
Large Users	11	11	13

Source: OEB Yearbooks 2010-2012 and Internal Performance Reporting.

EU4 - Length of above and underground transmission and distribution lines by regulatory regime

Answer: See Section 2.8

EU5 - Allocation of CO_{2e} emissions allowances or equivalent, broken down by carbon trading framework

Answer: Not applicable. The *Environmental Protection Act, 2009,* is the foundation for Ontario's GHG reporting framework, which is outlined in Ontario Regulation 452/09.

EU6 - Management approach to ensure short and long term electricity reliability and availability

Answer:
Reliability:

- Horizon Utilities' system operators in its network control center monitor the flow of energy to customers in both Hamilton and St. Catharines.
- When an interruption occurs at the distribution feeder level, operators receive instantaneous notification of the general location and extent of the power outage.
- Customers experiencing a power failure last year were without power for 44 minutes on average, a decrease of 33 minutes from 2011.
- Power interruptions are analyzed to uncover the root cause and correct trends that might be impacting

system reliability.

- Aging infrastructure is being upgraded to modern specifications in multi-year capital projects.
- Horizon Utilities considers performance-related asset information including, but not limited to, data on reliability, asset age and condition, loading, customer connection requirements, and system configuration, to determine investment needs of the system.

During 2012, Horizon Utilities' management approach to reliability continued to focus on the Asset Management Plan, condition assessments, root cause analysis, planned maintenance activities, capacity and security planning.

Reliability Statistics (Note: Includes loss of supply)	**2012**	**2011**	**2010**
System Average Interruption Duration Index (SAIDI)	1.45	2.25	1.23
System Average Interruption Frequency Index (SAIFI)	1.95	1.74	1.80
Customer Average Interruption Duration Index (CAIDI)	0.74	1.29	0.68

Source: OEB Yearbooks 2010-2012 and Internal Performance Reporting.

Availability:

- Every two years, Horizon Utilities' Network Department undertakes a full load forecast capacity and security review of Horizon's entire service territory.
- Capacity and security is examined at a feeder and station level, egress cable capacity and N-1 contingency for transformation capacity at stations is checked.
- The load forecast is based on meter readings at a feeder level which record the daily peaks used in the load forecast program.
- Future capacity requirements are assumed via three methods:
    - known projects which have signed Capital Cost Recovery Agreement ("CCRA") contracts for capacity increases
    - general areas marked for future development by municipal and regional planning
    - general historic load growth trends of the system
- Generation on the distribution system is removed to reflect a true capacity system requirement in planning.

EU7 - Demand-side management programs including residential, commercial, institutional and industrial programs

Answer: **CDM Program Summaries:**	**2011-2014 Target (MW)**	***2012 Results (MW)**	**% of Target**
Consumer Program	14.96	6.09	40.68%
Commercial and Institutional Program	24.00	6.20	25.83%
Industrial Program	10.00	8.51	85.15%
Low Income Program	0.40	0.00	0.00%
Board Approved	11.00	0.00	0.00%
Total MW (Incremental)	60.36	20.80	34.46%
	2011-2014 Target (GWh)	***2012 Results (GWh)**	**% of Target**
Consumer Program	90.61	38.81	42.83%
Commercial and Institutional Program	118.00	93.59	79.31%
Industrial Program	42.00	47.59	113.30%
Low Income Program	12.00	0.00	0.00%
Board Approved	18.81	0.00	0.00%
Total GWh (2011-2014 Cumulative)	281.42	179.98	63.96%

Notes:
*2011 MW and GWh results are verified. 2012 results will not be verified until August 31, 2013
The OPA has not released any preliminary results regarding the Low Income Program
No applications for Board Approval programs have been submitted to the Ontario Energy Board at this time

CDM Event Summary:

- Numerous municipal, Chamber of Commerce, and BIA sponsored events

- These events were held to promote various initiatives of Horizon Utilities (see conservation highlights above), and to increase general awareness of Horizon Utilities in the community. For example, Horizon Utilities had a presence with staff available to answer inquiries at each of the following events in 2012:

Community Events 2012	
Lunch & Learn – St. Catharines	ERII Breakfast – Stoney Creek
WSIB Health & Safety Fair – Hamilton	Lowes In Store Co-Promotion – Hamilton
Ideal Home Show – Hamilton	Ideal Home Show – Hamilton
Greater Hamilton Home Show – Hamilton	Fall Coupon Event – Hamilton and St. Catharines
Hamilton Apartment Association Tradeshow – Hamilton	Rain Barrel Sale City of Hamilton – Hamilton
Earth Hour – Market Square – St. Catharines	Health & Safety Week COH – Hamilton
Home Depot In Store Co-Promotion –St. Catharines	CDM in a Sustainable Future – Hamilton
Lifestyles for Living Home Show – Hamilton	HPNC – Union Gas – Liuna Gardens – Stoney Creek
Home Depot In Store Co-Promotion – St. Catharines	Canadian Tire Exchange Event – Hamilton
Air Solutions – Liuna Gardens – Stoney Creek	Industrial Business Breakfast – Stoney Creek
Canadian Tire In Store Co-Promotion – St. Catharines	Dofasco Days – Hamilton
MTO Earth Day Environmental Fair – St. Catharines	Rib Fest – St. Catharines
Earth Day – Fairview Mall – St. Catharines	Park & Party – Hamilton
Earth Day Tree Planting – Hamilton	Niagara Lifestyle Fall Home Show – St. Catharines
Canadian Tire In Store Co-Promotion – Hamilton	Chiller Art – Hamilton Public Library – Hamilton
Home Depot In Store Co-Promotion – Hamilton	Fall Coupon Event – Hamilton and St. Catharines
Lowes In Store Co-Promotion – Hamilton	ECO Fest Niagara – St. Catharines

Horizon - CDM Program Incremental Savings	**2012**	**2011**	**2010**
kWh Saved	17,416,000	35,263,000	12,939,000
Reduction of Greenhouse Gas Kg CO_2	4,305,507	10,179,0001	2,717,190
Reduction of Greenhouse Gas metric tonnes CO_2	4,305	10,179	2,717
Equivalent CO_2 Emissions from Cars	1,230	3,181	5,349
Equivalent Number of Homes Powered for 1 Year	1,814	3,526	1,438

Sources: Ontario Power Generation Report of Emissions Released from Ontario Generation Mix and Clean Air Alliance Ontario.

EU8 - Research and development activity and expenditure aimed at providing reliable electricity and promoting sustainable development

Answer:

- Engagement and integration of CDM programs
- Development of Sustainability-Based Annual Report
- Integration of sustainable policies and practices will lead to the creation of cost efficiencies, in turn, leading to lower rates for customers
- Development of Sustainability Continuous Improvement Plan
- Development of the GRI Sustainability Measurement Report
- Development and rollout of Corporate Vehicle Emissions Reduction Plan
- Implementation of a formal Environmental Management System (EMS) based on ISO 14001 Standard
- Obtaining Certification to ISO 14001:2004 in 2011
- Adoption of the ISO 26000 Guidelines in 2012
- Development of a SCM Sustainability Strategy Report
- Development of Sustainable Design and Procurement Policy
- Development of Climate Change Adaptation Strategy Report

EU9 - Provisions for decommissioning of nuclear sites

Answer: Not applicable – generation specific.

EU10 - Planned capacity against projected electricity demand over the long-term, broken down by energy source and regulatory regime

Answer: Not applicable – generation specific.

EU11 - Average generation efficiency of thermal plants by energy source and by regulatory regime			
Answer: Not applicable – generation specific.			
EU12 - Transmission and distribution losses as a percentage of total energy			
Answer: Distribution Loss Factor:			
Total Loss Factor	**2012**	**2011**	**2010**
Secondary Metered Customer < 5,000 kW	1.0407	1.0407	1.0421
Secondary Metered Customer > 5,000 kW	1.0179	1.0179	1.0168
Primary Metered Customer < 5,000 kW	1.0303	1.0303	1.0316
Primary Metered Customer > 5,000 kW	1.0078	1.0078	1.0067
Source: Horizon Utilities OEB 2010-2012 tariff of rates and charges. NB: Distribution Loss Factor is the factor by which end use metered loads must be multiplied such that, when summed, equal the total measured load at the supply point(s) to the distribution system.			

Environment:

(EN1 to EN30; EU13; EU metric commentaries)

EU - Long–term strategy for managing and phasing out high-level and low-level in-service PCBs (Polychlorinated biphenyls)

Answer: Horizon Utilities has an Active Transformer Maintenance Program. During 2012, 129 active transformers were tested. From the 129 active transformers tested, seven active transformers PCB levels were over 50ppm and were replaced by end of the year.

In addition, 19 active transformers and 5,252 Kg of lead cable and potheads were removed from the system during 2012 as part of Horizon Utilities planned Capital Projects. PCB level test results with over 50ppm have been reported to Environment Canada. Horizon Utilities has not previously reported this data in the GRI Reports.

As of the end of 2012, Horizon Utilities PCB database shows that 76% of 8,224 active transformers of PCB levels to be at 2 ppm or less, a positive 2% increase over 2011 (meaning fewer transformers at levels above 2 ppm).

EU - Report approaches to pest and vegetation management

Answer: Since 2007 Horizon Utilities has used pesticide-free materials to maintain its lawns and vegetation at all locations. In 2012, Horizon Utilities initiated the application of the herbicide Roundup at its 29 substations specifically to address electrical grounding safety concerns caused by the spread of vegetation. Horizon Utilities is exempt from the *Pesticides Act*, which was amended by the *Cosmetic Pesticides Ban Act, 2008* and Ontario Regulation 63/09.

EU - Managing watersheds

Answer: Not applicable. See EN9 for discussion.

EU - Radioactive Waste

Answer: Not applicable. Generation specific. Also applies to EUSS commentary on EN8–thermal/nuclear plants.

EN1 - Materials used by weight or volume

Answer: Selected list of materials used by volume (in Units)

Material	**2012***	**2011***	**2010***
Conductors	236,660	284,912	243,109
Poles	934	1,014	774
Switches	328	346	345
Transformers	541	536	490

Note: *Figures provided in this report are based on materials issued to Horizon Utilities' project work orders in IFS database. Previous figures were provided based on actual authorized POs issued within Horizon's IFS database.

EU - Report in-use inventory of solid and liquid high level and low level PCBs contained in equipment

Answer: Horizon Utilities' in-use inventory PCB levels are all under 50 ppm (89% between 1 ppm & 9 ppm, 7% between 10 ppm & 20 ppm, 2.2% between 21 ppm & 30 ppm, 1.4% between 31 ppm & 40 ppm, 0.23% between 41 ppm & 49 ppm).

EN2 - Percentage of materials used that are recycled input materials

Answer: Information not currently tracked or available. This is an initiative within the Sustainability

Continuous Improvement Plan.

EN3 - Direct energy consumption by primary energy source

Answer:	**2012**	**2011**	**2010**
Diesel Fuel (L)	323,792	342,807	323,323
Unleaded Fuel (L)	133,097	139,158	135,069
Natural Gas (M^3)	383,967	422,945	320,192

Notes:

- Natural gas figures are based on natural gas consumption from all Horizon Utilities' service centers and headquarter locations. Natural gas consumption is based on billing periods.
- Diesel/unleaded figures for 2010 & 2012 fuel consumption are from Horizon Utilities' fuel tanks, city fuel yards and private gas stations using fuel cards. Fuel consumption from private gas stations is now tracked and reported monthly.

EN4 - Indirect energy consumption by primary source

Answer: **Ontario Supply Mix**

Generation Source	**2012**	**2011**	**2010**
Nuclear	56.4%	56.9%	55.0%
Hydro	22.3%	22.2%	20.4%
Coal	2.8%	2.7%	8.3%
Gas/Oil/Wind/Other	18.5%	18.2%	16.3%

Sources:
2012 : http://electricalline.com/ontarios-independent-electricity-system-operator-releases-2012-electricity-production-consumption
2011: http://www.ieso.ca/imoweb/media/md_supply.asp
2010: http://www.ieso.ca/imoweb/media/md_newsitem.asp?newsID=5529

Electricity (GWh) By Location	**2012**	**2011**	**2010**
Substations – St. Catharines and Hamilton	1.37	1.52	1.48
Hamilton – John Street	2.05	2.10	2.21
Hamilton – Nebo Road Service Center	0.69	0.68	0.67
Hamilton – Stoney Creek Service Center	0.24	0.25	0.30
St. Catharines – Vansickle Road Service Center	0.98	0.93	1.07
Total	**5.33**	**5.48**	**5.73**

Note: Electricity figures are based on electricity consumption from all Horizon Utilities' service centers and headquarter locations based on billing periods.

EN5 - Energy saved due to conservation and efficiency improvements.

Answer: See EC2, EU6 for Horizon Utilities' customers.

- In 2012, Horizon Utilities reported 17,416,000 kWh incremental savings in energy consumption due to implementation of energy conservation initiatives.
- In 2012 Horizon Utilities embarked on a Chilled Water Re-commissioning Initiative at its head offices at 55 John St. in Hamilton. Test results provided some low cost efficiency recommendations that will generate 20% to 30% energy savings annually once implemented.

EN6 - Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives

Answer: See EC2, EU7

EN7 - Initiatives to reduce indirect energy consumption and reductions achieved

Answer: Horizon Utilities promotes two weeks of alternative transportation per year for its employees. Like most other organizations, Horizon Utilities has employees who commute on a daily basis using both personal vehicles and public transportation. The company provides bicycle racks installed at all four facilities in Hamilton and St. Catharines to encourage this form of transportation. In 2012, Horizon Utilities constructed a new employee entrance at the Nebo Road service center to provide easy access to employees that take public transportation or cycle to work. Horizon Utilities continued to collaborate with

the City of Hamilton's Smart Commute Program in 2012 and earned the Smart Commute Designation, recognizing Horizon Utilities' leadership commitment in corporate social responsibility and contributions to a healthier workplace. Horizon continues to be a smart commute employer by conducting the survey and officially taking part in several of the programs and events. (See 2.10 above for additional details).

EN8 and EU - Total water withdrawal by source

Water Consumption Source	**2012 (M^3)**	**2011 (M^3)**	**2010 (M^3)**
Facilities	10,055	10,243*	9,621
Substations	1,478	1,196	1,071
Total	**11,533**	**11,439**	**10,692**

Note: * The 2011 water consumption for Horizon Utilities facilities has been updated from what was reported in the 2011 GRI Report to reflect actual readings received on the final bill after the 2011 GRI Report was finalized.

- All Horizon water consumption comes from municipal water sources (City of Hamilton water system, City of St. Catharines water system). City of Hamilton derives their water from Lake Ontario and City of St. Catharines from Lake Erie via an intake from the Welland Canal.
- Horizon Utilities has no generation facilities, other than its own backup generation; discussion on thermal/nuclear is, therefore, not applicable.

EN9 - Water sources significantly affected by withdrawal of water

Answer: Not applicable. Horizon Utilities' water consumption is not used for energy production or other industrial uses. What is used does not significantly affect any water sources.

EN10 - Percentage and total volume of water recycled and reused.

Answer: Water is not used for energy production or other industrial uses. With respect to normal operations, Horizon Utilities continued to implement the following initiatives to reduce total consumption at its facilities in 2012:

- Installation of low-flow toilets with automatic flushers
- Replacement of manual water taps with hands-free units

EN11 - Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.
EU13 - Biodiversity of offset habitats compared to biodiversity of the affected areas.

Answer: Horizon Utilities has land at two substations and three rights-of-way that are located within Ontario's Greenbelt. The combined size of four of the properties is 262,674m^2. The Greenbelt is a permanently protected green space in Ontario's Greater Golden Horseshoe area. The intent of the Greenbelt is to protect environmentally sensitive land and farmland from urban development.

EN12 and EU - Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas

Answer: Being principally an electricity distribution company, Horizon Utilities' potential impacts on biodiversity in its service territory are limited when compared to generation- and transmission-focused utilities. Horizon Utilities' primary responsibility from an operational standpoint is the maintenance and new construction of distribution lines mostly on road allowances, although some lines do run through conservation lands and water courses. Horizon Utilities' impacts would nevertheless include:

- Emissions from Fleet
- Emissions from Facilities
- In-service PCB/SF_6 (Sulfur hexafluoride) and related other chemicals
- Construction of new infrastructure/maintenance of current infrastructure

In its system, Horizon Utilities has switches identified as containing SF_6 as an insulating or "arc interrupting medium". Horizon Utilities does not add or handle SF_6 gas during maintenance. The switches are sealed units. If there are any problems with the units, they are returned to the manufacturer. Horizon Utilities has no transmission line corridors; thermal discharge is generation specific; see EU20 and above for discussion on Horizon Utilities' impacts which relates to fragmentation and isolation.

EN13 - Habitats protected or restored

Answer: In 2012, Horizon Utilities continued its proactive tree trimming program. The primary reason for this program is to ensure that safe clearances from overhead distribution lines are maintained. This process is done in a manner that ensures that the health of each of the approximately 14,000 trees in Horizon Utilities' service territory is maintained or improved. If tree removal is required because the tree is dead, unhealthy or presents a danger of falling on the overhead lines, Horizon Utilities funds the replacement of an equivalent tree canopy (since several new trees are needed to replace the mature trees that are removed).

The following table summarizes the number of trees maintained in 2012 within Horizon Utilities' territories by its preferred third-party service providers:

Tree Maintenance By Service Territory

Territory	Small	Medium	Large
St. Catharines	1,556	1,865	8,40
Hamilton	3,638	3,512	2,103
Total	**5,194**	**5,377**	**2,943**

EN14 and EU - Strategies, current actions, and future plans for managing impacts on biodiversity

Answer:

- See EN12, EU - Pesticide Management, for further discussion.
- In 2012, key sustainability initiatives were assigned to selected management positions within operations and are part of their individual objectives, accountabilities and deliverables.
- Development of a Climate Change Adaptation Strategy.
- Development of a SCM Sustainability Strategy.
- Completion of a third-party oil spills root cause assessment using 2011 and 2012 data.
- Canadian Electricity Association (CEA) assessment of our processes and practices based on ISO 26000 Guidelines.
- Horizon Utilities obtained ISO 14001 Certification in 2011 after implementing establishment of an Environmental Management System ("EMS") in compliance with the international environmental standard ISO 14001.
- Horizon Utilities trained 30 of its preferred contractors on ISO 14001 in 2011. Contractors were made aware of the Contractor's Environmental Responsibilities and Accountabilities.
- An Environmental Management Review Team was established in 2011 with members from key areas of the organization to include Executives, Directors, and Managers to discuss EMS status and to ensure its continuing suitability, adequacy, and effectiveness.
- Development of a Sustainable Development Executive Committee for additional focus and commitment in 2011.
- Development of an Environmental Aspects and Impacts Matrix database in 2011.
- Horizon Utilities continues to manage, control, and mitigate environmental risks by conducting monthly site environmental inspections, ongoing training, and communication efforts.
- Third-party assessment of our processes and practices based on ISO 26000 Guidelines in 2011.

EN15 - Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.

Answer: No IUCN Red List species exist within Horizon Utilities' area of operations.

EN16 and EU - Total direct and indirect greenhouse gas emissions by weight
EN17 - Other relevant indirect greenhouse gas emissions by weight

Horizon Utilities Facilities Direct Emissions, 2012 in tonnes

Facilities	CO_2	CH_4	CO	NO_x	N_2O	SO_2	CO_{2e}
Hamilton – John Street	396	0.00760	0.277	0.33	0.00727	0.00198	**398**
Hamilton – Nebo Road	202	0.00388	0.142	0.169	0.00371	0.00101	**203**

Hamilton – Stoney Creek	25	0.00048	0.0269	0.0649	0.00046	0.00303	**25**
St. Catharines – Vansickle Road	115	0.00220	0.0802	0.0955	0.00210	0.00057	**116**
Total	**738**	**0.0142**	**0.5261**	**0.6594**	**0.0135**	**0.0066**	**742**

Note: For Horizon's full facilities emissions report by Pinchin Environmental LTD., please see www.horizonutilities.com

Fleet Emissions (Direct)

Fleet Fuel Emissions, Diesel Gasoline	**2012**	**2011**	**2010**
Quantity (L)	323,792	340,258	323,323
CO_2 Emissions (t)	862	906	861
N_2O Emissions (t)	0.027	0.028	0.026
CH_4 Emissions (t)	0.045	0.048	0.045

Fleet Fuel Emissions, Unleaded Gasoline	**2012**	**2011**	**2010**
Quantity (L)	133,097	139,158	135,069
CO_2 Emissions (t)	305	319	309
N_2O Emissions (t)	0.063	0.065	0.021
CH_4 Emissions (t)	0.031	0.032	0.016

Source: Environment Canada National Inventory Report – Greenhouse Gas Sources and Sinks in Canada, 1990-2007 (Published April 2009) – Annex 12, Table A12-11: Emission Factors for Energy Mobile Combustion Sources
(*) Fleet emissions represent carbon equivalent as opposed to just carbon.

Notes:
- Diesel/Unleaded 2010 and 2012 figures include fuel consumed from all sources, including Horizon Utilities, City of Hamilton and City of St. Catharines fuel tanks, and private gas station fill-ups using fuel cards.
- Horizon Utilities generated emissions reductions during 2012, due to initiatives implemented during 2011 and 2010, such as the Corporate Idling Policy and GPS Data to track and report on idling activity.

Total Fleet Fuel Emissions CO_2	1,167	1,225	1,170
Total Fleet Fuel Emissions N_2O	0.0900	0.0930	0.0470
Total Fleet Fuel Emissions CH_4	0.0760	0.0800	0.0610
Total Fleet Fuel Emissions $CO_{2\,e}$	1,196	1,256	1,186

Indirect Emissions from purchased electricity

	2012	**2011**	**2010**
Usage (GWh)	5.34	5.48	5.73
CO_2 tonnes emitted	533.8	547.8	573.1
CH_4 tonnes emitted	0.05338	0.0548	0.0573
N_2O tonnes emitted	0.01068	0.0110	0.0115
CO_2e	538.3	552.4	577.8

Source: Environment Canada – Greenhouse Gas Intensity; http://www.ec.gc.ca/ges-ghg/default.asp?lang=En&n=EAF0E96A-1
Note: CO_2e for 2010 does not include emissions for N_2O was it was not being reported.

	2012	**2011**	**2010**
Total Fleet Fuel Emissions CO_2	1,167	1,225	1,170
Total Fleet Fuel Emissions N_2O	0.0900	0.0930	0.0470
Total Fleet Fuel Emissions CH_4	0.0760	0.0800	0.0610
Total Fleet Fuel Emissions $CO_{2\,e}$	1,196	1,256	1,186

Total Fleet and Building Emissions Carbon Dioxide equivalent

	2012	**2011**	**2010**
Total Direct (Scope 1) emissions	1,939	2,073	1,961

Total Indirect (Scope 2) emissions	538	552	578
Total Scope 1 and Scope 2 (CO_2e)	**2,477**	**2,626**	**2,538**

Note: Environmental Canada - Greenhouse Gas Intensity; http://www.ec.gc.ca/ges-ghg/default.asp?lang=En&n=CAD07259-1

EN18 (EU- CORE) - Initiatives to reduce greenhouse gas emissions and reductions achieved.

See EN5, EC2 and EU6 for further discussion. Horizon Utilities focused on the following initiatives to reduce greenhouse gas emissions:

- Developed and implemented a Corporate Printing and Copying Policy in 2011.
- Implemented GPS database as a tool to track and report on vehicles idling data in 2011.
- Purchased Horizon Utilities' first Electric Vehicle and an additional Hybrid/Electric Single Bucket truck in 2012.
- Established new specifications for Ford F250 rather than F550 trucks used by Lead Hands. These smaller trucks use less fuel, reducing greenhouse emissions.
- As part of the building renewals and renovations project of its facilities, replaced HVAC and Lighting Systems that are more energy efficient.
- Introduced an additional Fleet hours of operations in Hamilton to increase vehicles maintenance, reliability and efficiencies.
- Started the installation of battery isolators on large trucks to encourage drivers to turn trucks off when not required for a task.
- As needed, replacement of large truck tires with Low Rolling Resistance Tires that will turn, reduce fuel consumption.

EN19 - Emissions of ozone-depleting substances by weight.

Answer: See facilities and fleet emissions in EN16/EN17.

EN20 and EU - NOx, SOx, and other significant air emissions by type and weight

Answer: See facilities and fleet emissions in EN16/EN17.

EN21 and EU - Total water discharge by quality and destination.

Answer: The water departments of the cities of Hamilton and St. Catharines treat the waste water discharges from Horizon Utilities' facilities. A third-party service provider conducts monthly (winter) and bi-monthly (summer) water treatment testing at all of Horizon Utilities' facilities to ensure that the water circulating within its systems meets with the City of Hamilton Backflow Prevention By-Law. In addition, a third-party tests the discharge from Horizon Utilities' Hamilton headquarters.

In 2012, Horizon Utilities installed backflow prevention devices at four water mains at the Hamilton facilities. These backflow prevention devices were installed to comply with the City of Hamilton's Backflow Prevention Program. The program was developed to prevent infiltration of contaminants into the City's drinking water system.

EN22 and EU - Total weight of waste by type and disposal method.

Answer: PCB waste & hazardous wastes: See EN24. Nuclear waste – not applicable (generation specific).

EN23 - Total number and volume of significant spills

Answer:
2012 - Horizon Utilities had 36 spills (28 in Hamilton and 8 in St. Catharines), for a total of approximately 900.61 litres. From the 36 spills, 7 spill levels were at or lower than 1 litre each. The main reason for the spills was due to a weather conditions, vehicular incidents and aging of equipment. In each case, the spills were remediated either by Horizon Utilities crews, if they were minimal in nature, or by a third-party site remediation company in the event of a larger spill. Horizon Utilities has comprehensive plans to address spill events, including cleanup, remediation, and internal and external communication activities.

Material Spilled: Transformer Oil – 27 spills; Hydraulic Fluid – 5 spills; Vehicle Engine Cooling – 2 spills; Ethylene Glycol – 2 spills.

EN24 - Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally

Answer: **Weight of transported hazardous waste**

Waste Class	**2012**	**2011**	**2010**
Acid Waste – Heavy Metals (kilograms)	500	728	0
Alkaline Wastes – Other Metals (kilograms)	149	222	200
Other Specified Inorganics (kilograms)	0	0	0
Petroleum Distillates (litres)	576	361	320
Light Fuels (litres)	0	0	0
PCBs (Scrap lead cables & transformers) (kilograms)	6,127	7,949	3,190
Oil Skimmings and Sludges (litres)	23,533	5,845	15,366
Oil Skimmings and Sludges (kilograms)	3,205	12,720	3,025
Waste Oils & Lubricants (litres)	9,725	10,190	64,039
Organic Laboratory Chemicals (litres)	0	0	0
Organic Laboratory Chemicals (kilograms)	0	0	0
Phenolic Wastes (Scrap of Poles) (kilograms)	360,550	281,680	294,020
Waste Compressed Gases (kilograms)	545	300	130

EN25 - Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.

Answer: Not applicable (See EN9).

EN26 - Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation

Answer: Annually, Horizon Utilities inspects and maintains poles and transformers to mitigate risk to the environment.

Horizon Utilities transformer replacement criteria includes:

- Proactive approach to replace transformers before failure;
- Visible deterioration suggestive of imminent failure;
- Transformers that are unique with no adequate backup available; and
- Transformers that will be difficult to restore with possibility of long outage in case of failure.

It is estimated that approximately 2 oil spills have been avoided due to transformer replacements during 2012 as a result of annual transformer inspection and maintenance on active transformers.

- Monthly environmental site inspections are conducted at all service centers to determine potential impacts to air, water, and soil from operations.
- In 2012, Horizon Utilities partnered with epost (digital mailbox) with Canada Post for customers to receive and store bills and other important documents online. By processing their bills on line, Horizon Utilities will reduce the number of 225,000 invoices mailed monthly and support our sustainability strategy in reducing waste from the landfills and emissions for the environment.

GHG Emissions Saved Through Solar Installation at Horizon Utilities Locations	**2012**
Hamilton – Nebo Road (Installed September 2012)	4,405 kg
Hamilton – Stoney Creek (Installed October 2012)	6,907 kg
St. Catharines - Vansickle Road (Installed December 2012)	240 kg

Total GHG Emissions in Carbon Dioxide (CO2) Saved	11,552 kg
Note: Figures are based on kWh produced at each location from date of installation on solar panels installed by HES at Horizon Utilities' owned properties. For impacts due to CDM initiatives see EU7.	

EN27 - Percentage of products sold and their packaging materials that are reclaimed by category

Answer: Not applicable. Horizon Utilities does not sell any physical products, other than electricity. In 2011, HESI only rented physical products to customers, but not in 2012 (because the water heater business was sold in 2011).

EN28 - Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations

Answer: Horizon Utilities did not receive any fines or non-monetary sanctions for non-compliance with environmental laws and regulations in 2012.

All modifications and new installations for sound attenuation with respect to emergency backup generators at Horizon Utilities' head office in Hamilton were completed in 2011. In 2012, Horizon Utilities received the Certificate of Approval which covers this new construction.

EN29 - Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.

Answer:

- See EN 16 and 17 for impacts of fleet in terms of emissions.
- See EN12 for a discussion on Horizon Utilities' significant impacts.
- See EN7 for discussion on environmental impacts of employee transportation.
- See EN18 for discussion on how Horizon Utilities continued to take steps to minimize its total fleet environmental impacts through hybrid purchasing and anti-idling measures.
- Identified employees were trained by a third-party environmental consultant on the transportation of dangerous goods.
- Identified employees were trained in emergency spill response and will continue to be trained annually by a third-party consultant.

EN30 - Total environmental protection expenditures and investments by type.

Answer:
Specific dollar amounts are not available as they are considered confidential business information. In terms of major expenditures in 2012, projects are as follows, above and beyond those listed in previous answers in this EN section:

- Environmental Internal Audit conducted by a third-party environmental consultant in August 2012.
- Third-party environmental consultant audit conducted in September 2012 for ISO 14001 Re-Certification.
- Ongoing procurement of oil spill kits and drain covers for specified new vehicles.
- Assessment of Horizon Utilities processes and practices based on ISO 26000 Guidelines by third-party consultant.
- Gap assessment of 2011 and 2012 oil spills conducted by third-party environmental consultant to determine areas of improvement.
- Development of a Corporate Climate Change Adoption Strategy with support by third-party provider.

Labour Practices and Decent Work:

(LA1 to LA14; EU14 to EU18; EU Metric Commentaries)

Note: All employee statistics below are for HHI.

LA1 (and EU) - Total workforce by employment type, employment contract, and region – Includes Temporary employees.

Answer: **Employment # by Status and Location**	**2012**	**2011**	**2010**
Full-Time – Permanent	398	392	388
Part-Time – Permanent	6	4	2
Full-Time – Temporary	19	11	17
Part-Time – Temporary	1	1	3
Contract (All full time)	0	0	0
Total	**424**	**408**	**410**

NB: Seasonal (student May-Sept.) workers not included.

City of Employment	**2012**	**2011**	**2010**
Hamilton (NB: seasonal not included)	82%	82%	81%
St. Catharines (NB: seasonal not included)	18%	18%	19%

Horizon contractor and subcontractor hours worked:

Hours Worked	**2012**	**2011**	**2010**
Hamilton	35,720	35,982	19,298
St. Catharines	22,838	23,278	29,812

Note: Includes construction, operation & maintenance workers only.

LA2 (and EU) - Total number and rate of employee turnover by age group, gender, and region.

Answer: **Employee # by Age Group, Gender and Region**	**2012**	**2011**	**2010**
Number of employees leaving employment during reporting year	26 (6.4%)	33 (8.1%)	23 (5.6%)
Number of employees and rate of employees leaving employment during reporting year by age group	<30 – 2 (8%) 30-50 – 10 (38%) >50-14 (54%)	<30 – 2 (6%) 30-50 – 17 (52%) >50-14 (42%)	<30 – 3 (13%) 30-50 – 7 (30.5%) >50-13 (56.5%)
Number of employees and rate of employees leaving employment during reporting year by gender	Male – 17 (65%) Female – 9 (35%)	Male – 26 (79%) Female – 7 (21%)	Male – 16 (69.5%) Female – 7 (30.5%)
Number of employees and rate of employees leaving employment during reporting year by region	Horizon Utilities does not differentiate between Hamilton and St. Catharines since all employees are considered working within the Greater Golden Horseshoe region		

Length of tenure of employees leaving employment during the reporting period	**2012**	**2011**	**2010**
By Group	<30 – 1.0 years 30-50 – 4.7 years >50 – 22.3 years	<30 – 3.7 years 30-50 – 4.4.years >50 – 27.6 years	<30 – 1.6 years 30-50 – 2.7 years >50 – 25.28 years
By Gender	Male – 14.4 years Female – 12.9 years	Male – 12.8 years Female – 19.5 years	Male – 14.68 years Female – 16.78 years
By Employees	13.9 years	14.2 years	15.32 years

LA3 - Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.

Answer: Standard for full-time permanent employees: life insurance, health care, dental care, out of country health coverage, disability/invalidity coverage, retirement provision, and merit and performance bonuses. Merit increases and performance bonuses are applicable to management employees).

LA4 (and EU) - Percentage of employees covered by collective bargaining agreements

Answer: 70% of the total workforce is covered by a collective agreement.

LA5 - Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.

Answer: Horizon Utilities has no formal minimum notice period for significant operational changes, but it does work diligently to give reasonable notice.

LA6 - Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.

Answer: 100% of the workforce is represented in formal joint management-worker health and safety committees. Formal committees include two Joint Health and Safety Committees, one for Horizon's Hamilton operations, the other for Horizon's St. Catharines operations. In addition, Horizon Utilities has many joint operating committees that assess and develop best practice policies/procedures, such as a Joint Arc Flash Committee.

LA7 (and EU) - Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities by region**.**

Answer:

- All rates are calculated based on Ontario provincial industry standards; see tables below.
- Horizon tracks all incidents, including first aid level, and also tracks the potential for injury and/or loss.
- Under the *Workplace Safety & Insurance Act* (WSIA), Horizon Utilities is required to report lost-time days as 'scheduled work days' (i.e. normal hours worked: 5 day week – 8 hour day); shift worker (i.e. alternating shifts, 10-hour shifts, etc.). Under the WSIA, Horizon Utilities is required to pay the employee until the end of the shift on the date of the accident, regardless of whether they seek medical attention. The date of lost-time date starts the day after the accident.
- Contractors – There were zero (0) lost-time incidents for contractors working for Horizon Utilities in 2012. See EU16-18 for more detail on contractor health and safety policies.

Horizon Utilities Incident Statistics with Rates, Year to Date (YTD) 2012 (NB: 'LT': Lost Time)

				All Injury					
		Net Hours Worked		LT + Medical Aid		Lost Time		Lost Work Days	
Mo.	#Workers	YTD	Monthly	Injuries YTD	Freq. YTD	Lost Time YTD	Freq. YTD	No. Days Lost YTD	Severity YTD
Jan	420	65696	65696	2	6.09	0	0.00	0	0.00
Feb	418	131219	65523	0	0.00	0	0.00	0	0.00
Mar	422	198246	67027	6	6.05	0	0.00	0	0.00
Apr	426	259479	61233	7	5.40	0	0.00	0	0.00
May	441	327098	67619	7	4.28	0	0.00	0	0.00
Jun	443	394886	67788	9	4.56	0	0.00	0	0.00
July	443	457837	62951	10	4.37	0	0.00	0	0.00
Aug	441	521599	63761	11	4.22	0	0.00	0	0.00
Sep	426	582801	61202	16	5.49	0	0.00	0	0.00
Oct	432	651623	68222	19	5.83	0	0.00	0	0.00
Nov	429	723179	71557	20	5.53	0	0.00	0	0.00
Dec	*425	781856	58676	20	5.12	0	0.00	0	0.00

Incident Report – 2010 vs. 2012	**2012**	**2011**	**2010**
Lost Time	0	0	3
Medical Aid	20	14	17
First Aid	11	13	7
Preventative Incidents Reported	198	202	63

Note: * December workers total, include one student.

Monitoring Occupational Disease: Horizon Utilities currently monitors:

- Lead exposure: Off-site provider tests employees and advises if levels of exposure are above normal range so proactive measures may be taken, including follow-up testing.
- Horizon Utilities has a Hearing Conservation Program for its employees. In 2012, Horizon Utilities had no hearing loss claims.
- Asbestos Exposure: Any exposure must be reported through a Workplace Safety & Insurance Board process.

Absentee Rate – Average days and rate absent per person

Years	Average Days Absent	Absentee Rate
2012	8.42	3.4%
2011	8.33	3.3%
2010	9.9	4.0%

Note: Absentee rate based on a standard work year of 250 days.

This includes all absences (short and long-term). Since 2011, Horizon Utilities has had a formal Attendance Management Program and all employees have received formal training on the program. As of December 31, 2012, Horizon Utilities reached 868 consecutive days and 781,856 hours without a lost time incident. In 2011 Horizon Utilities, for the second time since 2010, achieved a significant safety milestone – one-million hours worked without a lost-time injury.

Fatalities in the reporting period: No fatalities in 2012.

Vehicle incidents reported – Horizon Utilities has a vehicle training program for its employees to improve driving practices and reduce vehicle incidents. Horizon Utilities has reported 33 vehicle incidents in 2012, 19 vehicle incidents in 2011 and 26 vehicle incidents in 2010. There were no injuries to employee and the public due to vehicle incidents.

Report the system of rules applied in recording and reporting accident statistics: Horizon Utilities is bound by the following legislation:

- *Workplace Safety and Insurance Act*
- Ontario Occupational Health & Safety Regulations

Horizon Utilities also has reporting requirements to the Canadian Electricity Association (CEA), which has its own reporting requirements, known as CEA A-2-2009: Standard for Recording and Measuring Occupational Injury/Illness Experience & Transportation Incidents.

LA8 - Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.

Answer: Horizon Utilities has the following programs and policies in place to assist its employees, their families and community members regarding serious diseases:

- Continuous Health, Safety, and Wellness risk assessments.
- As required, Ergonomic assessments of Individual Work Stations by Ergonomics Change Team.
- Working along with Institute for Work & Health in research regarding office ergonomics.
- Ongoing Departmental Risk Assessments – Hazard Registry has been developed.
- Risks, threats and information regarding prevention and serious diseases are posted.
- Corporate Health & Safety Policy statement as well as health & safety policies covering all significant

workplace risks and applicable legislation. Some examples include, Healthy Workplace Policy, Respiratory Policy, Lead Control Policy, and Hearing Conservation Policy.

- Robust program to facilitate the early and safe return to work of injured workers.
- All Field employees and Facilities employees, depending upon occupation, are educated on risk of lead exposure, asbestos, noise exposure, Repetitive Strain Injury (RSI).
- Provision of information to employees family members. For example, on Family Day, Horizon offers all its employees and their family members free testing for blood pressure, bone density, and other related medical tests, and education.
- Pandemic plan educates and monitors employees where required and gives guidelines on general health awareness, specific disease awareness, contact information, staffing protocols and communication.
- All employees have access to an Employee Assistance Program that provides access to counselling and related services.
- Respect in the Workplace Policy – guideline and reporting protocols.

LA9 - Health and safety topics covered in formal agreements with trade unions.

Answer: The following are the Health and Safety topics covered within the collective agreement between Horizon Utilities and Local Union 636 of the International Brotherhood of Electrical Workers (IBEW), the trade union representing employees at Horizon Utilities:

- Company and Union Rights and Responsibilities under H&S legislations
- Posting of Policies pertaining to H&S
- Worker and Management Rights
- Company and Union rights and obligations under the Ontario Human Rights Code and Bill 168
- Tool Standards
- Personal Protective Equipment relating to clothing requirements – Footwear, gloves, eyewear, etc.
- Attendance of Union members at H&S related committee meetings
- Workers compensation, disability management and any accommodation actions

LA10 - Average hours of training per year per employee by employee category.

Average Hours of Training	**2012**	**2011**	**2010**
Executives	12	10	17
Directors	27	19	23
Managers	40	30	46
Supervisors	49	48	64
Professional/Administration	45	26	27
Union	27	37	30

LA11 - Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.

Answer: 2.1 Do employee training or assistance programs to upgrade skills provide any of the following?	
Internal training courses	Yes
Funding support for external training or education	Yes
The provision of sabbatical periods with guaranteed return to employment	No
2.2 Do transition assistance programs to support employees who are retiring or who have been terminated provide any of the following:	
Pre-retirement planning for intended retirees	Yes
Retraining for those intending to continue working	No
Severance pay	Yes, as applicable
If severance pay is provided, does it take into account employee age and years of service	Yes

Job placement services	Yes, as applicable
Assistance (e.g. training, counseling) on transitioning to a non-working life	Yes

LA12 - Percentage of employees receiving regular performance and career development reviews.

Answer: 100% of full-time permanent employees receive annual performance reviews.

LA13 - Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.

Answer: No statistics kept on minority groups. Age and gender statistics only. Horizon Utilities is an equal opportunity employer. Governance body composition refers to the Horizon Utilities' Board of Directors. (All members of HHI and HESI Boards of Directors are members of Horizon Utilities' Board of Directors).

Employees by category, gender, age (Note: seasonal, temporary not included).

# Employees	**2012**	**2011**	**2010**
Executive	9	8	8
Director	13	11	11
Manager	32	28	30
Supervisor	24	27	26
Professional/Admin	45	39	36
Union	281	283	279
Total	**404**	**396**	**390**
% of Employees	**2012**	**2011**	**2010**
Gender – Permanent Only	Female - 31% Male - 69%	Female - 31% Male - 69%	Female - 30% Male - 70%
Minority groups	Horizon Utilities does not currently track diversity data		
Age groups – Permanent Only	<30 – 13% 30-50 – 57% >50 – 30%	< 30 - 13% 30-50 - 59% > 50 - 28%	<30 – 12% 30-50 – 61% >50 – 27%
% of Individuals within Governance Bodies	**2012**	**2011**	**2010**
Gender	Horizon Holdings: Female – 20% Male – 80% Horizon Utilities: Female: 30% Male: 70% HESI: Female – 20% Male – 80%	Horizon Holdings: Female – 20% Male – 80% Horizon Utilities: Female - 30% Male - 70% HESI: Female – 20% Male – 80%	Horizon Holdings: Female – 20% Male – 80% Horizon Utilities: Female - 30% Male - 70% HESI: Female – 20% Male – 80%
Minority groups	Currently Horizon Utilities does not track diversity data		
Age groups	<30 – 0% 30-50 – 0% >50 – 100%	< 30 - 0% 30-50 - 0% > 50: 100%	< 30 - 0% 30-50 - 0% > 50: 100%

Note: Governance body composition consists of Board Members for Horizon Utilities, Horizon Holdings and Horizon Energy Solutions organizations.

LA14 - Ratio of basic salary of men to women by employee category.

Answer: Horizon Utilities complies with Ontario's *Pay Equity Act* and maintains compensation equity for its employees. New positions and/or significant changes to existing positions are regularly reviewed by the Pay Equity Committee to determine compensation levels. Horizon Utilities' Pay Equity Committee is comprised of management and union employees.

EU14 - Programs and processes to ensure the availability of a skilled workforce.

Answer: Horizon Utilities is taking a proactive approach to ensure the availability of a skilled workforce.

- Education Sponsorship: In the interest of encouraging employees to upgrade and continue their education in job-related courses, Horizon Utilities' tuition reimbursement policy contributes towards

the cost of tuition fees for job-related courses undertaken by employees at recognized educational institutions. It is applied on the following basis:

- Employees with six months or more service with Horizon Utilities are eligible to apply for this reimbursement
- Courses may be taken at an accredited College, University, Trade School, Continuing Education Program, or other institutions approved by Horizon Utilities

- Engineer Intern Program: Horizon Utilities takes a proactive approach to training and retaining electrical engineering professionals. New graduate employees in its Engineer-in-Training program rotate through Horizon Utilities Network Operating, Customer Connections, and Capital Projects departments. They participate in practical, multidisciplinary learning assignments. Each placement offers the future engineer an opportunity to develop skills while making a valuable contribution to Horizon Utilities current and future business processes. During each rotation, participants are paired with a senior employee who mentors and guides their learning and introduces them to our corporate culture.
- Horizon Utilities has an active apprenticeship program for the Construction & Maintenance and Metering Services groups with 30 apprentices currently on a four to five year training program.
- Horizon Utilities attends university and college job fairs and recruits primarily for those skills which have been identified as challenging to recruit, such as engineering.
- Horizon Utilities conducts an annual workforce planning exercise. This initiative is instrumental for determining future requirements for trades and technical staff within the organization, taking into consideration retirement projections, turnover rates, etc. This process supports hiring decision levels in order to ensure that future organizational human resource needs are met.

EU15 - Percentage of employees eligible to retire in the next 5 and 10 years broken down by job category and region

Answer:
The percentage of employees eligible to retire within the next 5 years is 23%. Percentage of employees eligible to retire within 10 years is 41% (includes 23% at 5 years). A majority of retirements will occur in the skilled trade and technical areas of the workforce.

Employee Retirement eligibility within next 5 years

Selected job categories/departments	**2012**	**2011**	**2010**
Executive	2	1	5
Director	0	0	1
Manager	6	5	6
Supervisor	7	7	15
Professional/Admin	3	0	4
Union	70	62	95
Total	**88**	**75**	**126**

EU16 - Policies and requirements regarding health and safety of employees and employees of contractors and subcontractors

Answer: The health and safety of all HHI and contractor employees is governed by Ontario's *Occupational Health and Safety Act*. This is the main body of health and safety legislation in Ontario. Horizon Utilities also has multiple internal policies covering all health and safety areas. Horizon Utilities' Healthy Workplace & Safety Department developed and deployed a number of procedures and policies as part of its CSA Z1000 Implementation Plan. An incident investigation procedure and two forms (Near Miss Investigation Form and Incident in Loss Investigation Form) were developed, implemented and supported by training 60 Horizon Utilities managers, supervisors, and JH&SC members.

EU17 - Days worked by contractor and subcontractor employees involved in construction, operation & maintenance activities

Answer: Total worked by outside contractor and subcontractor employees involved in construction, operating and maintenance for 2012 was 58,558 hours. Most of the contractors focus was on large

system renewal capital projects. Horizon Utilities partners with outside contractors and subcontractors to complement our Construction and Maintenance groups' workforce, to maintain and renew existing systems.

Contractor/Subcontractor Hours	**2012**	**2011**	**2010**
Capital	32,772	37,551	26,443
Maintenance	25,786	21,709	22,667
Total	**58,558**	**59,260**	**49,110**

EU18 - Percentage of contractor and subcontractor employees that have undergone relevant health and safety training

Answer: All (100%) contractors and subcontractors are required to undergo health and safety training equivalent to that required of Horizon Utilities employees. These policies are analyzed by Horizon Utilities staff in deciding whether to conduct business with the contractor. Contractors and subcontractors also must sign their agreement with Horizon Utilities' Contracted Work - General Commercial Conditions Policy, Health & Safety Orientation Program Policy, and Health and Safety Commitment. For those contractors working on jobs specific to power lines and direct electricity work, they all must: (1) show proof of membership in the Infrastructure Health & Safety Association (IH&SA); (2) have Health and Safety commitment training; and (3) provide their insurance policies and related Workplace Safety and Insurance Board (WSIB) material to Horizon Utilities. All contractors must provide proof of WSIB and insurance, regardless of the service they provide to Horizon Utilities. There are also other Horizon Utilities safety policies that may apply to contractors and subcontractors, such as the Work Near Energized High Voltage Overhead Policy and the Health & Safety Commitment. Horizon Utilities' Outside Contractor management staff go through an orientation package with each contractor hired, no matter the service provided. During 2012, the Hamilton Overhead and Underground departments and the St. Catharines Lines department continued to conduct semi-annual contractor update meetings with tree trimmers and vacuum truck contractors to review safety policies and procedures, and Horizon Utilities' initiatives, etc.

Human Rights:

(HR1 to HR9; EU metric commentary)

HR1 - Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening
Answer: Under applicable human rights laws in Canada and Ontario (e.g. Canadian Charter of Rights and Freedoms, Ontario Human Rights Code); all businesses must engage in ethical human rights practice. HHI does not have a set policy for human rights screening for investment projects because all investment projects are conducted within Canada and all investment projects are already subject to Canada's strict human rights codes. There were nonetheless no significant investment agreements finalized during the reporting period that either moved the organization into a position of ownership in another entity or initiated a material capital investment project.
HR2 - Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.
Answer: As with HR1, all businesses in Canada and Ontario are subject to the same human rights law. Horizon Utilities does not have a supplier/contractor policy which selects contractors and suppliers based on a human rights screening process.
HR3 - Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.
Answer: Horizon Utilities educates all employees upon hiring with regards to its Respect in the Workplace Policy, Rights & Responsibilities of Workplace Parties Policy, and Health & Safety Policy, which cover relevant aspects of human rights issues for employees. In 2012, Horizon Utilities launched a new Learning Management System (LMS) as a tool to facilitate online learning, enhance our ability to deliver training and development programs. Employees can complete courses at their own pace and on their own schedule. The LMS will also support Horizon Utilities' commitment to sustainable development by reducing paper consumption. In 2011, Horizon Utilities developed and implemented policies, procedures, and processes that support the delivery of accessible customer service under the *Accessibility for Ontarians with Disabilities Act* ("AODA"). Training on the legislation was conducted through E-Learning by all employees and temporary/contract employees at Horizon Utilities. In addition, Managers and supervisors facilitated training to their employees on the Respect in the Workplace Policy. Horizon Utilities is committed to providing and maintaining a work environment that is based on respect for the dignity and rights of everyone in the organization.
HR4 - Total number of incidents of discrimination and actions taken.
Answer: One human rights complaint was filed in 2010 and was resolved March 2012.
HR5 (and EU) - Operations identified in which the right to exercise freedom of association or collective bargaining may be at significant risk, and actions taken to support these rights.
Answer: As with HR1 and HR2, HHI is subject to Canadian and Ontario law on matters of the right to exercise freedom of association or collective bargaining. HHI respects freedom of association and the right of collective bargaining. Moreover, Canada is a signatory to International Labour Organization (ILO) Convention #87, the Association and Protection of the Right to Organize Convention, 1948.

HR6 - Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour.
Answer: Horizon Utilities does not employ child labour and therefore has “zero” occurrences.
HR7 - Operations identified as having significant risk for incidents of forced or compulsory labour, and measures taken to contribute to the elimination of forced or compulsory labour.
Answer: Horizon Utilities does not have forced or compulsory labour and complies fully with Canada’s federal and provincial anti-compulsory labour laws.
HR8 - Percentage of security personnel trained in the organization’s policies or procedures concerning aspects of human rights that are relevant to operations.
Answer: HHI does not employ any security staff directly. Security services are provided by a third-party contractor. The contract security staff is trained on the Respect in the Workplace Policy to support Bill 168 by their organization.
HR9 - Total number of incidents of violations involving rights of indigenous people and actions taken
Answer: No incidents have occurred.

Society:

(SO1-SO8, EU19 to EU22; EU metric commentaries)

SO1 (and EU) - Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.
Answer: The electricity distribution operations of Horizon Utilities reside within the communities of its shareholders, where it is licensed to operate by the Ontario Energy Board. On a neighbourhood level, community members are informed beforehand if Horizon Utilities is going to be working locally. Since impacts are minimal at an operational level and site rehabilitation is part of work practices, no programs are in place to assess impacts. In 2012, Horizon Utilities partnered with Horizon Energy Solutions (HESI) to install solar photovoltaic panels on its Stoney Creek, Hamilton Mountain and St. Catharines Service Center rooftops. Power generated from these systems is being produced under the Government of Ontario's Feed-In Tariff (FIT) Program. The three systems combined will generate an estimated 532,000 kWh annually – enough electricity to power 52 homes. This project is just one example of how Horizon Utilities is implementing sustainable practices into its day-to-day operation and helping build sustainable communities.
SO2 - Percentage and total number of business units analyzed for risks related to corruption
Answer: HHI, Horizon Utilities and HESI do not have a formal risk assessment tool focused on corruption. Horizon Utilities has a number of corporate policies in place, however, to address corrupt practices, including: Whistleblower Policy, Code of Conduct Policy, and Corporate Procurement Policy. Horizon Utilities' practice is to have all current and new employees, as a condition of hire, review and sign the Code of Conduct Policy. No events of fraud or corruption have been identified.
SO3 - Percentage of employees trained in organization's anti-corruption policies and procedures
Answer: All Horizon Utilities' employees are trained in relevant policies and procedures that relate to anti-corruption upon hiring, such as Horizon's Whistleblower Policy, Code of Conduct Policy, and Corporate Procurement Policy.
SO4 - Actions taken in response to incidents of corruption.
Answer: No incidents of corruption occurred from 2010-2012.
SO5 - Public policy positions and participation in public policy development and lobbying.
Answer: HHI, Horizon Utilities and HESI executives are active in many public policy matters directly and through industry associations. Horizon Utilities also has formal positions in regulatory policy matters before the Ontario Energy Board.
SO6 - Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.
Answer: HHI, Horizon Utilities, and HESI do not contribute to political parties, politicians, and related institutions.
SO7 - Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.
Answer: HHI, Horizon Utilities, and HESI have had no anti-competitive behaviour legal actions, and no violations of anti-trust and monopoly legislation from 2010-2012.
SO8 - Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.

Answer: HHI, Horizon Utilities, and HESI were not subject to any fines or non-monetary sanctions for non-compliance with laws and regulations from 2010-2012. In 2010, Horizon Utilities was part of a settlement of a class action lawsuit involving all municipal electric utilities in Ontario with respect to late payment charges including the interest rate limit set out in the federal criminal code. The settlement was paid on June 30, 2011. Please refer to note 15 in the 2011 HHI Audited Financial Statements.
EU19 – Stakeholder participation in the decision making processes related to energy planning and infrastructure development.
Answer: Horizon Utilities works closely with the Economic Development Departments of both the cities of Hamilton and St. Catharines and participates in the Utility Co-ordination Committees of each city to keep informed of and address infrastructure requirements. In addition, the Customer Connections and Engineering Departments work with builders and contractors to coordinate the installation, inspection, and connection of services and meters for each new home and business. Horizon Utilities surveys the builders and contractors on a bi-annual basis and participates in association meetings and events to better understand and proactively address this sector's needs. Horizon Utilities remains committed to open, regular, and productive dialogue with developers in the communities it serves.
EU20 - Approach to managing the impacts of displacement
Answer: Horizon Utilities' business operations to date have not involved any instances of involuntary displacement. The nature of Horizon Utilities' operations is such that it is highly unlikely involuntary displacement will occur. (Most work is performed in road allowances and there are no large-scale construction projects or transmission and generation facilities).
EU21 - Contingency planning measures, disaster/ emergency management plan and training programs, and recovery/restoration plans.
Answer: The Independent Electricity System Operator (IESO) mandates that all Ontario LDCs, including Horizon Utilities, must have emergency/disaster plans and a copy must be sent to the IESO annually. Without a plan, an LDC risks OEB sanction. Horizon Utilities' emergency management plan, known as its Emergency Operating Plan, is comprehensive and includes links to other community stakeholders in the event of disaster/emergency. Administering the plan is the responsibility of an internal committee, the Emergency Control Group, which includes employees from multiple departments. Horizon Utilities tests its plan once a year with the assistance of the IESO, which provides test scenarios. Horizon Utilities also participates with the City of Hamilton in its emergency planning exercises. In the event of a serious emergency, the Horizon Utilities plan has detailed orders in place to provide for constant communication and involvement from other outside organizations, such as the cities of Hamilton and St. Catharines, and the IESO. In terms of liaising with the community and affected large industrial customers, press releases would be sent out on a regular basis to keep the community informed. If this method is not available, communication would be sent out by all available means. Large industrial customers would be notified and subject to rotational load shedding in order to ensure electricity service is maintained for essential customers, also known as 'priority loads', such as municipal water treatment facilities. In terms of ensuring backup supply and service continuity in the event of an emergency, Horizon Utilities has backup generators installed at its four main operating centers. Horizon Utilities also has a backup control room in St. Catharines. The control room is fully equipped with SCADA, phones, and radio communication and is readily available to be used as an alternate control center in the event of an evacuation of the main control Centre in Hamilton.
EU22 - Number of people physically or economically displaced and compensation, broken down by type of project.
Answer: Not applicable.

Product Responsibility:

(PR1 to PR9, EU23 to EU30; EU Metric Commentaries)

EU23 - Programs, including those in partnership with government, to improve or maintain access to electricity and customer support services.
Answer: Horizon Utilities provides assistance to customers in need by connecting them with local social service agencies such as Community Care in St. Catharines and the Utility Arrears Fund in Hamilton. Horizon Utilities has also partnered with the United Way of St. Catharines and District and the United Way of Burlington and Greater Hamilton to provide financial assistance to low-income customers through the Low-income Energy Assistance Program (LEAP). In 2012, Horizon Utilities provided more than $123,000 to LEAP which was distributed to customers in need and added a third in-take agency Neighbour 2 Neighbour, (Hamilton) to ensure that timely funding assistance is available to customers throughout our service territory. Horizon Utilities is committed to providing accessible customer service for all customers and in 2011 adopted new policies and procedures to support the Accessibility for Ontarians with Disability Act. AODA training continued in 2012 for all new employees and self-certification of Horizon Utilities' AODA compliance was completed in 2012. As part of the four year building renewal and renovation projects of our facilities, Horizon Utilities is incorporating renovation efforts to support the *Accessibility for Ontarians with Disability Act*, such as a new elevator at the St. Catharines service center, automatic door openers at main building entrances and washrooms with wheelchair access.
EU24 - Practices to address language, cultural, low literacy and disability related barriers to accessing and safely using electricity and customer support services.
Answer: All Horizon Utilities employees who interact with our customers and / or the public underwent training in 2012 to ensure that customers with disabilities or access issues can be assisted in a manner that respects their dignity and independence. This includes Customer Service Representatives (CSRs) who are trained to assist customers with communication barriers, including making connections with social agencies to act as intermediaries. AODA training is provided to all new employees as part of the Horizon Utilities on-boarding process. Horizon Utilities' website supports text-to-speech software applications for those who are visually impaired and the Call Centre is trained to provide TTY-relay service for deaf or hard-of-hearing customers. Horizon Utilities' regulatory notices are published in both English and French newspapers. Smart metering and Time-of-Use information was provided on our website in 17 different languages. Horizon Utilities' Conservation and Demand Management activities take into account language and cultural differences through a multi-language call center for the delivery of the peaksaver® program and the translation of advertising messages to ethnic groups.
PR1 (and EU) - Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures. In each of the following life cycle stages, report whether the health and safety impacts of products and services are assessed for improvement:

	Yes	No
Development of product concept	Not Applicable	Not Applicable
R&D	Not Applicable	Not Applicable
Certification	X*	
Manufacturing and Production	X*	
Marketing and promotion	X	
Storage distribution and supply	X	
Use and service	X	
Disposal, reuse, or recycling	X	

Not applicable is used above because neither of HHI, Horizon Utilities or HESI manufacture, develop, nor conduct research and development on any products provided. In the case of Horizon Utilities, the main product – electricity – is distributed rather than manufactured (generated). In the case of HESI, the main products offered – sentinel lights, metering services, solar management services – are not manufactured by HESI, but rather were provided to customers by HESI through rental or management services agreements. Further, electricity itself is not disposed/reused/recycled by Horizon Utilities (the consumer consumes it), and HESI has an outside contractor dispose of sentinel lights.

- A 'Yes' answer was marked for "marketing and promotion" because Horizon Utilities does promote electrical safety to its customers and warns of its potential dangers of the electricity it distributes through regular public education campaigns
- A 'Yes' answer was marked for "storage distribution and supply" because Horizon Utilities stores decommissioned assets for short periods prior to disposal under rules regulated by Ontario's Ministry of the Environment.
- A 'Yes' answer was marked for "use and service" because Horizon Utilities promotes conservation programs encouraging responsible use of electricity and promotes in-depth and mandatory health and safety programs in place for its employees who provide the service of electricity.

* As identified in 3.5, HHI began production of generation through rooftop solar PV systems at various points in 2012. Beginning in 2013, HHI will report on generation in its GRI filing.

PR2 - Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes.

Answer: No incidents from 2010-2012.

EU25 - Number of injuries and fatalities to the public involving company assets including legal judgments, settlements and pending legal cases of diseases.

Answer: No fatalities.

Public Personal Injury Claims	**2012**	**2011**	**2010**
# Claims	3	2	13

Note: Figures are for claims settled or currently in litigation.

PR3 - Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements

Answer: For Horizon Utilities, the product (electricity) is distributed by Horizon Utilities. This is the same for HESI, whose products (metering services, sentinel lights, solar management services) were distributed only. For solar PV, please see 3.5.

For discussion on steps taken to ensure the distribution of these products is safe for all involved (employees, public), please see PR1. Horizon Utilities Corporate Communication Policy 6.07, Shareholder Communication Policy 6.05 and the External Environmental Communication and Reporting Procedure ENV-PRCD-0007, provide guidance and direction to ensure consistent, timely, effective communications to our stakeholders.

PR4 - Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.

Answer: HHI has not identified any non-compliance with regulations and voluntary codes from 2010-2012. Per Ontario Regulation 22/04, Horizon Utilities is audited annually and has received a zero non-compliance record for the last three years.

PR5 - Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.

Answer: Horizon Utilities participates in a yearly customer satisfaction survey administered by an independent consulting firm. This is a company initiative, and one that is not mandated by the Ontario Energy Board or the Ontario government. The methodology is to randomly select customers to complete a telephone interview of standard questions. In 2012 Horizon Utilities engaged a second independent consultant to confirm Horizon Utilities' overall customer satisfaction. The consultant confirmed that the second survey results were consistent with the first, validating our original survey methodology and results. In addition, in 2012, Horizon Utilities implemented transactional surveying of random customers who contact the Customer Care department. The survey is conducted through an Interactive Voice Recognition system, asking customers five questions about Horizon Utilities' responsiveness and customers satisfaction with Horizon Utilities' service. In 2012, 89% of customers that completed the transactional survey indicated that their issue was resolved in that single call. The following two tables reflect key components of Horizon Utilities customer satisfaction results:

Satisfaction with local electricity utility that supplies the electricity you use	**2012**	**2011**	**2010**
Horizon Utilities	93%	90%	92%
National	89%	90%	92%
Ontario	88%	86%	89%
Attributes of a hydro utility's image (Agree 'strongly' + 'somewhat') – 2012			Horizon Utilities
Provides consistent, reliable energy	92%	92%	91%
Is proactive in communicating changes and issues that may affect customers	80%	78%	N/A
Customer-focused and treats customers as if they're valued	80%	77%	79%

Note: *The attribute "Is proactive in communicating changes and issues that may affect customers" in the 2011 Customer Survey, Horizon Utilities scored 78% as compared to 77% National and 76% in Ontario. In 2012 Customer Survey Horizon Utilities scored 80% as compared to 75% National and 76% Ontario.

The GRI report does not define what the reported satisfaction rates reflect, where as Simul defines the rates as being the percent of bill payers who are 'very' or 'fairly' satisfied with their electricity provider.

PR6 - Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.

Answer:

- See Horizon Utilities' Privacy Policy: www.horizonutilities.com and Communications Policy: http://www.horizonutilities.com/ourCompany/companypolicies/
- See HESI's Privacy Policy at: www.horizonenergysolutionsinc.com
- Horizon Utilities has no codes or voluntary standards relating to marketing communications applied across the organization, with the exception of full adherence to the communications policy noted above.
- Horizon Utilities Policies are reviewed every three years or as required.
- HHI, Horizon Utilities or HESI those note sale products that are banned or subject of stakeholder questions or public debate. Please see PR1 for additional information on product and services provided.

PR7 - Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes.

Answer: No incidents on non-compliances.

PR8 - Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.

Answer: No complaints noted between 2010 and 2012.

PR9 - Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.

Answer: HHI has not identified any non-compliance with laws or regulations from 2010-2012.

EU26 - Percentage of population unserved in licensed distribution or service areas

Answer: Ontario is an advanced industrial economy and Horizon Utilities' service territory is largely urban and developed. Under Ontario Energy Board codes, distributors like Horizon Utilities have an obligation to connect customers. In this circumstance, all customers who want to have connections would have connections.

EU27 – Number of residential disconnections for nonpayment, broken by duration of disconnection and by regulatory regime.

Disconnections	**2012**	**2011**	**2010**
Residential	4,320	3,801	5,409
Commercial	294	253	241
Total	**4,614**	**4,054**	**5,650**
Reconnections	**2012**	**2011**	**2010**
Residential	3,177	1,896	4,061
Commercial	192	143	143
Total	**3,369**	**2,039**	**4,204**
Reconnections Timelines – Residential	**2012**	**2011**	**2010**
Same day	2,069	1,511	2,469
1 day	507	350	703
2 days	148	93	177
3 days	102	69	134
4-10 days	204	124	307
11-30 days	99	65	155
30+ days	48	33	118
Total	**3,177**	**2,245**	**4,063**
Reconnections Timelines – Commercial	**2012**	**2011**	**2010**
Same day	101	92	78
1 day	38	16	26
2 days	12	4	9
3 days	3	9	6
4-10 days	23	8	13
11-30 days	7	3	6
30+ days	8	11	8
Total	**192**	**143**	**146**

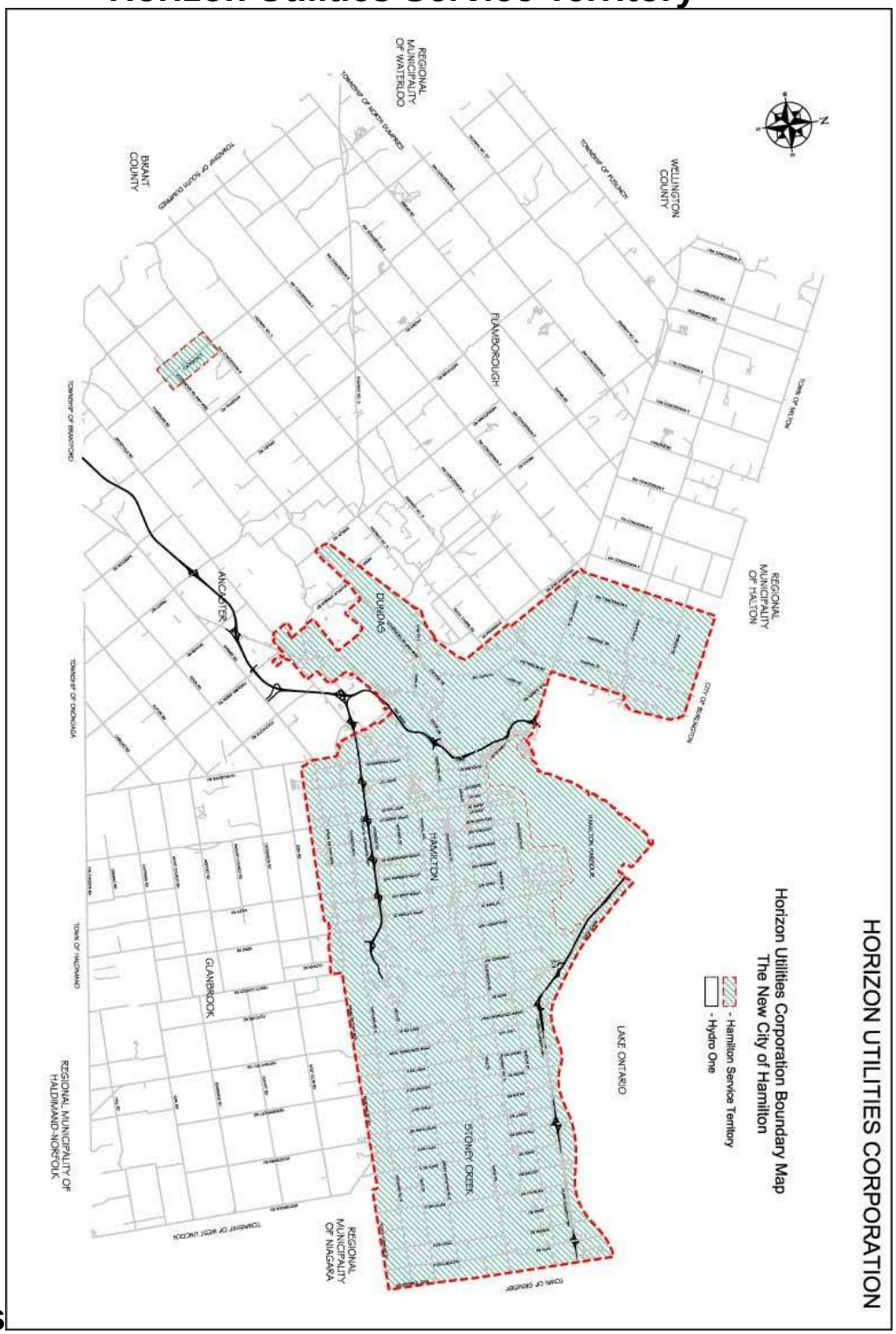
Note: Horizon Utilities tracks and reports on duration from disconnect to reconnect and does not track the duration of disconnection from the time the customer satisfied the reconnection requirements (i.e. receipt of payment).

EU28 - Power outage frequency

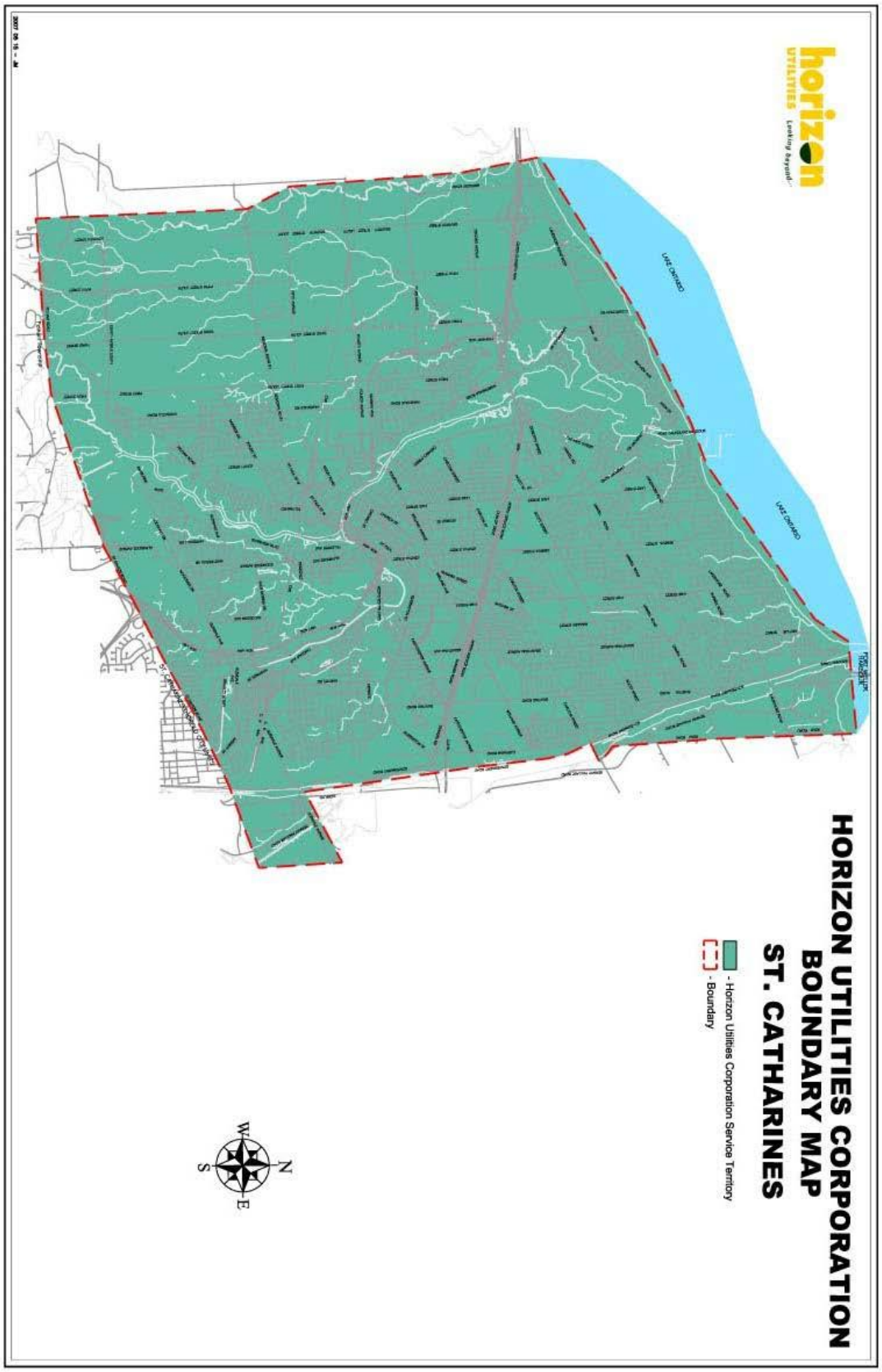
EU29 - Average power outage duration
Answer: See EU6
EU30 - Average plant availability factor by energy source and by regulatory regime
Answer: Not applicable – generation-specific.

Appendix

Horizon Utilities Service Territory



Maps


horizon
UTILITIES
Looking beyond...
HORIZON UTILITIES CORPORATION
BOUNDARY MAP
ST. CATHARINES
- Horizon Utilities Corporation Service Territory
- Boundary
LAKE ONTARIO
LAKE ONTARIO
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APPENDIX 1-8: HAMILTON ENVIRONMENTALIST OF THE YEAR MERIT AWARD

Media Release

Horizon Utilities wins Award of Merit at Hamilton Environmentalists of the Year celebration

(HAMILTON/ST. CATHARINES, ON) June 13, 2013 – At its 34th Annual Awards Dinner on June 5 at Michelangelo Banquet Centre, the Hamilton Environmentalists of the Year Awards Committee presented Horizon Utilities Corporation with an Award of Merit.

The Environmentalists of the Year Awards are presented each year to recognize individuals, groups, students and businesses in the Hamilton area for excellence in environmental efforts.

"Horizon Utilities is honoured to receive the Hamilton Environmentalists of the Year Award of Merit," said Neil Freeman, Vice President, Business Development, Horizon Utilities Corporation. "We would like to congratulate the individuals and the groups who were recognized. To be part of a community of people who are so determined to work together for the protection and enhancement of the environment is truly inspiring."

Hamilton Mayor Bob Bratina (third from right) and Barb McKean from the Awards Committee (second from right) acted as emcees for the Awards Dinner and took time to celebrate Horizon Utilities' Award of Merit with Horizon representatives (left to right) Larry Roberts, Brian Smith, Dawn Manning, John Neu and Peter Ormond.

"At Horizon Utilities, we are striving to improve our customers' experience, the liveability of our communities and the value we offer to our shareholders through our company's commitment to sustainable development," added Freeman. "Recognition like this from an important local environmental group reinforces our commitment to pursue sustainability in all aspects of our work."

Horizon Utilities was recognized with an Award of Merit for incorporating environmentally responsible behavior and sustainable environmental practices into its business, including use of energy conservation and renewable energy technologies; promoting conservation initiatives to its customers; sponsoring environmental community based initiatives, and adopting a corporate-wide strategy of reporting its annual performance based on the triple bottom line of environmental, social and economic factors.

Other groups and individuals recognized at the event included **Friends of Rural Communities and the Environment (FORCE)** from Flamborough and **Friends of the Eramosa Karst (FOTEK)** from Stoney Creek, co-winners of the Dr. Victor Cecilioni Award for Environmentalists of the Year for 2012. **Robert Edmondson** received a Lifetime Achievement Award for his decades of work protecting local natural areas. Local environmental activist **Elysia Petrone** and the City of Hamilton's **Windermere Basin Wetland Creation Project** also received Awards of Merit for their work.

More information on this year's recipients is available at the Hamilton Environmentalists of the Year Awards Committee website: www.eoyawards.org.

-30-

About Horizon Utilities Corporation
Horizon Utilities Corporation, one of the largest municipally owned electricity distribution companies in Ontario, is the first company in Canada to earn the Canadian Electricity Association's Sustainable Electricity Company™ designation. It is a two-time winner of the CEA's Sustainability Company of the Year award (2011 and 2012) and a repeat Top 10 Employer in Hamilton-Niagara (2012 and 2013). It is the 2013 winner of the electricity sector's Environmental Excellence Award. The company provides electricity and related utility services to 239,000 residential, commercial and industrial customers in Hamilton and St. Catharines. Horizon Utilities' employees are committed to delivering a safe and reliable supply of electricity, providing unparalleled customer value, and helping to create a culture of energy conservation in Ontario.

For more information, contact:

Larry Roberts
Manager, External Communications
Horizon Utilities Corporation
Tel: 905-521-4908 • Cell: 905-741-5578
Email: larry.roberts@horizonutilities.com
Website: www.horizonutilities.com

CORRESPONDENCE WITH THE BOARD

Horizon Utilities filed a letter with the Board on February 21, 2014 regarding this Application. A copy of that correspondence is included in Exhibit 1, Tab 3, Appendix 1-9.

APPENDIX 1-9: CORRESPONDENCE WITH THE BOARD

horizon UTILITIES Looking beyond...

BY RESS AND BY COURIER

February 21, 2014

Ontario Energy Board
Ms. Kirsten Walli
Board Secretary
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON
M4P 1E4

Dear Ms. Walli,

Re: Horizon Utilities Corporation – ED-2006-0031

The Ontario Energy Board ("OEB" or the "Board") issued a letter to all distributors on February 20, 2014 regarding 2015 Electricity Distribution Rate Applications. The Board identified the distributors that are scheduled to apply to have their rates rebased for 2015 (the "2015 Rebasing List"), based on the date of their last Cost of Service application and other supporting information.

The Board also identified that any distributor that has been included on the 2015 Rebasing List and has not yet informed the Board in writing that it intends to select either the Custom IR (or the Annual IR Index) method for 2015 rates must so notify the Board as soon as possible and in any event no later than March 28, 2014.

Horizon Utilities Corporation ("Horizon Utilities") is on the 2015 Rebasing List. Horizon Utilities wishes to advise the Board of its intention to file a Custom IR Cost of Service Application, in April 2014, for rates effective January 1st for each of 2015, 2016, 2017, 2018 and 2019.

The Board Secretary has already issued an OEB reference number for this application as EB-2014-0002.

If you have any questions, please do not hesitate to contact me.

Yours truly,

Indy J. Butany-DeSouza, MBA
Vice President, Regulatory Affairs

CUSTOMER OUTREACH

HORIZON UTILITIES' CUSTOMER OUTREACH ACTIVITIES

Horizon Utilities has addressed its customer engagement activities as they relate to its Distribution System Plan (the "DSP") in Appendix D of the DSP filed as Appendix 2-4 in Exhibit 2. While certain key features of those activities are also repeated in the following pages for the Board's convenience, the discussion below focuses on the broader customer engagement activities undertaken by Horizon Utilities.

Horizon Utilities serves a diverse group of customers. Horizon Utilities serves over 217,500 residential customers; more than 18,300 General Service < 50kW customers; approximately 2100 General Service > 50 kW customers; and 11 Large Use customers with monthly demand greater than 5,000 kW. Horizon Utilities' outreach and engagement activities extend both to its customers as well as those stakeholder and community groups that act as proxies for customer needs and requests.

Striving to Improve the Customer Experience

Engaging with customers and enhancing the customer experience are standard practice at Horizon Utilities. Horizon Utilities' customer service delivery model focuses on a few key strategies which have been adopted to enhance the customer experience in a cost effective manner. These strategies include:

- *Building a culture of customer service excellence*
- *Leverage emerging customer relationship tools & technologies*
- *Empower customers to manage their own electricity costs*

Horizon Utilities has established a business goal to be *"easy to do business with."* This goal sets the tone for all interactions with its customers, including its customer engagement activities. Customer expectations are often formed by the collective service experience received at other companies and industries. Customers interact daily with banks, major credit card companies, internet and cell phone providers, and large retailers that seek to differentiate themselves from their competitors by focusing on enhancing the customer experience. The experience

encountered with other businesses elevates the expectations that customers have of Horizon Utilities' service; and Horizon Utilities strives to meet these expectations.

Several communication channels are utilized to inform and engage customers. Examples include: billing inserts; regular website updates; mobile applications; social media; participation at community events; and direct customer contact. Horizon Utilities has focused its efforts on enhancing the customer experience in a cost effective manner, by leveraging technologies and streamlining customer processes.

Corporate Scorecard:

Horizon Utilities measures its performance against a corporate scorecard. Annual performance objectives and targets are established to measure a balanced assessment of financial, customer, operational and people goals. Customer focused measurements within the scorecard align to feedback received from Horizon Utilities' customers on what is important to them: accurate and affordable bills; reliability of power supply; and access to responsive customer service and problem resolution.

The customer objectives within the corporate scorecard are:

- **Controllable Cost per Customer:** Measured by operations, maintenance and administrative expense per customer;
- **Reliability:** Measured by the average outage duration in hours, known in the industry as the System Average Interruption Duration Index ("SAIDI"); and
- **Service – Telephone Accessibility:** Measured by the percentage of calls answered within 30 seconds – Target for 2014 is 80%, the OEB target is 65%.

Performance against these targets is reported to Horizon Utilities' Board of Directors on a quarterly basis, and is reviewed with the senior leadership team on a monthly basis. These customer metrics align with the Board's recently released LDC-specific Scorecard that addresses the four performance outcomes set out in the RRFE.

As identified above, Horizon Utilities has addressed its planning-related customer engagement activities in Appendix D of the DSP, filed as Appendix 2-4 in Exhibit 2. However, beyond the engagement obligations arising out of the new DSP requirements in Chapter 5 of the Board's Filing Requirements, Horizon Utilities has already been engaged in various forms of outreach and consultation with its customers for several years. The following section identifies its current and ongoing customer engagement activities.

Current Customer Engagement Activities

Horizon Utilities' customer outreach is largely executed through the Customer Services division, Utility Operations division, and the Corporate Communications department. Horizon Utilities has a dedicated team of customer service representatives that manage daily direct customer contact. Key Account Managers and Roving Energy Managers meet regularly with specific customer groups, including Large Use customers and General Service customers with multiple large accounts.

Customer Surveys

One of Horizon Utilities' strategic initiatives is to build a culture of customer service excellence. The best measurement and indicator of the success of this objective is to gather third-party feedback directly from the customer. The primary objective of the Customer Satisfaction Survey is to gather information and feedback from residential and small commercial customers to support internal discussions and action plans which drive customer service improvements.

The contractor and developer communities are very important customer groups as well. The objective of the Contractor and Developer Survey is to gather input and feedback which is used to improve and refine our work management processes.

Horizon Utilities engaged Sid Ridgley of Simul Corporation, an external independent consultant specializing in quantitative statistical market analysis, to conduct two telephone surveys, which were completed in March 2013. Simul Corporation is engaged with many utility clients across Ontario. Mr. Ridgley has extensive knowledge in utility research and is also a professor at the Schulich School of Business at York University where he lectures on the drivers of customer satisfaction.

Horizon Utilities has consistently maintained residential and small commercial customer satisfaction ratings above 90% and above the Ontario average for the last seven years. Horizon Utilities achieved a 2013 overall satisfaction rating of 95% as compared to the Ontario rating of 90%. Horizon Utilities also received an "A" rating for Customer Care, Company Image and Management Operations and an 86% rating for being "easy to do business with".

Horizon Utilities has maintained high levels of customer satisfaction through a continued increase in customer affinity and loyalty programs Satisfaction occurs when customer expectations are met. Loyalty occurs when a customer makes an emotional connection with an organization. Customer loyalty is an intangible asset that has positive consequences and outcomes such as decreased stress on the Customer Care Centre and acceptance of Horizon Utilities' key messages and marketing materials. Horizon Utilities experienced a four percentile increase in customer loyalty as compared to the 2012 results. With higher levels of loyalty come higher levels of customer confidence that if problems should arise they will be handled with speed and professionalism.

Customers gave Horizon Utilities an "A+" for reliability. Customers reporting billing concerns remained consistent at 8%. The main billing issue reported was that the bill was too high. Although perceived as a billing problem, the issue is typically one of ability to pay or a lack of understanding of the complex rate structures, particularly associated with time-of-use rates. Horizon Utilities is concentrating on providing customers with clear, consistent, and informative communications along with Conservation and Demand Management offerings that can assist them with managing their own electricity costs.

Horizon Utilities also achieved excellent results in its 2013 Contractor and Developer Survey, with an overall satisfaction rating of 94% as compared to the 2011 rating of 89%. The Contractor and Developer Survey is conducted every two years.

Two noteworthy areas from the Contractor and Developer Survey that improved in 2013 as compared to 2011 were: the knowledge of Horizon Utilities' staff; and the quality and consistency of information being provided.

Table 1-21 - Highlights from the 2013 Customer Satisfaction Survey Results:

Highlights at a Glance:	2013	2012	2011
Overall Satisfaction - Horizon	**95%**	93%	90%
Overall Satisfaction – Ontario	90%	88%	86%
Contractor & Developer Survey	**94%**	----	89%
Utility PULSE Report Card Rating – Horizon	**A**	A	A
Utility PULSE Report Card Rating – Ontario	A	B+	B+
Provides Consistent, Reliable Energy	**91%**	92%	92%
Quickly Handles Outages	**89%**	90%	90%
Accurate Billing	**88%**	87%	87%
Respected Company in the Community	**88%**	87%	86%
Easy to do business with	**86%**	85%	---
Delivers on Service Commitments	**85%**	87%	87%
A Leader in Promoting Conservation	**84%**	83%	82%
Provides Good Value for Money	**73%**	70%	66%
Loyalty: Secure & Favorable Customers	**45%**	41%	32%

A copy of the Customer Survey results is included in Exhibit 4, Tab 3, Appendix 4-1 of this Application, and a copy of Contractor and Developer Survey results is included in Exhibit 4, Tab 3, Appendix 4-2 of this Application.

Conservation and Demand Management ("CDM")

Engaging customers to participate in conservation programs is a key component of Horizon Utilities' customer service delivery model. Helping to build a culture of conservation in support of Ontario's Long Term Energy Plan to meet the needs of electricity customers has been a focus for Horizon Utilities since the beginning of the third tranche CDM programs in 2005.

Horizon Utilities' CDM team is actively involved in customer outreach to promote the current portfolio of province-wide programs in partnership with the Ontario Power Authority ("OPA"). The OPA province-wide programs provide customers with incentives to reduce their peak demand or energy usage which helps customers to manage their own electricity costs. Awareness and engagement in CDM programs continues to build in Horizon Utilities' service territories as noted in the OPA's *Triple A* In-Market Research Report (Consumer Program Awareness, Attitude, Action*)* Q4 2012 report. Horizon Utilities educates and promotes CDM programs to its customers through: direct mail campaigns; community events; participation with local business agencies (Business Improvement Areas ("BIAs") and the Chamber of Commerce); mass market advertising (newspapers, radio, television, bill inserts, social media, online advertising and on-bill messaging); and through customer meetings facilitated by Horizon Utilities' Key Account Managers and Roving Energy Managers.

Participating in community events provides Horizon Utilities the forum and opportunity to educate residential customers on CDM programs and customer service initiatives. The environment at community events provides customers with the ability for customers to ask questions to be more informed about Horizon Utilities and the energy sector in general. On average, Horizon Utilities participates in 20-30 community events each year.

Engagement with commercial customers is primarily driven by: telephone campaigns; direct mail; local business agency events; and facilitated customer meetings. Horizon Utilities shares three Key Account Managers with eight other utilities to service 33 large industrial customers with loads greater than 5 MW. The Key Account Managers specifically meet with Horizon Utilities' 12 large industrial customers on a regular basis, and they are the primary contact for the customer within the organization.

Horizon Utilities has 3 Roving Energy Managers who interact with 5-6 customers each day, and their portfolio consists primarily of customers with loads greater than 50kW. Interacting with customers such as owners of multi-unit residential buildings or customers with many locations is part of the Roving Energy Managers' accountabilities. Roving Energy Managers provide customers with load profiles and facilitate discussions to assist with energy related decisions. The Roving Energy Managers, like the Key Account Managers, are the primary contact for the customers they serve within the company.

Large Use Customers

Large Use customers in the Horizon Utilities' service territory are provided with a key account manager. These representatives meet regularly with Horizon Utilities' Large Use customers to facilitate ongoing dialogue and support. The Large Use Customers are also able to meet with a CDM Energy Management Specialist, who can advise them on how to attain their conservation targets.

Builders and Developers

Horizon Utilities' Engineering and Operating department meets annually with local developers to maintain an ongoing dialogue regarding their needs as customers and to provide them with any updates or changes to Horizon Utilities policies or processes that affect the way the developer community interacts with the Utility. Horizon Utilities regularly consults with builders and developers in order to solicit feedback on developer concerns and issues as they relate to Horizon Utilities being "easy to do business with" objective. Similarly, Horizon Utilities has consulted with local business interests such as the Niagara Real Estate Association, Niagara Industrial Association, and Hamilton Industrial Environmental Alliance. Horizon Utilities also meets regularly with City and Region public utilities committees to coordinate city work and capital programs.

Municipalities and Economic Development

The Business Development department meets regularly with local economic development offices and community groups to provide information regarding pertinent programs and policies as well as to receive feedback. In January 2014, Horizon Utilities introduced a new customer

smart growth inspired connection policy and database to help provide potential investors with incentives for locating in a brownfield or infill property. This policy was created with input from local economic development departments and will benefit both the community as well as the company. Horizon Utilities is also a member of the St. Catharines Mayor's Development Process Review Committee, which meets every six weeks.

Groups and Committees

Horizon Utilities is a member of many local economic, business, environmental and social groups. It is an active member of the Ontario, Hamilton and Greater Niagara Chambers of Commerce. It is also a member of: the Niagara Home Builder's Association; the Hamilton Halton Home Builders Association; the Hamilton & District Electrical Contractors Association; the Niagara Peninsula Electrical Contractors Association; and the Ontario Heating, Refrigeration, Air Conditioning Institute.

As part of its ongoing stakeholder relations, Horizon Utilities plays a significant role in the activities of the Hamilton and Greater Niagara Chambers of Commerce. It has done so not only to solicit input on its performance, recognizing that Chambers of Commerce are important proxy representatives for customers, but also to inform these representatives as to how Horizon Utilities is performing for customers and contributing to the local economy.

In Hamilton, Horizon Utilities participates in the Hamilton Chamber of Commerce ("Hamilton Chamber") activities in many ways, including attending committee meeting and special events. Horizon Utilities has also been a standing member of the Energy & Environment Committee and, more recently, the business development committee. Horizon Utilities, as an individual contributor, has been asked to present to the Hamilton Chamber Board on sustainable infrastructure. Horizon Utilities' CEO has participated in the Presidents' Panel, and its staff have assisted with Hamilton Chamber submissions to the provincial and federal governments.

In St. Catharines, Horizon Utilities has been active in the public affairs and business attraction efforts of the now Greater Niagara Chamber of Commerce ("GNCC"), which was formerly the St. Catharines and Thorold Chamber of Commerce. These efforts are in support of the needs of business in St. Catharines, including drawing attention to the strong fundamentals for new development and redevelopment.

Community Groups:

Horizon Utilities participates in Sustainable Hamilton, Niagara Sustainability Initiative and other local groups including Neighbour 2 Neighbour, which is an agency that is engaged by the United Way. It is also actively involved in working with Community Care of St. Catharines and Thorold and Good Shepherd Centres and the Neighbour 2 Neighbour Centre in Hamilton. Participating in these groups allows Horizon Utilities to stay abreast of developments and issues in its communities and ensure that those concerns are incorporated into its policies and programs.

Media Relations:

Horizon Utilities engages the community with media messages as required that are represented with consistent values, vision and brand in a planned and coordinated way. Messages are crafted in simple language with clear "calls to action", where applicable, regarding 24x7 self-serve customer options that make Horizon Utilities "easy to do business with", energy efficiency, safety, crisis situations, and capital investments.

Website:

A major opportunity for Horizon Utilities has been to capitalize on a redeveloped corporate website. This has facilitated the development of enhanced self-serve options for customers, providing 24x7 access to services, thereby improving the customer experience across all related touch points. Horizon Utilities has utilized the website carousel banner not only to showcase company initiatives but also to provide updates and safety information to customers during major electrical outages.

Horizon Utilities launched *My Electric*, a web presentment tool for Time-of-Use ("TOU") data in October 2012. *My Electric* is a customer self-service tool for residential customers, designed to provide customers with a secure, real time snapshot of their account data and electricity consumption so that they can understand their electricity consumption and assist them to manage their costs.

Horizon Utilities' customers were among the first in Ontario to be provided with the ability to view their Smart Meter data on its website. Customer responses to this tool have been positive.

Some of the new tools and features include:

- Personal alerts which email the customer when their costs or their consumption exceed their pre-determined target;
- "What if" calculator that tabulates the customer's cost of electricity on Time-of-Use rates versus an inputted Retailer rate;
- "Predict my Bill" which predicts what the customer's next electricity bill will be based on the customer's actual and forecasted consumption;
- Tracking of consumption against the recorded weather to enable customers to understand the impact of hot summers and cold winters to their household's usage;
- Display of generation received onto the system for microFIT customers; and
- Tips and information about Time-of-Use rates and links to Horizon Utilities' conservation programs.

Social Media:

Horizon Utilities also provides customers with the opportunity to communicate with it through social media; specifically, through Facebook and Twitter. These social media accounts are used to post information regarding power outages, upcoming events, and initiatives that Horizon Utilities is undertaking. Customers contact Horizon Utilities directly with questions and feedback regarding service and company initiatives in their service areas. Horizon Utilities monitors the accounts and responds to individual messages, posts, and tweets. This communication channel was particularly useful during the December 2013 ice storm when many customers lost power for extended periods of time and were communicating via their mobile phones.

City Councillors:

Horizon Utilities is committed to keeping the Municipal Councils of the City of Hamilton and the City of St. Catharines well informed. The strong relationship between the utility and the local Councillors has proven to be an effective communication avenue to reach Horizon Utilities' customers.

Councillors are informed and provided with background information regarding changes that affect their constituents. As part of the DSP outreach discussed in Appendix D of the DSP filed

as Appendix 2-4 in Exhibit 2 in this Application, all Councillors received an e-mail communication from Horizon Utilities' CEO explaining the customer outreach process with a link to the online workbook that was used as part of that process.

All Councillors have an assigned main contact within the utility and they are encouraged to refer customer issues directly for resolution. During severe weather or large scale outage events, Councillors are provided regular updates on restoration efforts via e-mail and telephone calls. Since the Councillors are well connected to their constituents, they also play an important role in identifying vulnerable customer situations that Horizon Utilities may not be aware of otherwise. Ongoing open communications between Councillors and Horizon Utilities enables the City Councillors to relay information regarding Horizon Utilities' operations and plans to their constituents.

Planning-Related Customer Engagement Undertaken for this Application

On March 23, 2013, the OEB released Chapter 5 of its Filing Requirements – Chapter 5 relates to Consolidated Distribution System Plans ("CDSP"). At section 5.0.4 of Chapter 5 of the Filing Requirements (at p.4 of Chapter 5), relating to Consolidated Distribution System Plans (the "Chapter 5 Requirements"), the Board states that "*A DS Plan filing must demonstrate that distribution services are provided in a manner that responds to identified customer preferences*." The Chapter 5 Requirements also state (in section 5.4.1(f), at page 14 of the Chapter 5 Requirements) that distributors should provide "*a brief description of customer engagement activities to obtain information on their preferences and how the results of assessing this information are reflected in the [DS] plan*". Horizon Utilities offers the following general comments in this regard, and refers the reader to the discussion of customer engagement contained, in Appendix D of the DSP filed as Appendix 2-4 in Exhibit 2 in this Application.

The informal facets of Horizon Utilities' customer engagement procedure (discussed above) have typically guided decision making in the Asset Management ("AM") and capital expenditure programs. Through the AM process, Horizon Utilities addresses customer needs on a case-by-case basis and is responsive to customer preferences. This form of feedback, which has included key account meetings and discussions with customers following events such as storms and other unplanned outages, has historically allowed for efficient planning at both the macro

and micro levels of the distribution system. For example, an upgrade to the Gage Transformer Station planned for 2016 is a direct result of Horizon Utilities' historical ongoing engagement with its customers. Horizon Utilities has been able to determine customer preference through these mechanisms and directly apply those preferences to the foundation of the DSP.

Following the Board's issuance of the Chapter 5 Requirements in March of 2013, Horizon Utilities undertook a formal customer engagement process related to asset management and capital planning, and that process has contributed to the final form of its DSP.

More specifically, in response to these requirements, Horizon Utilities engaged an independent third party, Innovative Research Group Inc. ("Innovative"), a national research and strategy firm that works with government, associations, not-for-profits, and private companies, to assist Horizon Utilities in: the design of its customer consultation process in reference to the DSP; the collection of customer feedback; and the documentation of customer engagement results.

Horizon Utilities worked with Innovative to design a multifaceted customer engagement program that combined traditional consultation elements and qualitative and quantitative research elements.

The traditional consultation elements included an online workbook (the "DSP Workbook") that summarized Horizon Utilities' DSP in a customer-friendly format and a related survey to which customers could respond. The DSP Workbook was divided into key sections that explained Horizon Utilities' electric system, the challenges confronting the system, and the Horizon Utilities plan to meet those challenges over time.

The DSP Workbook had seven distinct chapters:

1. What is this about?
2. Electricity Grid 101
3. Horizon Utilities' Distribution System Today
4. Challenges Facing Our Distribution System
5. Controlling Costs
6. What Our Plan Means For You
7. About Horizon Utilities Corporation

The DSP Workbook: specified the level of investment that Horizon Utilities requires over the 2015-2019 Test Years; provided the investment levels for each of the OEB's four investment categories, i.e., system renewal, system access, system service and general plant; and identified the related customer bill impacts. Horizon Utilities has included its DSP Workbook in the appendix to Appendix D of the DSP filed as Appendix 2-4 in Exhibit 2.

The opinion research elements included:

- A scientific telephone survey of residential customers;
- DSP Workbook-based facilitated discussions with GS<50kW and GS>50kW customers as well as with community stakeholders; and
- One-on-one meetings with key customer account representatives led by Horizon Utilities, followed by a validation survey conducted by Innovative.

The DSP-related outreach involved all customer classes and was designed to allow any customer to participate in the process. Horizon Utilities has provided further details of its customer outreach initiatives, in support of the DSP, as Appendix D of the DSP filed as Appendix 2-4 of Exhibit 2.

The following table (reproduced from the DSP) identifies Horizon Utilities' customer outreach efforts by customer class.

Table 1-22 - DSP-Related Customer Outreach Programs

Customer Class	Medium for Outreach	Dates
All customer classes	Online Distribution System Plan Workbook – www.horizonutilitiesworkbook.com	December 11, 2013 – January 13, 2014
	Media release; Social media: Twitter, Facebook	Launch on December 11, 2013

Customer Class	Medium for Outreach	Dates
	Advertisement supporting online workbook campaign in Hamilton Spectator and St. Catharines Standard	Hamilton Spectator: December 14 and 18, 2013 St. Catharines Standard: December 14 and 19, 2013
Large Use class (GS>5MW)	One-on-one customer meetings facilitated by Horizon Utilities Management	November 27, 2013 – February 4, 2014
	Follow Up Telephone Survey by Innovative	November, 2013 - February 2014
GS<50kW class	Class-specific Focus Groups	January 14, 2014 – St. Catharines January 15, 2014 - Hamilton
GS>50kW class	Class-specific Focus Groups	
Community stakeholders	Focus Groups	
Residential class	Random Telephone Survey	January 17-24, 2014

As discussed in the DSP, the approach adopted in Horizon Utilities' DSP, with its emphasis on system renewal over the 2015-2019 Test Year period, is consistent with the customer preference expressed through the customer engagement process, in which a majority of customers supported Horizon Utilities' investment plans.

FINANCIAL INFORMATION

FINANCIAL STATEMENTS

Horizon Utilities provides its non-consolidated Audited Financial Statements for 2011, 2012, and 2013 in Appendix 1-10.1, 1-10.2, 1-10.3.

RECONCILIATION OF AUDITED FINANCIAL STATEMENTS TO REGULATORY STATEMENTS

Horizon Utilities provides its reconciliation of financial statements to regulatory statements as Appendices 1-11.1, 1-11.2 and 1-11.3 to this Exhibit.

ANNUAL REPORT AND MANAGEMENT'S DISCUSSION AND ANALYSIS

Horizon Utilities Inc. has provided the Horizon Holdings Inc. 2012 Sustainability-Based Annual Report as Appendix 1-12 to the Exhibit.

RATING AGENCY REPORT

Horizon Utilities has provided the 2011 Standard and Poor's Rating Agency Report for its parent, Horizon Holdings Inc. as Appendix 1-13 to this Exhibit.

PROSPECTUSES, INFORMATION CIRCULARS FOR PLANNED PUBLIC DEBT OR EQUITY ISSUANCES

Horizon Utilities does not have any recent or planned public debt or equity offerings.

APPENDIX 1-10.1: 2011 AUDITED FINANCIAL STATEMENTS

Horizon Utilities Corporation
Auditors' Report to the Shareholders and Consolidated Financial Statements Year Ended December 31, 2011 and December 31, 2010

KPMG LLP
Chartered Accountants
Box 976
21 King Street West Suite 700
Hamilton ON L8N 3R1

Telephone (905) 523-8200
Telefax (905) 523-2222
www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Shareholder
Horizon Utilities Corporation

We have audited the accompanying consolidated financial statements of Horizon Utilities Corporation, which comprise the consolidated balance sheet, as at December 31, 2011, the consolidated statements of income and retained earnings and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Horizon Utilities Corporation as at December 31, 2011, and the results of its consolidated operations and its consolidated cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants, Licensed Public Accountants

Hamilton, Canada
February 23, 2012

Consolidated Balance Sheet

(in thousands)

As at December 31, 2011

	2011	2010
ASSETS		
Current assets		
Cash and cash equivalents	**$ 8,159**	$ 9,677
Accounts receivable	**92,593**	88,330
Inventory *[note 3]*	**6,256**	6,042
Prepaid expenses	**1,763**	2,244
	108,771	106,293
Fixed assets *[note 4]*	**343,342**	332,327
Future payments in lieu of taxes *[note 5]*	**12,278**	10,794
Intangible assets *[note 6]*	**3,699**	4,444
Goodwill	**18,923**	18,923
Total assets	**$ 487,013**	$ 472,781
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities		
Accounts payable and accruals	**$ 56,874**	$ 56,920
Accounts payable to corporations under common control	**15,161**	12,789
Current portion of long-term borrowings *[note 7]*	**116,000**	-
Credit support for service delivery *[note 8]*	**24,269**	20,008
	212,304	89,717
Long-term liabilities		
Long-term borrowings *[note 7]*	**40,000**	156,000
Employee future benefits *[note 9]*	**16,999**	16,670
Net regulatory liabilities *[note 10]*	**26,698**	28,439
	83,697	201,109
Total liabilities	**296,001**	290,826
Shareholder's equity		
Share capital *[note 11]*	**123,593**	123,593
Contributed surplus	**15,218**	15,218
Retained earnings	**52,201**	43,144
Total shareholder's equity	**191,012**	181,955
Total liabilities and shareholder's equity	**$ 487,013**	$ 472,781

Commitments and contingencies *[note 13]*

On behalf of the Board:

Director

Director

Consolidated Statement of Income and Retained Earnings

(in thousands)

For the year ended December 31, 2011

	2011	2010
Electricity distribution service charges *[note 14]* ……...	**$ 99,749**	$ 91,217
Other income from operations *[note 15]* ……...	**10,875**	9,896
	110,624	101,113
Expenses:		
Operating expenses *[note 17]* ……...	**48,108**	46,633
Depreciation and amortization *[note 4]* ……...	**28,371**	26,972
	76,479	73,605
Income from operating activities ……...	**34,145**	27,508
(Loss) gain on sale of assets ……	**(82)**	99
Interest income ……...	**82**	100
Interest expense *[notes 7 and 17]* ……...	**(10,962)**	(9,683)
Income before payments in lieu of taxes ……...	**23,183**	18,024
Payments in lieu of income taxes *[note 5]* …….	**(6,670)**	(5,658)
Net income ……...	**16,513**	12,366
Retained earnings, beginning of year ……	**43,144**	38,891
Dividends paid ……...	**(7,456)**	(8,113)
Retained earnings, end of year ……..	**$ 52,201**	$ 43,144

Consolidated Statement of Cash Flows

(in thousands)

For the year ended December 31, 2011

	2011	2010
OPERATING ACTIVITIES		
Net income	**$ 16,513**	$ 12,366
Add (deduct) non-cash items:		
Depreciation and amortization	**29,702**	28,352
Future payments in lieu of income taxes	**(1,484)**	(831)
Net change in employee future benefits	**329**	249
Net loss (gain) on sale of assets	**82**	(99)
Net change in other assets and liabilities	**(3,411)**	3,356
Cash provided by operating activities	**41,731**	43,393
INVESTING ACTIVITIES		
Additions to fixed assets	**(40,129)**	(39,063)
Proceeds received on sale of fixed assets	**75**	144
Cash used in investing activities	**(40,054)**	(38,919)
FINANCING ACTIVITIES		
Promissory notes payable	**-**	40,000
Net change in credit support for service delivery	**4,261**	(2,443)
Dividends paid in the year	**(7,456)**	(8,113)
Cash (used in) provided by financing activities	**(3,195)**	29,444
Net (decrease) increase in cash and cash equivalents during the year	**(1,518)**	33,918
Cash and cash equivalents (bank indebtedness), beginning of year	**9,677**	(24,241)
Cash and cash equivalents, end of year	**$ 8,159**	**$** 9,677
Supplemental disclosure of cash flow information		
Interest received	**$ 75**	$ 92
Interest paid	**(10,655)**	(8,621)
Taxes paid	**(6,873)**	(7,137)

Notes to the Consolidated Financial Statements

December 31, 2011 ($ in thousands)

1) BUSINESS OF CORPORATION

Horizon Utilities Corporation (the "Corporation") is one of Ontario's largest municipally owned electricity distribution companies in Ontario, delivering electricity and related utility services to more than 237,000 residential and commercial customers in Hamilton and St. Catharines.

The Corporation also has a 99.9% ownership interest in Solar Sunbelt General Partnership ("Solar Sunbelt GP"), which has been established to undertake a solar generation business. The Corporation is also the managing partner of Solar Sunbelt GP.

Horizon Utilities Corporation is owned 100% by Horizon Holdings Inc. ("HHI").

2) SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with generally accepted accounting principles in Canada consistently applied. The Corporation has elected to defer its implementation of International Financial Reporting Standards to 2012 *[note 19]*. The more significant accounting policies are summarized below:

a) Basis of Consolidation

The consolidated financial statements include the accounts of the Corporation and its 99.9% investment in Solar Sunbelt GP.

All significant inter-company accounts and transactions have been eliminated.

b) Regulation

The *Ontario Energy Board Act, 1998 (Ontario)* ("OEBA") conferred on the Ontario Energy Board ("OEB") increased powers and responsibilities to regulate the electricity industry in Ontario. These powers and responsibilities include approving or fixing rates for the transmission and distribution of electricity, providing continued rate protection for rural and remote residential electricity consumers, and ensuring that distribution companies fulfill obligations to connect and service customers. The OEB may also prescribe license requirements and conditions of service to electricity distributors which may include, among other things, record keeping, regulatory accounting principles, separation of accounts for distinct businesses, and filing and process requirements for rate setting purposes.

<u>Rate Setting</u>

The electricity distribution rates and other regulated charges of the Corporation are determined in a manner that provides shareholders with a regulated Maximum Allowable Return on Equity ("MARE") on the amount of shareholder's equity supporting the business of electricity distribution, which is also determined by regulation.

2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Regulation (Continued)

Rate Applications

The OEB regulates the electricity distribution rates charged by LDCs, such as Horizon Utilities, using a combination of annual incentive rate mechanism ("IRM") adjustments and periodic cost of service reviews. Both such adjustments and reviews are based on applications made by LDCs to the OEB. The current ratemaking policy of the OEB requires a cost of service review every four years, which is followed by three successive years of IRM adjustments.

IRM adjustments to LDC rates are principally formulaic in nature and based on the annual change in the Gross Domestic Product Inflationary Price Index for Final Domestic Demand ("GDP IPI-FDD") net of a productivity factor and a "Stretch Factor" determined by the relative efficiency of an electricity distributor.

The rate adjustment resulting from a cost of service review is normally based on forecast test year data, including the amount of operating and capital expenses, debt, and shareholder's equity required to support an LDC's business. The aggregate amount of debt and equity upon which an LDC may recover interest charges and MARE is equal to the "rate base" of an LDC, which is determined as the aggregate of its fixed assets in support of regulated electricity distribution activities and a working capital allowance. The proportion of debt and equity upon which an LDC may recover interest and MARE is generally 60% and 40%, respectively.

Rates have historically, and typically, been effective from May 1st to April 30th. Accordingly, for the first four months of 2011, distribution revenue was based on rates approved for 2010.

On July 7, 2011, the OEB approved the 2011 Cost of Service Application ("2011 COS Application"), with rates effective May 1, 2011. Such approval effectively provided for 2011 service distribution revenue requirement and rate base of $102,144 and $369,049, respectively. Such amounts do not include provision for the investment of the Corporation in the Smart Meter Initiative, further elaborated below.

As part of the 2011 COS Application, the OEB also approved a change in the rate year of the Corporation to January 1st to December 31st, to align to its fiscal year. As such, new rates for 2012, based on the IRM adjustment, will be effective January 1, 2012.

The previous approved COS Application of the Corporation was on October 3, 2008, with rates effective May 1, 2008. Such approval effectively provided for 2008 service distribution revenue requirement and rate base of $93,632 and $346,420, respectively. Subsequently, the Corporation had filed IRM applications to adjust its rates effective May 1, 2009 and May 1, 2010. As a result of such filings, the OEB approved electricity distribution rate adjustments for the Corporation of 1.18% effective May 1, 2009 and 0.18% effective May 1, 2010.

2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Regulation (Continued)

Rate Applications (continued)

On December 22, 2011, the OEB approved electricity distribution rate adjustments for the Corporation of 0.58%, effective January 1, 2012. As part of its decision, the OEB also approved the recovery of $1,609 of lost revenue related to the Corporation's Conservation and Demand Management ("CDM") programs. Such recoveries proceed through the regulated Lost Revenue Adjustment Mechanism ("LRAM") and relate to activities for the years 2009 and 2010. The LRAM will be recovered through a rate rider for the period commencing January 1, 2012 through December 31, 2012.

Select Energy Policies and Regulation Affecting the Corporation

Smart Meter Initiative and Time of Use Electricity Distribution Rates

The Province of Ontario committed to have "Smart Meter" electricity meters installed in all homes and small businesses throughout Ontario by the end of 2010. Smart Meters permit consumption to be recorded within specific time intervals and specific tariffs to be levied within such intervals (Time of Use or "TOU" rates). The OEB required that TOU rates be implemented for all residential and small commercial electricity distribution customers of the Corporation by June 2011.

In support of this initiative, the Corporation has substantially completed its deployment of Smart Meters to all residential and small commercial with 229,686 Smart Meter installations as at December 31, 2011; or approximately 98% of its residential and small commercial customers.

The Corporation's Smart Meter capital expenditures and related operating expenses are currently being funded through a Utility-Specific Smart Meter Funding Adder in accordance with the Smart Meter Funding and Cost Recovery Guideline of the OEB. The current approved Smart Meter Funding Adder rate is $2.14 per metered customer per month.

In December 2011, the OEB issued its "Guideline for Smart Meter Funding and Cost Recovery Final Disposition", which set out the OEB's filing requirements in relation to the funding of, and the recovery of costs associated therewith, smart meter activities conducted by electricity distributors.

On December 13, 2011, the Corporation filed a 2011 Smart Meter Prudency Application with the OEB for, among other relief, (i) a determination that all smart meter capital investments (approximately $27,000) and operating expenditures (approximately $5,000) incurred to December 31, 2011 are prudent; (ii) a rate rider to recover the difference of approximately $350 between: a) the smart meter-related revenue requirement for 2006 through April 30, 2012 for smart meters installed through December 31, 2011; and b) the revenues collected through OEB-approved smart meter funding adders through April 30, 2012; and (iii) a rate rider to recover the annual revenue requirement associated with smart meters installed through December 31, 2011, which will be in place until the implementation date for new rates as determined through the Corporation's next cost of service application.

2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Regulation (Continued)

Green Energy Act

In 2009, the government enacted the *Green Energy Act ("GEA").* This legislation made fundamental changes to the roles and responsibilities of LDCs in the areas of renewable power generation, the delivery of CDM, and the development of smart distribution grids.

The GEA provides LDCs with the freedom to own and operate a portfolio of renewable power generation and will permit them to provide district heating services in their communities through co-generation. LDCs will also bear added responsibilities to assist and enable consumers to reduce their peak demand and conserve energy in an effort to meet provincial conservation targets. LDCs will also gain new responsibilities in transforming their local distribution networks into smart grids harnessing advanced technologies to facilitate the connection of small-scale generators and the two-way flow of information.

New LDC License Requirements - Conservation and Demand Management Targets

On November 12, 2010, the OEB amended LDC licenses to include requirements for achieving certain CDM targets over a four year period commencing January 1, 2011. The Corporation's CDM targets include a demand reduction target of 60.36 megawatts ("MW") and a consumption reduction target of 281.42 gigawatt-hours ("GWh"). LDCs must also comply with a new CDM Code of the OEB, which provides LDC requirements for the development and delivery of CDM Strategy to the OEB for the achievement of LDC-specific CDM targets, annual accounting and reporting to the OEB, and eligibility criteria for performance incentive payments. The Corporation has filed its CDM Strategy with the OEB.

Other Matters

The continuing restructuring of Ontario's electricity industry and other regulatory developments, including current and possible future consultations between the OEB and interested stakeholders, may affect future electricity distribution rates and other permitted regulatory recoveries of the Corporation.

2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Regulation (Continued)

Regulatory Accounting

In its capacity to approve or set rates, the OEB has the authority to specify regulatory accounting treatments that may differ from Canadian generally accepted accounting principles for enterprises operating in a non-rate regulated environment. The OEB has the general power to include or exclude costs, revenues, losses or gains in the rates of a specific period, resulting in a change in the timing of accounting recognition from that which would have applied in an unregulated company. Such change in timing involves the application of rate regulated accounting, giving rise to the recognition of regulatory assets and liabilities. The Corporation's regulatory assets represent certain amounts receivable from future customers and costs that have been deferred for accounting purposes because it is probable that they will be recovered in future rates. The Corporation's regulatory liabilities represent costs with respect to non-distribution market related charges and variances in recoveries that are expected to be settled in future periods.

c) Financial Instruments

Under CICA Handbook Section 3855 Financial Instruments – Recognition and Measurement and Section 3861 Financial Instruments - Disclosure and Presentation, all financial assets are classified as held-for-trading, held-to-maturity, loans and receivables, or available-for-sale and all financial liabilities must be classified as held-for-trading or other financial liabilities.

All financial instruments are carried on the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other liabilities, which are measured at amortized cost.

The Corporation has classified its financial instruments as follows:

Cash and cash equivalents	Held-for-trading
Accounts receivable	Loans and receivables
Accounts payable and accruals	Other liabilities
Accounts payable and accruals to corporations under common control	Other liabilities
Credit support for service delivery	Other liabilities
Long-term borrowings	Other liabilities

2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Financial Instruments (Continued)

The CICA Emerging Issues Committee ("EIC") Abstract 173 Credit Risk and the Fair Value of Financial Assets and Financial Liabilities provides further information on the determination of the fair value of financial assets and financial liabilities under Handbook Section 3855 Financial Instruments - Recognition and Measurement. Specifically, EIC-173 provides that an entity's own credit risk, and the credit risk of a counterparty, should be taken into consideration in the determination the fair value of financial assets and financial liabilities, including derivative instruments.

CICA Handbook Sections 3862 Financial Instruments Disclosures, requires an entity to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

- Level 1 – Unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 – Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

d) Measurement uncertainty

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and note disclosures related thereto. Due to the inherent uncertainty in making estimates, actual results could differ from estimates recorded in preparing these financial statements, including changes as a result of future regulatory decisions.

Accounts receivable and regulatory assets/liabilities are stated at values that consider both an evaluation of amounts expected to be collected and an appropriate allowance for doubtful accounts. Inventory is recorded net of provisions for obsolescence. Amounts recorded for depreciation and amortization of equipment are based on estimates of useful service life. Employee future benefits are based on certain assumptions, including interest (discount) rate, salary escalation, the average retirement age of employees, employee turnover, and expected health and dental care costs.

e) Cash and cash equivalents

Cash equivalents comprise overnight deposits in an investment account with a Schedule A bank. Investments are carried at cost, which approximates fair value.

2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Inventory

Inventory, which consists of parts and supplies acquired for internal construction, consumption, or recoverable work, is valued at the lower of cost and replacement cost. Cost is determined on a weighted average basis. Net realizable value is determined by replacement cost.

g) Fixed assets and depreciation

Fixed assets are recorded at cost, including the cost of work in process, and are removed from the accounts at the end of their estimated service lives, except in those instances where specific identification allows their removal at retirement or disposition. With respect to specifically identifiable assets, gains or losses at retirement or on disposition are credited or charged to other income. Otherwise, a gain or loss is only recognized when a sale has occurred.

Depreciation is calculated on a straight-line basis over the estimated service life of fixed assets as follows:

Land rights	50 years
Buildings	25-30 years
Distribution stations	30 years
Distribution lines – overhead and underground	25 years
Distribution transformers	25 years
Distribution meters	25 years
Other fixed assets	3-15 years

Work in process is not depreciated and comprises the cost of construction materials, applied labour, and overheads consumed in capital projects that are not available for productive use at the end of the fiscal year.

h) Intangible assets and amortization

Intangible assets include intangible software costs, which are stated at cost less accumulated amortization. The amortization of intangible software costs is recorded on a straight-line basis over an estimated service life of 3 years.

i) Goodwill

Goodwill represents the amount by which the purchase price of an acquired business exceeds the fair value of the net identifiable assets purchased.

Goodwill is not amortized and is evaluated for impairment on an annual basis, or more frequently if circumstances require, with any write-down of the carrying value of goodwill being charged against the results of operations. Goodwill impairment is assessed based on a comparison of the fair value of the reporting unit to the underlying carrying value of the reporting unit's net assets, including goodwill.

2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Credit support for service delivery

Credit support for service delivery represents cash deposits from electricity distribution customers, as well as construction deposits.

Deposits from electricity distribution customers are applied against any unpaid portion of individual customer accounts. Customer deposits in excess of unpaid account balances are refundable to individual customers upon termination of their electricity distribution service. Customer deposits are also refundable to residential electricity distribution customers demonstrating an acceptable level of credit risk, as determined by the Corporation.

Construction deposits represent cash prepayments for the estimated cost of capital projects recoverable from customers and developers. Upon completion of the capital project, these deposits are transferred to capital contributions in aid of construction.

k) Employee future benefits

The Corporation pays certain health, dental, and life insurance benefits on behalf of its retired employees under unfunded defined benefit plans.

Employee future benefits are recorded on an accrual basis. The accrued benefit obligations and current service cost are calculated using the projected benefit method pro-rated on service, and reflect management's best estimate of certain underlying assumptions. The current service cost for a period is equal to the actuarial present value of benefits attributed to that period in which employees rendered their services. Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of the amendment. The excess of actuarial gains (losses) over 10% of the accrued benefit obligation is amortized into expense on a straight-line basis over the expected average remaining service life of active employees.

l) Pension plan

The Corporation provides a pension plan for its employees though the Ontario Municipal Employees Retirement System ("OMERS"). OMERS is a multi-employer pension plan which operates as the Ontario Municipal Employees Retirement Fund ("the Fund") and provides pensions for employees of Ontario municipalities, local boards, public utilities, and school boards. The fund is a contributory defined benefit pension plan. The Corporation records the required contributions as an expense in the period they accrue.

m) Related party transactions

Transactions with related parties represent the culmination of the earnings process and are measured at the exchange amount.

2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

n) Payments in Lieu of Taxes ("PILs")

The Corporation is currently exempt from taxes under the Income Tax Act (Canada) ("ITA") and the Ontario Corporations Tax Act ("OCTA").

Commencing October 1, 2001 and pursuant to the *Energy Competition Act* ("ECA"), the Corporation is required to compute taxes under the ITA and OCTA and remit such amounts thereunder to the Ontario Electricity Financial Corporation ("OEFC"). These amounts, referred to as PILs under the ECA, are applied to reduce certain debt obligations of the former Ontario Hydro continuing in OEFC.

The Corporation provides for PILs using the asset and liability method. Under this method, future tax assets and liabilities are recognized, to the extent such are determined likely to be realized, for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in the period that includes the date of enactment or substantive enactment.

o) Capital contributions in support of construction

Capital contributions arise from new connection charges that are provided and paid by developers and/or customers and are used by the Corporation to finance additions to fixed assets. Capital contributions received are treated as a "credit" contra account and are included in fixed assets. These amounts are subsequently amortized by a charge to accumulated amortization and a credit to amortization expense at an equivalent rate to that used for the depreciation of the related fixed asset.

p) Revenue recognition

Electricity distribution services charges comprise charges to customers for use of the Corporation's electricity distribution system. These charges are recorded when the related services are performed.

Other revenues are recorded when goods are delivered or services are provided.

Notes to the Consolidated Financial Statements

December 31, 2011 ($ in thousands)

3) INVENTORY

The amount of inventories consumed by the Corporation and recognized as an expense during 2011 was $700 (2010 - $1,182).

4) FIXED ASSETS

Fixed assets comprise:

	2011			2010		
	Original Cost	**Accumulated Depreciation**	**Net Book Value**	**Original Cost**	**Accumulated Depreciation**	**Net Book Value**
Land	**1,483**	**-**	**1,483**	1,483	-	1,483
Land rights	**147**	**(60)**	**87**	147	(56)	91
Buildings	**29,031**	**(19,844)**	**9,187**	28,230	(18,537)	9,693
Distribution stations	**11,118**	**(7,983)**	**3,135**	10,999	(7,666)	3,333
Distribution lines – overhead and underground	**363,433**	**(158,069)**	**205,364**	360,618	(164,531)	196,087
Distribution transformers	**93,673**	**(39,153)**	**54,520**	93,014	(40,580)	52,434
Distribution meters	**65,695**	**(21,786)**	**43,909**	62,619	(19,474)	43,145
Other fixed assets	**49,616**	**(32,496)**	**17,120**	46,594	(29,870)	16,724
Work in process	**8,537**	**-**	**8,537**	9,337	-	9,337
	622,733	**(279,391)**	**343,342**	613,041	(280,714)	332,327

During the year, the Corporation received $4,571 (2010 - $8,512) of capital contributions from developers or customers to support new customer connections.

Total depreciation expense for the year is $29,702 (2010 - $28,352) of which $1,331 (2010- $1,380) has been allocated to operating expenses and capital.

5) PAYMENTS IN LIEU OF TAXES

The provision for PILs varies from amounts which would be computed by applying the Corporation's combined statutory income tax rate as follows:

	2011	**2010**
Basic rate applied to income before PILs	**28.25%**	31.00%
Increase (decrease) in PILs resulting from:		
Tax basis of depreciable capital assets and goodwill in excess of accounting basis	**(2.75%)**	(4.38%)
Revaluation of Future Tax Liability at 2014 statutory rate of 25.0%	**0.35%**	3.88%
Items not deductible for tax purposes and other	**2.92%**	0.91%
Effective rate applied to income before PILs	**28.77%**	31.41%

At December 31, 2011, based on substantively enacted income tax rates, future income tax assets of $10,001 (2010 - $10,563) have not been recorded. Such future income tax assets relate to tax bases of depreciable capital assets in excess of amounts recorded for accounting purposes at October 1, 2001. Such future tax assets have not been recorded in the accounts as there is uncertainty as to whether the Corporation will realize the benefits related to these assets, which would be realized as relatively modest reductions of future tax liability over many future years.

Notes to the Consolidated Financial Statements

December 31, 2011 ($ in thousands)

6) INTANGIBLE ASSETS

Intangible assets comprise:

	2011	2010
Intangible software costs	**13,962**	12,783
Less: accumulated amortization	**(10,263)**	(8,339)
	3,699	4,444

7) LONG-TERM BORROWINGS

Current portion of long-term borrowings comprise:

	2011	2010
$116,000 Promissory note payable to HHI bearing interest at 7.0% and due July 30, 2012	**116,000**	-

Long-term borrowings comprise:

	2011	2010
$40,000 Promissory note payable to HHI bearing interest at 4.89% and due July 21, 2020	**40,000**	40,000
$116,000 Promissory note payable to HHI bearing interest at 7.0% and due July 30, 2012	-	116,000
	40,000	156,000

Interest on the $116,000 promissory note is payable semi-annually on January 30 and July 30. Interest expense of $8,120 (2010 - $8,120) was paid during the year.

Interest on the $40,000 promissory note is payable semi-annually on January 21 and July 21. Interest expense of $1,956 (2010 - $nil) was paid during the year.

8) CREDIT SUPPORT FOR SERVICE DELIVERY

Credit support for service delivery comprises:

	2011	2010
Customer deposits	**13,742**	14,851
Construction deposits	**7,141**	5,157
Advances from the Ontario Power Authority *[note 13]*	**3,386**	-
	24,269	20,008

9) EMPLOYEE FUTURE BENEFITS

The Corporation pays certain health, dental, and life insurance benefits on behalf of its retired employees. The Corporation accrues the cost of these employee future benefits over the periods in which the employees earn the benefits. The cost of employee future benefits earned by employees is actuarially determined applying the projected benefit method prorated on length of service. Significant assumptions underlying the valuation include management's best estimate of the interest (discount) rate, salary escalation, the average retirement age of employees, employee turnover and expected health and dental care costs.

Information about the Corporation's defined benefit plan is as follows:

	2011	**2010**
Accrued benefit liability, beginning of year	**16,670**	16,421
Net benefit expense:		
Current service cost	**382**	288
Interest cost	**1,046**	1,048
Amortization of net actuarial loss	**43**	-
Net benefit expense for the year	**1,471**	1,336
Accrued benefit liability before benefits paid in the year	**18,141**	17,757
Benefits paid for the year	**(1,142)**	(1,087)
Accrued benefit liability, end of year	**16,999**	16,670

An actuarial valuation of the plan obligations was completed as at December 31, 2011 resulting in an unamortized net actuarial loss of $5,770. The Corporation has adopted the corridor method of accounting for the actuarially determined experience gains (losses). The excess of actuarial gains (losses) over 10% of the accrued benefit obligation is amortized into expense on a straight-line basis over the expected average remaining service life of active employees.

The main actuarial assumptions underlying the valuation are as follows:

a) General inflation

The health care cost trend for prescription drugs is estimated to increase at a declining rate from 6% to 4% over four years. Other medical and dental expenses are assumed to increase at 4% per year.

The approximate effect on the accrued benefit obligation and the estimated net benefit expense if the health care trend rate assumption was increased or decreased by 1% is as follows:

	Accrued Benefit Obligation	**Periodic Benefit Cost**
1% increase in health care trend rate	**3,033**	**207**
1% decrease in health care trend rate	**(2,404)**	**(163)**

9) EMPLOYEE FUTURE BENEFITS (Continued)

b) Interest (discount) rate

The obligations at the period end and the present value of future liabilities were determined using a discount rate of 4.5% (2010 – 5.3%) representing an estimate of the yield on high quality corporate bonds as at the valuation date.

c) Salary levels

Future general salary and wage levels were assumed to increase at 3% (2010 – 3%) per year.

10) NET REGULATORY LIABILITIES

Net regulatory liabilities (assets) comprise:

	2011	**2010**
Regulatory variances disposition account	**12,350**	15,054
Future payments in lieu of taxes	**8,749**	8,792
Settlement variances	**4,818**	5,044
Smart Meter deferral account	**844**	33
Regulatory deferral account	**459**	397
IFRS transition costs	**(522)**	(881)
	26,698	28,439

Net regulatory liabilities represent costs incurred by the Corporation and settlement variances with other participants in the electricity market, less recoveries, for the purpose of supporting the deregulation of the electricity industry in Ontario. These amounts have been accumulated pursuant to regulation underlying the *Electricity Act, 1998 (Ontario)* and are deferred assets or liabilities, as appropriate, in anticipation of their future recovery or repayment in electricity distribution service charges.

Regulatory variances disposition account – The 2011 balance of $12,350 represents approved regulatory asset and liability balances as at December 31, 2010 and comprise settlement variances and associated interest, less amount paid to customers up to December 31, 2011.

The Corporation's approved rates for 2010 provided for the disposition of $19,467 of its net regulatory liabilities over a twenty-four month period commencing May 1, 2010.

The Corporation's approved rates for 2011 provided for the disposition of $2,833 of its net regulatory assets over a seventeen month period commencing August 1, 2011.

The Corporation's approved rates for 2012 provides for the disposition of $8,850 of its net regulatory liabilities over a twelve month period commencing January 1, 2012.

Future payments in lieu of taxes – represents the amount of future income taxes expected to be included in future rates and recovered from or paid to customers through the rate setting process.

10) NET REGULATORY LIABILITIES (Continued)

Settlement variances - represent amounts that have accumulated since January 1, 2011 and have not yet been approved for disposition in the rates of the Corporation and comprise:

i) variances between amounts charged by the Independent Electricity System Operator ("IESO") for the operation of the wholesale electricity market and grid, various wholesale market settlement charges and transmission charges, and the amounts billed to customers by the Corporation based on the OEB approved wholesale market service rate; and,

ii) variances between the amounts charged by the IESO to allow for purchases of imported electricity and the amounts billed to customers by the Corporation based on OEB approved rates.

Smart Meter deferral account – represents the deferral of operating expenditures, capital expenditures, and revenues related to Smart Meters.

Regulatory deferral account – represents the deferral of various operating expenditures related to the GEA, retailer expenses, and the implementation of HST, which will be subject to future disposition in accordance with the directions set out by the OEB.

IFRS transition costs – represents the incremental costs incurred by the Corporation in relation to the transition from Canadian Generally Accepted Accounting Principles to International Financial Reporting Standards ("IFRS"). The Corporation is required to adopt IFRS no later than January 1, 2012.

In its decision of July 28, 2009, the OEB provided that these costs be recorded by LDCs in a deferral account for future review of their recovery at the next cost of service application. The OEB approved the disposition of $561 in costs incurred up to December 31, 2009, and associated interest, as part of the 2011 COS Application. The Corporation anticipates full recovery of the balance of these costs.

11) SHARE CAPITAL

	2011	**2010**
Authorized:		
Unlimited Class 1 Common shares		
Unlimited Class A Common shares		
Issued:		
7,890 Class 1 Common shares	**91,133**	91,133
2,110 Class A Common shares	**32,460**	32,460
	123,593	123,593

12) PENSION PLAN

The Corporation participates in the Ontario Municipal Employees Retirement Fund (OMERS), a multi-employer plan, on behalf of its employees. The plan is a contributory defined benefit pension plan, with equal contributions by the employer and its employees.

Contributions during the year were 7.4% for employee earnings up to the year's maximum pensionable earnings ("YMPE"), as prescribed by federal tax legislation, and 10.7% above the YMPE. During 2011, the Corporation expensed contributions totaling $2,515 (2010 - $2,084). Contributions are expected to increase by approximately 1% per year over the next two years reflecting plan amendments recently announced by OMERS.

13) COMMITMENTS AND CONTINGENCIES

Commitments

Contractual Obligations

a) Master CDM Agreement

On February 1, 2011, the Corporation entered into a Master CDM Agreement ("CDM Agreement") with the Ontario Power Authority ("OPA") for the period January 1, 2011 to December 31, 2014. The CDM Agreement provides terms under which the Corporation may engage the OPA to design and pay for Province-wide CDM programs in support of meetings its CDM Targets (Note 2).

Subject to the terms of the CDM Agreement, all OPA CDM program costs are paid by the OPA. The Corporation effectively acts as a delivery agent for those programs that it participates in under the CDM Agreement.

The Corporation estimates that, for those programs that it will participate in under the CDM Agreement, the total cost of OPA CDM programs over the four year period will be approximately $57,000, of which approximately $11,700 represents administration costs of the Corporation. The Corporation will be entitled to receive, in advance and in semi-annual installments each January and July, all of its estimated administration costs associated with each program. Any administration costs incurred by the Corporation in excess of the pre-approved estimate would not be recoverable. All other program costs incurred by the Corporation, (such as customer incentives and goods and services delivered under the programs) are recoverable from the OPA on an invoiced basis in accordance with the CDM Agreement.

Leases

The Corporation has entered into operating leases for certain computer equipment which expire in 2012. The minimum annual lease payments required under these arrangements are $255.

13) COMMITMENTS AND CONTINGENCIES (Continued)

Contingencies (Continued)

General

From time to time, the Corporation is involved in various litigation matters arising in the ordinary course of its business. The Corporation has no reason to believe that the disposition of any such current matter could reasonably be expected to have a materially adverse impact on the Company's financial position, results of operations or its ability to carry on any of its business activities.

Class Action

Pursuant to its order dated July 22, 2010 (the "Order"), the Ontario Superior Court of Justice approved the settlement of a class action lawsuit, which was served on the former Toronto Hydro-Electric Commission, continuing as Toronto Hydro Corporation, on November 18, 1998. The original class action was for the amount of $500,000 and was initiated against the former Toronto Hydro-Electric Commission as the representative of the Defendant Class consisting of all municipal electric utilities ("MEU") in Ontario, of which the Corporation is a successor MEU, which have charged Late Payment charges on overdue utility bills at any time after April 1, 1981.

The Order formalized a settlement pursuant to which the defendant MEUs will pay the amount of $17,000 plus costs and taxes in settlement of all claims. The amount allocated for payment by each MEU is based on its percentage of electricity distribution service revenue, relative to that of the entire Defendant Class, over the period for which it had exposure for repayment of late payment penalties exceeding the interest rate limit set out in the federal Criminal Code. The Corporation's share of the settlement was $1,100, which was paid on June 30, 2011.

On February 22, 2011, the OEB approved that MEUs may recover all costs and damages arising from the settlement of the class action over a 12 month period commencing May 1, 2011, through a fixed rate rider. As a result, the Corporation recorded the settlement amount as an operating expense, with the corresponding regulatory recovery recorded through electricity distribution revenue in 2010.

14) BILLINGS TO ELECTRICITY DISTRIBUTION CUSTOMERS

The Corporation is licensed by the OEB to distribute electricity. As a licensed distributor, the Corporation is responsible for billing customers for electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties. The Corporation is required, pursuant to regulation, to remit such amounts to these third parties, irrespective of whether the Corporation ultimately collects these amounts from its customers. The Corporation may file to recover uncollected debt retirement charges from OEFC once each year. Otherwise, the Corporation is unable to recover uncollected amounts formerly remitted to these third parties. The Corporation retains only its electricity distribution services charge that is regulated by the OEB.

14) BILLINGS TO ELECTRICITY DISTRIBUTION CUSTOMERS (Continued)

Electricity distribution services charges comprise:

	2011	2010
Gross customer billings	**560,875**	545,153
Less: Pass through charges billed by the Corporation		
Electricity charges paid through to generators	**(338,488)**	(332,094)
Transmission and miscellaneous charges	**(58,546)**	(55,509)
Market service charges	**(31,565)**	(32,778)
Debt retirement charges	**(32,527)**	(33,555)
	99,749	91,217

15) OTHER INCOME FROM OPERATIONS

Other income from operations comprises:

	2011	2010
Water and waste water billing and customer care charges	**3,798**	3,628
Regulatory recoveries of prior years costs	**1,661**	-
Collection and other service charges	**1,392**	1,629
Pole and other rental income	**1,221**	1,344
Late payment charges	**1,198**	1,201
Management and other support services	**672**	422
Scrap sales	**544**	327
CDM programs	**126**	1,028
Miscellaneous	**263**	317
	10,875	9,896

16) CAPITAL DISCLOSURES

The main objectives of the Corporation when managing financial capital are to:

- ensure ongoing cost effective access to such to provide adequate investment in support of its regulated electricity distribution and other businesses;
- comply with covenants within its financial instruments;
- prudently manage its capital structure, with regard for maintaining a high level of creditworthiness;
- recover financing charges permitted by the OEB on its regulated electricity distribution business; and
- deliver reasonable returns on the investments of its shareholders.

The Corporation's definition of capital includes: shareholder's equity; indebtedness under existing credit facilities; and long-term debt, which includes the current portion of long-term debt. This definition has been revised from December 31, 2010 to include indebtedness under credit facilities.

16) CAPITAL DISCLOSURES (Continued)

The OEB regulates the amount of interest on debt and MARE that may be recovered by the regulated electricity distribution business of the Corporation through its electricity distribution rates. The actual capital structure for the Corporation may differ from the OEB deemed structure.

The Corporation has customary covenants typically associated with credit facilities and long-term debt. The Corporation is in compliance with all credit agreement covenants under its credit facility and long-term debt obligations.

17) RELATED PARTY TRANSACTIONS

Credit Facility

Pursuant to a Credit Agreement dated June 30, 2010, Horizon Holdings Inc. ("HHI"), the parent company, has made available a revolving line of credit up to $95,000 to finance general corporate requirements, capital investments, working capital requirements, and prudential obligations. The Credit Agreement matures on June 30, 2013. Interest rates payable on the Credit Agreement are based on HHI's borrowing rate, as determined with reference to HHI's debt rating.

As at December 31, 2011, there was no amount outstanding on the Credit Agreement.

Credit Agreement

Pursuant to a Credit Agreement dated June 30, 2010, the Corporation has made available a revolving line of credit of up to $5,000 to Solar Sunbelt GP to finance general corporate requirements, capital investments, and working capital requirements. The Credit Agreement matures on June 30, 2013. Interest rates receivable on the Credit Agreement are based on Horizon Utilities' borrowing rate, and interest is payable monthly by the 15th day of the following month.

Revenue

The Corporation provides certain water and wastewater billing and customer care services to the City of Hamilton, which is the sole shareholder of Hamilton Utilities Corporation, which further owns 78.9% of the common share capital of HHI. Other income includes $3,798 (2010 - $3,628) earned with respect to these services. Accounts payable and accruals included $11,194 (2010 - $10,205) owing to the City of Hamilton for amounts collected on its behalf with respect to these services.

The Corporation provides certain management, billing, and administrative services to Hamilton Utilities Corporation and its subsidiary, Hamilton Hydro Services Inc. Other income includes $264 (2010 - $270) earned with respect to these agreements.

The Corporation provides certain management, billing, and administrative services to Horizon Energy Solutions Inc., an affiliated company under common control. Other income includes $87 (2010- $80) earned with respect to these agreements.

17) RELATED PARTY TRANSACTIONS (Continued)

Operating Expenses

Operating expenses include $716 (2010 - $821) paid to HHI for management and business development services.

Promissory Notes Receivable

The following promissory notes are included in accounts receivable:

	2011	2010
$650 Promissory note receivable from Horizon Energy Solutions Inc. bearing interest at prime plus 0.5%, and due on demand	-	650
$220 Promissory note receivable from Horizon Energy Solutions Inc. bearing interest at 6.1%, and due on demand	-	220
	-	870

The promissory notes receivable were paid in full during the year.

Interest income includes $5 (2010 - $33) earned with respect to the promissory notes receivable from Horizon Energy Solutions Inc.

18) FINANCIAL INSTRUMENTS

Recognition and Measurement

The Corporation's fair value measurements are as follows:

Level 1

The carrying values of cash and cash equivalents, accounts receivable, credit support for service delivery, and accounts payable and accruals approximate fair values because of the short maturity of these instruments.

Level 3

It is not practicable to determine the fair value of the current or long-term borrowings from HHI due to the limited amount of available comparable market information.

18) FINANCIAL INSTRUMENTS (Continued)

Risk Factors

The Corporation's activities provide for a variety of financial risks, particularly credit risk, market risk and liquidity risk.

i) Credit risk

Financial assets carry credit risk that a counter-party will fail to discharge an obligation which would result in a financial loss. Financial assets held by the Corporation, such as accounts receivable, expose it to credit risk. The Corporation earns its revenue from a broad base of customers located in the City of Hamilton and the City of St. Catharines. There is one large commercial customer that accounts for 3% (2010 – 3%) of revenue. No other single customer in either year would account for revenue in excess of 1% of the respective reported balances.

The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the income statement. Subsequent recoveries of impairment losses related to accounts receivable are credited to the income statement. The balance of the allowance for doubtful accounts at December 31, 2011 is $1,750 (2010 - $1,550). There is no single customer that contributes more than 1% of accounts receivable at year-end.

The Corporation's credit risk associated with accounts receivable is primarily related to payments due from its electricity distribution customers. At December 31, 2011, approximately $802 (2010 - $1,081) of such amounts are considered 60 days past due. The Corporation has approximately 237,000 electricity distribution customers; the majority of which are residential customers. Credit risk is managed by the Corporation through its credit policies, including the collection of security deposits from customers under conditions prescribed by the OEB.

At year end, the Corporation held security deposits in the amount of $20,883 (2010 - $20,008).

ii) Market Risk

Market risks primarily refer to the risk of loss that results from changes in commodity prices, foreign exchange rates, and interest rates. The Corporation currently does not have commodity or foreign exchange risk. The Corporation is exposed to fluctuations in interest rates as the rate of return applicable to the Corporation's distribution business (the MARE) is regulated and derived using a complex formulaic approach which is, in part, based on the forecast for long-term Government of Canada bond yields. This rate of return is approved by the OEB as part of the approval of distribution rates.

18) FINANCIAL INSTRUMENTS (Continued)

Risk Factors (continued)

iii) Liquidity risk

The Corporation monitors its liquidity risk with respect to its operational and investment requirements for financial capital. The Corporation seeks to ensure that it has sufficient financial liquidity to meet its obligations as such become due while minimizing interest expense. The Corporation has access to a revolving credit facility.

Accounts payable, as reported on the financial statements, are generally due within 60 days of the receipt of an invoice.

19) EMERGING ACCOUNTING CHANGES

International Financial Reporting Standards ("IFRS")

The Canadian Accounting Standards Board ("AcSB") has adopted a strategic plan that will require publicly accountable enterprises to adopt IFRS in place of Canadian GAAP, for interim and annual reporting purposes for fiscal years beginning on or after January 1, 2011.

In October 2010, the AcSB approved the incorporation of a one year optional deferral into Part 1 of the Canadian Institute of Chartered Accountants ("CICA") Handbook for qualifying entities with activities subject to rate regulation. Part 1 of the CICA Handbook specifies that first-time adoption is mandatory for interim and annual financial statements relating to annual periods beginning on or after January 1, 2012.

The amendment also requires entities that do not prepare its interim and annual financial statements in accordance with Part 1 of the Handbook during the annual period beginning on or after January 1, 2011 to disclose that fact.

The Corporation has deferred its implementation of IFRS to January 1, 2012.

20) COMPARATIVE FIGURES

Certain comparative data have been reclassified to conform to the presentation of the current year.

APPENDIX 1-10.2: 2012 AUDITED FINANCIAL STATEMENTS

Horizon Utilities Corporation
Auditors' Report to the Shareholders
and Consolidated Financial Statements
Years Ended December 31, 2012 and
December 31, 2011

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INDEPENDENT AUDITORS' REPORT

To the Shareholder of Horizon Utilities Corporation

We have audited the accompanying consolidated financial statements of Horizon Utilities Corporation, which comprise the statements of financial position as at December 31, 2012, December 31, 2011 and January 1, 2011, the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2012 and December 31, 2011, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Horizon Utilities Corporation as at December 31, 2012, December 31, 2011 and January 1, 2011, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2012 and December 31, 2011 in accordance with International Financial Reporting Standards**.**

Chartered Accountants, Licensed Public Accountants

Hamilton, Canada

February 28, 2013

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Consolidated Statements of Financial Position

($ Canadian in thousands)

As at December 31, 2012 and 2011, and January 1, 2011

	2012	2011	January 1, 2011
Assets			
Current assets			
Cash and cash equivalents *[note 4]*	$ 39,937	$ 8,159	$ 9,677
Accounts receivable	93,493	92,593	88,330
Inventory *[note 5]*	5,613	6,256	6,042
Other assets	2,094	1,763	2,244
	141,137	108,771	106,293
Non-current assets			
Property, plant and equipment *[note 6]*	376,005	348,612	332,327
Intangible assets *[note 7]*	12,858	3,699	4,444
Goodwill *[note 8]*	18,923	18,923	18,923
Deferred payments in lieu of income taxes *[note 9]*	16,276	16,149	13,830
	424,062	387,383	369,524
Total assets	$ 565,199	$ 496,154	$ 475,817
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	$ 55,537	$ 56,873	$ 56,920
Accounts payable to corporations under common control	13,019	15,161	12,789
Current portion of long term borrowings *[note 11]*	255	116,000	-
Credit support for service delivery *[note 10]*	26,640	24,269	20,008
	95,451	212,303	89,717
Non-current liabilities			
Long term borrowings *[note 11]*	189,764	40,000	156,000
Obligation under capital cost recovery agreements *[note 12]*	10,000	-	-
Employee future benefits *[note 13]*	23,859	21,666	18,788
Deferred revenue	13,742	4,515	-
	237,365	66,181	174,788
Total liabilities	332,816	278,484	264,505
Shareholder's equity			
Share capital *[note 15]*	123,593	123,593	123,593
Contributed surplus	15,218	15,218	15,218
Accumulated other comprehensive income	(3,327)	(1,956)	-
Retained earnings	96,899	80,815	72,501
Total shareholder's equity	232,383	217,670	211,312
Total liabilities and shareholder's equity	$ 565,199	$ 496,154	$ 475,817

The accompanying notes are an integral part of these financial statements.

On behalf of the Board:

Director

Director

Consolidated Statements of Comprehensive Income

($ Canadian in thousands)

For the years ended December 31, 2012 and 2011

	2012	2011
Sale of energy	$ 462,593	$ 428,332
Distribution revenue *[note 16]*	97,185	94,808
Other income from operations *[note 17]*	10,800	8,654
Total revenues	570,578	531,794
Expenses:		
Cost of power purchased	(452,389)	(423,646)
Operating expenses	(56,351)	(58,098)
Depreciation and amortization	(18,545)	(16,769)
	(527,285)	(498,513)
Income from operating activities	43,293	33,281
Loss on disposal of property, plant and equipment	(1,442)	(1,644)
Finance income *[note 18]*	279	82
Finance charges *[note 18]*	(8,959)	(10,746)
Income before payments in lieu of income taxes	33,171	20,973
Payments in lieu of income taxes *[note 9]*	(7,169)	(5,203)
Net income	26,002	15,770
Actuarial loss on employee future benefits	(1,371)	(1,956)
Other comprehensive income	(1,371)	(1,956)
Total net comprehensive income	$ 24,631	$ 13,814

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Changes in Equity

($ Canadian in thousands)

For the years ended December 31, 2012 and 2011

	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total
Balance at January 1, 2011	$ 123,593	$ 15,218	$ 72,501	$ -	$ 211,312
Net income	-	-	15,770	-	15,770
Other comprehensive income	-	-	-	(1,956)	(1,956)
Dividends	-	-	(7,456)	-	(7,456)
Balance at December 31, 2011	$ 123,593	$ 15,218	$ 80,815	$ (1,956)	$ 217,670
Balance at January 1, 2012	$ 123,593	$ 15,218	$ 80,815	$ (1,956)	$ 217,670
Net income	-	-	26,002	-	26,002
Other comprehensive income	-	-	-	(1,371)	(1,371)
Dividends	-	-	(9,918)	-	(9,918)
Balance at December 31, 2012	$ 123,593	$ 15,218	$ 96,899	$ (3,327)	$ 232,383

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Cash Flows

($ Canadian in thousands)

For the years ended December 31, 2012 and 2011

	2012	2011
OPERATING ACTIVITIES		
Net income	$ 26,002	$ 15,770
Adjustments for:		
Depreciation and amortization *[notes 6 and 7]*	18,545	18,100
Loss on disposal of property, plant and equipment	1,442	1,644
Payments in lieu of income taxes expense	6,830	8,162
Finance income	(279)	(82)
Finance charges	8,959	10,746
Deferred payment in lieu of income taxes expense *[note 9]*	339	(2,959)
Change in employee future benefits	822	922
Change in other assets and liabilities *[note 19]*	(1,763)	(2,403)
Cash provided by operating activities	60,897	49,900
Finance charges paid	(9,063)	(10,655)
Finance charges received	321	75
Payments in lieu of income taxes paid	(9,283)	(6,873)
Net cash from operating activities	42,872	32,447
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment and intangible assets	(56,973)	(35,360)
Proceeds from sale of property, plant and equipment	434	75
Net cash (used in) investing activities	(56,539)	(35,285)
FINANCING ACTIVITIES		
Proceeds from credit support for service delivery	2,371	4,261
Net change in deferred revenue	9,228	4,515
Proceeds from long term borrowings	149,764	-
Repayment of long term borrowings	(116,000)	-
Obligations under capital cost recovery agreements	10,000	-
Dividends paid	(9,918)	(7,456)
Net cash from financing activities	45,445	1,320
Increase (decrease) in cash and cash equivalents	31,778	(1,518)
Cash and cash equivalents, beginning of year	8,159	9,677
Cash and cash equivalents, end of year	$ 39,937	$ 8,159

The accompanying notes are an integral part of these financial statements.

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($ Canadian in thousands)

For the years ended December 31, 2012 and 2011

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Notes to the Consolidated Financial Statements

For the years ended December 31, 2012 and 2011 ($ Canadian in thousands)

1. REPORTING ENTITY

Horizon Utilities Corporation (the "Corporation") is one of Ontario's largest municipally owned electricity distribution companies, delivering electricity and related utility services to more than 239,000 residential and commercial customers in Hamilton and St. Catharines. The address of the Corporation's registered office is 55 John Street North, Hamilton, Ontario, Canada.

The Corporation also has a 99.99% ownership interest in Solar Sunbelt General Partnership ("Solar Sunbelt GP"), which has been established to undertake a solar generation business. The Corporation is also the managing partner of Solar Sunbelt GP.

The Corporation is 100% owned by Horizon Holdings Inc. ("HHI"). Horizon Holdings is 78.9% owned by Hamilton Utilities Corporation ("HUC") and 21.1% owned by St. Catharines Hydro Inc. ("SCHI").

2. BASIS OF PREPARATION

(a) Statement of compliance

The Corporation's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

(b) Adoption of IFRS

These are the Corporation's first financial statements prepared in accordance with IFRS. In prior years, the Corporation prepared its financial statements in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). The Corporation has restated its opening balance sheet as at January 1, 2011, its IFRS transition date, by applying IFRS retrospectively, except with regard to specific items, in respect of which IFRS 1: *First-time Adoption of IFRS* either prohibits or modifies the retrospective application of IFRS.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Corporation is provided in note 23.

(c) Approval of the financial statements

The financial statements were approved by the Board of Directors on February 28, 2013.

(d) Basis of measurement

The financial statements have been prepared on the historical cost basis.

2. BASIS OF PREPARATION (Continued)

(e) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Corporation's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand.

(f) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses, and disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty in applying accounting policies that have the most significant effect on the amounts recognized in these financial statements is included in the following notes:

(i) Note 6 – Useful lives of property, plant, and equipment

(ii) Note 8 – Goodwill: impairment testing

(iii) Note 13 – Employee future benefits: measurement of the defined benefit obligation

(iv) Note 22 – Commitments and Contingencies

(g) Regulation

The Corporation is regulated by the Ontario Energy Board ("OEB"). In its capacity to approve or set rates, the OEB has the authority to specify regulatory accounting treatments that differ from IFRS. The OEB's regulatory accounting treatments require the recognition of regulatory assets and liabilities which do not meet the definition of an asset or liability in IFRS and as a result these regulatory assets and liabilities have not been recorded in these IFRS financial statements.

2. BASIS OF PREPARATION (Continued)

(g) Regulation (Continued)

The *Ontario Energy Board Act, 1998 (Ontario)* ("OEBA") conferred on the Ontario Energy Board ("OEB") powers and responsibilities to regulate the electricity industry in Ontario. These powers and responsibilities include approving or fixing rates for the transmission and distribution of electricity, providing continued rate protection for rural and remote residential electricity consumers, and ensuring that distribution companies fulfill obligations to connect and service customers. The OEB may also prescribe license requirements and conditions of service to local distribution companies ("LDCs"), such as the Corporation, which may include, among other things, record keeping, regulatory accounting principles, separation of accounts for distinct business, and filing and process requirements for rate setting purposes.

Rate setting

The electricity distribution rates and other regulated charges of the Corporation are determined in a manner that provides shareholders with opportunity to earn a regulated Maximum Allowable Return on Equity ('MARE") on the amount of shareholder's equity supporting the business of electricity distribution, which is also determined by regulation.

Rate Applications

The OEB regulates the electricity distribution rates charged by LDCs, such as Horizon Utilities, using a combination of annual incentive regulation mechanism ("IRM") adjustments and periodic cost of service reviews. Both such adjustments and reviews are based on applications made by LDCs to the OEB. Previously, the ratemaking policy of the OEB required a cost of service review every four years, which would then be followed by three successive years of IRM adjustments. On October 18, 2012, the OEB issued its Report of the Board – A Renewed Regulatory Framework for Electricity Distributors: A Performance-Based Approach ("RRFE") which set out, among other things, a renewed regulatory framework. LDCs will be permitted to choose from among three rate-setting methods: 4th Generation Incentive Rate-setting, Custom Incentive Rate-setting or Annual Incentive Rate-setting Index. The report is further elaborated below.

Annual IRM adjustments to LDC rates are principally formulaic in nature and based on the annual change in the Gross Domestic Product Inflationary Price Index for Final Domestic Demand ("GDP IPI-FDD") net of a productivity factor and a "Stretch Factor" determined by the relative efficiency of an LDC.

2. BASIS OF PREPARATION (Continued)

(g) Regulation (Continued)

Rate Applications (Continued)

The rate adjustment resulting from a cost of service review is normally based on forecast test year data, including the amount of operating and capital expenditures, debt and shareholder's equity required to support an LDC's business. The aggregate amount of debt and equity upon which an LDC may recover interest charges and MARE is equal to the "rate base" of an LDC, which is determined as the aggregate of its Property, Plant and Equipment in support of regulated electricity distribution activities and a working capital allowance. The proportion of debt and equity upon which an LDC may recover interest and MARE is generally 60% and 40%, respectively.

Rates have historically, and typically, been effective from May 1st to April 30th. Accordingly, for the first four months of 2011, distribution revenue was based on rates approved for 2010.

On July 7, 2011, the OEB approved the 2011 Cost of Service Application ("2011 COS Application"), with rates effective May 1, 2011. Such approval effectively provided for 2011 service distribution revenue requirement and rate base of $102,144 and $369,049, respectively. Such amounts do not include a provision for the investment of the Corporation in the Smart Meter Initiative, further elaborated below.

As part of the 2011 COS Application, the OEB also approved a change in the rate year of the Corporation to align to its fiscal year of January 1st to December 31st. As such, new rates for 2012, based on the IRM adjustment, were effective January 1, 2012.

On December 22, 2011, the OEB approved electricity distribution rate adjustments for the Corporation of 0.58%, effective January 1, 2012. As part of its decision, the OEB also approved the recovery of $1,609 of lost revenue related to the Corporation's Conservation and Demand Management ("CDM") programs. Such recoveries proceed through the regulated Lost Revenue Adjustment Mechanism ("LRAM") and relate to activities for the years 2009 and 2010. The LRAM was recovered through a rate rider for the period commencing January 1, 2012 through December 31, 2012.

On December 18, 2012, the OEB approved electricity distribution rate adjustments for the Corporation of 1.08% or $900, effective January 1, 2013. The decision by the OEB also provided approval for the disposition of an aggregate regulatory assets/liabilities balance of $4,970 over a one year period.

2. BASIS OF PREPARATION (Continued)

(g) Regulation (Continued)

Select Energy Policies and Regulation Affecting the Corporation

Smart Meter Initiative and Time of Use Electricity Distribution Rates

The Province of Ontario committed to have "Smart Meter" electricity meters installed in all homes and small businesses throughout Ontario by the end of 2010. Smart Meters permit consumption to be recorded within specific time intervals and specific tariffs to be levied within such intervals (Time of Use or "TOU" rates). The OEB required that TOU rates be implemented for all residential and small commercial electricity distribution customers of the Corporation by June 2011.

In support of this initiative, the Corporation has substantially completed its deployment of Smart Meters to all residential and small commercial customers with 229,686 Smart Meter installations as at December 31, 2011, or approximately 98% of its residential and small commercial customers.

The Corporation's Smart Meter capital expenditures and related operating expenses have previously been funded through a Utility-Specific Smart Meter Funding Adder ("SMFA") in accordance with the Smart Meter Funding and Cost Recovery Guideline of the OEB.

In December 2011, the OEB issued its "Guideline for Smart Meter Funding and Cost Recovery Final Disposition," which set out the OEB's filing requirements in relation to the funding of, and the recovery of costs associated therewith, smart meter activities conducted by the LDCs

On December 13, 2011, Horizon Utilities submitted its Smart Meter Prudence Application ("SMPA") to the OEB seeking a review for prudency of the Smart Meter related capital and operating costs for the period 2006 to 2011. The prudency review included an examination of the scope of Smart Meter expenditures incurred as well as the procurement, installation, and management of Smart Meters relative to the OEB's guidelines for such.

2. BASIS OF PREPARATION (Continued)

(g) Regulation (Continued)

Select Energy Policies and Regulation Affecting the Corporation (continued)

Smart Meter Initiative and Time of Use Electricity Distribution Rates (continued)

Horizon Utilities sought two rate riders within its SMPA, as follows:

a) a Smart Meter Disposition Rider ("SMDR") to recover the variance between i) the unrecovered portion of Smart Meter revenue that Horizon Utilities should have recovered for the years 2006 through April 30, 2012 for Smart Meter installations through to December 31, 2011, and ii) SMFA forecasted to be recovered to April 30, 2012; and

b) a Smart Meter Incremental Revenue Requirement Rider ("SMIRR"), which is calculated as a proxy for the incremental change in the distribution rates had Smart Meters been incorporated into the revenue requirement calculation at the time of Horizon Utilities' last Cost of Service application.

The application was substantially approved, as filed. In its decision on Horizon Utilities' SMPA, the OEB accepted that Horizon Utilities had not yet fully completed its smart meter deployment. The OEB has authorized Horizon Utilities to continue to record capital costs for the installation of its remaining smart meters for the period from January 1, 2012 to December 31, 2014. Horizon Utilities will seek disposition of smart meter related balances at the time of its next Cost of Service application, currently scheduled for 2015.

Green Energy Act

In 2009, the government enacted the *Green Energy Act ("GEA").* This legislation made fundamental changes to the roles and responsibilities of LDCs in the areas of renewable power generation, the delivery of CDM, and the development of smart distribution grids.

The GEA provides LDCs with the freedom to own and operate a portfolio of renewable power generation and will permit them to provide district heating services in their communities through co-generation. LDCs will also bear added responsibilities to assist and enable consumers to reduce their peak demand and conserve energy in an effort to meet provincial conservation targets. LDCs will also gain new responsibilities in transforming their local distribution networks into smart grids harnessing advanced technologies to facilitate the connection of small-scale generators and the two-way flow of information.

2. BASIS OF PREPARATION (Continued)

(g) Regulation (Continued)

New LDC License Requirements – Conservation and Demand Management Targets

On November 12, 2010, the OEB amended LDC licenses to include requirements for achieving certain CDM targets over a four-year period commencing January 1, 2011. The Corporation's CDM targets include a demand reduction target of 60.36 megawatts ("MW") and a consumption reduction target of 281.42 gigawatt-hours ("GWh"). LDCs must also comply with a CDM Code of the OEB, which provides LDC requirements for the development and delivery of CDM Strategy to the OEB for the achievement of LDC-specific CDM targets, annual accounting and reporting to the OEB and eligibility criteria for performance incentive payments. The Corporation filed its CDM Strategy with the OEB in September 2011 and it filed its first CDM Annual Report for 2011 with the OEB on September 30, 2012.

RRFE

As identified above, on October 18, 2012, the OEB issued its RRFE report.

The RRFE provides a longer term view for electricity distribution based on an objective of alignment between a sustainable, financially viable sector and the expectations of customers for reliable service. The RRFE Report provides a comprehensive performance–based approach to regulation that is based on the achievement of outcomes.

The RRFE Report identifies three main policies within the RRFE: rate-setting; planning; and measuring performance.

The RRFE report asserts that the three alternative rate-setting methods available to LDCs, as identified above, will enhance the predictability necessary to facilitate planning and decision-making by customers and distributors; better align rate-setting with distributor planning horizons; facilitate the cost-effective and efficient implementation of distributor multi-year plans that have been developed to achieve the outcomes for customer service and cost performance; and help to manage the pace of the rate of investments. It is the intention of the OEB that all three rate setting methods and related policies from the RRFE Report will be available for those distributors filing for a cost of service reviews effective on or after May 1, 2014.

<u>4th Generation Incentive Rate-setting</u>

This method is similar to the current IRM rate-setting process. The most significant difference is that the term of annual incentive rate ("IR") adjustments between cost of service reviews is four years, an additional year to the current process.

2. BASIS OF PREPARATION (Continued)

(g) Regulation (Continued)

Custom IR-setting

Custom IR-setting permits LDCs to base their rates on a five-year forecast of revenue requirement and forecast load, with expected inflationary and productivity-based estimates included as components of resulting rate adjustments. The process for approving LDC costs and determination of rate recovery will be examined by the OEB on a case-by-case basis. The OEB also indicates that it expects that a distributor applying under this method would not seek early termination from the Custom IR (with the exception of a circumstance where the return on equity of an LDC in a given year is either higher or lower than its approved MARE by 300 basis points). This method of rate setting will be suitable for distributors with large multi-year or highly variable capital investment.

LDCs operating under Custom IR will not be able to use certain traditional elements of IRM; such as the Incremental Capital Module ("ICM") which, under IRM, permits an LDC to seek recovery of material incremental capital expenditures not reasonably foreseen at its most recent cost of service review. The OEB expects LDCs operating under Custom IR-setting to manage within their Board-determined multi-year rates. Since planned capital spending will be an important element of the Custom IR, such will be subjected to thorough review during the rate setting process.

LDCs will be required to report annually on actual expenditures. If such vary significantly from the level approved by the OEB, then the OEB may terminate the LDC's rate-setting method. A threshold variance has not been established in the RRFE Report. The LDC rate base will be adjusted when it commences its new rate-setting cycle.

Annual IR-setting Index

The Annual IR-setting Index will adjust rates by a price cap index formula and there will be no fixed term. This model allows LDCs to avoid cost of service reviews. The OEB believes the Annual IR-setting Index will be appropriate for LDCs operating with relatively stable investment levels. However, the productivity factor will be the same as the highest set for 4th Generation IR. There will be no ICM in the Annual IR Index.

Other Matters

The continuing restructuring of Ontario's electricity industry and other regulatory developments, including current and possible future consultations between the OEB and interested stakeholders, may affect future electricity distribution rates and other permitted regulatory recoveries of the Corporation.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in these financial statements and in preparing an opening IFRS financial position at January 1, 2011 for the purposes of the transition to IFRS.

(a) Basis of consolidation

These consolidated financial statements include the accounts of Horizon Utilities Corporation and its 99.99% investment in Solar Sunbelt GP.

All significant inter-company accounts and transactions have been eliminated.

(b) Financial instruments

All financial assets are classified as loans and receivables and all financial liabilities are classified as other liabilities.

These financial instruments are recognized initially at fair value plus any directly attributable transaction costs. Subsequently, they are measured at amortized cost using the effective interest method less any impairment for the financial assets as described in note 3(g).

The Corporation does not enter into derivative instruments. Hedge accounting has not been used in the preparation of these financial statements.

(c) Inventory

Inventory, comprising material and supplies, the majority of which is consumed by the Corporation in the provision of its goods and services, is measured at the lower of cost and net realizable value. The cost of inventory is determined on a weighted average basis and includes expenditures incurred in acquiring the material and supplies and other costs incurred in bringing them to their existing location and condition.

(d) Property, plant and equipment

Items of property, plant and equipment ("PP&E") used in rate-regulated activities and acquired prior to January 1, 2011 are measured at deemed cost established on the transition date, less accumulated depreciation. All other items of PP&E are measured at cost, or, where the item is transferred from customers, its fair value, less accumulated depreciation. Consistent with IFRS 1, the Corporation elected to use the carrying amount as previously determined under Canadian GAAP as the deemed cost at January 1, 2011, the transition date to IFRS.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Property, plant and equipment (Continued)

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes contracted services, materials and transportation, direct labour, directly attributable overhead costs, borrowing costs and any other costs directly attributable to bringing the asset to a working condition for its intended use.

Borrowing costs on qualifying assets are capitalized as part of the cost of the asset using the weighted average cost of debt incurred on the Corporation's external borrowings. Qualifying assets are considered to be those that take a substantial period of time to construct.

In circumstances where parts of an item of PP&E have different useful lives, such are accounted for as separate items (major components) of PP&E.

Major spare parts and standby equipment are recognized as items of PP&E.

The cost of replacing part of an item of PP&E is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Corporation and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of PP&E are recognized in net income as incurred.

Depreciation is recognized in net income on a straight-line basis over the estimated useful life of each part or component of an item of PP&E.

Land is not depreciated.

Construction in progress assets are not amortized until the project is complete and available for use.

The estimated useful lives for the current and comparative years are as follows:

Buildings	30 – 40 years
Distribution System Equipment	15 - 70 years
Other PP&E	5 - 25 years
Leasehold Improvements	5 years

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Corporation will obtain ownership by the end of the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Property, plant and equipment (Continued)

Other PP&E includes vehicles and office and computer equipment.

Gains and losses on disposal of an item of PP&E are recognized in income and determined by the difference between proceeds from disposal and the carrying amount of PP&E.

Depreciation methods, useful lives and residual values, if any, are reviewed at each reporting date and adjusted prospectively.

(e) Intangible assets

Intangible assets include computer software and capital contributions paid under capital cost recovery agreements.

Computer software used in rate-regulated activities and acquired prior to January 1, 2011 is measured at deemed cost less accumulated amortization. All other computer software that is acquired or developed by the Corporation, including software that is not integral to the functionality of equipment purchased, which has finite useful lives, is measured at cost less accumulated amortization.

Amortization is recognized in net income on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use. The estimated useful lives of intangible assets are as follows:

Computer software	3 years
Capital contributions under capital cost recovery agreements	40 years

Amortization methods and useful lives of all intangible assets are reviewed at each reporting date and adjusted prospectively.

(f) Goodwill

As part of its transition to IFRS, the Corporation elected not to restate its business combination that occurred prior to January 1, 2011. As a result the goodwill represents the amount recognized under the Corporation's previous accounting framework, Canadian GAAP. Goodwill is measured at cost and is not amortized.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Interest on the impaired assets continues to be recognized through the unwinding of the discount.

All impairment losses are recognized in net income. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in net income.

(ii) Non-financial assets

The carrying amounts of the Corporation's non-financial assets, other than inventory and deferred payments in lieu of income tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment.

If any such indication exists, then the recoverable amount of the asset is estimated. The recoverable amount of goodwill is estimated as at December 31.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use and, further, that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Impairment (Continued)

(ii) Non-financial assets (Continued)

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in net income.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(h) Provisions

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(i) Employee future benefits

(i) Pension plan

The Corporation provides a pension plan for all its full-time employees through Ontario Municipal Employees Retirement System (OMERS). OMERS is a multi-employer pension plan which operates as the Ontario Municipal Employees Retirement Fund (“the Fund”) and provides pensions for employees of Ontario municipalities, local boards, public utilities and school boards. The Fund is a contributory defined benefit pension plan, which is financed by equal contributions from participating employers and employees, and by the investment earnings of the Fund.

OMERS is a defined benefit plan. However, as OMERS does not segregate its pension asset and liability information by individual employers, there is insufficient information available to enable the Corporation to directly account for the plan. Consequently, the plan has been accounted for as a defined contribution plan. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in net income when they are due.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Employee future benefits (Continued)

(ii) Other than pension

The Corporation provides its retired employees with life insurance and medical benefits beyond those provided by government sponsored plans. These benefits are provided through a group defined benefit plan. The Corporation is the legal sponsor of the Plan. There is a policy in place to allocate the net defined benefit cost to the entities participating in the group plan. The allocation is based on the obligation attributable to the plan participants. The Corporation has reflected its share of the defined benefit costs and related liabilities, as calculated by the actuary, in these financial statements.

The Corporation's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs are deducted. The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The Corporation has adopted the new Employee Benefits standard effective January 1, 2011. The cost of these benefits is expensed as earned by employees through employment service. The accrued benefit obligations and the current service costs are actuarially determined by applying the projected unit credit method and reflect management's best estimate of certain underlying assumptions. Actuarial gains and losses arising from defined benefit plans are recognised immediately in other comprehensive income and reported in retained earnings. When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in net income on a straight-line basis over the average period until the benefits become vested. In circumstances where the benefits vest immediately, the expense is recognized immediately in net income.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Credit support for service delivery

Credit support for service delivery represents cash deposits from electricity distribution customers as well as construction deposits.

Deposits from electricity distribution customers are applied against any unpaid portion of individual customer accounts. Customer deposits in excess of unpaid account balances are refundable to individual customers upon termination of their electricity distribution service. Customer deposits are also refundable to residential electricity distribution customers demonstrating an acceptable level of credit risk, as determined by the Corporation.

Certain customers and developers are required to contribute towards the capital cost of construction in order to provide ongoing service. Cash contributions are initially recorded as credit support for service delivery; a current liability. Once the distribution system asset is completed or modified as outlined in the terms of the contract, the contribution amount is transferred to deferred revenue.

(k) Deferred revenue and assets transferred from customers

When an asset is received as a capital contribution, the asset is initially recognized at its fair value, with the corresponding amount recognized as deferred revenue.

Deferred revenue represents the Corporation's obligation to continue to provide customers access to the supply of electricity, and is amortized to income on a straight-line basis over the terms of the agreement with the customer or the economic useful life of the acquired or contributed asset, which represents the period of ongoing service to the customer.

(l) Revenue

The Corporation is licensed by the OEB to distribute electricity. As a licensed distributor, the Corporation is responsible for billing customers for electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties. The Corporation is required, pursuant to regulation, to remit such amounts to these third parties, irrespective of whether the Corporation ultimately collects these amounts from customers. The Corporation has determined that it is acting as a principal for electricity distribution and therefore has presented the electricity revenues on a gross basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Revenue (Continued)

Revenue attributable to the delivery of electricity is based upon OEB-approved distribution tariff rates and includes the amounts billed to customers for electricity, including the cost of electricity supplied, distribution charges, and any other regulatory charges. Revenue is recognized as electricity is delivered and consumed by customers. Electricity revenue is recorded on the basis of regular meter readings and estimates of customer usage since the last meter reading date to the end of the year. Revenue is measured at the fair value of the consideration received or receivable, net of sales tax.

Customer billings for debt retirement charges are recorded on a net basis as the Corporation is acting as an agent for this billing stream. The Corporation may file to recover uncollected debt retirement charges from Ontario Electricity Financial Corporation ("OEFC") once each year.

Performance incentive payments under CDM programs are recognized by the Corporation when there is reasonable assurance that the program conditions have been satisfied and the incentive payments will be received.

Water billing revenue is recorded net of the water revenue paid to the City of Hamilton and is recognized in the period the billing services are rendered.

All other revenues are recorded on a gross basis and are recognized when services are rendered.

(m) Leased assets

Leases in terms of which the Corporation assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

All other leases are classified as operating leases and the leased assets are not recognized on the Corporation's balance sheet. Payments made under operating leases are recognized in net income on a straight-line basis over the term of the lease.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Finance income and finance charges

Finance income is recognized as it accrues in net income, using the effective interest method. Finance income comprises interest earned on cash and cash equivalents.

Borrowing costs are calculated using the effective interest rate method and are recognized as an expense unless they are capitalized as part of the cost of a qualifying assets. Finance charges comprises interest expense on borrowings, credit support for service delivery, interest and penalties on income tax payments, and letter of credit and standby fees.

(o) Payments in lieu of income taxes

The Corporation is currently exempt from taxes under the Income Tax Act (Canada) and the Ontario Corporations Tax Act (collectively the "Tax Acts").

Pursuant to the *Electricity Act, 1998 (Ontario)* ("EA"), and as a consequence of its exemption from income taxes under the Tax Acts, the Corporation is required to make payments in lieu of income taxes ("PILs") to the Ontario Electricity Financial Corporation ("OEFC"). These payments are calculated in accordance with the Tax Acts. These amounts are applied to reduce certain debt obligations of the former Ontario Hydro continuing in OEFC.

PILs comprises current and deferred payments in lieu of income tax. PILs is recognized in income or loss except to the extent that it relates to items recognized directly in equity, in which case, it is recognized in equity.

Current PILs is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred PILs is recognized using the balance sheet method. Under this method, deferred PILs comprise the net tax effects of temporary differences between the tax basis of assets and liabilities and their respective carrying amounts for accounting purposes, as well as for tax losses available to be carried forward to future years that are likely to be realized. Deferred PILs assets and liabilities are measured using enacted or substantively enacted tax rates, at the reporting date, expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred PILs assets and liabilities of a change in tax rates is recognized in income in the year that includes the date of enactment or substantive enactment.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Payments in lieu of income taxes (Continued)

A deferred PILs asset is recognised to the extent that it is probable that future taxable income will be available against which the temporary difference can be utilized. Deferred PILs assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(p) Set-off and reporting on a net basis

Assets and liabilities and income and expenses are not offset and reported on a net basis unless required or permitted by IFRS. Offsetting is permitted for financial assets and financial liabilities when, and only when, the Corporation has a legally enforceable right to set-off and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(q) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended December 31, 2012, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a material impact on the consolidated financial statements of the Corporation.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of overnight deposits in a Canadian chartered bank.

5. INVENTORY

During the fiscal year 2012, an amount of $97 (2011 - $119) was recorded as an expense for the write-down of obsolete or damaged inventory to net realizable value.

The amount of inventory consumed by the Corporation and recognized as an expense during 2012 was $507 (2011 - $700).

6. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Other distribution system equipment	Other PP&E	Construction work-in-progress	Total
Cost or deemed cost					
Balance at January 1, 2011	11,267	294,999	16,724	9,337	332,327
Additions	801	30,246	3,776	-	34,823
Transfers	-	-	-	(642)	(642)
Disposals	-	(1,562)	-	(158)	(1,720)
Balance at December 31, 2011	12,068	323,683	20,500	8,537	364,788
Balance at January 1, 2012	12,068	323,683	20,500	8,537	364,788
Additions	2,804	43,625	4,179	(4,477)	46,131
Transfers	-	-	-	-	-
Disposals	-	(1,719)	(308)	-	(2,027)
Balance at December 31, 2012	14,872	365,589	24,371	4,060	408,892

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Land and buildings	Other distribution system equipment	Other PP&E	Construction work-in-progress	Total
Accumulated depreciation					
Balance at January 1, 2011	-	-	-	-	-
Depreciation charge	1,302	11,733	3,141	-	16,176
Disposals	-	-	-	-	-
Balance at December 31, 2011	1,302	11,733	3,141	-	16,176
Balance at January 1, 2012	1,302	11,733	3,141	-	16,176
Depreciation charge	1,046	12,058	3,757	-	16,861
Disposals	-	(78)	(72)	-	(150)
Balance at December 31, 2012	2,348	23,713	6,826	-	32,887
Carrying amount					
January 1, 2011	11,267	294,999	16,724	9,337	332,327
December 31, 2011	10,766	311,950	17,359	8,537	348,612
December 31, 2012	12,524	341,876	17,545	4,060	376,005

During the year, borrowing costs of $201 (2011 - $Nil) were capitalized as part of the cost of property, plant and equipment. A capitalization rate of 5.90% was used to determine the amount of borrowing costs to be capitalized.

Total depreciation charge for the year is $16,861 (2011 - $16,176) of which $Nil (2011 - $1,331) has been allocated to operating expenses.

The net carrying amount of leased equipment is $567 (2011 - $Nil).

7. INTANGIBLE ASSETS

	Capital contributions under CCRA	Computer software	Total
Cost or deemed cost			
Balance at January 1, 2011	-	4,444	4,444
Other additions	-	1,180	1,180
Balance at December 31, 2011	-	5,624	5,624
Balance at January 1, 2012	-	5,624	5,624
Other additions	10,000	842	10,842
Balance at December 31, 2012	10,000	6,466	16,466
Accumulated amortization			
Balance at January 1, 2011	-	-	-
Amortization charge	-	1,925	1,925
Balance at December 31, 2011	-	1,925	1,925
Balance at January 1, 2012	-	1,925	1,925
Amortization charge	-	1,683	1,683
Balance at December 31, 2012	-	3,608	3,608
Carrying amounts			
At January 1, 2011	-	4,444	4,444
At December 31, 2011	-	3,699	3,699
At December 31, 2012	10,000	2,858	12,858

8. GOODWILL

Management has determined that the Corporation's rate-regulated operations are one cash-generating unit. As the goodwill relates to the rate-regulated operations, the goodwill was allocated to that cash-generating unit ("CGU"). The Corporation performed impairment tests on January 1, 2011, December 31, 2011 and December 31, 2012, based on the Corporation's value in use. Value in use was determined by discounting the future cash flows of the Corporation and was based on the following key assumptions:

- Cash flows were projected for a five year period based on an average of actual operating results for the current and preceding two years. A constant growth rate not exceeding the long-term average growth rate for the industry was utilized. Beyond five years, cash flows were projected using a steady growth rate over the life of the related assets.
- A pre-tax discount rate of 3% percent was applied in determining the recoverable amount of the Corporation. The discount rate was estimated based on the long-term cost of borrowing of the Corporation, which management believes reflects the risks associated with the assets of the cash-generating unit.

The recoverable amount of the Corporation was greater than the carrying value and no impairment was recorded.

9. PAYMENTS IN LIEU OF INCOME TAXES

Payments in lieu of income taxes

	2012	2011
Current PILs:		
Current year	6,830	8,162
Deferred PILs:		
Origination and reversal of temporary differences	339	(2,959)
Payments in lieu of income taxes	7,169	5,203

9. PAYMENTS IN LIEU OF INCOME TAXES (Continued)

Reconciliation of effective tax rate

PILs varies from amounts which would be computed by applying the Corporation's combined statutory income tax rate as follows:

	2012	2011
Basic rate applied to income before payments in lieu of income tax	26.50%	28.25%
Increase (decrease) in PILs resulting from:		
Change in tax rates	(2.71)	-
Employee future benefits in other comprehensive income	(1.40)	(3.04)
Items not deductible for tax purposes and other	(0.78)	(0.40)
Effective rate applied to income before payments in lieu of income tax	21.61%	24.81%

Deferred PILs tax balances

Significant components of the Corporation's deferred payments in lieu of income tax balances are as follows:

	2012	2011	January 1, 2011
Deferred PILs assets:			
Property, plant and equipment, and intangibles	9,933	14,046	13,719
Employee benefits	7,559	6,544	5,304
Obligation under capital cost recovery agreement	2,650	-	-
Deferred PILs liabilities:			
Regulatory assets and liabilities	(3,866)	(4,441)	(5,193)
Net deferred PILs assets	16,276	16,149	13,830

10. CREDIT SUPPORT FOR SERVICE DELIVERY

Credit support for service delivery represents cash deposits from electricity distribution customers and retailers, as well as construction deposits. These customer deposits bear interest at Canada's Prime Business rate less 2%, which is 1% per annum as of December 31, 2012.

Deposits from electricity distribution customers are refundable to customers demonstrating an acceptable level of credit risk as determined by the Corporation in compliance with policies set by the OEB or upon termination of their electricity distribution service.

Construction deposits represent cash prepayments for the estimated cost of capital projects recoverable from customers and developers. Upon completion of the capital project, these deposits are transferred to contributions in aid of construction.

	2012	2011	January 1, 2011
Customer deposits	13,740	13,742	14,851
Construction deposits	8,524	7,141	5,157
Advances from the Ontario Power Authority *[note 22]*	4,376	3,386	-
Total credit support for service delivery	26,640	24,269	20,008

11. LONG TERM BORROWINGS

Long term borrowings comprise notes payable and finance lease obligation.

	2012	2011	January 1, 2011
Promissory note payable to Horizon Holdings bearing interest at 4.89% and due July 21, 2020	40,000	40,000	40,000
Promissory note payable to Horizon Holdings bearing interest at 7.0% and due July 30, 2012	-	116,000	116,000
Promissory note payable to Horizon Holdings bearing interest at 3.033% and due July 25, 2022	149,196	-	-
Finance lease liabilities	823	-	-
Total long-term borrowings	190,019	156,000	156,000
Current	255	116,000	-
Non-current	189,764	40,000	156,000
	190,019	156,000	156,000

Long-term borrowings comprise two promissory notes payable to Horizon Holdings Inc:

i. $40,000 (2011 - $40,000) bearing interest at 4.89% per annum (2011 – 4.89%), which is payable semi-annually on January 21 and July 21. This promissory note is unsecured and matures on July 21, 2020.

ii. $150,000 (2011 - $Nil) bearing interest at 3.033% per annum, which is payable semi-annually on January 25 and July 25. This promissory note is unsecured and matures on July 25, 2022.

The Corporation paid interest in respect of the promissory notes payable to Horizon Holdings of $9,965 (2011 - $10,076) during the year.

Finance lease liabilities are payable as follows:

	Future minimum payments	Interest	Present value of minimum payments
Less than one year	255	1	254
Greater than one year	568	1	567
Total	823	2	821

12. OBLIGATION UNDER CAPITAL COST RECOVERY AGREEMENTS

The Corporation is party to connection and cost recovery agreements ("CCRA(s)") with Hydro One Networks Inc. ("HONI"). Such agreements provide for the construction by HONI of transformer stations ("TS(s)") to the distribution system for the purpose of serving the Corporation's customers, including anticipated electricity load growth.

Under the CCRAs, the Corporation is required to provide HONI with an initial capital contribution ("Initial Capital Contribution") based on the difference (the "Difference") between the total capital cost of constructing the TS and a projection of transformation revenue ("HONI Revenue") earned on the conveyance of electricity through such TS. The Difference represents a contingent debt obligation of the Corporation based on the extent that historical actual and forecast HONI Revenue through the CCRA term is less than the amount of HONI revenue projected as a basis for the determination of the Initial Capital Contribution. Conversely, the Corporation is entitled to a rebate of the Initial Capital Contribution based on the extent that historical actual and forecast HONI Revenue through the CCRA term is greater than the amount of HONI revenue projected as a basis for the determination of the Initial Capital Contribution.

Based on a review of two CCRAs with HONI for TS facilities constructed in 2003, the Corporation estimates a shortfall to HONI for TS Revenue relative to that projected as bases for the determination of respective Initial Capital Contributions. As a result of such a shortfall and based on the terms of the CCRAs, the Corporation has recorded Obligations Under Capital Cost Recovery Agreements and a corresponding intangible asset of $10,000 as at December 31, 2012 (2011 - $nil). The Corporation expects to be presented with a request for settlement from HONI in 2013; with the final amount of such and related payment terms to be arranged at that time, as may be negotiated between HONI and the Corporation.

In general terms, investments in regulated electricity distribution assets are recoverable from ratepayers in future rate applications based on the rate-making policies of the Ontario Energy Board.

13. EMPLOYEE FUTURE BENEFITS

The Corporation provides certain unfunded health, dental and life insurance benefits on behalf of its retired employees. These benefits are provided through a group defined benefit plan. There is a policy in place to allocate the net defined benefit cost to the entities participating in the group plan. The allocation is based on the obligation attributable to the plan participants. The Corporation has reported its share of the defined benefit costs and related liabilities, as calculated by the actuary, in these financial statements. The accrued benefit liability and the expense for the years ended December 31, 2012 and 2011 were based on results and assumptions determined by actuarial valuation as at December 31, 2011.

Information about the group unfunded defined benefit plan as a whole and changes in the present value of the defined benefit unfunded obligation and the accrued benefit liability are as follows:

Entire Plan

	2012	2011
Defined benefit obligation, beginning of year	21,745	18,836
Current service cost	1,459	1,431
Benefits paid during the year	(1,128)	(1,147)
Actuarial losses recognized in other comprehensive income	1,869	2,625
Defined benefit obligation, end of year	23,945	21,745

Corporation

	2012	2011
Defined benefit obligation, beginning of year	21,666	18,788
Current service cost	1,456	1,427
Benefits paid during the year	(1,128)	(1,143)
Actuarial losses recognized in other comprehensive income	1,865	2,594
Defined benefit obligation, end of year	23,859	21,666

13. EMPLOYEE FUTURE BENEFITS (Continued)

The main actuarial assumptions underlying the valuation are as follows:

a) General inflation

The health care cost trend for prescription drugs is estimated to increase at a declining rate from 6% to 4% over four years. Other medical and dental expenses are assumed to increase at 4% per year.

The approximate effect on the accrued benefit obligation ("ABO") and the estimated net benefit expense if the health care trend rate assumption was increased or decreased by 1% is as follows:

	Period	Benefit Cost ABO
1% increase in health care trend rate	248	3,346
1% decrease in health care trend rate	(192)	(2,654)

b) Interest (discount) rate

The obligations at the period end and the present value of future liabilities were determined using a discount rate of 4.0% (2011 – 4.5%, Jan 1, 2011 – 5.3%) representing an estimate of the yield on high quality corporate bonds as at the valuation date.

c) Salary levels

Future general salary and wage levels were assumed to increase at 3% (2011 – 3%) per year.

Historical information

Amounts for the current and previous year, for the entire plan, are as follows:

	2012	2011
Defined benefit obligation	23,945	21,745
Experience adjustments	1,869	2,625

14. PENSION PLAN

The Corporation provides a pension plan for its employees through OMERS. The plan is a multi-employer, contributory defined benefit pension plan with equal contributions by the employer and its employees. In 2012, the Corporation made employer contributions of $3,153 to OMERS (2011 - $2,515). The Corporation's net benefit expense has been allocated as follows:

i. $556 (2011 - $446) capitalized as part of PP&E; and

ii. $2,597 (2011 - $2,069) charged to net income.

The Corporation estimates a contribution of $4,005 to OMERS during the next fiscal year.

15. SHARE CAPITAL

	2012	2011	January 1, 2011
Authorized:			
Unlimited Class 1 Common shares			
Unlimited Class A Common shares			
Issued:			
7,890 Class 1 Common shares	91,133	91,133	91,133
2,110 Class A Common shares	32,460	32,460	32,460
	123,593	123,593	123,593

Dividends

The holders of the common shares are entitled to receive dividends as declared from time to time.

The Corporation paid aggregate dividends in the year on common shares of $0.9918 per share (2011 – $0.7456), which amount to total dividends paid in the year of $9,918 (2011 - $7,456).

16. DISTRIBUTION REVENUE

	2012	2011
Gross customer billings	559,778	523,140
Less pass through charges billed by the Corporation:		
Electricity charges paid through to generators	(366,181)	(338,221)
Transmission and miscellaneous charges	(64,634)	(58,546)
Market service charges	(31,778)	(31,565)
Distribution revenue	97,185	94,808

17. OTHER INCOME FROM OPERATIONS

	2012	2011
Water and waste water billing and customer charges	4,192	4,243
Collection and other service charges	1,651	1,469
CDM revenue and performance incentives	1,595	375
Pole and other rental income	1,223	1,221
Late payment charges	876	918
Scrap sales	545	544
Miscellaneous	479	(305)
Management and other support services	239	189
Other income from operations	10,800	8,654

18. FINANCE INCOME AND CHARGES

	2012	2011
Interest income on bank deposits	279	78
Interest income - Intercompany	-	4
Finance income	279	82
Interest expense – Intercompany	(8,555)	(10,076)
Interest expense	(404)	(670)
Finance charges	(8,959)	(10,746)
Net finance charges recognized in net comprehensive income	(8,680)	(10,664)

19. CASH FLOW INFORMATION

Net change in other assets and liabilities:

	2012	2011
Accounts receivable	(942)	(4,912)
Inventory	643	(214)
Other assets	(331)	481
Accounts payable and accrued liabilities	1,009	(130)
Accounts payable to corporations under common control	(2,142)	2,372
	(1,763)	(2,403)

20. RELATED PARTY TRANSACTIONS

(a) Parent and ultimate controlling party

The parent of the Corporation is HHI. The ultimate parent of the Corporation is HUC; with an effective and indirect 78.9% interest in the share capital of the Corporation. The ultimate controlling party (sole shareholder of the ultimate parent) is the City of Hamilton, which wholly owns HUC. The City of Hamilton produces financial statements that are available for public use.

(b) Entity with significant influence

The City of St. Catharines ("St. Catharines") exercises significant influence over the Corporation through its indirect 21.1% ownership interest in the Corporation's parent HHI.

(c) Key management personnel

The key management personnel of the Corporation has been defined as members of its executive management team.

Key management compensation

	2012	2011
Salaries and other short-term benefits	1,693	1,519
Bonuses	426	355
Employee future benefits	19	19
Other long-term benefits	239	187
	2,377	2,080

The Corporation provides utility services to certain key management personnel. All energy charges of the Corporation to key management personnel were at prices and terms equivalent to those charged to other customers that are not related to the Corporation.

(d) Transactions with parent

During the year the Corporation paid management and business development services to Horizon Holdings in the amount of $1,073 (2011 - $716).

20. RELATED PARTY TRANSACTIONS (Continued)

(e) Transactions with entity with significant influence

In the ordinary course of business, the Corporation delivers electricity to the City of St. Catharines. Electricity is billed to the City of St. Catharines at prices and under terms approved by the OEB.

(f) Transactions with shareholder of ultimate parent

In the ordinary course of business, the Corporation delivers electricity to the City of Hamilton. Electricity is billed to the City of Hamilton at prices and under terms approved by the OEB.

The Corporation also provides certain water and waste water billing and customer care services to the City of Hamilton. Other revenue includes $3,891 (2011 - $3,768) earned with respect to these services. Accounts payable and accrued liabilities includes $10,085 (2011 - $11,194, January 1, 2011 - $10,205) owing to the City of Hamilton for amounts collected on behalf of the City of Hamilton.

(g) Transactions with corporations under common control of the ultimate parent

Corporations under common control include all entities controlled by HUC.

The Corporation provides certain management, billing and administrative services to HUC, Hamilton Hydro Services Inc. and Horizon Energy Solutions Inc.; all corporations under common control. Other revenue includes $167 (2011 - $351) earned with respect to these agreements.

(h) Shareholder loans

Pursuant to a Credit Agreement dated June 30, 2010, HHI. has made available a revolving line of credit up to $95,000 to finance general corporate requirements, capital investments, working capital requirements, and prudential obligations. The Credit Agreement matures on June 30, 2013. Interest rates payable on the Credit Agreement are based on Horizon Holdings' borrowing rate, as determined with reference to Horizon Holdings' debt rating and interest is payable monthly by the 15th day of the following month.

20. RELATED PARTY TRANSACTIONS (Continued)

(h) Shareholder loans (Continued)

Pursuant to a Credit Agreement dated June 30, 2010, the Corporation has made available a revolving line of credit up to $5,000 to Solar Sunbelt GP to finance general corporate requirements, working capital requirements, and capital investments. The Credit Agreement matures on June 30, 2013. Interest rates receivable on the Credit Agreement are based on the Corporation's borrowing rate and interest is payable monthly by the 15th day of the following month.

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value disclosure

The carrying values of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities approximate fair value because of the short maturity of these instruments. The carrying value of the credit support for service delivery approximates fair value because the amounts are payable on demand.

The fair value of the promissory note from the parent company is $197,113. The fair value is calculated based on the present value of future principal and interest cash flows, discounted at the current rate of interest at the reporting date.

Financial risks

The Corporation understands the risks inherent in its business and defines them broadly as anything that could impact its ability to achieve its strategic objectives. The Corporation's exposure to a variety of risks such as credit risk, interest rate risk, and liquidity risk, as well as related mitigation strategies, are discussed below. However, the risks described below are not exhaustive of all the risks nor will the mitigation strategies eliminate the Corporation's exposure to all risks listed.

(i) Credit risk

Financial assets carry credit risk that a counter-party will fail to discharge an obligation which would result in a financial loss. Financial assets held by the Corporation, such as cash and cash equivalents and accounts receivable, expose it to credit risk. The Corporation earns its revenue from a broad base of customers located in the City of Hamilton and the City of St. Catharines. One customer, the City of Hamilton, accounts for 2.89% (2011 – 3.00%) of revenue. No other single customer in either year would account for revenue in excess of 1% of the respective reported balances.

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Financial risks (Continued)

(i) Credit risk (Continued)

The carrying amount of accounts receivable is reduced through the use of an allowance for impairment and the amount of the related impairment loss is recognized in net income. Subsequent recoveries of receivables previously recorded as impaired are credited to net income. The balance of the allowance for impairment as at December 31, 2012 is $1,900 (2011 - $1,750, January 1, 2011 - $1,550). An impairment loss of $1,569 was recognized during the year (2011 - $1,577).

The Corporation's credit risk associated with accounts receivable is primarily related to payments from distribution customers. At December 31, 2012, approximately $485 is considered 60 days past due. Horizon Utilities has approximately 239,000 customers; the majority of which are residential. Credit risk is managed through collection of security deposits from customers in accordance with directions provided by the OEB. As at December 31, 2012, Horizon Utilities holds security deposits in the amount of $22,264 (2011 - $20,883, January 1, 2011 - $20,008).

(ii) Market risk

Market risk primarily refers to the risk of loss that results from changes in commodity prices, foreign exchange rates, and interest rates. The Corporation currently does not have commodity or foreign exchange risk. The Corporation is exposed to fluctuations in interest rates as the regulated rate of return for the Corporation's distribution business is derived using a complex formulaic approach which is in part based on the forecast for long-term Government of Canada bond yields. This rate of return is approved by the OEB as part of the approval of distribution rates during the cost of service rate application process. A decrease in the forecasted long-term Government of Canada bond yield used in determining the Corporation's rate of return would reduce the Distribution business results of operations at the next cost of service rate filing if the bond yield reduction continued to that time. A current reduction in bond yields would not have an impact on the Distribution business results of operations in the current or intervening years between cost of service rate applications.

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Financial risks (Continued)

(iii) Liquidity risk

The Corporation monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The Corporation's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest exposure. The Corporation has access to $100,000 line of credit and monitors cash balances to ensure that sufficient levels of liquidity are on hand to meet financial commitments as they come due.

The majority of accounts payable, as reported on the balance sheet, are due within 60 days.

(iv) Capital disclosures

The main objectives of the Corporation when managing financial capital include:

- ensuring ongoing cost effective access to such to provide adequate investment in support of its regulated electricity distribution and other businesses;
- compliance with covenants within its financial instruments;
- prudently manage its capital structure, with regard for maintaining a high level of creditworthiness;
- recover financing charges permitted by the OEB on its regulated electricity distribution business; and
- deliver reasonable returns on the investments of its shareholders.

The Corporation's definition of capital includes: shareholder's equity; indebtedness under existing credit facilities; and long-term borrowings, which includes the current portion of long-term borrowings.

The OEB regulates the amount of interest on debt and MARE that may be recovered by the Corporation, through its electricity distribution rates, in respect of its regulated electricity distribution business. The OEB permits such recoveries on the basis of a deemed capital structure represented by 60% debt and 40% equity. The actual capital structure for the Corporation may differ from the OEB deemed structure.

The Corporation has customary covenants typically associated with long-term borrowings. The Corporation is in compliance with all credit agreement covenants and limitations associated with its long-term borrowings.

22. COMMITMENTS AND CONTINGENCIES

Commitments

Contractual Obligations

Master Customer Demand Management ("CDM") Agreement

On February 1, 2011, the Corporation entered into a Master CDM Agreement ("CDM Agreement") with the Ontario Power Authority ("OPA") for the period January 1, 2011 to December 31, 2014. The CDM Agreement provides terms under which the Corporation may engage the OPA to design and pay for Province-wide CDM programs in support of the Corporation meeting its CDM targets (Note 2).

Subject to the terms of the CDM Agreement, all OPA CDM program costs are paid by the OPA. The Corporation effectively acts as a delivery agent for those programs that it participates in under the CDM Agreement.

The Corporation estimates that, its total cost of OPA CDM program participation over the four year period will be approximately $57,000, of which approximately $11,700 represents administration costs of the Corporation for program delivery. The Corporation will be entitled to receive, in advance and in semi-annual installments each January and July, all of its estimated administration costs associated with each program. Any administration costs incurred by the Corporation in excess of the pre-approved estimate would not be recoverable. All other program costs incurred by the Corporation, (such as customer incentives and goods and services delivered under the programs) are recoverable from the OPA on an invoiced basis in accordance with the CDM Agreement.

Contingencies

General

From time to time, the Corporation is involved in various litigation matters arising in the ordinary course of its business. The Corporation has no reason to believe that the disposition of any such current matter could reasonably be expected to have a materially adverse impact on the Corporation's financial position, results of operations or its ability to carry on any of its business activities.

General Liability Insurance

The Corporation is a member of the Municipal Electric Association Reciprocal Insurance Exchange (MEARIE). MEARIE is a pooling of public liability insurance risks of many of the LDCs in Ontario. All members of the pool are subjected to assessment for losses experienced by the pool, for the years in which they were members, on a pro-rata basis based on the total of their respective service revenues. It is anticipated that should such an assessment occur it would be funded over a period of up to 5 years. As at December 31, 2012, no assessments have been made.

23. EXPLANATION OF TRANSITION TO IFRS

As stated in note 2(a), these are the Corporation's first financial statements prepared in accordance with IFRS.

The accounting policies set out in note 3 have been applied in preparing the financial statements for the year ended December 31, 2012, the comparative information presented in these financial statements for the year ended December 31, 2011, and in the preparation of an opening IFRS statement of financial position as at January 1, 2011 (the Corporation's date of transition).

In preparing its opening IFRS statement of financial position, the Corporation has adjusted amounts reported previously in financial statements prepared in accordance with Canadian GAAP. An explanation of how the transition from Canadian GAAP to IFRS has affected the Corporation's financial position, financial performance, and cash flows is set out in the following tables and the notes that accompany the tables.

IFRS 1 Exemptions

IFRS 1 sets out the procedures that the Corporation must follow when it adopts IFRS for the first time as the basis for preparing its financial statements. The Corporation is required to establish its IFRS accounting policies as at December 31, 2012 and, in general, apply these retrospectively to determine the IFRS opening statement of financial position at its date of transition, January 1, 2011. This standard provides a number of mandatory and optional exemptions to this general principle. These are set out below, together with a description in each case of the exemption adopted by the Corporation.

Business combinations

IFRS 1 provides an optional exemption whereby a first-time adopter may elect not to apply IFRS 3 *Business Combinations* retrospectively to business combinations that occurred prior to the date of transition. The Corporation has elected this exemption and did not restate business combinations that occurred prior to the date of transition.

Deemed cost

IFRS 1 provides an optional exemption for a first-time adopter with rate-regulated activities to use the carrying amount of PP&E and intangible assets as deemed cost on transition date when the carrying amount includes costs that do not qualify for capitalization in accordance with IFRS. The carrying amount used as deemed cost is $336,771. The Corporation elected this exemption and used the carrying amount of the PP&E and intangible assets under Canadian GAAP as deemed cost on transition date.

23. EXPLANATION OF TRANSITION TO IFRS (Continued)

Deemed cost (Continued)

If an entity applies this exemption, at the date of transition to IFRS, it shall test for impairment each item for which this exemption is used. The items for which the deemed cost exemption was elected are part of the Corporation's rate-regulated CGU. As described in note 8, the rate-regulated CGU was tested for impairment at the date of transition and it was determined that the CGU was not impaired.

Employee Benefits

IFRS 1 provides the option to recognize all cumulative gains and losses at the date of transition. The Company has elected to recognize all cumulative actuarial gains and losses that existed at its date of transition for its employee benefit plan directly in retained earnings. Furthermore the Corporation has elected to disclose the history of experience gains (losses) related to plan assets and plan liabilities for accounting periods prospective from the transition date in accordance with this exemption.

23. EXPLANATION OF TRANSITION TO IFRS (Continued)

Reconciliation of statement of financial position and statement of changes in equity

	Note	Canadian GAAP	Presentation differences	Measurement and recognition differences	IFRS
January 1, 2011					
Assets					
Cash and cash equivalents		9,677			9,677
Accounts receivable		88,330			88,330
Inventory		6,042			6,042
Other expenses		2,244			2,244
Total current assets		106,293			106,293
PP&E	*a*	332,327			332,327
Intangible assets		4,444			4,444
Goodwill		18,923			18,923
Deferred PILs	*f,h,i*	10,794		3,036	13,830
Total non-current assets		366,488		3,036	369,524
Total assets		472,781		3,036	475,817
Liabilities					
Accounts payable and accrued liabilities		56,920			56,920
Accounts payable to corporations under common control		12,789			12,789
Current portion of long term borrowing		-			-
Credit support for service delivery		20,008			20,008
Total current liabilities		89,717			89,717
Long term borrowings		156,000			156,000
Employee future benefits	*j*	16,670		2,118	18,788
Net regulatory liabilities	*f*	28,439		(28,439)	-
Deferred revenue	*d*				
Total non-current liabilities		201,109		(26,321)	174,788
Total liabilities		290,826		(26,321)	264,505
Shareholder's equity					
Share capital		123,593			123,593
Contributed surplus		15,218			15,218
Retained earnings	*f,h,I,j*	43,144		29,357	72,501
Total Shareholder's equity		181,955		29,357	211,312
Total liabilities and Shareholder's equity		472,781		3,036	475,817

23. EXPLANATION OF TRANSITION TO IFRS (Continued)

Reconciliation of statement of financial position and statement of changes in equity

	Note	Canadian GAAP	Presentation differences	Measurement and recognition differences	IFRS
December 31, 2011					
Assets					
Cash and cash equivalents		8,159			8,159
Accounts receivable		92,593			92,593
Inventory		6,256			6,256
Other expense		1,763			1,763
Total current assets		108,771			108,771
PP&E	*a,b,c,d,*	343,342	4,570	700	348,612
Intangible assets		3,699			3,699
Goodwill		18,923			18,923
Deferred PILs	*f,h,i*	12,278		3,871	16,149
Total non-current assets		378,242	4,570	4,571	387,383
Total assets		487,013	4,570	4,571	496,154
Liabilities					
Accounts payable and accrued liabilities		56,873			56,873
Accounts payable to corporations under common control		15,161			15,161
Current portion of long term borrowings		116,000			116,000
Credit support for service delivery		24,269			24,269
Total current liabilities		212,303			212,303
Long term borrowings		40,000			40,000
Employee future benefits	*j*	16,999		4,667	21,666
Net regulatory liabilities	*f, g*	26,699		(26,699)	-
Deferred revenue	*d*		4,570	(55)	4,515
Total non-current liabilities		83,698	4,570	(22,087)	66,181
Total liabilities		296,001	4,570	(22,087)	278,484
Shareholder's equity					
Share capital		123,593			123,593
Contributed surplus		15,218			15,218
Retained earnings	*f,i,j*	52,201		28,614	80,815
Accumulated other comprehens income	*f*	-		(1,956)	(1,956)
Total Shareholder's equity		191,012		26,658	217,670
Total liabilities and Shareholder's equity		487,013	4,570	4,571	496,154

23. EXPLANATION OF TRANSITION TO IFRS (Continued)

Reconciliation of profit for 2011

	Note	Canadian GAAP	Presentation differences	Measurement and recognition differences	IFRS
Sale of energy	*g*	-	423,646	4,686	428,332
Distribution revenue	*g*	99,749		(4,941)	94,808
Other income from operations	*d, g*	10,875		(2,221)	8,654
Total revenues		110,624	423,646	(2,476)	531,794
Cost of power purchased	*g*		423,646		423,646
Operating expenses	*b, g,j*	48,108		9,990	58,098
Depreciation and amortization	*b,*	28,371		(11,602)	16,769
		76,479	423,646	(1,612)	498,513
Income from operating activities		34,145	-	(864)	33,281
Loss on disposal of property, plant and equipment	*e*	(82)		(1,562)	(1,644)
Finance income		82			82
Finance charges	*g*	(10,962)		216	(10,746)
Income before payments in lieu of income taxes		23,183		(2,210)	20,973
Payments in lieu of income taxes	*f, h*	(6,670)		1,467	(5,203)
Net income		16,513		(743)	15,770
Other comprehensive income adjustments, net of tax					
Actuarial loss on employee future benefits		-		(1,956)	(1,956)
Other comprehensive income		-		(1,956)	(1,956)
Total net comprehensive income		16,513		(2,699)	13,814

23. EXPLANATION OF TRANSITION TO IFRS (Continued)

Notes to the reconciliations

The impact on deferred tax of the adjustments described below is set out in note (h).

(a) The Corporation has elected under IFRS 1 to use the carrying value of items of PP&E and intangible assets as the deemed cost at the date of transition. Therefore, there has been no change to the net PP&E and intangible assets at January 1, 2011. The effect of this transitional adjustment is a decrease to the original cost and accumulated depreciation of the affected PP&E and intangible assets by $280,714 and $8,339, respectively, the Canadian GAAP accumulated depreciation amount, on January 1, 2011.

(b) In accordance with IFRS, the Corporation has revised its accounting policy to address the component accounting requirements for PP&E. The standard requires more rigorous accounting for significant components of PP&E than is required under Canadian GAAP.

As part of the componentization exercise, the useful lives of the various components were determined and the amortization has been recorded from January 1, 2011 using the new useful lives. This had the effect of increasing PP&E by $11,602 at December 31, 2011, and decreasing depreciation expense by $11,602 for the year ended December 31, 2011.

In accordance with IFRS, the Corporation has revised it accounting policy to address the general and administrative overheads that were capitalized under Canadian GAAP.

Costs included in overhead capitalized were reviewed and general and administrative costs were removed from the capitalized costs. This had the effect of decreasing PP&E by $9,340 at December 31, 2011 and increasing operating expenses by $9,340 for the year ended December 31, 2011.

(c) IFRS requires that borrowing costs related to the construction of qualifying assets be capitalized. The Corporation has applied IAS 23 to all qualifying assets that were in progress or commenced since January 1, 2011. No qualifying assets were identified and therefore no borrowing costs were capitalized at the year ending December 31, 2011.

23. EXPLANATION OF TRANSITION TO IFRS (Continued)

(d) Under Canadian GAAP, capital contributions were netted against the cost of PP&E and amortized to net income as an offset to depreciation expense, on the same basis as the related assets. Under IFRS, capital contributions are recognized initially as credit support for service delivery until the related asset is constructed, at which time the capital contributions are recognized as deferred revenue and amortized into net income over the life of the related asset.

There is no impact at January 1, 2011 as the deemed cost exemption is used (see (a)). At December 31, 2011, the effect is to increase PP&E by $4,570, increase deferred revenue by $4,570 and increase other revenue by $55 for the year ended December 31, 2011.

(e) Under Canadian GAAP for rate regulated entities, the Corporation removed assets from the accounts at the end of their estimated useful lives. IFRS requires assets to be removed from the accounts when they have been removed from service.

The effect is to decrease PP&E by $1,562 at December 31, 2011, and to increase loss on disposal of PP&E by $1,562 for the year ended December 31, 2011.

(f) The Corporation has derecognized all rate-regulated assets and liabilities that did not qualify for recognition under IFRS.

The effect of this adjustment was to decrease total liabilities by $28,439 on January 1, 2011 and $26,699 on December 31, 2011. The offset of these adjustments was to increase retained earnings by $19,941 and decrease deferred payments in lieu of income taxes by $4,532 at January 1, 2011 and to decrease other comprehensive income by $1,956 for the year ended December 31, 2011.

(g) Revenue and expense

As described in (f) above, the Corporation derecognized all rate-regulated assets and liabilities that did not qualify for recognition under IFRS.

The effect of this was to increase sale of energy and cost of power purchased by $423,646, decrease other income by $2,221 and finance expense by $216 and increase operating expenses by $693 for the year ended December 31, 2011.

23. EXPLANATION OF TRANSITION TO IFRS (Continued)

(h) The above changes increased (decreased) the deferred tax asset as follows based on a tax rate of 26.5% per cent:

	Note	2011	January 1, 2011
Property, plant and equipment	(b) (e)	508	-
Employee benefits	(j)	644	-
Regulatory assets and liabilities	(f)	(4,849)	(4,532)
Valuation allowance	(i)	7,568	7,568
Increase (decrease) in deferred tax asset		3,871	3,036

The effect on the statement of comprehensive income for the year ended December 31, 2011 was to decrease the previously reported payments in lieu of income taxes for the year by $1,467 for the year ended December 31, 2011.

(i) IFRS requires an assessment of the probability that unrecognised deferred tax assets will be recovered and if it is probable the asset is recognized. The effect of this was to increase deferred payments in lieu of income taxes by $7,568 at January 1, 2011.

(j) The Corporation adopted the revised Employee Benefits standard effective January 1, 2011. This revised standard requires recognition of actuarial gains and losses through other comprehensive income. This increased employee future benefits and retained earnings by $2,118 at January 1, 2011 and decreased operating expenses by $43 and increased employee future benefits by $2,551 at December 31, 2011.

Explanation of material adjustments to the statement of cash flows for 2011

There are no material differences between the statement of cash flows presented under IFRSs and the statement of cash flows presented under Canadian GAAP.

APPENDIX 1-10.3: 2013 AUDITED FINANCIAL STATEMENTS

Horizon Utilities Corporation
Auditors' Report to the Shareholders
and Consolidated Financial Statements
Year Ended December 31, 2013 and
December 31, 2012

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INDEPENDENT AUDITORS' REPORT

To the Shareholder of Horizon Utilities Corporation

We have audited the accompanying consolidated financial statements of Horizon Utilities Corporation, which comprise the consolidated statement of financial position as at December 31, 2013, the consolidated statements of income and comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Horizon Utilities Corporation as at December 31, 2013 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada

February 27, 2014

Horizon Utilities Corporation
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Horizon Utilities Corporation
Consolidated Statement of Financial Position

As at December 31, 2013

(stated in thousands of Canadian dollars)

	Note	2013	2012
Assets			
Current assets			
Cash and cash equivalents	4	23,424	39,937
Accounts receivable		96,492	93,493
Accounts receivable from corporations under common control		282	346
Inventory	5	6,261	5,613
Other assets		5,991	2,795
		132,450	142,184
Non-current assets			
Property, plant and equipment	6	400,361	376,005
Intangible assets	7	15,367	12,858
Goodwill	8	18,923	18,923
Deferred payments in lieu of income taxes	9	13,946	16,276
		448,597	424,062
Total assets		581,047	566,246
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		61,632	56,238
Accounts payable to corporations under common control		14,931	13,365
Current portion of long term borrowings	11	255	255
Credit support for service delivery	10	20,967	22,264
Reimbursements from Ontario Power Authority		3,672	4,376
		101,457	96,498
Non-current liabilities			
Long term borrowings	11	189,558	189,764
Obligation under capital cost recovery agreements	12	10,000	10,000
Employee future benefits	13	22,550	23,859
Deferred revenue		19,920	13,742
		242,028	237,365
Total liabilities		343,485	333,863
Shareholder's equity			
Share capital	15	123,593	123,593
Contributed surplus		15,218	15,218
Accumulated other comprehensive loss		(2,030)	(3,327)
Retained earnings		100,781	96,899
Total shareholder's equity		237,562	232,383
Total liabilities and shareholder's equity		581,047	566,246

The accompanying notes are an integral part of these consolidated financial statements.

On behalf of the Board:

Director

Director

Horizon Utilities Corporation
Consolidated Statement of Income and Comprehensive Income

For the year ended December 31, 2013

(stated in thousands of Canadian dollars)

	Note	2013	2012
Sale of energy		491,204	462,593
Distribution revenue	16	102,269	97,185
Other income from operations	17	11,168	10,800
Total revenues		604,641	570,578
Expenses:			
Cost of power purchased		492,006	452,389
Operating expenses		60,225	56,351
Depreciation and amortization		20,221	18,545
		572,452	527,285
Income from operating activities		32,189	43,293
Loss on disposal of property, plant and equipment		(1,707)	(1,442)
Finance income	18	374	279
Finance charges	18	(6,959)	(8,959)
Income before payments in lieu of income taxes		23,897	33,171
Provision for payments in lieu of income taxes	9	6,459	7,169
Net income		17,438	26,002
Items that will not be reclassified to net income, net of tax			
Actuarial gain (loss) on employee future benefits	13	1,297	(1,371)
Other comprehensive income (loss), net of tax		1,297	(1,371)
Total comprehensive income		18,735	24,631

The accompanying notes are an integral part of these consolidated financial statements.

Horizon Utilities Corporation
Consolidated Statement of Changes in Equity

For the year ended December 31, 2013

(stated in thousands of Canadian dollars)

	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total
Balance at January 1, 2013	123,593	15,218	96,899	(3,327)	232,383
Net income	-	-	17,438	-	17,438
Other comprehensive income	-	-	-	1,297	1,297
Dividends	-	-	(13,556)	-	(13,556)
Balance at December 31, 2013	123,593	15,218	100,781	(2,030)	237,562
Balance at January 1, 2012	123,593	15,218	80,815	(1,956)	217,670
Net income	-	-	26,002	-	26,002
Other comprehensive loss	-	-	-	(1,371)	(1,371)
Dividends	-	-	(9,918)	-	(9,918)
Balance at December 31, 2012	123,593	15,218	96,899	(3,327)	232,383

The accompanying notes are an integral part of these consolidated financial statements.

Horizon Utilities Corporation
Consolidated Statement of Cash Flows

For the year ended December 31, 2013

(stated in thousands of Canadian dollars)

	Note	2013	2012
OPERATING ACTIVITIES			
Net income		17,438	26,002
Adjustments to reconcile net income to cash provided by (used in) operations:			
Depreciation and amortization	6,7	20,221	18,545
Loss on disposal of property, plant and equipment		1,707	1,442
Provisions for payments in lieu of income taxes expense		4,596	6,830
Finance income		(374)	(279)
Finance charges		6,959	8,959
Deferred payment in lieu of income taxes expense	9	1,863	339
Amortization of deferred revenue		(428)	(234)
Change in employee future benefits		(12)	822
Change in other assets and liabilities	19	3,108	(1,763)
		55,078	60,663
Finance charges paid		(7,023)	(9,063)
Finance charges received		350	321
Payments in lieu of income taxes paid		(6,896)	(9,283)
Cash from operating activities		41,509	42,638
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment and intangible assets		(49,312)	(56,973)
Proceeds from sale of property, plant and equipment		519	434
Cash used in investing activities		(48,793)	(56,539)
FINANCING ACTIVITIES			
(Reductions of) proceeds from credit support for service delivery		(1,297)	1,381
(Reductions of) reimbursements from Ontario Power Authority		(704)	990
Proceeds from deferred revenue		6,606	9,462
Proceeds from long term borrowings		-	149,764
Finance lease payments		(278)	-
Repayment of long term borrowings		-	(116,000)
Obligations under capital cost recovery agreements		-	10,000
Dividends paid		(13,556)	(9,918)
Cash (used in) from financing activities		(9,229)	45,679
(Decrease) increase in cash and cash equivalents		(16,513)	31,778
Cash and cash equivalents, beginning of year		39,937	8,159
Cash and cash equivalents, end of year		23,424	39,937

The accompanying notes are an integral part of these consolidated financial statements.

Horizon Utilities Corporation
Notes to the Consolidated Financial Statements

For the year ended December 31, 2013

(stated in thousands of Canadian dollars)

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1. REPORTING ENTITY

Horizon Utilities Corporation (the "Corporation") is one of Ontario's largest municipally owned electricity distribution companies, delivering electricity and related utility services to more than 240,000 residential and commercial customers in Hamilton and St. Catharines. The address of the Corporation's registered office is 55 John Street North, Hamilton, Ontario, Canada.

The Corporation also has a 99.99% ownership interest in Solar Sunbelt General Partnership ("Solar Sunbelt GP"), which has been established to undertake a solar generation business. The Corporation is also the managing partner of Solar Sunbelt GP.

The Corporation is 100% owned by Horizon Holdings Inc. ("HHI"). HHI is 78.9% owned by Hamilton Utilities Corporation ("HUC") and 21.1% owned by St. Catharines Hydro Inc. ("SCHI").

2. BASIS OF PREPARATION

a) Statement of compliance

The Corporation's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

b) Approval of the financial statements

The financial statements were approved by the Board of Directors on February 27, 2014.

c) Basis of measurement

The financial statements have been prepared on the historical cost basis.

d) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Corporation's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand.

e) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses, and disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty in applying accounting policies that have the most significant effect on the amounts recognized in these financial statements is included in the following notes:

i) Note 6 – Property, plant and equipment

ii) Note 8 – Goodwill: impairment testing

iii) Note 13 – Employee future benefits: measurement of the defined benefit obligation

iv) Note 22 – Commitments and Contingencies

2. BASIS OF PREPARATION (Continued)

f) Regulation

The Corporation is regulated by the Ontario Energy Board ("OEB"). In its capacity to approve or set rates, the OEB has the authority to specify regulatory accounting treatments that differ from IFRS. The OEB's regulatory accounting treatments require the recognition of regulatory assets and liabilities which do not meet the definition of an asset or liability under IFRS and as a result these regulatory assets and liabilities have not been recorded in these IFRS financial statements.

The *Ontario Energy Board Act, 1998 (Ontario)* ("OEBA") conferred on the OEB powers and responsibilities to regulate the electricity industry in Ontario. These powers and responsibilities include approving or fixing rates for the transmission and distribution of electricity, providing continued rate protection for rural and remote residential electricity consumers, and ensuring that distribution companies fulfill obligations to connect and service customers. The OEB may also prescribe license requirements and conditions of service to local distribution companies ("LDCs"), such as the Corporation, which may include, among other things, record keeping, regulatory accounting principles, separation of accounts for distinct business, and filing and process requirements for rate setting purposes.

Rate setting

The electricity distribution rates and other regulated charges of the Corporation are determined in a manner that provides shareholders with opportunity to earn a regulated Maximum Allowable Return on Equity ('MARE") on the amount of shareholder's equity supporting the business of electricity distribution, which is also determined by regulation.

Rate Applications

The OEB regulates the electricity distribution rates charged by LDCs, such as Horizon Utilities, using a combination of annual incentive regulation mechanism ("IRM") adjustments and periodic cost of service reviews. Both such adjustments and reviews are based on applications made by LDCs to the OEB. Previously, the ratemaking policy of the OEB required a cost of service review every four years, which would then be followed by three successive years of IRM adjustments. On October 18, 2012, the OEB issued its Report of the Board – A Renewed Regulatory Framework for Electricity Distributors: A Performance-Based Approach ("RRFE") which set out, among other things, a renewed regulatory framework. LDCs will be permitted to choose from three rate-setting methods: 4th Generation Incentive Rate-setting ("4GIRM"), Custom Incentive Rate-setting, or Annual Incentive Rate-setting Index. The report is further elaborated below.

Annual IRM adjustments to LDC rates are principally formulaic in nature and, under the 3rd Generation Incentive Rate-setting mechanism of the OEB ("3GIRM"), were based on an inflationary factor determined with reference to the annual change in the Gross Domestic Product Inflationary Price Index for Final Domestic Demand ("GDP IPI-FDD") net of a productivity factor and a "Stretch Factor" determined by the relative efficiency of an LDC.

On November 21, 2013, the OEB issued its Report of the Board on Rate Setting Parameters and Benchmarking under the Renewed Regulatory Framework in support of incentive rate setting in Ontario effective for 2014. Annual IRM adjustments under 4GIRM are similar in structure to 3GIRM comprising an inflationary factor net of a productivity and stretch factor. However, the inflationary factor under 4GIRM is computed as 70% of a non-labour sub-index comprised of the GDP IPI-FDD and a labour sub-index of 30% of the average weekly earnings for workers in Ontario.

2. BASIS OF PREPARATION (Continued)

f) Regulation (Continued)

Rate Applications (Continued)

The rate adjustment resulting from a cost of service review is normally based on forecast test year data, including the amount of operating and capital expenditures, debt and shareholder's equity required to support an LDC's business. The aggregate amount of debt and equity upon which an LDC may recover interest charges and MARE is equal to the "rate base" of an LDC, which is determined as the aggregate of its Property, Plant and Equipment in support of regulated electricity distribution activities and a working capital allowance. The proportion of debt and equity upon which an LDC may recover interest and MARE is generally 60% and 40%, respectively.

On December 22, 2011, the OEB approved an electricity distribution IRM rate adjustment for the Corporation of 0.58%, effective January 1, 2012 to December 31, 2012. As part of its decision, the OEB also approved the recovery of $1,609 of lost revenue related to the Corporation's Conservation and Demand Management ("CDM") programs. Such recoveries proceed through the regulated Lost Revenue Adjustment Mechanism ("LRAM") and relate to activities for the years 2009 and 2010. The LRAM was recovered through a rate rider for the period commencing January 1, 2012 through December 31, 2012.

On December 18, 2012, the OEB approved an electricity distribution IRM rate adjustment for the Corporation of 1.08%, effective January 1, 2013 to December 31, 2013. The OEB also approved the disposition of an aggregate net regulatory liabilities balance to customers of $4,970 over a one year period.

On December 5, 2013, the OEB approved an electricity distribution rate adjustment for the Corporation of 1.55%, effective January 1, 2014 to December 31, 2014. The OEB also approved the disposition of an aggregate net regulatory liabilities balance to customers of $10,400 over a one year period.

2. BASIS OF PREPARATION (Continued)

f) Regulation (Continued)

Select Energy Policies and Regulation Affecting the Corporation

Smart Meter Initiative and Time of Use Electricity Distribution Rates

The Province of Ontario committed to have "Smart Meter" electricity meters installed in all homes and small businesses throughout Ontario by the end of 2010. Smart Meters permit consumption to be recorded within specific time intervals and specific tariffs to be levied within such intervals (Time of Use or "TOU" rates). The OEB required that TOU rates be implemented for all residential and small commercial electricity distribution customers of the Corporation by June 2011.

In support of this initiative, the Corporation has substantially completed its deployment of Smart Meters to all residential and small commercial customers with 233,700 Smart Meter installations as at December 31, 2013, or approximately 99% of its residential and small commercial customers.

The Corporation's Smart Meter capital expenditures and related operating expenses have previously been recovered through a Utility-Specific Smart Meter Funding Adder ("SMFA") in accordance with the Smart Meter Funding and Cost Recovery Guideline of the OEB.

In December 2011, the OEB issued its "Guideline for Smart Meter Funding and Cost Recovery Final Disposition," which set out the OEB's filing requirements in relation to the financing and recovery of costs associated with smart meter activities undertaken by LDCs.

On December 13, 2011, Horizon Utilities submitted its Smart Meter Prudence Application ("SMPA") to the OEB seeking a review for prudency of the Smart Meter related capital and operating costs for the period 2006 to 2011. The prudency review included an examination of the scope of Smart Meter expenditures incurred as well as the procurement, installation, and management of Smart Meters relative to the OEB's guidelines for such.

Horizon Utilities sought two rate riders within its SMPA, as follows:

a) a Smart Meter Disposition Rider ("SMDR") to recover the variance between i) the unrecovered portion of Smart Meter revenue that Horizon Utilities should have recovered for the years 2006 through April 30, 2012 for Smart Meter installations through to December 31, 2011, and ii) SMFA forecasted to be recovered to April 30, 2012; and

b) a Smart Meter Incremental Revenue Requirement Rider ("SMIRR"), which is calculated as a proxy for the incremental change in the distribution rates had Smart Meters been incorporated into the revenue requirement calculation at the time of Horizon Utilities' last Cost of Service application.

The application was approved substantially as filed. In its decision on Horizon Utilities' SMPA, the OEB accepted that Horizon Utilities had not yet fully completed its smart meter deployment. The OEB has authorized Horizon Utilities to continue to record capital costs for the installation of its remaining smart meters for the period from January 1, 2012 to December 31, 2014. Horizon Utilities will seek disposition of smart meter related balances at the time of its next Cost of Service application, expected to be filed in April 2014, for new electricity distribution rates effective January 1, 2015.

2. BASIS OF PREPARATION (Continued)

f) Regulation (Continued)

Select Energy Policies and Regulation Affecting the Corporation (Continued)

Green Energy Act

In 2009, the government enacted the *Green Energy Act ("GEA").* This legislation made fundamental changes to the roles and responsibilities of LDCs in the areas of renewable power generation, the delivery of CDM, and the development of smart distribution grids.

The GEA provides LDCs with the freedom to own and operate a portfolio of renewable power generation and will permit them to provide district heating services in their communities through co-generation. LDCs will also bear added responsibilities to assist and enable consumers to reduce their peak demand and conserve energy in an effort to meet provincial conservation targets. LDCs will also gain new responsibilities in transforming their local distribution networks into smart grids harnessing advanced technologies to facilitate the connection of small-scale generators and the two-way flow of information.

New LDC License Requirements – Conservation and Demand Management Targets

On November 12, 2010, the OEB amended LDC licenses to include requirements for achieving certain CDM targets over a four-year period commencing January 1, 2011. The Corporation's CDM targets include a demand reduction target of 60.36 megawatts ("MW") and a consumption reduction target of 281.42 gigawatt-hours ("GWh"). LDCs must also comply with a CDM Code of the OEB, which provides LDC requirements for the development and delivery of CDM Strategy to the OEB for the achievement of LDC-specific CDM targets, annual accounting and reporting to the OEB and eligibility criteria for performance incentive payments. The Corporation filed its CDM Strategy with the OEB in September 2011 and has since filed CDM Annual Reports on an annual basis.

RRFE

As identified above, on October 18, 2012, the OEB issued its RRFE report.

The RRFE provides a longer term view for electricity distribution based on an objective of alignment between a sustainable, financially viable sector and the expectations of customers for reliable service. The RRFE Report provides a comprehensive performance–based approach to regulation that is based on the achievement of outcomes.

The RRFE Report identifies three main policies within the RRFE: rate-setting; planning; and measuring performance.

The RRFE report asserts that the three alternative rate-setting methods available to LDCs, as identified above, will enhance the predictability necessary to facilitate planning and decision-making by customers and distributors; better align rate-setting with distributor planning horizons; facilitate the cost-effective and efficient implementation of distributor multi-year plans that have been developed to achieve the outcomes for customer service and cost performance; and help to manage the pace of the rate of investments. It is the intention of the OEB that all three rate setting methods and related policies from the RRFE Report will be available for those distributors filing for a cost of service review effective on or after May 1, 2014.

2. BASIS OF PREPARATION (Continued)

f) Regulation (Continued)

Select Energy Policies and Regulation Affecting the Corporation (Continued)

4th Generation Incentive Rate-setting

This method is similar to the current IRM rate-setting process. The most significant difference is that the term of annual incentive rate ("IR") adjustments between cost of service reviews is four years; representing an additional year relative to 3GIRM.

Custom IR-setting

Custom IR-setting permits LDCs to base their rates on a five-year forecast of revenue requirement and forecast electricity load, with expected inflationary and productivity-based estimates included as components of resulting rate adjustments. The process for approving LDC costs and determination of rate recovery will be examined by the OEB on a case-by-case basis. The OEB also indicates that it expects that a distributor applying under this method would not seek early termination from the Custom IR (with the exception of a circumstance where the return on equity of an LDC in a given year is either higher or lower than its approved MARE by 300 basis points). This method of rate setting will be suitable for distributors with large multi-year or highly variable capital investment.

LDCs operating under Custom IR will not be able to use certain traditional elements of IRM; such as the Incremental Capital Module ("ICM") which, under IRM, permits an LDC to seek recovery of material incremental capital expenditures not reasonably foreseen at its most recent cost of service review. The OEB expects LDCs operating under Custom IR-setting to manage within their Board-determined multi-year rates. Planned capital expenditures will be a central element of the Custom IR application and subjected to thorough review during the rate setting process.

LDCs will be required to report annually on actual expenditures relative to plans articulated in the Custom IR application. The OEB may terminate an LDC's rate-setting method if actual expenditures vary significantly from the level approved by the OEB. A threshold variance has not been established in the RRFE Report. The LDC rate base will be adjusted when it commences its new rate-setting cycle.

Annual IR-setting Index

The Annual IR-setting Index will adjust rates by a price cap index formula and there will be no fixed term. This model allows LDCs to avoid cost of service reviews. The OEB believes the Annual IR-setting Index will be appropriate for LDCs operating with relatively stable investment levels. However, the productivity factor will be the same as the highest set for 4th Generation IR. There will be no ICM in the Annual IR Index.

Smart Meter Entity Charge

On March 28, 2013, the OEB issued its decision in the application made by the Independent Electricity System Operator ("IESO") for the recovery of costs related to the establishment of the Smart Meter Entity ("SME") which supports the exchange, measurement and verification of Smart Meter data in Ontario. The OEB approved a SME charge of $0.79 per month for the Residential and General Service < 50 kW customers effective May 1, 2013 to October 31, 2018.

2. BASIS OF PREPARATION (Continued)

f) Regulation (Continued)

Other Matters

The continuing restructuring of Ontario's electricity industry and other regulatory developments, including current and possible future consultations between the OEB and interested stakeholders, may affect future electricity distribution rates and other permitted regulatory recoveries of the Corporation.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements.

a) Basis of consolidation

These consolidated financial statements include the accounts of Horizon Utilities Corporation and its 99.99% investment in Solar Sunbelt GP.

Subsidiaries are entities controlled by the Corporation. The Corporation controls an entity when it has power over, exposure or rights to, investee variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the investor's returns. The financial statements of the subsidiaries are included in these consolidated financial statements from the date on which control commences until the date of which control ceases.

When the Corporation ceases to have control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any other components of equity. Any resulting gain or loss is recognized in income. Any interest retained in the former subsidiary is measured at fair value when control is lost.

All significant inter-company accounts and transactions have been eliminated.

b) Financial instruments

All financial assets are classified as loans and receivables and all financial liabilities are classified as other liabilities.

These financial instruments are recognized initially at fair value plus any directly attributable transaction costs. Subsequently, they are measured at amortized cost using the effective interest method less any impairment for the financial assets as described in note 3(g).

The Corporation does not enter into derivative instruments. Hedge accounting has not been used in the preparation of these financial statements.

c) Inventory

Inventory, comprising material and supplies, the majority of which is consumed by the Corporation in the provision of its services, is measured at the lower of cost and net realizable value. The cost of inventory is determined on a weighted average basis and includes expenditures incurred in acquiring the material and supplies and other costs incurred in bringing them to their existing location and condition.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Property, plant and equipment

Property, plant and equipment ("PP&E") are measured at historical cost or deemed cost, less accumulated depreciation and accumulated impairment losses, if any. Where an item is transferred from customers, it is measured at fair value at the time of transfer, less accumulated depreciation.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes contracted services, materials and transportation, direct labour, directly attributable overhead costs, borrowing costs and any other costs directly attributable to bringing the asset to a working condition for its intended use.

Borrowing costs on qualifying assets are capitalized as part of the cost of the asset using the weighted average cost of debt incurred on the Corporation's external borrowings. Qualifying assets are considered to be those that take a substantial period of time to construct.

In circumstances where parts of an item of PP&E have different useful lives, such are accounted for as separate items (major components) of PP&E.

Major spare parts and standby equipment are recognized as items of PP&E.

The cost of replacing part of an item of PP&E is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Corporation and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of PP&E are recognized in net income as incurred.

Depreciation is recognized in net income on a straight-line basis over the estimated useful life of each part or component of an item of PP&E.

Land is not depreciated.

Construction in progress assets are not amortized until the project is complete and available for use.

The estimated useful lives for the current and comparative years are as follows:

Buildings	30 - 40 years
Distribution System Equipment	15 - 70 years
Other PP&E	5 - 25 years
Leasehold Improvements	5 years

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Corporation will obtain ownership by the end of the lease term.

Other PP&E includes vehicles and office and computer equipment.

Gains and losses on disposal of an item of PP&E are recognized in income and determined by the difference between proceeds from disposal and the carrying amount of PP&E.

Depreciation methods, useful lives and residual values, if any, are reviewed at each reporting date and adjusted prospectively.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Intangible assets

Intangible assets include computer software and capital contributions paid under capital cost recovery agreements.

Computer software is measured at historical cost or deemed cost less accumulated amortization. All other computer software that is acquired or developed by the Corporation, including software that is not integral to the functionality of equipment purchased, which has finite useful lives, is measured at cost less accumulated amortization.

Amortization is recognized in net income on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use. The estimated useful lives of intangible assets are as follows:

Computer software	3 years
Capital contributions under capital cost recovery agreements	40 years

Amortization methods and useful lives of all intangible assets are reviewed at each reporting date and adjusted prospectively.

f) Goodwill

Goodwill is measured at cost and is not amortized.

g) Impairment

i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Interest on the impaired assets continues to be recognized through the unwinding of the discount.

All impairment losses are recognized in net income. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in net income.

ii) Non-financial assets

The carrying amounts of the Corporation's non-financial assets, other than inventory and deferred payments in lieu of income tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment.

If any such indication exists, then the recoverable amount of the asset is estimated. The recoverable amount of goodwill is estimated as at December 31.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Impairment (Continued)

ii) Non-financial assets (Continued)

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use and, further, that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in net income.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

h) Provisions

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

i) Employee future benefits

i) Pension plan

The Corporation provides a pension plan for all its full-time employees through Ontario Municipal Employees Retirement System (OMERS). OMERS is a multi-employer pension plan which operates as the Ontario Municipal Employees Retirement Fund (“the Fund”) and provides pensions for employees of Ontario municipalities, local boards, public utilities and school boards. The Fund is a contributory defined benefit pension plan, which is financed by equal contributions from participating employers and employees, and by the investment earnings of the Fund.

OMERS is a defined benefit plan. However, as OMERS does not segregate its pension asset and liability information by individual employers, there is insufficient information available to enable the Corporation to directly account for the plan. Consequently, the plan has been accounted for as a defined contribution plan. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in net income when they are due.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Employee future benefits (Continued)

ii) Other than pension

The Corporation provides its retired employees with life insurance and medical benefits beyond those provided by government sponsored plans. These benefits are provided through a group defined benefit plan. The Corporation is the legal sponsor of the Plan. There is a policy in place to allocate the net defined benefit cost to the entities participating in the group plan. The allocation is based on the obligation attributable to the plan participants. The Corporation has reflected its share of the defined benefit costs and related liabilities, as calculated by the actuary, in these financial statements.

The Corporation's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs are deducted. The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The cost of these benefits is expensed as earned by employees through employment service. The accrued benefit obligations and the current service costs are actuarially determined by applying the projected unit credit method and reflect management's best estimate of certain underlying assumptions. Actuarial gains and losses arising from defined benefit plans are recognised immediately in other comprehensive income and reported in retained earnings. When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in net income on a straight-line basis over the average period until the benefits become vested. In circumstances where the benefits vest immediately, the expense is recognized immediately in net income.

j) Credit support for service delivery

Credit support for service delivery represents cash deposits from electricity distribution customers as well as construction deposits.

Deposits from electricity distribution customers are applied against any unpaid portion of individual customer accounts. Customer deposits in excess of unpaid account balances are refundable to individual customers upon termination of their electricity distribution service. Customer deposits are also refundable to residential electricity distribution customers demonstrating an acceptable level of credit risk, as determined by the Corporation.

Certain customers and developers are required to contribute towards the capital cost of construction in order to provide ongoing service. Cash contributions are initially recorded as credit support for service delivery; a current liability. Once the distribution system asset is completed or modified as outlined in the terms of the contract, the contribution amount is transferred to deferred revenue.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Deferred revenue and assets transferred from customers

Assets received as a capital contributions are initially recognized at fair value, with the corresponding value of capital contribution recognized as deferred revenue.

Deferred revenue represents the Corporation's obligation to continue to provide customers access to the supply of electricity, and is amortized to income on a straight-line basis over the terms of the agreement with the customer or the economic useful life of the acquired or contributed asset, which represents the period of ongoing service to the customer.

l) Revenue

The Corporation is licensed by the OEB to distribute electricity. As a licensed distributor, the Corporation is responsible for billing customers for electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties. The Corporation is required, pursuant to regulation, to remit such amounts to these third parties, irrespective of whether the Corporation ultimately collects these amounts from customers. The Corporation has determined that it is acting as a principal for electricity distribution and therefore has presented the electricity revenues on a gross basis.

Revenue attributable to the delivery of electricity is based upon OEB-approved distribution tariff rates and includes the amounts billed to customers for electricity, including the cost of electricity supplied, distribution charges, and any other regulatory charges. Revenue is recognized as electricity is delivered and consumed by customers. Electricity revenue is recorded on the basis of regular meter readings and estimates of customer usage since the last meter reading date to the end of the year. Revenue is measured at the fair value of the consideration received or receivable, net of sales tax.

Customer billings for debt retirement charges are recorded on a net basis as the Corporation is acting as an agent for this billing stream. The Corporation may file to recover uncollected debt retirement charges from Ontario Electricity Financial Corporation ("OEFC") once each year.

Performance incentive payments under CDM programs are recognized by the Corporation when there is reasonable assurance that the program conditions have been satisfied and the incentive payments will be received.

Water billing revenue is recorded net of the water revenue paid to the City of Hamilton and is recognized in the period the billing services are rendered.

All other revenues are recorded on a gross basis and are recognized when services are rendered.

m) Leased assets

Leases in terms of which the Corporation assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

All other leases are classified as operating leases and the leased assets are not recognized on the Corporation's balance sheet. Payments made under operating leases are recognized in net income on a straight-line basis over the term of the lease.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

n) Finance income and finance charges

Finance income is recognized as it accrues in net income and comprises interest earned on cash and cash equivalents.

Borrowing costs are calculated using the effective interest rate method and are recognized as an expense unless they are capitalized as part of the cost of qualifying assets. Finance charges comprise interest expense on borrowings, credit support for service delivery, interest and penalties on income tax payments, and letter of credit and standby fees.

o) Payments in lieu of income taxes

The Corporation is currently exempt from taxes under the Income Tax Act (Canada) and the Ontario Corporations Tax Act (collectively the "Tax Acts").

Pursuant to the *Electricity Act, 1998 (Ontario)* ("EA"), and as a consequence of its exemption from income taxes under the Tax Acts, the Corporation is required to make payments in lieu of income taxes ("PILs") to the OEFC. These payments are calculated in accordance with the Tax Acts. These amounts are applied to reduce certain debt obligations of the former Ontario Hydro continuing in OEFC.

PILs comprises current and deferred payments in lieu of income tax. PILs is recognized in income or loss except to the extent that it relates to items recognized directly in equity, in which case, it is recognized in equity.

Current PILs is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred PILs is recognized using the balance sheet method. Under this method, deferred PILs comprise the net tax effects of temporary differences between the tax basis of assets and liabilities and their respective carrying amounts for accounting purposes, as well as for tax losses available to be carried forward to future years that are likely to be realized. Deferred PILs assets and liabilities are measured using enacted or substantively enacted tax rates, at the reporting date, expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred PILs assets and liabilities of a change in tax rates is recognized in income in the year that includes the date of enactment or substantive enactment.

A deferred PILs asset is recognised to the extent that it is probable that future taxable income will be available against which the temporary difference can be utilized. Deferred PILs assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

p) Set-off and reporting on a net basis

Assets and liabilities and income and expenses are not offset and reported on a net basis unless required or permitted by IFRS. Offsetting is permitted for financial assets and financial liabilities when, and only when, the Corporation has a legally enforceable right to set-off and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

q) Adopted changes in accounting policies

The Corporation has adopted the following new and revised standards along with any consequential amendments effective January 1, 2013. These changes were made in accordance with the applicable transitional provisions.

Presentation of Financial Statements – Other Comprehensive Income

The International Accounting Standards Board ("IASB") issued an amendment to IAS 1, *Presentation of Financial Statements*, to improve the consistency and clarity of the presentation of items of other comprehensive income. A requirement has been added to present items in other comprehensive income in an aggregated manner on the basis of whether they will or will not be subsequently reclassified to earnings in order to more clearly show the effects the items of other comprehensive income may have on future earnings. The IAS 1 amendment is effective for annual periods beginning on or after July 1, 2012 and must be applied retrospectively. As a result of the adoption of the IAS 1 amendment, the Corporation has modified its presentation of other comprehensive income in the accompanying consolidated financial statements.

Consolidated Financial Statements

The IASB issued a new standard, IFRS 10, *Consolidated Financial Statements*, which establishes the principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 establishes control as a basis for consolidation and defines the principle of control. An investor controls an investee if the investor has power over, exposure or rights to, investee variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the investor's returns. IFRS 10 is effective for annual periods beginning on or after January 1, 2013 and must be applied retrospectively. The adoption of IFRS 10 did not have an impact on the Corporation's results of operations, financial position, and disclosures.

Joint Arrangements

The IASB issued a new standard, IFRS 11, *Joint Arrangements*, which establishes the principles for financial reporting by parties to a joint arrangement. The standard defines a joint arrangement as an arrangement where two or more parties have joint control; with joint control being defined as the contractually agreed sharing of control where decisions about relevant activities require unanimous consent of the parties sharing control. The standard classifies joint arrangements as joint operations or joint investments and the classification determines the accounting treatment. IFRS 11 is effective for annual periods beginning on or after January 1, 2013 and must be applied retrospectively. The adoption of IFRS 11 did not have an impact on the Corporation's results of operations, financial position, and disclosures.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

q) Adopted changes in accounting policies (Continued)

Disclosures of Interests in Other Entities

The IASB issued a new standard, IFRS 12, *Disclosure of Interests in Other Entities*, which integrates and provides consistent disclosure requirements for all interests in other entities such as subsidiaries, joint arrangements, associates and unconsolidated structured entities. IFRS 12 is effective for annual periods beginning on or after January 1, 2013 and must be applied retrospectively. The adoption of IFRS 12 did not have an impact on the Corporation's results of operations, financial position, and disclosures.

Fair Value Measurement

The IASB issued a new standard, IFRS 13, *Fair Value Measurement*, which provides a standard definition of fair value, sets out a framework for measuring fair value, and provides for specific disclosures about fair value measurements. IFRS 13 applies to all International Reporting Standards that require or permit fair value measurement or disclosures. IFRS 13 defines fair value as the price what would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. IFRS 13 is effective for annual periods beginning on or after January 1, 2013 and is to be applied prospectively. The Corporation determined that the adoption of IFRS 13 had no impact on its results of operations and financial position.

r) New standards and interpretations not yet adopted

The Corporation is still evaluating the adoption of the following new and revised standards along with any subsequent amendments.

Financial Instruments

The IASB issued a new standard, IFRS 9*, Financial Instruments*, which will replace IAS 39*, Financial Instruments: Recognition and Measurement*. The replacement of IAS 39 is a multi-phase project with the objective of improving and simplifying the reporting for financial instruments and the issuance of IFRS 9 is part of the first phase of this project. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods of IAS 39. The standard also adds guidance on the classification and measurement of financial liabilities. IFRS 9 is effective for annual periods beginning on or after January 1, 2015 and must be applied retrospectively. The Corporation is assessing the impact of IFRS 9 on its results of operations, financial position, and disclosures.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

r) New standards and interpretations not yet adopted (Continued)

Financial Instruments – Asset and Liability Offsetting

The IASB has issued an amendment to IAS 32, *Financial Instruments: Presentation*, which provides further guidance on the requirements for offsetting financial instruments. The amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014 and must be applied retrospectively. The Corporation is assessing the impact of the amendments to IAS 32 on its results of operations, financial position, and disclosures.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of overnight deposits in a Canadian chartered bank.

5. INVENTORY

During the fiscal year 2013, an amount of $55 (2012 - $97) was recorded as an expense for the write-down of obsolete or damaged inventory to net realizable value.

The amount of inventory consumed by the Corporation and recognized as an expense during 2013 was $460 (2012 - $507).

6. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Other distribution system equipment	Other PP&E	Construction work-in-progress	Total
Cost or deemed cost					
Balance at January 1, 2013	14,872	365,589	24,371	4,060	408,892
Additions	6,400	33,735	2,928	1,297	44,360
Disposals	-	(2,470)	(102)	-	(2,572)
Balance at December 31, 2013	21,272	396,854	27,197	5,357	450,680
Balance at January 1, 2012	12,068	323,683	20,500	8,537	364,788
Additions	2,804	43,625	4,179	(4,477)	46,131
Disposals	-	(1,719)	(308)	-	(2,027)
Balance at December 31, 2012	14,872	365,589	24,371	4,060	408,892

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Land and buildings	Other distribution system equipment	Other PP&E	Construction work-in-progress	Total
Accumulated depreciation					
Balance at January 1, 2013	2,348	23,713	6,826	-	32,887
Depreciation charge	1,198	12,819	3,761	-	17,778
Disposals	-	(334)	(12)	-	(346)
Balance at December 31, 2013	3,546	36,198	10,575	-	50,319
Balance at January 1, 2012	1,302	11,733	3,141	-	16,176
Depreciation charge	1,046	12,058	3,757	-	16,861
Disposals	-	(78)	(72)	-	(150)
Balance at December 31, 2012	2,348	23,713	6,826	-	32,887
Carrying amount					
December 31, 2013	17,726	360,656	16,622	5,357	400,361
December 31, 2012	12,524	341,876	17,545	4,060	376,005

During the year, borrowing costs of $74 (2012 - $201) were capitalized as part of the cost of property, plant and equipment. A capitalization rate of 3.42% (2012 – 5.90%) was used to determine the amount of borrowing costs to be capitalized.

The net carrying amount of leased equipment is $656 (2012 - $820).

7. INTANGIBLE ASSETS

	Capital contributions under CCRA	Computer software	Total
Cost or deemed cost			
Balance at January 1, 2013	10,000	6,466	16,466
Other additions	2,420	2,532	4,952
Balance at December 31, 2013	12,420	8,998	21,418
Balance at January 1, 2012	-	5,624	5,624
Other additions	10,000	842	10,842
Balance at December 31, 2012	10,000	6,466	16,466
Accumulated amortization			
Balance at January 1, 2013	-	3,608	3,608
Amortization charge	733	1,710	2,443
Balance at December 31, 2013	733	5,318	6,051
Balance at January 1, 2012	-	1,925	1,925
Amortization charge	-	1,683	1,683
Balance at December 31, 2012	-	3,608	3,608
Carrying amounts			
At December 31, 2013	11,687	3,680	15,367
At December 31, 2012	10,000	2,858	12,858

8. GOODWILL

Management has determined that the Corporation's rate-regulated operations are one cash-generating unit. As the goodwill relates to the rate-regulated operations, the goodwill was allocated to that cash-generating unit. The Corporation performed an impairment test on December 31, 2013 based on the Corporation's fair value less costs to sell. Fair value less to costs to sell was determined using a multiple of rate base approach and was based on the following key assumptions:

- The multiple of rate base approach is a valuation technique used in the industry for purchase and sale transactions. A multiple is applied to rate base to determine the value of the utility.
- The multiple of rate base is a key assumption in the determination of fair value less costs to sell. Management utilized a range of multiples in the analysis to determine the recoverable amount of goodwill.
- The multiple of rate base used ranged from 1.35 to 1.45.
- Management obtained information regarding multiples used for recent purchase and sale transactions within the industry.
- The fair value estimate is categorized as a Level 2 input.

The recoverable amount of goodwill determined in the analysis was greater than the carrying value and no impairment was recorded.

9. PAYMENTS IN LIEU OF INCOME TAXES

The provision for payments in lieu of income taxes recognized in income is as follows:

	2013	2012
Current PILs:		
Current year	4,596	6,830
Deferred PILs:		
Origination and reversal of temporary differences	1,863	339
Provision for payments in lieu of income taxes	6,459	7,169

Reconciliation of effective tax rate

PILs varies from amounts which would be computed by applying the Corporation's combined statutory income tax rate as follows:

	2013	2012
Basic rate applied to income before payments in lieu of income tax	26.50%	26.50%
Increase (decrease) in PILs resulting from:		
Change in tax rates	-	(2.71%)
Items not deductible for tax purposes and other	0.52%	(2.18%)
Effective rate applied to income before payments in lieu of income tax	27.02%	21.61%

Deferred payments in lieu of income tax balances

Significant components of the Corporation's deferred payments in lieu of income tax balances are as follows:

	2013	2012
Deferred PILs assets:		
Property, plant and equipment, and intangibles	6,810	9,933
Employee benefits	7,129	7,559
Obligation under capital cost recovery agreement	2,650	2,650
Deferred PILs liabilities:		
Bond issuance costs	(58)	-
Regulatory assets and liabilities	(2,585)	(3,866)
Net deferred PILs assets	13,946	16,276

10. CREDIT SUPPORT FOR SERVICE DELIVERY

Credit support for service delivery represents cash deposits from electricity distribution customers and retailers, as well as construction deposits. These customer deposits bear interest at Canada's Prime Business rate less 2%, which is 1% per annum as of December 31, 2013.

Deposits from electricity distribution customers are refundable to customers demonstrating an acceptable level of credit risk as determined by the Corporation in compliance with policies set by the OEB or upon termination of their electricity distribution service.

Construction deposits represent cash prepayments for the estimated cost of capital projects recoverable from customers and developers. Upon completion of the capital project, these deposits are transferred to deferred revenue.

	2013	2012
Customer deposits	13,376	13,740
Construction deposits	7,591	8,524
Total credit support for service delivery	20,967	22,264

11. LONG TERM BORROWINGS

Long term borrowings comprise notes payable and finance lease liability.

	2013	2012
Promissory note payable to Horizon Holdings bearing interest at 4.89% and due July 21, 2020	40,000	40,000
Promissory note payable to Horizon Holdings bearing interest at 3.033% and due July 25, 2022	150,000	150,000
Finance lease liability	546	823
Transaction costs on promissory note payable to Horizon Holdings bearing interest at 3.033% and due July 25, 2022	(857)	(857)
Net long-term borrowings	189,689	189,966
Accreted interest	124	53
Total long-term borrowings	189,813	190,019
Current	255	255
Non-current	189,558	189,764
	189,813	190,019

11. LONG TERM BORROWINGS (Continued)

Long-term borrowings comprise two promissory notes payable to Horizon Holdings Inc:

i. $40,000 (2012 - $40,000) bearing interest at 4.89% per annum which is payable semi-annually on January 21 and July 21. The promissory note is unsecured and matures on July 21, 2020.

ii. $150,000 (2012 - $150,000) bearing interest at 3.033% per annum which is payable semi-annually on January 25 and July 25. The promissory note is unsecured and matures on July 25, 2022.

The Corporation paid interest in respect of the promissory notes payable to Horizon Holdings of $6,506 (2012 - $9,965) during the year.

Finance lease liability is payable as follows:

	Future minimum payments	Interest	Present value of minimum payments
Less than one year	255	1	254
Greater than one year	292	1	291
Total	547	2	545

12. OBLIGATION UNDER CAPITAL COST RECOVERY AGREEMENTS

The Corporation is party to connection and cost recovery agreements ("CCRA(s)") with Hydro One Networks Inc. ("HONI"). Such agreements provide for the construction by HONI of transformer stations ("TS(s)") to the distribution system for the purpose of serving the Corporation's customers, including anticipated electricity load growth.

Under the CCRAs, the Corporation is required to provide HONI with an initial capital contribution ("Initial Capital Contribution") based on the difference (the "Difference") between the total capital cost of constructing the TS and a projection of transformation revenue ("HONI Revenue") earned on the conveyance of electricity through such TS. The Difference represents a contingent debt obligation of the Corporation based on the extent that historical actual and forecast HONI Revenue through the CCRA term is less than the amount of HONI revenue projected as a basis for the determination of the Initial Capital Contribution. Conversely, the Corporation is entitled to a rebate of the Initial Capital Contribution based on the extent that historical actual and forecast HONI Revenue through the CCRA term is greater than the amount of HONI revenue projected as a basis for the determination of the Initial Capital Contribution.

Based on a review of two CCRAs with HONI for TS facilities constructed in 2003, the Corporation estimates a shortfall to HONI for TS Revenue relative to that projected as bases for the determination of respective Initial Capital Contributions. As a result of such a shortfall and based on the terms of the CCRAs, the Corporation recorded Obligations Under Capital Cost Recovery Agreements and a corresponding intangible asset of $10,000 as at December 31, 2012. The Corporation expects to be presented with a request for settlement from HONI in 2014; with the final amount of such and related payment terms to be arranged at that time, as may be negotiated between HONI and the Corporation.

In general terms, investments in regulated electricity distribution assets are recoverable from ratepayers in future rate applications based on the rate-making policies of the OEB.

13. EMPLOYEE FUTURE BENEFITS

The Corporation provides certain unfunded health, dental and life insurance benefits on behalf of its retired employees. These benefits are provided through a group defined benefit plan. There is a policy in place to allocate the net defined benefit cost to the entities participating in the group plan. The allocation is based on the obligation attributable to the plan participants. The Corporation has reported its share of the defined benefit costs and related liabilities, as calculated by the actuary, in these financial statements. The accrued benefit liability and the expense for the years ended December 31, 2013 and 2012 were based on results and assumptions determined by actuarial valuation as at December 31, 2011.

Information about the group unfunded defined benefit plan as a whole and changes in the present value of the unfunded defined benefit obligation and the accrued benefit liability are as follows:

Entire Plan

	2013	2012
Defined benefit obligation, beginning of year	23,945	21,745
Current service cost	1,534	1,459
Benefits paid during the year	(1,085)	(1,128)
Actuarial (gains) losses recognized in other comprehensive income	(1,772)	1,869
Defined benefit obligation, end of year	22,622	23,945

Corporation

	2013	2012
Defined benefit obligation, beginning of year	23,859	21,666
Current service cost	1,531	1,456
Benefits paid during the year	(1,076)	(1,128)
Actuarial (gains) losses recognized in other comprehensive income	(1,764)	1,865
Defined benefit obligation, end of year	22,550	23,859

13. EMPLOYEE FUTURE BENEFITS (Continued)

The main actuarial assumptions underlying the valuation are as follows:

a) General inflation

The health care cost trend for prescription drugs is estimated to increase at a declining rate from 6% to 4% over four years. Other medical and dental expenses are assumed to increase at 4% per year.

The approximate effect on the accrued benefit obligation ("ABO") and the estimated net benefit expense if the health care trend rate assumption was increased or decreased by 1% is as follows:

	Period	Benefit Cost ABO
1% increase in health care trend rate	285	3,527
1% decrease in health care trend rate	(218)	(2,786)

b) Interest (discount) rate

The obligations at the period end and the present value of future liabilities were determined using a discount rate of 4.85% (2012 – 4.0%) representing an estimate of the yield on high quality corporate bonds as at the valuation date.

c) Salary levels

Future general salary and wage levels were assumed to increase at 3% (2012 – 3%) per year.

Historical information

Amounts for the current and previous year, for the entire plan, are as follows:

	2013	2012
Defined benefit obligation	22,622	23,945
Experience adjustments	(1,772)	1,869

14. PENSION PLAN

The Corporation provides a pension plan for its employees through OMERS. The plan is a multi-employer, contributory defined benefit pension plan with equal contributions by the employer and its employees. In 2013, the Corporation made employer contributions of $3,660 to OMERS (2012 - $3,153). The Corporation's net benefit expense has been allocated as follows:

i. $750 (2012 - $556) capitalized as part of PP&E; and

ii. $2,910 (2012 - $2,597 charged to net income.

The Corporation estimates a contribution of $4,046 to OMERS during the next fiscal year.

15. SHARE CAPITAL

	2013	2012
Authorized:		
Unlimited Class 1 Common shares		
Unlimited Class A Common shares		
Issued:		
7,890 Class 1 Common shares	91,133	91,133
2,110 Class A Common shares	32,460	32,460
	123,593	123,593

Dividends

The holders of the common shares are entitled to receive dividends as declared from time to time.

The Corporation paid aggregate dividends in the year on common shares of $1.356 per share (2012 – $0.9918), which amount to total dividends paid in the year of $13,556 (2012 - $9,918).

16. DISTRIBUTION REVENUE

	2013	2012
Gross customer billings	593,473	559,778
Less pass through charges billed by the Corporation:		
Electricity charges paid through to generators	(400,504)	(366,181)
Transmission and miscellaneous charges	(61,900)	(64,634)
Market service charges	(28,800)	(31,778)
Distribution revenue	102,269	97,185

17. OTHER INCOME FROM OPERATIONS

	2013	2012
Water and waste water billing and customer charges	4,454	4,192
Pole and other rental income	1,800	1,223
Collection and other service charges	1,450	1,651
Solar PV revenue	967	35
Late payment charges	842	876
Miscellaneous	751	444
Scrap sales	368	545
CDM revenue and performance incentives	312	1,595
Management and other support services	224	239
Other income from operations	11,168	10,800

18. FINANCE INCOME AND CHARGES

	2013	2012
Interest income on bank deposits	374	279
Finance income	374	279
Interest expense – Intercompany	(6,505)	(8,555)
Interest expense	(454)	(404)
Finance charges	(6,959)	(8,959)
Net finance charges recognized in net income and comprehensive income	(6,585)	(8,680)

19. CASH FLOW INFORMATION

The net change in other assets and liabilities comprises:

	2013	2012
Accounts receivable	(2,975)	(942)
Accounts receivable under common control	64	-
Inventory	(648)	643
Other assets	(3,196)	(331)
Accounts payable and accrued liabilities	8,297	1,009
Accounts payable to corporations under common control	1,566	(2,142)
	3,108	(1,763)

20. RELATED PARTY TRANSACTIONS

a) Parent and ultimate controlling party

The parent of the Corporation is HHI. The ultimate parent of the Corporation is HUC; with an effective and indirect 78.9% interest in the share capital of the Corporation. The ultimate controlling party (sole shareholder of the ultimate parent) is the City of Hamilton, which wholly owns HUC. The City of Hamilton produces financial statements that are available for public use.

b) Entity with significant influence

The City of St. Catharines exercises significant influence over the Corporation through its indirect 21.1% ownership interest in the Corporation's parent HHI.

20. RELATED PARTY TRANSACTIONS (Continued)

c) Key management personnel

The key management personnel of the Corporation has been defined as members of its executive management team.

Key management compensation:

	2013	2012
Salaries and other short-term benefits	1,495	1,693
Bonuses	389	426
Employee future benefits	22	19
Other long-term benefits	476	239
	2,382	2,377

The Corporation provides utility services to certain key management personnel. All energy charges of the Corporation to key management personnel were at prices and under terms approved by the OEB.

d) Transactions with parent

During the year the Corporation paid management and business development services to HHI in the amount of $1,137 (2012 - $1,073).

e) Transactions with entity with significant influence

In the ordinary course of business, the Corporation delivers electricity to the City of St. Catharines. Electricity is billed to the City of St. Catharines at prices and under terms approved by the OEB.

f) Transactions with shareholder of ultimate parent

In the ordinary course of business, the Corporation delivers electricity to the City of Hamilton. Electricity is billed to the City of Hamilton at prices and under terms approved by the OEB.

The Corporation also provides certain water and waste water billing and customer care services to the City of Hamilton. Other revenue includes $4,130 (2012 - $3,891) earned with respect to these services. Accounts payable and accrued liabilities includes $12,141 (2012 - $10,085) owing to the City of Hamilton for amounts collected on behalf of the City of Hamilton.

g) Transactions with corporations under common control of the ultimate parent

Corporations under common control include all entities controlled by HUC.

The Corporation provides certain management, billing and administrative services to HUC, Hamilton Hydro Services Inc., and Horizon Energy Solutions Inc.; all corporations under common control. Other revenue includes $152 (2012 - $167) earned with respect to these agreements.

20. RELATED PARTY TRANSACTIONS (Continued)

h) Shareholder loans

Pursuant to a Credit Agreement dated June 30, 2013, HHI has made available a revolving line of credit up to $95,000 to finance general corporate requirements, capital investments, working capital requirements, and prudential obligations. The Credit Agreement matures on June 30, 2016. Interest rates payable on the Credit Agreement are based on Horizon Holdings' borrowing rate, as determined with reference to Horizon Holdings' debt rating and interest is payable monthly by the 15th day of the following month.

Pursuant to a Credit Agreement dated June 30, 2013, the Corporation has made available a revolving line of credit up to $5,000 to Solar Sunbelt GP to finance general corporate requirements, working capital requirements, and capital investments. The Credit Agreement matures on June 30, 2016. Interest rates receivable on the Credit Agreement are based on the Corporation's borrowing rate and interest is payable monthly by the 15th day of the following month.

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value disclosure

The carrying values of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities approximate respective fair values because of the short maturity of these instruments. The carrying value of the credit support for service delivery approximates fair value because the amounts are payable on demand.

The fair value of the promissory note from the parent company is $187,122. The fair value is calculated based on the present value of future principal and interest cash flows, discounted at the current rate of interest at the reporting date.

Financial risks

The Corporation understands the risks inherent in its business and defines them broadly as anything that could impact its ability to achieve its strategic objectives. The Corporation's exposure to a variety of risks such as credit risk, interest rate risk, and liquidity risk, as well as related mitigation strategies, are discussed below. However, the risks described below are not exhaustive of all the risks nor will the mitigation strategies eliminate the Corporation's exposure to all risks listed.

i) Credit risk

Financial assets carry credit risk that a counter-party will fail to discharge an obligation which would result in a financial loss. Financial assets held by the Corporation, such as cash and cash equivalents and accounts receivable, expose it to credit risk. The Corporation earns its revenue from a broad base of customers located in the City of Hamilton and the City of St. Catharines. One customer, the City of Hamilton, accounts for 2.88% (2012 – 2.89%) of revenue. No other single customer in either year would account for revenue in excess of 1% of the respective reported balances.

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Financial risks (Continued)

i) Credit risk (Continued)

The carrying amount of accounts receivable is reduced through the use of an allowance for impairment and the amount of the related impairment loss is recognized in net income. Subsequent recoveries of receivables previously recorded as impaired are credited to net income. The balance of the allowance for impairment as at December 31, 2013 is $1,750 (2012 - $1,900). An impairment loss of $872 was recognized during the year (2012 - $1,569).

The Corporation's credit risk associated with accounts receivable is primarily related to payments from distribution customers. At December 31, 2013, approximately $442 is considered 60 days past due. Horizon Utilities has approximately 240,000 customers; the majority of which are residential. Credit risk is managed through collection of security deposits from customers in accordance with directions provided by the OEB. As at December 31, 2013, Horizon Utilities holds security deposits from electricity distribution customers in the amount of $13,376 (2012 - $13,740).

ii) Market risk

Market risk primarily refers to the risk of loss that results from changes in commodity prices, foreign exchange rates, and interest rates. The Corporation currently does not have commodity or foreign exchange risk. The Corporation is exposed to fluctuations in interest rates as the regulated rate of return for the Corporation's distribution business is derived using a complex formulaic approach which is in part based on the forecast for long-term Government of Canada bond yields. This rate of return is approved by the OEB as part of the approval of distribution rates during the cost of service rate application process. A decrease in the forecasted long-term Government of Canada bond yield used in determining the Corporation's rate of return would reduce the Distribution business results of operations at the next cost of service rate filing if the bond yield reduction continued to that time. A current reduction in bond yields would not have an impact on the Distribution business results of operations in the current or intervening years between cost of service rate applications.

iii) Liquidity risk

The Corporation monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The Corporation's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest exposure. The Corporation has access to $95,000 line of credit and monitors cash balances to ensure that sufficient levels of liquidity are on hand to meet financial commitments as they come due.

The majority of accounts payable, as reported on the balance sheet, are due within 60 days.

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Financial risks (Continued)

iv) Capital disclosures

The main objectives of the Corporation when managing financial capital include:

- ensuring ongoing cost effective access to such to provide adequate investment in support of its regulated electricity distribution and other businesses;
- compliance with covenants within its financial instruments;
- prudently manage its capital structure, with regard for maintaining a high level of creditworthiness;
- recover financing charges permitted by the OEB on its regulated electricity distribution business; and
- deliver reasonable returns on the investments of its shareholders.

The Corporation's definition of capital includes: shareholder's equity; indebtedness under existing credit facilities; and long-term borrowings, which includes the current portion of long-term borrowings.

The OEB regulates the amount of interest on debt and MARE that may be recovered by the Corporation, through its electricity distribution rates, in respect of its regulated electricity distribution business. The OEB permits such recoveries on the basis of a deemed capital structure represented by 60% debt and 40% equity. The actual capital structure for the Corporation may differ from the OEB deemed structure.

The Corporation has customary covenants typically associated with long-term borrowings. The Corporation is in compliance with all credit agreement covenants and limitations associated with its long-term borrowings.

22. COMMITMENTS AND CONTINGENCIES

Commitments

Contractual Obligations

Master Customer Demand Management ("CDM") Agreement

On February 1, 2011, the Corporation entered into a Master CDM Agreement ("CDM Agreement") with the Ontario Power Authority ("OPA") for the period January 1, 2011 to December 31, 2014. The CDM Agreement provides terms under which the Corporation may engage the OPA to design and pay for Province-wide CDM programs in support of the Corporation meeting its CDM targets (Note 2).

Subject to the terms of the CDM Agreement, all OPA CDM program costs are paid by the OPA. The Corporation effectively acts as a delivery agent for those programs that it participates in under the CDM Agreement.

The Corporation estimates that its total cost of OPA CDM program participation over the four year period will be approximately $57,000, of which approximately $11,700 represents administration costs of the Corporation for program delivery. The Corporation will be entitled to receive, in semi-annual installments each January and July, reimbursements of its estimated administration costs associated with each program. Any administration costs incurred by the Corporation in excess of the pre-approved estimate would not be recoverable. All other program costs incurred by the Corporation, (such as customer incentives and goods and services delivered under the programs) are recoverable from the OPA on an invoiced basis in accordance with the CDM Agreement.

22. COMMITMENTS AND CONTINGENCIES (Continued)

Contingencies

General

From time to time, the Corporation is involved in various litigation matters arising in the ordinary course of its business. The Corporation has no reason to believe that the disposition of any such current matter could reasonably be expected to have a materially adverse impact on the Corporation's financial position, results of operations or its ability to carry on any of its business activities.

General Liability Insurance

The Corporation is a member of the Municipal Electric Association Reciprocal Insurance Exchange (MEARIE). MEARIE is a pooling of public liability insurance risks of many of the LDCs in Ontario. All members of the pool are subjected to assessment for losses experienced by the pool, for the years in which they were members, on a pro-rata basis based on the total of their respective service revenues. It is anticipated that should such an assessment occur it would be funded over a period of up to 5 years. As at December 31, 2013, no assessments have been made.

APPENDIX 1-11.1: 2011 AUDITED FINANCIAL STATEMENTS RECONCILED TO REGULATORY FINANCIAL RESULTS

Reconciliation of 2011 Trial Balance Data To Financial Statements
Horizon Utilities Corporation
Statement of Income and Retained Earnings

(in thousands $)

For the year ended December 31, 2011

	2011 Financials Actuals Before Adjustments	Non Wires Activities	Regulatory Deferral & Variance Account Adjustments	2011 For Regulatory Filing Purposes
Revenues:				
Electricity distribution service charges	99,749		(4,938)	94,811
Other income from operations	10,875	(5,627)	(1,660)	3,588
	110,625	(5,627)	(6,599)	98,399
Expenses:				
Operating expenses	48,108	(5,283)	(1,180)	41,645
Depreciation and amortization	28,371	(155)	(1,826)	26,389
	76,479	(5,438)	(3,007)	68,034
Income from operating activities	34,146	(189)	(3,592)	30,365
Gain on sale of fixed assets	(82)	158		75
Interest Income	82	(74)	140	149
Interest Expense	(10,962)	46	-	(10,916)
Income before payments in lieu of taxes	23,184	(60)	(3,452)	19,673
Payments in lieu of income and large corporations taxes	(6,671)	4	975	(5,692)
Net Income	16,513	(55)	(2,477)	13,981
Retained Earnings, Beginning of year	43,145	(6,677)	3,198	39,666
Dividends Paid	(7,456)			(7,456)
Elimination of 2010 Regulatory Asset Adjustments			(3,198)	(3,198)
Elimination of 2010 OPA Adjustments		1,028		1,028
2009 Management Fee - Horizon to HHI		-		-
Prior year adjust to Solar Sunbelt		(267)		(267)
Investment in Subsidiary elimination		(100)		(100)
PILs adjustment		(18)	(975)	(993)
Retained Earnings (Prior Yr Deferred Taxes)			2,087	2,087
Carrying Charges for Smart Meters Revenue & OM&A 2006			(10)	(10)
Carrying Charges for Smart Meters Revenue & OM&A 2007			(48)	(48)
Carrying Charges for Smart Meters Revenue & OM&A 2008			(83)	(83)
Carrying Charges for Smart Meters Revenue & OM&A 2009			(47)	(47)
Carrying Charges for Smart Meters Revenue & OM&A 2010			944	944
Carrying charges provision for PILS 2005			557	557
Carrying charges provision for PILS 2006			186	186
Carrying charges provision for PILS 2007			163	163
Carrying charges provision for PILS 2008			99	99
Carrying charges provision for PILS 2009			28	28
Carrying charges provision for PILS 2009			(36)	(36)
Smart Meter Capital related to minimum functionality			521	521
Provision to LRAM 2008 & 2009			76	76
Reverse recognition of regulatory provisions (CDM, PILs, RCVA)			1,660	1,660
Smart Meter Revenue for GAAP Adj (from 2008, 2009 & 2010)			(3,304)	(3,304)
Retained Earnings, end of year	52,202	(6,089)	(659)	45,454

Balance Sheet

(in thousands $)

For the year ended December 31, 2011

	2011 Financials (GAAP)	Non Wires Activities	Regulatory Deferral & Variance Account Adjustments	2011 For Regulatory Filing Purposes
ASSETS				
Current assets				
Cash and cash equivalents	8,160	1,598		9,758
Accounts receivable	92,592	(9)		92,583
Inventory	6,256			6,256
Other assets	1,762	(75)		1,688
	108,770	1,515	-	110,285
Fixed assets	343,342	(583)	(21,046)	321,713
Future Payments In Lieu of Taxes	12,278	(43)	(8,936)	3,299
Intangible Assets	3,699			3,699
Goodwill	18,923			18,923
Total assets	487,012	889	(29,982)	457,919
LIABILITIES AND SHAREHOLDER'S EQUITY				
Current liabilities				
Bank Indebtedness	-			-
Accounts payable and accruals	56,873	(3,380)		53,492
Accounts payable to corporations under common control	15,161	9,080		24,241
Current Portion of long-term borrowings	116,000			116,000
Credit support for service delivery	24,269	1,700		25,969
	212,302	7,400	-	219,702
Long-term liabilities				
Long-term borrowings	40,000			40,000
Employee future benefits	16,999	(422)		16,577
Future payments in lieu of taxes	-			-
Regulatory Deferral & Variance Accounts	26,698		(29,323)	(2,625)
	83,697	(422)	(29,323)	53,952
Total liabilities	295,999	6,978	(29,323)	273,654
Shareholder's equity				
Share capital	123,593			123,593
Contributed Surplus	15,218			15,218
Retained earnings	52,202	(6,089)	(659)	45,454
Total shareholder's equity	191,013	(6,089)	(659)	184,264
Total liabilities and shareholder's equity	487,012	889	(29,982)	457,919

APPENDIX 1-11.2: 2012 AUDITED FINANCIAL STATEMENTS RECONCILED TO REGULATORY FINANCIAL RESULTS

Reconciliation of 2012 Trial Balance Data To Financial Statements
Horizon Utilities Corporation
Statement of Income and Retained Earnings

(in thousands $)

For the year ended December 31, 2012

	2012 Financials Actuals Before Adjustments	Non Wires Activities	Regulatory Deferral & Variance Account Adjustments	2012 For Regulatory Filing Purposes
Revenues:				
Gross electricity revenue	**559,778**		(1,255)	**558,523**
Electricity cost of sales	**(452,389)**		194	**(452,195)**
Net electricity revenue	**107,389**	**-**	**(1,061)**	**106,328**
Other income from operations	**10,800**	(6,070)	(291)	**4,439**
	118,189	**(6,070)**	**(1,352)**	**110,767**
Expenses:				
Operating expenses	**56,351**	(4,884)	(75)	**51,392**
Depreciation and amortization	**18,545**	(148)	(27)	**18,370**
	74,896	**(5,032)**	**(103)**	**69,761**
Income from operating activities	**43,293**	**(1,038)**	**(1,249)**	**41,005**
Gain on sale of fixed assets	**(1,442)**	-		**(1,442)**
Interest Income	**279**	(76)	293	**496**
Interest Expense	**(8,959)**	69	(243)	**(9,133)**
Income before payments in lieu of taxes	**33,171**	**(1,046)**	**(1,199)**	**30,926**
Payments in lieu of income and large corporations taxes	**(7,169)**	277	318	**(6,574)**
Net Income	**26,002**	**(769)**	**(881)**	**24,352**
Other comprehensive income adjustments, net of tax				
Actuarial loss on employee future benefits	**(1,371)**			**(1,371)**
Other comprehensive income	**(1,371)**	**-**	**-**	**(1,371)**
Total comprehensive income	**24,631**	**(769)**	**(881)**	**22,981**
Retained Earnings, Beginning of year	**52,202**	**(6,089)**	**(659)**	**45,454**
Opening retained earnings adjustment (IFRS)	**26,657**	465		**27,122**
Dividends Paid	**(9,918)**			**(9,918)**
Elimination of 2011 Management Fee - Horizon to HHI		(716)		**(716)**
Elimination of 2011 Regulatory Asset Adjustments			659	**659**
Prior year Solar taxes paid in EDO		(784)		**(784)**
Partnership Trust Unit issuance in Solar		(2,761)		**(2,761)**
Regulatory Asset adjustments			(14,052)	**(14,052)**
Adjusted tax paid		279	(318)	**(39)**
				-
				-
				-
				-
Retained Earnings, end of year	**93,572**	**(10,375)**	**(15,251)**	**67,946**

Balance Sheet

(in thousands $)

For the year ended December 31, 2012

	2012 Financials Actuals Before Adjustments	Non Wires Activities	Regulatory Deferral & Variance Account Adjustments	2012 For Regulatory Filing Purposes
ASSETS				
Current assets				
Cash and cash equivalents	**39,937**	1,988		**41,925**
Accounts receivable	**93,493**	-		**93,493**
Inventory	**5,613**			**5,613**
Other assets	**2,094**	(89)		**2,005**
	141,137	1,899	-	**143,036**
Fixed assets	**376,005**	(3,995)	(778)	**371,232**
Future Payments In Lieu of Taxes	**16,276**	(43)		**16,233**
Investment in Subsidiary	**-**			**-**
Intangible Assets	**12,858**	(487)		**12,371**
Goodwill	**18,923**			**18,923**
Total assets	**565,199**	**(2,627)**	**(778)**	**561,794**
LIABILITIES AND SHAREHOLDER'S EQUITY				
Current liabilities				
Bank Indebtedness	**-**			**-**
Accounts payable and accruals	**55,794**	(4,269)		**51,525**
Accounts payable to corporations under common control	**13,019**	7,319	(260)	**20,078**
Current Portion of long-term borrowings	**-**			**-**
Regulatory Deferral & Variance Accounts	**-**		14,733	**14,733**
Credit support for service delivery	**26,640**	5,272		**31,912**
	95,453	**8,322**	**14,473**	**118,248**
Long-term liabilities				
Long-term borrowings	**189,762**			**189,762**
Obligations under capital cost recovery agreements	**10,000**			**10,000**
Employee future benefits	**23,859**	(574)		**23,285**
Deferred revenue	**13,742**		-	**13,742**
	237,363	**(574)**	**-**	**236,789**
Total liabilities	**332,816**	**7,748**	**14,473**	**355,037**
Shareholder's equity				
Share capital	**123,593**			**123,593**
Contributed Surplus	**15,218**			**15,218**
Retained earnings	**93,572**	(10,375)	(15,251)	**67,946**
Total shareholder's equity	**232,383**	**(10,375)**	**(15,251)**	**206,757**
Total liabilities and shareholder's equity	**565,199**	**(2,627)**	**(778)**	**561,794**

APPENDIX 1-11.3: 2013 AUDITED FINANCIAL STATEMENTS RECONCILED TO REGULATORY FINANCIAL RESULTS

Reconciliation of 2013 Trial Balance Data To Financial Statements
Horizon Utilities Corporation
Statement of Income and Retained Earnings

(in thousands $)

For the year ended December 31, 2013

	2013 Financials Actuals Before Adjustments	Non Wires Activities	Regulatory Deferral & Variance Account Adjustments	2013 For Regulatory Filing Purposes
Revenues:				
Gross electricity revenue	**593,473**		(1,975)	**591,498**
Electricity cost of sales	**(492,006)**		4,981	**(487,025)**
Net electricity revenue	**101,467**	**-**	**3,006**	**104,473**
Other income from operations	**11,168**	(5,859)	489	**5,798**
	112,635	**(5,859)**	**3,495**	**110,271**
Expenses:				
Operating expenses	**60,225**	(4,858)	(141)	**55,226**
Depreciation and amortization	**20,221**	(406)	(87)	**19,728**
	80,446	**(5,264)**	**(228)**	**74,954**
Income from operating activities	**32,189**	**(595)**	**3,723**	**35,318**
Gain on sale of fixed assets	**(1,707)**	-	589	**(1,118)**
Interest Income	**373**	(80)	27	**319**
Interest Expense	**(6,959)**	90	(134)	**(7,003)**
Income before payments in lieu of taxes	**23,896**	**(585)**	**4,205**	**27,515**
Payments in lieu of income and large corporations taxes	**(6,459)**	155	(1,114)	**(7,418)**
Net Income	**17,438**	**(430)**	**3,090**	**20,098**
Other comprehensive income adjustments, net of tax				
Actuarial loss on employee future benefits	**1,297**			**1,297**
Other comprehensive income	**1,297**	**-**	**-**	**1,297**
Total comprehensive income	**18,735**	**(430)**	**3,090**	**21,395**
Retained Earnings, Beginning of year	**96,899**	**(10,375)**	**(15,251)**	**71,272**
Dividends Paid	**(13,556)**			**(13,556)**
Elimination of 2013 Management Fee - Horizon to HHI		(1,074)		**(1,074)**
Elimination of 2012 Opening Retained earnings on Regulatory Assets			15,251	**15,251**
Partnership Trust Unit issuance in Solar		(1,202)		**(1,202)**
Regulatory Asset adjustments			(15,512)	**(15,512)**
Adjusted tax paid - Non-Wires Business		323		**323**
Adjusted tax paid - Regulatory Assets / Liabilities			1,114	**1,114**
Retained Earnings, end of year	**100,781**	**(12,758)**	**(11,307)**	**76,716**

Balance Sheet

(in thousands $)

For the year ended December 31, 2013

	2013 Financials Actuals Before Adjustments	Non Wires Activities	Regulatory Deferral & Variance Account Adjustments	2013 For Regulatory Filing Purposes
ASSETS				
Current assets				
Cash and cash equivalents	**23,423**	3,959	-	**27,382**
Accounts receivable	**96,492**	(132)	-	**96,360**
Accounts receivable from corporations under common control	**282**	91,434	-	**91,716**
Inventory	**6,261**		-	**6,261**
Other assets	**5,991**	(1,035)	-	**4,957**
	132,450	94,226	-	**226,676**
Fixed assets	**400,361**	(5,812)	(1,098)	**393,452**
Future Payments In Lieu of Taxes	**13,946**	-	-	**13,946**
Investment in Subsidiary	**-**		-	**-**
Intangible Assets	**15,367**	(470)	-	**14,897**
Goodwill	**18,923**		-	**18,923**
Total assets	**581,047**	**87,944**	**(1,098)**	**667,893**
LIABILITIES AND SHAREHOLDER'S EQUITY				
Current liabilities				
Bank Indebtedness	**-**			**-**
Accounts payable and accruals	**61,632**	(301)	(285)	**61,045**
Accounts payable to corporations under common control	**14,931**	92,153	-	**107,084**
Current Portion of long-term borrowings	**255**		-	**255**
Regulatory Deferral & Variance Accounts	**-**		10,494	**10,494**
Credit support for service delivery	**24,639**	9,461	-	**34,100**
	101,457	**100,700**	**10,209**	**212,978**
Long-term liabilities				
Long-term borrowings	**189,558**		-	**189,558**
Obligations under capital cost recovery agreements	**10,000**		-	**10,000**
Employee future benefits	**22,550**	(611)	-	**21,939**
Deferred revenue	**19,920**		-	**19,920**
	242,028	**(611)**	**-**	**241,417**
Total liabilities	**343,485**	**100,700**	**10,209**	**454,394**
Shareholder's equity				
Share capital	**123,593**			**123,593**
Contributed Surplus	**15,218**			**15,218**
Accumulated other comprehensive income	**(2,030)**			**(2,030)**
Retained earnings	**100,781**	(12,758)	(11,307)	**76,716**
Total shareholder's equity	**237,562**	**(12,758)**	**(11,307)**	**213,497**
Total liabilities and shareholder's equity	**581,047**	**87,942**	**(1,098)**	**667,893**

APPENDIX 1-12: HORIZON HOLDINGS INC.'S 2012 SUSTAINABILITY BASED ANNUAL REPORT

We do good things so our communities can do better

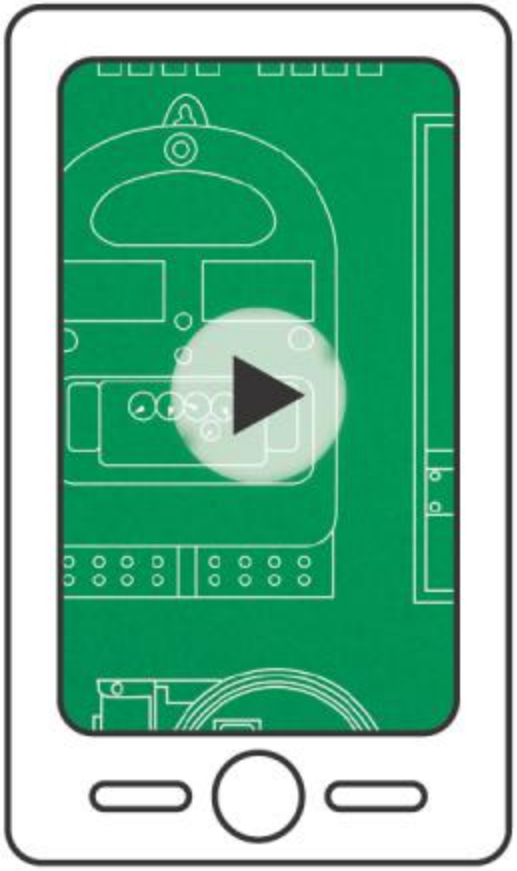
HORIZON HOLDINGS INC. | 2012 SUSTAINABILITY-BASED ANNUAL REPORT

horizon® HOLDINGS Looking beyond...

We do good things so our communities can do better

This year our Horizon Holdings Inc. 2012 Sustainability-Based Annual Report shines a light on our communities' history and encourages you to look beyond the page and into the future.

We invite you to explore our annual report as if it were a digital window into our company's culture and roots. While you can experience through our websites how this report brings its illustrative content to life in surprising and compelling ways, we now invite you to use your smart device to view the report and, with the assistance of our new mobile application, interact with the paper version.



How to Use Our App

In order to experience our report's illustrative content with your Apple or Android smart device, first visit your mobile application store and search for Horizon Holdings. When you have downloaded the mobile application, you can bring this exciting new content to life by opening the app and holding your smart device over the page any time you see the symbol shown to the right.

You can also visit OnYourHorizon.ca to access our report and all illustrative content on your mobile device, laptop or desktop computer, or go to horizonholdingsinc.com, horizonutilities.com or horizonenergysolutionsinc.com.

OnYourHorizon.ca

In this report, discover where we have been and where we are going

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Board Chair and CEO Message

Horizon Holdings Inc. celebrates 2012 as a year of outstanding performance, as a company, an employer and a partner in our communities. The results have greatly depended on the remarkable efforts of our dedicated employees and senior management team. Their commitment to sustainability continues to deliver social, environmental and economic dividends for our customers, our shareholders and the communities we serve.

This commitment and our achievements are reflected in the theme we chose for this year's "sustainability-based" Annual Report. We believe this simple expression captures Horizon Holdings' strategy and results:

We do good things so our communities can do better

We achieved many goals in 2012, marking a number of firsts and setting records in several areas. Safety is a core value at the Horizon group of companies, so our most recent cause for celebration is especially noteworthy. In March 2013, Horizon Holdings, Horizon Utilities Corporation and Horizon Energy Solutions Inc. collectively marked a company record of two million hours – over two years and counting – without a lost-time injury. This clearly demonstrates and rewards our commitment to the health and safety of our employees, and the attention by all our employees to safety.

As we continue to grow, we aspire to be a great place to work and an employer of choice in the western Greater Golden Horseshoe. In our ongoing efforts to offer excellent working conditions and career options, we were honoured to be selected for the second year in a row as a "Top 10 Employer" in Hamilton-Niagara.

Our leadership in sustainable development was also recognized nationally and provincially in 2012. Nationally, we became the first and only utility in Canada to meet the requirements to use the Canadian Electricity Association's new

Max Cananzi, President & CEO, and Robert Cary, Chair, Board of Directors, do business over coffee at Red Crow Coffee in Hamilton.

"Sustainable Electricity Company™" designation. Moreover, the CEA awarded us "Sustainability Company of the Year," also for the second year in a row.

Provincially, Horizon Utilities' innovative energy conservation mapping initiative, which brings sophistication to the process of connecting customers with energy savings programs from which they can best benefit, was recognized with the Environmental Excellence Award from the Electricity Distributors Association.

In order to ensure consistency and rigour in our sustainability reporting, we again measured our performance and achievements against the Global Reporting Initiative's triple bottom-line approach – environmental, economic and social. Horizon Holdings met the requirements of the A+ ranking for the third consecutive year.

For us, these results clearly demonstrate that we are succeeding with our ongoing efforts to be socially aware, environmentally conscious and economically responsible, while improving the efficiency and productivity of all aspects of our operations.

We continued to implement our long-term program of asset renewal for aging portions of our electricity distribution assets. In 2012, we invested $34.0 million in the renewal, improvement and growth of our distribution system, up from $29.7 million in 2011. This included completing a multi-year renewal of the power distribution network in downtown St. Catharines and the rebuilding of several Hamilton substations.

Overall, our asset renewal program is paying off in lower costs to operate and maintain the distribution system, plus improved levels of customer service and reliability.

Our competitive services company, Horizon Energy Solutions, continued to see growth. In 2012, it expanded the business through solar photovoltaic generation, metering services for utilities and commercial customers across Ontario, Conservation and Demand Management (CDM) services for other utilities and streetlight maintenance for municipalities.

Horizon Holdings recorded another year of outstanding financial performance in 2012, one driven in meaningful part by productivity achievements that continue to support our relatively low cost of customer service. Other contributors included the incentives earned through Horizon Utilities' highly effective CDM program and a small overall increase in electricity consumption, resulting from improved local economies.

The net income of Horizon Holdings was $26.2 million, an increase of $9.1 million over 2011 results. Earnings volatility introduced by new International Financial Reporting Standards (IFRS), which no longer permit the recognition of certain regulatory assets and liabilities, contributed $3.4 million to this result.

Dividends of $13.7 million in respect of 2012 net income were paid to the holding companies of the cities of Hamilton and St. Catharines, reflecting an improvement over the $10.7 million of dividends paid in respect of 2011 net income.

As always, our objective is to be "the best performing energy company in Ontario." We are dedicated to contributing to the sustainability of the communities we serve.

We are also proud that the places where we live and work benefit from our efforts in so many ways: among the lowest rates for residential and commercial customers in Ontario, substantial infrastructure investments, effective social contributions, successful energy conservation programs, and strong returns for shareholders.

We are planning for the future as we honour our past

While we are pleased with our continuous improvement, we recognize that there are many more opportunities yet to be realized for the benefit of our customers, communities and shareholders.

At all times, we have an eye on the horizon to ensure that we are prepared to confront new challenges and embrace new opportunities. We are improving customer service, making necessary distribution system and information technology investments, renewing our equipment, greening our fleet, and training our future workforce.

Please read on to see how "we do good things so our communities can do better." Look as well for how we have incorporated exciting digital innovations into our 2012 annual report to increase community engagement.

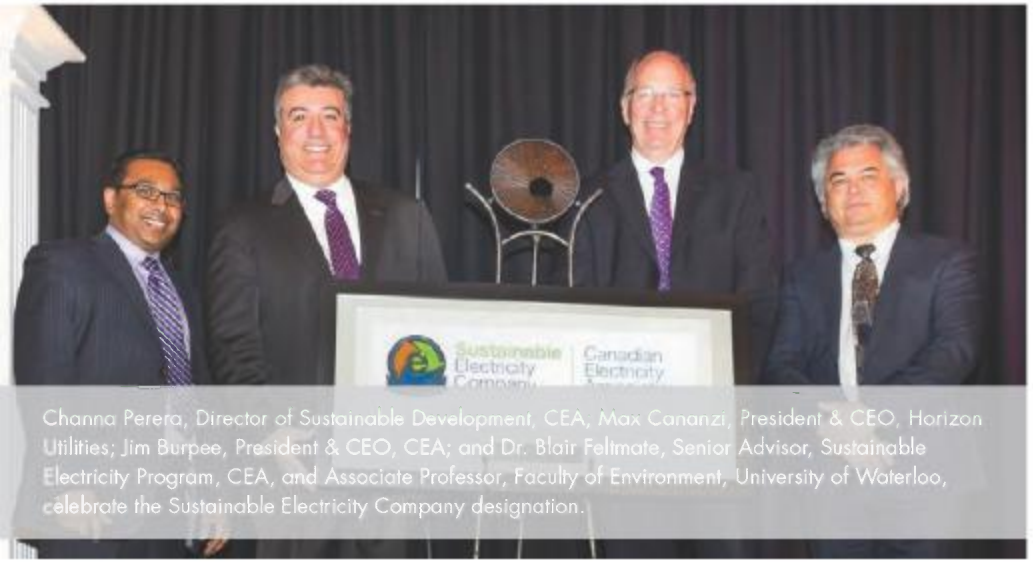
Robert Cary
Chair, Board of Directors

Max Cananzi,
President & CEO

Hamilton Hydro Meter Technician, 1930

Highlights of 2012

Canada's first "Sustainable Electricity Company™"



Channa Perera, Director of Sustainable Development, CEA, Max Cananzi, President & CEO, Horizon Utilities; Jim Burpee, President & CEO, CEA; and Dr. Blair Feltmate, Senior Advisor, Sustainable Electricity Program, CEA, and Associate Professor, Faculty of Environment, University of Waterloo, celebrate the Sustainable Electricity Company designation.

Sustainable Electricity Company™ | Canadian Electricity Association

In late 2012, Horizon Utilities completed a rigorous process to achieve designation by the Canadian Electricity Association (CEA) as a Canada's first "Sustainable Electricity Company." Earlier in June 2012, we were named "Sustainability Company of the Year" by the CEA for the second consecutive year.

Sustainability Company of the Year
Canadian Electricity Association
2011 & 2012

"When it comes to sustainability, Horizon Utilities is an outstanding corporate champion. It has sustainability principles and practices embedded in its corporate DNA. In my role as Chair of the CEA's Sustainable Electricity Advisory Panel, I was delighted to recognize Horizon Utilities as the 2012 Sustainability Company of the Year. And, in my role as Chair of QUEST – Quality Urban Energy Systems of Tomorrow – I am excited to see Horizon Utilities' continued leadership in helping make Canada a world leader in sustainable electricity and Integrated Community Energy Solutions."

– Michael Harcourt, Chair, QUEST and former Premier of British Columbia

Horizon Utilities' Hurricane Sandy relief crew.

Hurricane Sandy Relief Effort

A 12-member Horizon Utilities team with eight vehicles worked with the Long Island Power Authority in New York State to repair power lines and restore service to the area devastated by Hurricane Sandy. The crew worked with local emergency services and utilities for 12 days in November 2012.

"The devastation was far worse than we expected, but we were glad to help in any way we could. We worked long hours in difficult conditions, but it paled compared to the hardships experienced by local residents."

- Andrew Turney, Manager Overhead Lines, Horizon Utilities

"I had the pleasure of working with the linemen of Horizon Utilities to restore service after Hurricane Sandy hit. When those green trucks appeared, it was like a gift from heaven. Residents hugged them, opened their homes to them and praised their abilities in such a time of dire need. Your men were fantastic ambassadors for your country. Thanks again for being there for us."

- Lawrence Schmidlapp, Mayor, Village of Centre Island, N.Y.

Global Reporting Initiative™

A+ Horizon's 2012 results for the Global Reporting Initiative (GRI) filing

For the fifth year in a row, Horizon Holdings has fairly and transparently reported its social, environmental and economic performance under the Global Reporting Initiative™, the most widely-used international sustainability reporting framework.

The cornerstone of the GRI is its Sustainability Reporting Guidelines, which measure the "triple bottom-line" by giving equal weight to social, environmental and economic matters. The table below highlights the GRI Sustainability metrics.

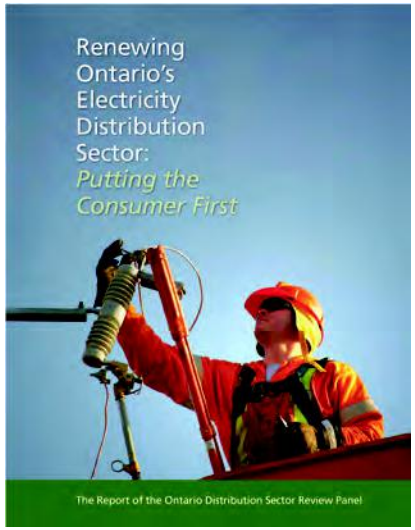
In 2012, as in 2010 and 2011, Horizon Holdings reported at an A+ level with respect to the required set and number of GRI disclosures. The company has consistently progressed in the scope of its disclosures since the inception of its GRI reporting in 2008, including having its filing third-party checked by Ernst & Young in the four years since 2009.

GRI SUSTAINABILITY METRICS

GRI METRIC	GRI ISSUES TO BE ADDRESSED
Economic	Financial performance, market presence, economic impact
Environment	Materials, energy, water, biodiversity, emissions
Labour Practices and Decent Work	Employment, labour relations, occupational health and safety, training and education, equal opportunity
Human Rights	Investment and procurement practices, non-discrimination, collective bargaining, forced and child labour, indigenous rights
Society	Community, corruption, public policy, anti-competitive behaviours
Product Responsibility	Customer health and safety, labelling, communications, privacy

A Critical Year for LDCs

Ontario's electricity distributors are at a "historic turning point" with much work to do and changes to make in order to serve the ratepayers of Ontario as effectively and efficiently as possible. That was the conclusion of one of the most extensive and critical reviews electricity distributors in Ontario have ever faced.



Horizon Utilities had a front row seat in 2012 for this major review. No sooner had our President & CEO, Max Cananzi, been installed as Chair of the Electricity Distributors Association (EDA) in March, than did then Minister of Energy, Hon. Chris Bentley, appoint the Ontario Distribution Sector Review Panel. He tasked it to "provide expert advice to the government on how to improve efficiencies in the sector with the aim of reducing the financial cost of electricity distribution for electricity consumers."

The Panel's report, released in December, is clear that Ontario's long-term economic health depends on the distribution sector's ability to serve customers efficiently and affordably. It asserts that business consolidation across the sector would produce:

- $1.2 billion in operating cost savings, and
- $1.3 billion in avoided infrastructure renewal costs.

Achieving these savings, however, requires dramatic sector consolidation, arriving at eight to 12 large regional distributors, down from the present system of 73. In order to ensure optimum efficiency, each new regional entity would have no less than 400,000 customers. Currently, the smallest distributor has only 1,200 customers and only 10 have more than 100,000.

While Max Cananzi was still EDA chair, the new Minister of Energy, Hon. Bob Chiarelli, announced that the government would not impose these business consolidations, but still intended to pursue and encourage sector efficiency on a voluntary basis.

We agree with the Panel's recommendations that the scale of investments required to meet the challenges of the future – in people, infrastructure and technology – can best be achieved through consolidation. We also feel, however, that the government was well advised to allow the distributors to make their own voluntary and commercial transactions.

Horizon Utilities has been successful in its experience with voluntary amalgamations, as witnessed by its performance since merging Hamilton Hydro and St. Catharines Hydro in 2005.

While our company's experience shows that amalgamations of willing and like-minded partners provide the best value to customers, shareholders and communities, we also believe that Alternative Service Delivery mechanisms, like shared services, outsourcing or co-operative buying groups are valuable outcomes. In some cases, they will provide savings on par with merger and divestment of LDCs.

At Horizon Utilities, we have always been willing to share our expertise, search for technical solutions, or work through complex policies. We similarly look forward to working with other distributors to find value for customers and shareholders.

"Throughout my year as EDA Chair, it was pleasing to hear the wonderful feedback about the many contributions that our people make to our communities and our industry. Whatever the forum, committee or project being undertaken, a member of the Horizon Utilities team was at the table making a difference."

- Max Cananzi, President & CEO, Horizon Utilities

St. Catharines' Mayor shares Horizon story at Municipal Conference

In August 2012, St. Catharines Mayor Brian McMullan provided his insights on electricity distribution utility consolidation in a major speech at the Association of Municipalities of Ontario (AMO) Conference in Ottawa.

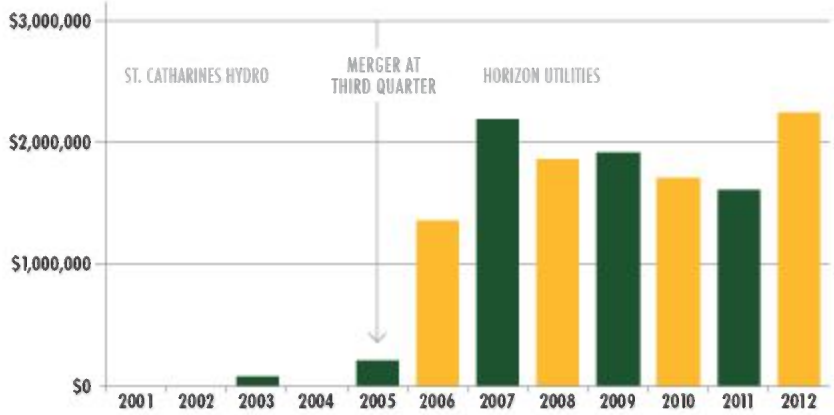
His key message to the delegates was that the 2005 amalgamation of St. Catharines Hydro and Hamilton Hydro to create Horizon Utilities has been very good for residents, businesses, industry and institutions alike.

"The amalgamation resulted in lower rates for our citizens, a healthy dividend for the City, which in turn keeps taxes down, and a reliable and efficient supply of electricity which is critical to our standard of living and economic development."

- St. Catharines Mayor Brian McMullan

Horizon Utilities' St. Catharines Operations Centre is located on Vansickle Road.

ST. CATHARINES DIVIDEND HISTORY



Source Data: Municipality of St.Catharines Financial Statements

After the amalgamation, the dividend picture changed dramatically, as seen in the Dividend History graph. St. Catharines Hydro Inc., the holding company for the City, has received substantial annual dividends now totaling $13.1 million since 2005.

The new larger entity, Horizon Utilities, was also better able to tackle large projects like rebuilding the downtown electricity network to ensure a reliable and efficient supply of electricity.

Moreover, the strength of Horizon Holdings Inc. financial position (Horizon maintains an "A" credit rating from Standards & Poor) allowed the repayment of the $29.1 million debt note by St. Catharines Hydro to the City. This money was used as the base for the City's Civic Project Fund, supporting several projects valuable to tourism and economic development such as:

- $10.3 million for the new **Performing Arts Centre**
- $17.0 million for the new multi-use **Spectator Facility**

On balance, the Mayor suggested to delegates that St. Catharines has received improved community engagement, access to a larger combined utility workforce for responding to emergency situations, and greater collaboration on energy efficiency projects and the City's comprehensive energy policy.

Horizon Utilities

A Story of Pioneering, Leadership and Sustainability.

From installing Canada's first incandescent electric streetlights in 1883 and the world's first long distance transmission line in 1896, to being named Canada's first "Sustainable Electricity Company," Horizon Utilities Corporation has a powerful history of leadership and innovation in the energy sector. Our story begins in Hamilton and St. Catharines, our community roots:

1883
Hamilton installs Canada's first incandescent streetlights.

1884
Incorporation of St. Catharines Electric Light and Power.

1890
Hamilton Electric Light Company Limited issues bonds.

1896
Cataract Power Company formed to harness water power from DeCew Falls in St. Catharines - now the oldest continually running hydroelectric plant in Canada.

1898
DeCew Falls station is connected to Hamilton by the world's first long-distance transmission line - 56 kilometres.

1911
Hamilton voters support creating Hamilton Hydro in a municipal referendum.

1914
St. Catharines Hydro is established.

1950s
Hamilton large users stay on 25-cycle power from Niagara Falls — rest of Ontario moves to 60-cycle.

1960
St. Catharines Hydro merges with Port Dalhousie Hydro and Ontario Hydro assets in Grantham and Merritton are absorbed.

1997
Flamborough Hydro expands its service territory in Waterdown.

2000

Hamilton Hydro Inc. is created out of the municipal electric utilities of Ancaster, Dundas, Flamborough, Hamilton and Stoney Creek; St. Catharines Hydro Utility Services Inc. is recreated as a corporation to conform to Energy Competition Act, 1998.

2005

Hamilton Hydro Inc. and St. Catharines Hydro Utility Services Inc. successfully merge - in only 22 weeks - to form Horizon Utilities Corporation.

2008

Horizon Utilities is the first electricity distribution company in Canada to make a GRI sustainability filing.

2011 & 2012

Horizon Utilities is awarded Canadian Electricity Association's Sustainability Company of the Year.

2011 & 2012

Horizon Utilities named one of Hamilton-Niagara's Top 10 Employers.

2013

Horizon Utilities achieves 2 million hours without a lost-time injury.

2013

Horizon Utilities is designated the first "Sustainable Electricity Company" by the Canadian Electricity Association.

Plug in to see how we are connecting for social good

Ella Rayner, Customer Service Representative, Horizon Utilities

Socially Aware

At Horizon Utilities, our view of social responsibility encompasses all the people our company touches: our customers, our communities, and our employees.

2 million hours without a lost-time injury

Nothing is more important to Horizon Utilities than the health and safety of our employees, their families and the communities we serve. We put a strong emphasis on creating a safe workplace and our efforts to create a workplace safety culture have been embraced by the entire organization. This receives strong support from the International Brotherhood of Electrical Workers (IBEW) and our Joint Health and Safety Committees.

Our determination has been rewarded in the most valuable way possible – we surpassed 2 million hours without a lost-time injury early in 2013.

The work involved in building, maintaining and repairing the electrical distribution system is physically challenging and often dangerous. Our crews' daily routine includes structured, documented 'tailboard' meetings at every job site to review hazards, roles and responsibilities – and to think safety first. Our inside staff also deserve credit for maintaining a safe environment in our offices and operations centres.

In 2012, our employees participated in 2,289 hours – the equivalent of 327 days – of health and safety training, including risk assessment, emergency planning and ergonomics.

11,500 students learn about electrical safety at school

Horizon Utilities is working to keep our future safe as well. In 2012 alone, we delivered our electrical safety program to 11,500 elementary school students at 27 schools in Hamilton and St. Catharines. Children received critical lessons about the hazards posed by electrical equipment at home and in their neighbourhoods.

In partnership with IBEW Local 636, we also sponsor presentations to high school students by MySafeWork, a non-profit workplace safety education organization.

Students at Queen Mary School in Hamilton learn about electrical safety and conservation.

Hamilton-Niagara Top 10 Employer

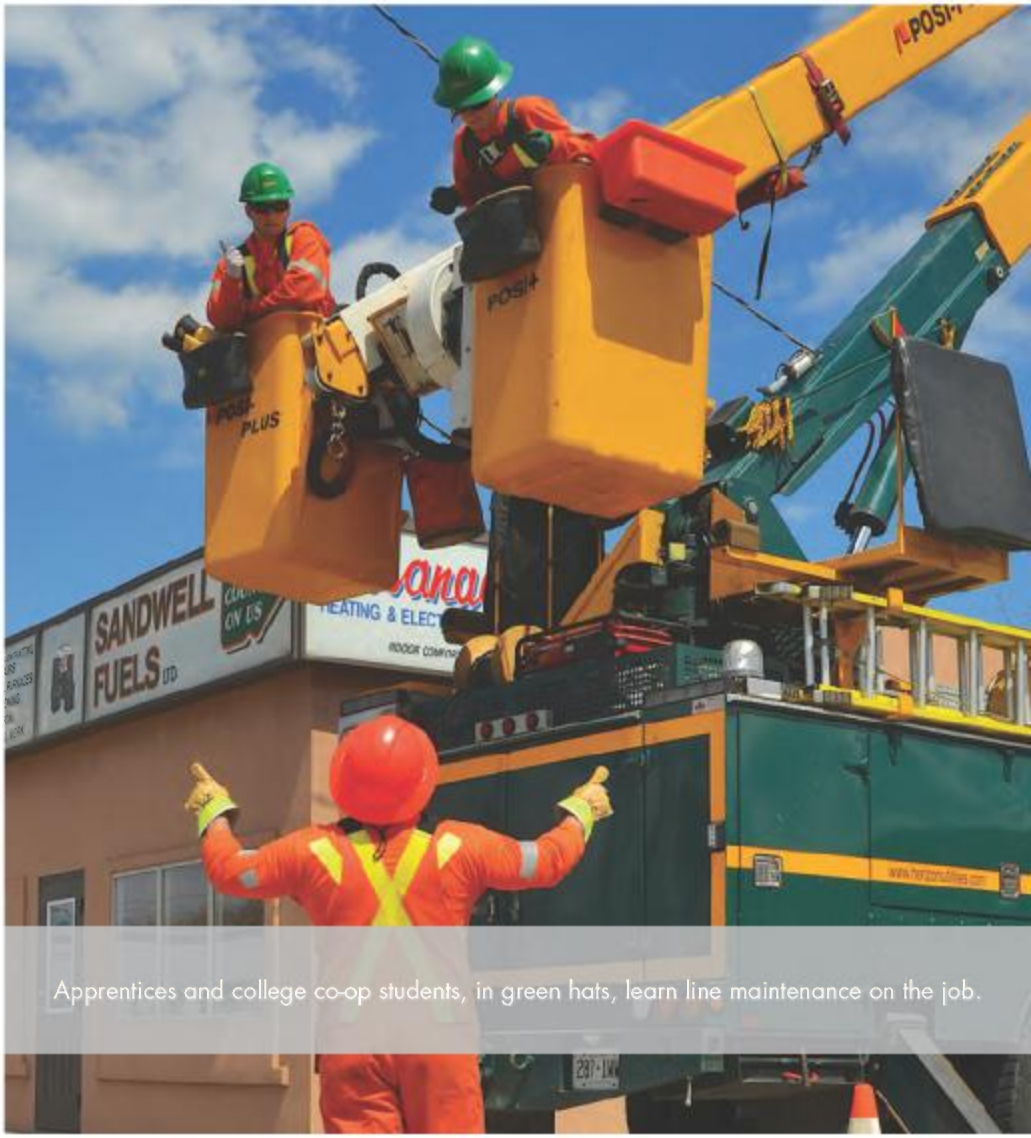
Extraordinary employees produce extraordinary results.

For the second consecutive year, Canada's Top 100 Employers named Horizon Utilities one of Hamilton-Niagara's Top 10 Employers, recognizing our success in being an employer of choice and a great place to work.

Hamilton-Niagara's
Top Employers
2013

In 2012, in consultation with staff, we conducted cross-training and clarified roles in the context of the broader corporate strategy. We also refreshed our intranet site and offered other engaging internal communications channels.

Our workforce planning strategy is designed to transfer the knowledge of more senior employees to newly recruited ones in anticipation of retirements. The apprenticeship program, with 27 current trainees, was redesigned to take a more structured, developmental approach with enhanced rotation training. Apprentices are being hired well in advance to give them more time to learn their specialized skilled trades on the job from experienced staff.



Apprentices and college co-op students, in green hats, learn line maintenance on the job.

Horizon Utilities employees rode a 29-seat "Big Bike" through Hamilton and St. Catharines for the Heart and Stroke Foundation, raising more than $4,500 in 2012 for a seven-year total of $33,000.

Our Employees' Commitment to their Communities

Our employees are in our communities making life better for people in need and supporting a wide range of charities. The Horizon Employees' Charity Fund, a staff-run initiative, raised and distributed $69,200 to 61 local charities in Hamilton and St. Catharines in 2012. Employees ran a golf tournament and several other fundraisers, organized food drives and helped four families enjoy a wonderful Christmas through the Children's Aid Society's Holiday Sponsorship program.

The company and employees also jointly donated a total of $25,000 to the United Way of Burlington and Greater Hamilton and the United Way of St. Catharines and District.

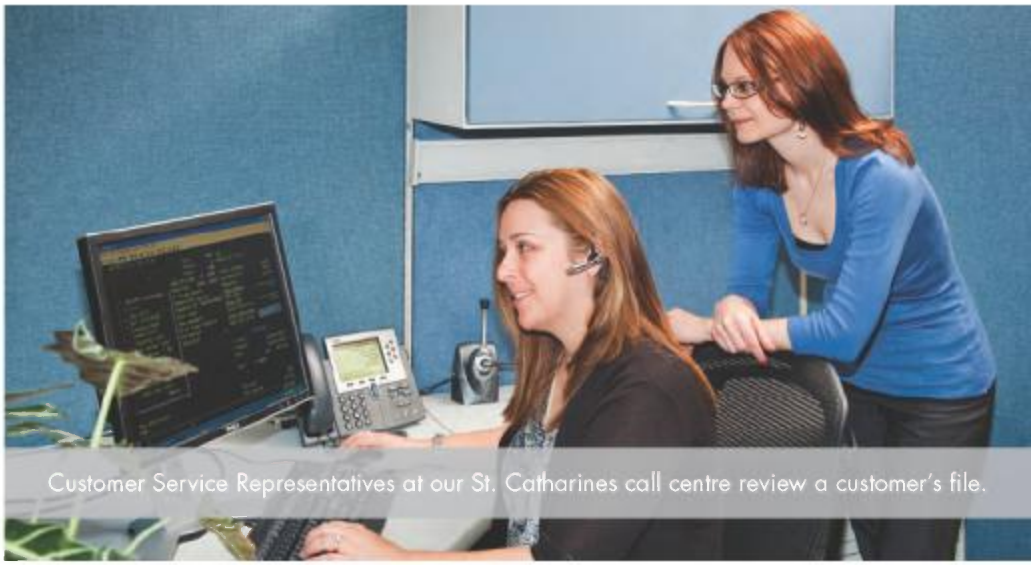
ISO 26000 for Social Responsibility

We are supporting a growing culture of sustainability beyond the confines of our own company by adding sustainability criteria to the selection matrix for evaluating supplier responses to Requests for Proposals. We are the only utility in Canada to have been reviewed for adherence to the International Standards Organization (ISO) 26000 guidelines for Social Responsibility.

675 families received energy assistance

When customers are struggling to pay their bills, Horizon Utilities is there to help. In 2012, we provided financial support to customers through the Low-Income Energy Assistance Program (LEAP) and Late Payment Settlement fund. These are provincially-regulated programs that provide emergency financial relief to eligible low-income individuals and families having trouble paying their utility bills.

In 2012, more than $220,000 was provided through these two programs, assisting 675 families in our communities experiencing difficulties paying their electricity bills.



Customer Service Representatives at our St. Catharines call centre review a customer's file.

Our customer service representatives help those in need to arrange their payments and manage arrears. They also connect customers with in-take agencies that process funding requests. Not only do the agencies help with the electricity bills, but they also provide access to other available health or social services.

"We are thrilled to be part of LEAP. People find us when they need help with utility bills, then discover other services they really need. Whether it is our food bank, health bus, counselling services or violence against women support, we are helping people who may not have found us without LEAP."

- Denise Arkell, Executive Director, Neighbour to Neighbour Centre

saveONenergy - Home Assistance Program

In July 2012, Horizon Utilities launched the OPA's new saveONenergy Home Assistance℠ program, which provides free energy saving retrofits to lower income homeowners or tenants. We completed over 100 assessments for the program and reached out to local social housing agencies and co-ops to offer home assistance retrofits to eligible affordable housing tenants.

Enhanced Customer Service and Convenience

At Horizon Utilities, one of our core objectives is to be "easy to do business with." That is why we offer excellent customer service and among the lowest electricity distribution rates in the province, across all classes of customers. Being responsive to customer needs is part of our social responsibility.

Customers want and need convenience. Our horizonutilities.com website was re-launched in 2012 to streamline navigation and make it easier for our customers to find what they need. We enhanced the 24/7 self-serve functions and added new online features, including myElectric. It provides quick and easy access to tools that can help customers manage their electricity consumption and costs.

Paperless billing is also becoming more popular with our customers. More than 23,000 customers now prefer to save paper and access their information online, when they want to, by logging into our secure myAccount platform.

With Horizon Utilities' enhanced website information and functionality, self-serve options and e-billing, customers have access to the tools they need – anytime, anywhere.

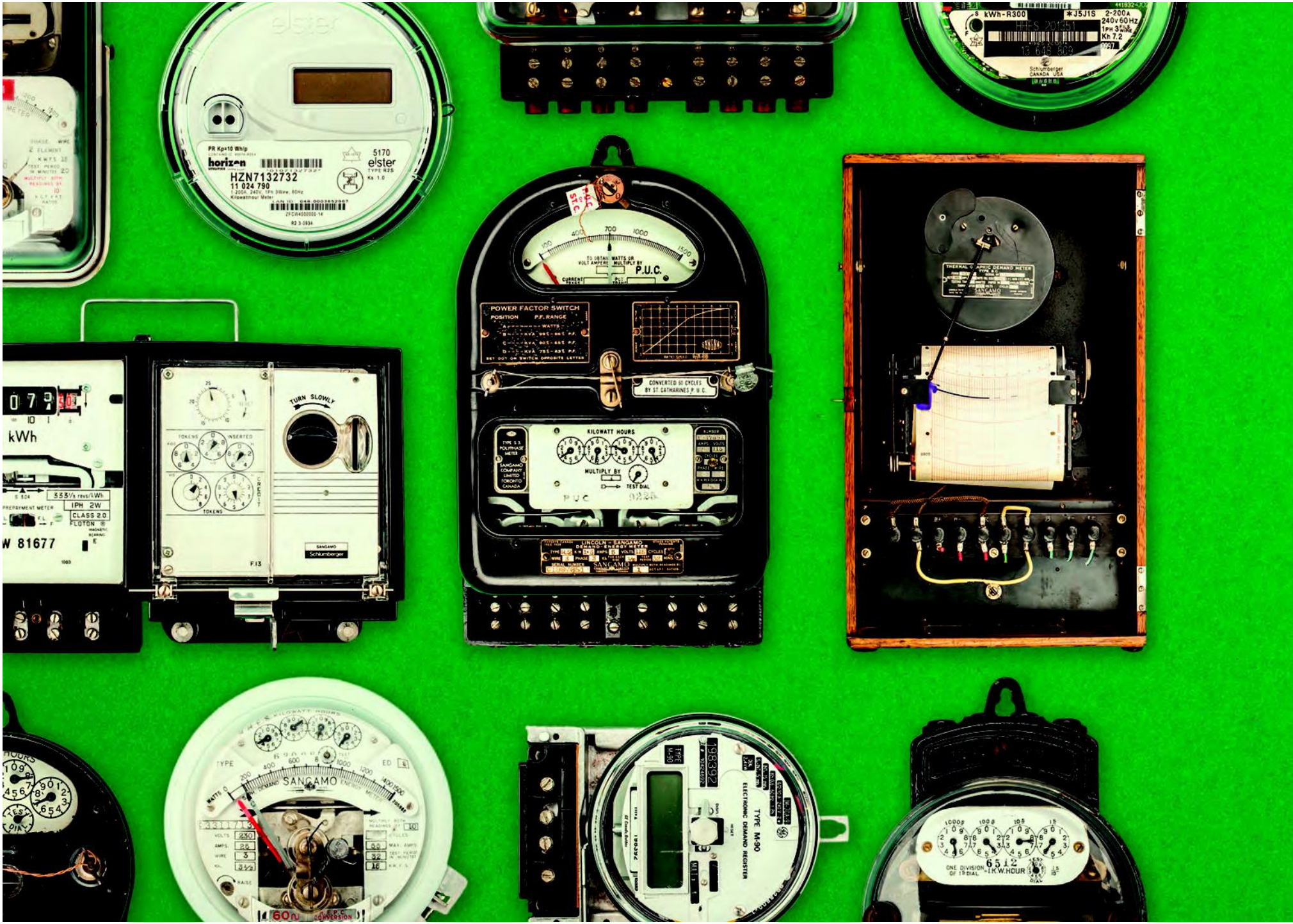
Customer Satisfaction Results - 93 per cent in 2012

The only way we can know how we are doing is to ask – and we do. Our 2012 Customer Satisfaction Survey results were very positive, continuing to outpace national and provincial averages among LDCs. For the last six years, Horizon Utilities' overall customer satisfaction score has been greater than 90 per cent, reaching 93 per cent in 2012.

Connecting with Customers through Social Media

Social Media is an effective tool for connecting with our customers, getting their feedback and keeping them informed. In 2012, we increased our social media activity on Facebook, Twitter, YouTube and LinkedIn.

Social media is an ideal forum for sharing energy savings tips. We also continue to post outage notifications on our website, and include outage tweets for customers who follow us on Twitter. Early in 2013 we added outage maps and 24/7 tweets to help keep our customers up to date when there is an interruption in service.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Schlumberger
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P.F. RANGE
CONVERTED 60 CYCLES
BY ST. CATHARINES P.U.C.
KILOWATT HOURS
MULTIPLY BY
TEST DIAL
SANGAMO
COMPANY
LIMITED
TORONTO
CANADA
LINCOLN - SANGAMO
DEMAND-ENERGY METER
THERMAL CAPACITY DEMAND METER
SANGAMO
TURN SLOWLY
TOKENS
INSERTED
TOKENS
SANGAMO
Schlumberger
F13
kWh
333 1/3 revs/kWh
PREPAYMENT METER
1PH 2W
CLASS 2.0
PLOTON
W 81677
SANGAMO
TYPE
WATTS
VOLTS
AMPS
WIRE
230
25
3
3½
60n
CONVERSION
TYPE M-90
ELECTRONIC DEMAND REGISTER
ONE DIVISION
OF 1% DIAL
1 K.W.HOUR
6512

Gauge our environmental efforts
horizon
Brian Smith, Chief Conservation Officer, Horizon Utilities

Environmentally Conscious

"Horizon Utilities' collaboration with Niagara Sustainability Initiative (NSI) has helped raise the profile of the environmental sustainability movement in Niagara Region. Their willingness to share knowledge and resources as a key supporting partner is crucial to the success of NSI and speaks to their strong organizational commitment to sustainability. We look forward to continuing this partnership in years to come."

- Evan DiValentino, Executive Director, Niagara Sustainability Initiative

NIAGARA SUSTAINABILITY INITIATIVE

Horizon Utilities knows that our communities need a healthy environment and abundant resources to flourish. In everything we do, in every decision we make, we seek to demonstrate our commitment to minimizing our company's impact on the environment, while promoting energy efficiency through conservation programs and renewable energy generation.

Innovation and Results in Energy Conservation

In 2011, when the Ontario Energy Board (OEB) initiated aggressive Conservation and Demand Management (CDM) targets for local distribution companies (LDCs) to be met by 2014, Horizon Utilities showed leadership. The reason is simple. It is much more cost effective to reduce the amount of electricity we use than it is to build new generation resources.

The CDM programs are a key part of Ontario's Long-Term Energy Plan to meet the needs of electricity customers while contributing to improvements in air quality. Horizon Utilities' CDM results are very positive. By the end of 2012, we had achieved 34 per cent of net peak demand savings and 64 per cent of net energy savings toward our 2014 CDM targets.

Since CDM programs were introduced in 2005, Horizon Utilities has implemented programs resulting in:

- 39 megawatts (MW) in demand and 124,000 megawatt-hours (MWh) of persistent net savings of annual energy use.
- Savings equivalent to taking 13,000 homes off the grid for a year.
- $3.1 million energy efficiency improvement project incentives arranged for customers in 2012 - our best year so far.

The challenge now is to continue this progress by finding new ways to maximize the efficiency of our CDM efforts. We initiated an innovative project that is already showing great promise in identifying which customers can benefit most from the various Ontario Power Authority saveONenergy℠ programs — energy mapping.

Energy Conservation Mapping

In March 2013, the Electricity Distributors Association (EDA) recognized Horizon Utilities for its Energy Conservation Mapping Project with its prestigious Environmental Excellence Award. This award is given annually to an Ontario utility for outstanding efforts to protect and improve the environment.

The energy mapping project brings together existing information and databases in creative new ways. It is a powerful tool that identifies those customers in Hamilton and St. Catharines who can benefit most from specific CDM programs. We can now efficiently target the right program information to the customers who can realize the most energy savings.

Neil Freeman, VP Business Development, Eileen Campbell, VP Customer Services, and Max Cananzi, President & CEO, examine an energy map of downtown Hamilton.

The land use data and customer energy intensity profiles are being used for our 2013 marketing campaigns to help our customers become as energy efficient as possible. Horizon Utilities looks forward to sharing this powerful tool with other LDCs and their communities in the future.

Conservation for Consumers

On the residential/consumer side, Horizon Utilities' CDM team launched ***peaksaver*PLUS®** in 2012, providing nearly 1,700 additional customers with programmable, wireless thermostats and in-home energy displays. These monitors help customers understand and reduce their energy use. In total, nearly 11,000 customers are currently participating in residential demand programs. We also had another 5,019 customers upgrade their home furnaces and central air conditioning systems in 2012, receiving up to $650 each in saveONenergy HEATING AND COOLING℠ incentives.

CDM for Businesses

Our CDM team continued on past success, finding 640 more small businesses in St. Catharines and Hamilton to take advantage of the saveONenergy SMALL BUSINESS LIGHTING℠ program. More than 350 companies filed saveONenergy RETROFIT℠ applications in 2012.

Lighting Retrofit successes in 2012:

- DCR Holdings Inc.: $189,000 incentive was our largest project in 2012. This lighting retrofit will reduce electricity demand by over 300 kW and result in 1.2 million kWh (kilowatt-hours) in annual estimated energy savings. This project will pay for itself in two to three years.
- Hamilton Port Authority: Estimated savings of 940,000 kWh annually will pay for upgrades in one year.
- Brock University: Retrofits will reduce demand 188 kW and save 500,000 kWh in energy annually.
- Cupcakes of Westdale Village: $1,000 incentive to replace old, inefficient lighting with new, lower energy lights and fixtures.

"The small business lighting program means we did not need to spend on the lights and we save about $500 annually on lower electricity use. Customers tell us the store looks more cheerful. They especially like the bright new look of the store's wall of cupcake toppings."
- Anne Campagna and Marilyn Gouchie, Owners, Cupcakes of Westdale Village

Energy Managers support Large Customers

Horizon Utilities is always seeking new ways to make the best use of available external funding to help businesses and industries become more energy efficient. We previously innovated by sharing "Key Account Managers" across nine LDCs to meet the needs of 30 "large user" electricity customers. The Ontario Power Authority funding provides one account person for every 10 large customers, but Horizon had 12 and most have less than 10.

In 2012, we took the next step and hired three "Roving Energy Managers" to work with 30 smaller industrial and municipal customers in Hamilton and St. Catharines. These new roving energy managers identify ways to reduce customer demand and energy use through incentive projects and operational changes. We expect that demand savings of at least 900 kW per year will be realized through this focused one-on-one approach.

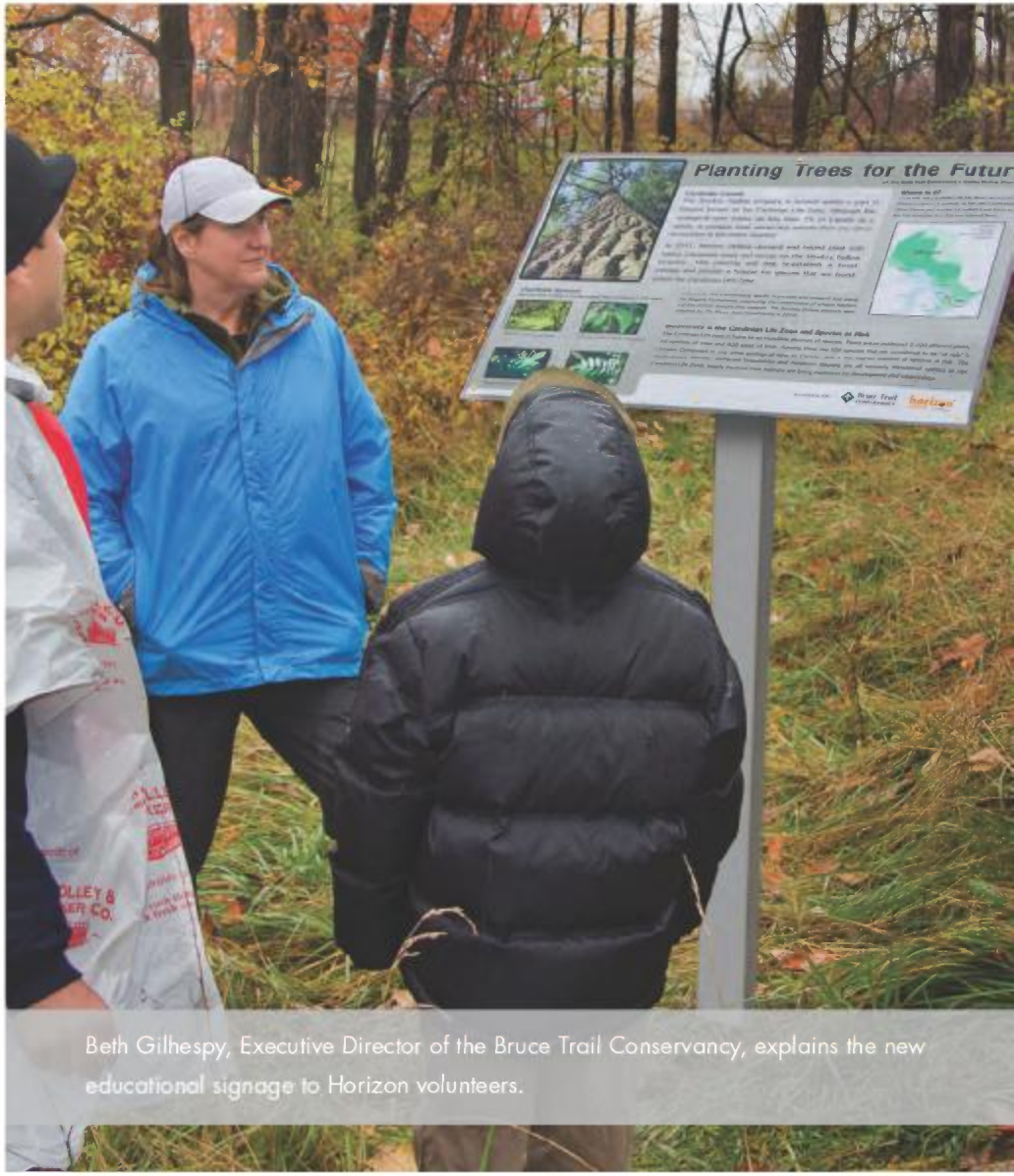
Bruce Trail Conservancy

Our commitment to sustainability includes helping to improve the environment. For several years, we have enjoyed a productive partnership with the Bruce Trail Conservancy (BTC). In 2012, we contributed to a project that involved studying and cataloguing the different species on the trail. Horizon Utilities also sponsored educational signage that provides hikers with important facts about indigenous trees and plants along the trail.

ISO 14001:2004 - Environmental Management System

In 2011, Horizon Utilities completed development of a new comprehensive Environmental Management System (EMS). At the end of this process, we achieved certification in the International Organization of Standardization (ISO) 14001:2004 for environmental management.

In 2012, the EMS team made further progress, completing successful internal and external audits and implementing continuous improvement initiatives for energy conservation, pollution prevention and regulatory compliance.



Beth Gilhespy, Executive Director of the Bruce Trail Conservancy, explains the new educational signage to Horizon volunteers.

Greening our Fleet

The greening of our fleet continued in 2012. Between 2011 and 2012, we reduced fuel consumption by 5 per cent, even as our fleet-wide kilometres travelled time increased by 2.7 per cent. This fuel reduction is attributable to our idling reduction efforts, the purchase of more fuel efficient vehicles, and the introduction of hybrid/electric vehicles.

The addition of an afternoon shift in Fleet Maintenance has also improved the productivity of the fleet. Performing preventive maintenance or minor repairs after regular hours has had a big impact on productivity by keeping our vehicles operating at peak performance during the day.

Reducing Paper Consumption

We achieved a 30 per cent increase in paperless billing transactions in 2012.

Our billing department worked with the City of Hamilton last year to set up a new electronic billing process to provide the City with electronic statements for its 1,200 accounts. These changes will save $15,000 in paper, envelopes, postage and processing time annually.

The new paperless, electronic method for receiving and paying Horizon Utilities monthly bills has saved the City of Hamilton a considerable amount of time and money.

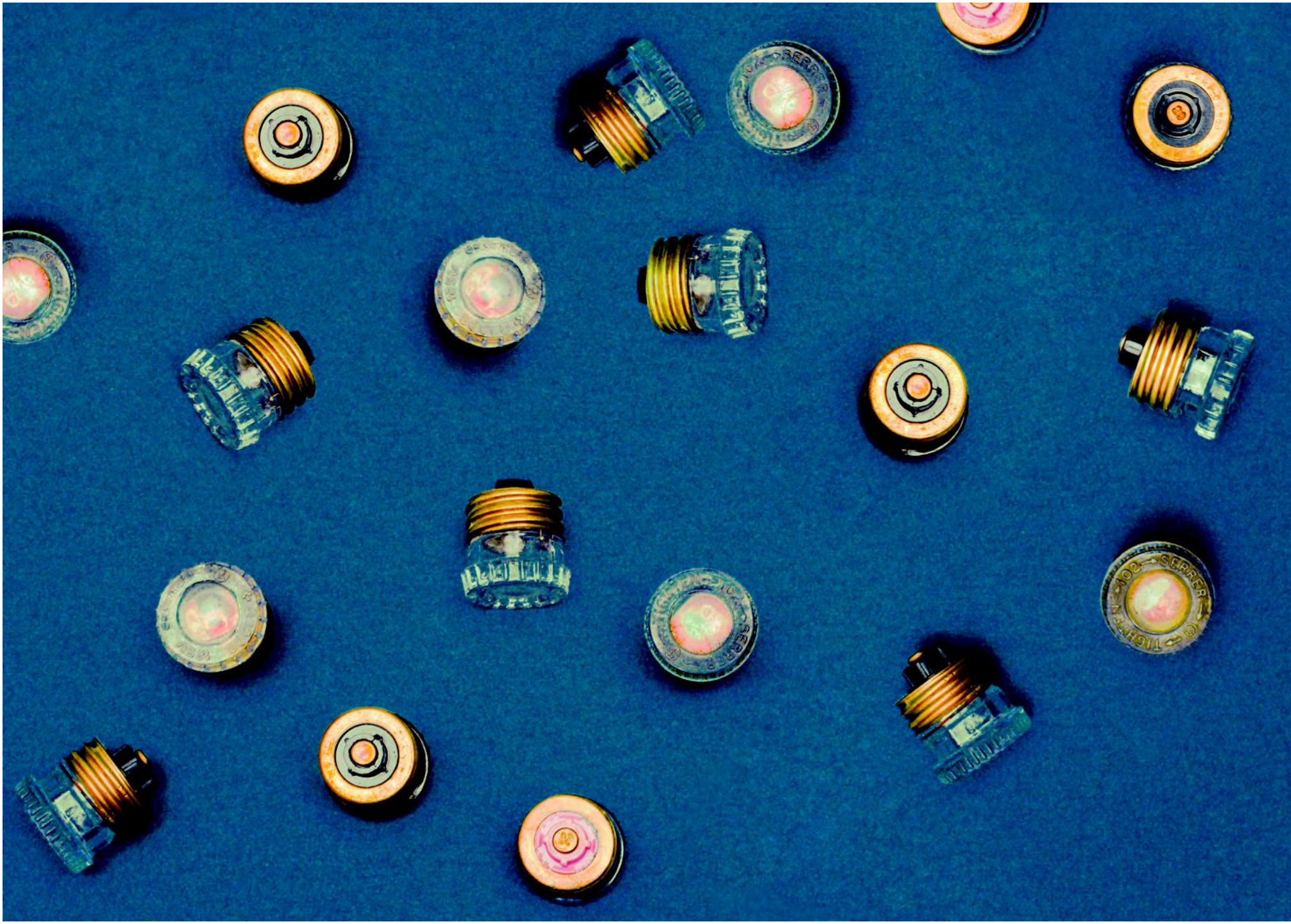
- Bev Neill, Manager, Municipal Service Centres, City of Hamilton

Horizon Utilities was proud to win the Electricity Distributors Association's prestigious Environmental Excellence Award for its Energy Conservation Mapping Project in March 2013.

City of Hamilton honoured for energy conservation efforts

In December 2012, the City of Hamilton received the Ontario Power Authority's Community Conservation Award in recognition of its leadership and innovation in conservation.

To date, the City has achieved the greatest total demand and total energy savings of all Horizon Utilities' customers. In 2012, the City's lighting upgrades achieved over 500,000 kWh of energy savings. Projects at Hamilton Public Library alone received $123,000 in incentives to reduce energy demand by 150 kW. In 2011, the City received the largest ever OPA incentive grant – $2.3 million – for a pumping station upgrade.


SERRA
TIGHTEN
20V

See how we fuse fiscal responsibility and economic affordability
Indy Butany-DeSouza, Vice President, Regulatory Affairs, Horizon Utilities

Economically Responsible

Horizon Holdings' family of companies is demonstrating its commitment to the health of the local economies of St. Catharines and Hamilton in many ways. We take our economic responsibility to our communities and ratepayers seriously, through consistently strong profitability, among the lowest residential and commercial electricity rates, substantial infrastructure investments, and excellent customer service.

In everything we do, we are striving to do better financially in ways that foster sustainable development and economic growth.

The financial results for 2012 for Horizon Holdings Inc. are outstanding. They are attributable, in part, to the success of productivity initiatives in our operations. Our "A/Stable" credit rating was confirmed again by Standard & Poor's, a testament to the financial strength of the company.

The resulting dividends that we pay to our shareholders directly impact the bottom line of our communities, easing the tax burden and supporting critical services and programs. Horizon Holdings Inc.'s regulated affiliate, Horizon Utilities Corporation, continued to make investments in processes and technology that enhance the customer experience while improving operational efficiency and productivity.

Horizon Energy Solutions Inc. (HESI), our competitive affiliate, successfully energized one megawatt (MW) of commercial rooftop solar photovoltaic generation, while continuing to grow the metering services, conservation and demand management services, and streetlight maintenance businesses profitably.

Overall, we are committed to delivering all of our services in a more reliable, cost effective, and customer friendly way while providing a safe and healthy workplace for our employees.

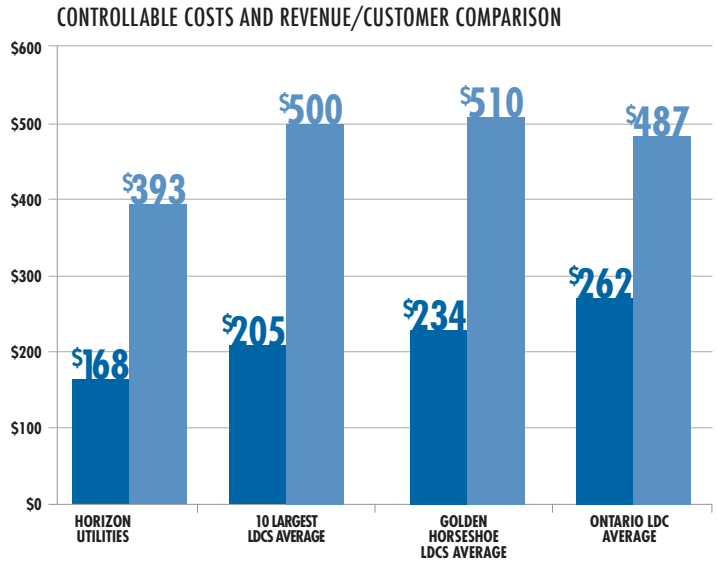
Lower Operating Expenses and Higher Net Income

Our disciplined approach to asset management and renewal is beginning to pay off in lower operations and maintenance costs for the regulated distribution system. Operating expenses of $57.1 million decreased by $1.2 million or 2.1 per cent. These expenses include salaries and benefits, materials, and other third-party service costs, including operation and maintenance of the distribution system, and general administration costs.

Net income for 2012 increased by $9.1 million to $26.2 million, compared to $17.1 million in the prior year, with total revenue (net of cost of power) having increased by $10.5 million. This higher revenue is explained by a $5.5 million increase of net energy sales billed on behalf of electricity transmitters, generators, and regulatory bodies; $2.4 million higher distribution revenues; and a $2.6 million increase in other income.

Shareholder Dividends

Horizon Holdings paid $13.7 million in dividends to its shareholders in respect of 2012, up from $10.7 million for 2011.



The financial results of the Corporation are more fully presented in the accompanying Management's Discussion and Analysis and Consolidated Financial Statements, which are also available on the Horizon Holdings and Horizon Utilities websites.

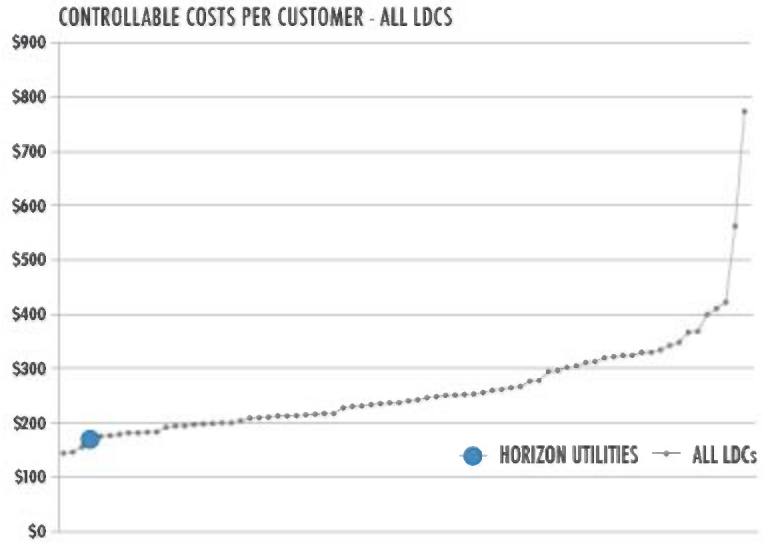
LDC Sector Comparisons

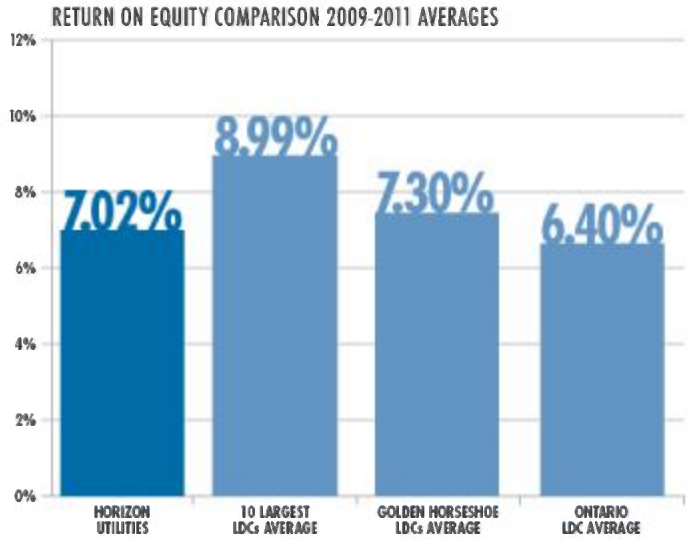
In keeping with our goal to be the best performing energy company in Ontario, we seek to benchmark our controllable cost, revenue need and return on equity performance against our industry peers. The accompanying figures are the most recent three-year average of Ontario Energy Board yearbook data – 2009-2011 – to smooth out one year exceptions. Averages for the sector and the 10 largest LDCs exclude Hydro One due to its rural cost profile.

Horizon Utilities generally operates with much less revenue per customer than other LDCs. We require an average of $393 of revenue per customer per year, a key comparative indicator of rates. Horizon Utilities is 21 per cent lower than the $500 of revenue per customer for the 10 largest utilities, 23 per cent below the $510 for the Golden Horseshoe LDCs, and 19 per cent below the Ontario average of $487.

Horizon Utilities is able to operate with less revenue because its controllable costs (operations, maintenance and administration) of $168 per customer, on a three-year average, are 36 per cent lower than the Ontario average of $262, and also lower than the $205 for the 10 largest utilities and $234 for the 26 distributors in the Golden Horseshoe. Horizon Utilities had the 4th lowest controllable costs per customer (OM&A) of 78 LDCs in Ontario.

Our average shareholder return on equity (ROE) compares respectably with the three comparator groups as well. Horizon Utilities earned a 7.02 per cent ROE for the 2009-2011 period, compared to the industry average of 6.40 per cent and the 7.30 per cent Golden Horseshoe average, although below the 8.99 per cent ROE of the 10 largest LDCs.



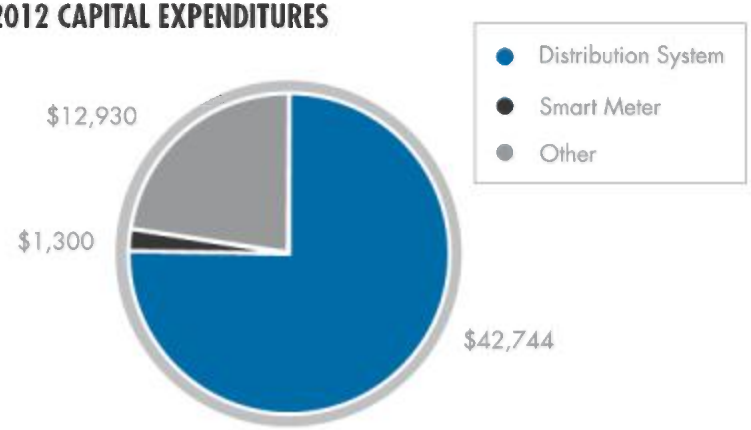


Source: Graphs on pages 26 and 27 are based on OEB 2011 Yearbook of Electricity Distributors data.

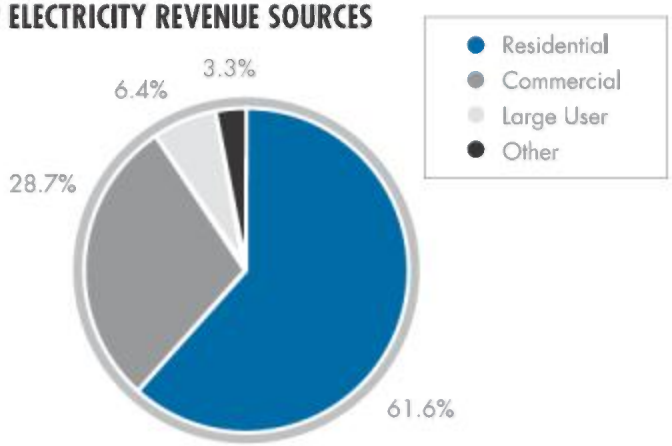
Capital Expenditures

Horizon Utilities knows that its success is dependent on a robust system of physical assets. We continually make investments in infrastructure, processes and technology that will improve reliability, deliver productivity and enhance the customer experience. We invested $57.0 million in capital expenditures for 2012, which is an increase of $21.6 million from the prior year. The increase is principally driven by distribution system renewal, accrued contributions to transformer stations, investments in our Solar PV business, and necessary facilities upgrades to our work centres.

2012 CAPITAL EXPENDITURES



2012 ELECTRICITY REVENUE SOURCES



Infrastructure Investments

Horizon Utilities continues to invest in the renewal of the distribution infrastructure in both Hamilton and St. Catharines. We achieved a significant milestone in 2012 by completing a $4.6 million long-term project to rebuild the entire downtown power distribution network in St. Catharines. This project is tangibly supporting the revitalization of the city's core.

In addition to the St. Catharines downtown rebuild, significant investments were made in central St. Catharines and downtown Hamilton, rebuilding overhead circuits as part of our long-term voltage conversion plans.

A major multi-year program to renew substations in Hamilton continued in 2012. We saw the completion of a two-year project to rebuild the Parkdale substation and initiated a multi-year project to upgrade nine additional ones. These investments, totaling $2.9 million, are key elements in our distribution system renewal program.

Horizon Utilities also invested over $8.2 million in system expansions and enhancements. This included a significant investment to connect the Juravinski Centre for Integrated Healthcare in Hamilton. Investments in St. Catharines focused on improving reliability through increased interconnections between adjacent stations.

Productivity Improvements

One key contributing element in our strong net income for 2012 was the improvement in productivity across our organization. Investing in process improvements, a new scheduling system, and new technology have improved our customer service processes while reducing costs. These improvements are not only allowing us to serve our customers better, but also positioning us for future growth.

Horizon Energy Solutions Inc.

Competitive Energy Services

Horizon Holdings' competitive services company, Horizon Energy Solutions Inc. (HESI), is a successful developer of renewable energy projects and provider of a suite of energy management, metering, streetlight management and conservation services to commercial clients and local distribution companies (LDCs). Here are some of HESI's highlights for 2012.

Horizon employees prepare for final connection of the solar panels on the roof of our Stoney Creek Operations Centre.

Solar PV energy solutions

In 2012, HESI commissioned five rooftop photovoltaic (PV) solar energy generation projects, bringing one megawatt (MV) of renewable energy to our communities. These Feed-in Tariff contracted systems establish a new revenue source, are emission-free and provide enough energy to power over 100 homes.

Three of these projects were installed at Horizon Utilities' operations centres in St. Catharines, Stoney Creek and Hamilton Mountain, with the largest consisting of over 1,000 panels. Stoney Creek Furniture, with its prominent location on the Queen Elizabeth Way, also partnered with HESI for solar PV systems on two of its buildings.

HESI also has plans to install commercial rooftop systems for four municipal governments.

In 2013, HESI will build an additional 600 kW of commercial solar PV systems and has other projects in the application stage.

Metering Services

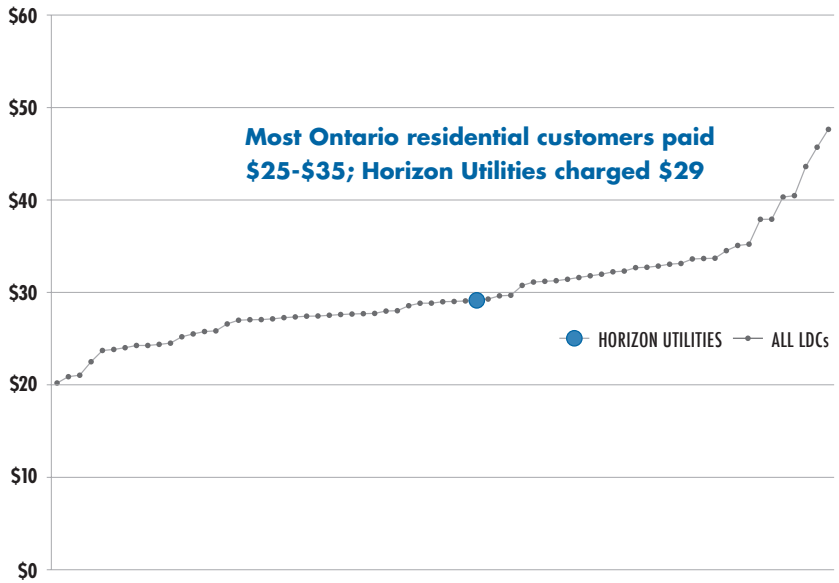
HESI's Metering Services team offers comprehensive solutions to a wide range of customers, including several southern Ontario LDCs and large manufacturing companies. HESI's recently fully-refurbished meter shop is one of the most advanced in Ontario. Metering Services also successfully passed several key Measurement Canada and ISO 9001:2008 accreditations.

In 2012, HESI expanded its meter services to include working with engineering, procurement, and construction companies to provide metering connection services to renewable generation projects.

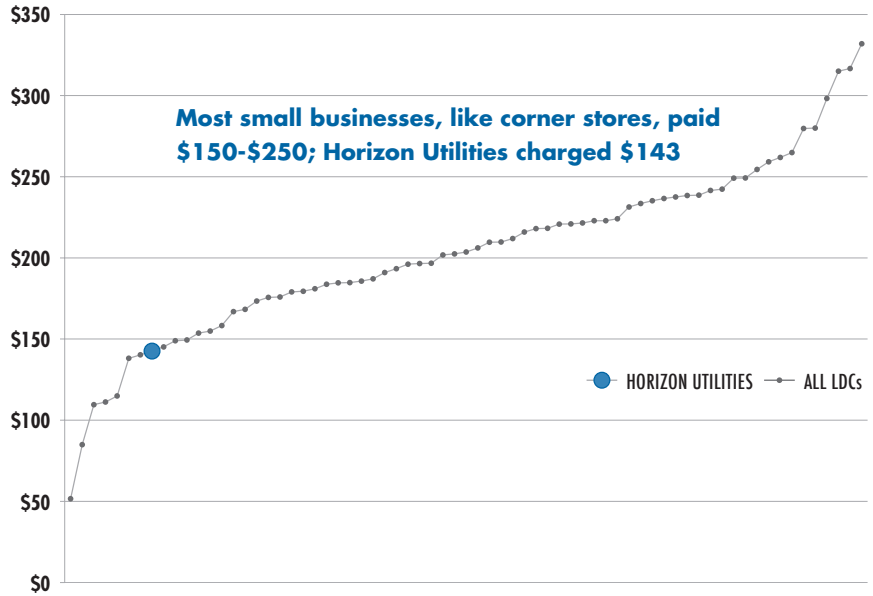
LOW AND BALANCED MONTHLY DISTRIBUTION RATES FOR CUSTOMERS — 2012

Horizon Holdings demonstrates our commitment to being economically responsible by keeping rates low and balanced for all of our customer groups. We work diligently to maintain among the lowest distribution rates for all classes of customers, doing our part for the economic sustainability of our communities, businesses and households. See the data in the four accompanying graphs.

RESIDENTIAL CUSTOMERS 1,000KWH/MONTH



SMALL BUSINESS 13,000KWH/MONTH



These four graphs represent typical customers — one residential and three commercial — of varying size. The rates displayed here are the OEB's approved distribution only rates for all Ontario distributors in 2012. Data excludes Hydro One Networks because of the character of its service territory compared to other LDCs.

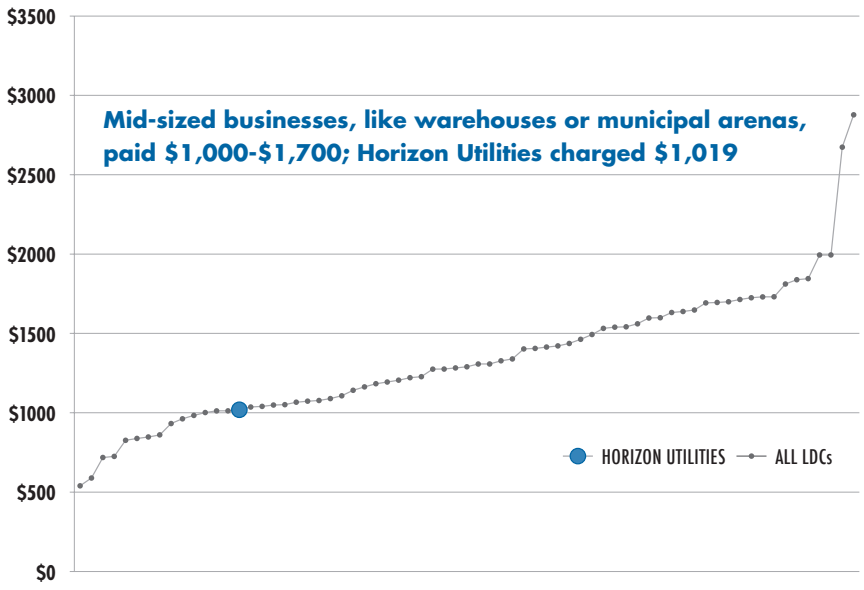
DIRECT ECONOMIC VALUE TO COMMUNITIES

We do not just say we support our communities financially and economically – we measure our general financial impact on our communities. Horizon Holdings uses the key Global Reporting Initiative (GRI) metric of "direct economic value."

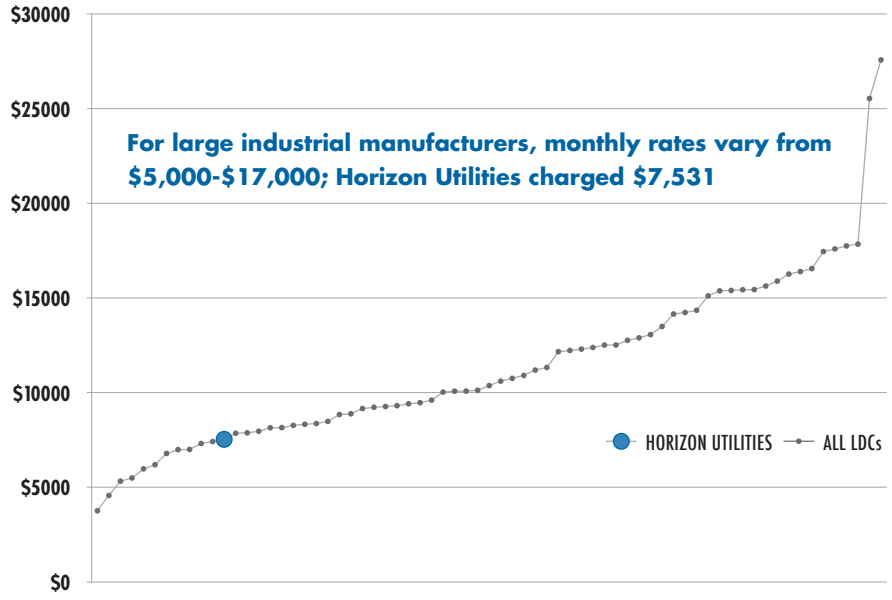
In 2012, Horizon Holdings contributed a combined $135.3 million to the economy of western Greater Golden Horseshoe and the province generally. This includes $57.1 million in operating expenses, which are funds that flow back into our communities, $57.0 million in capital expenditures, of which $11.4 million was used to procure materials and services in our region, and $3.1 million in CDM incentives to invest in energy efficiency.

DIRECT ECONOMIC VALUE GENERATED 2012: HORIZON HOLDINGS	
Operating Expenditures	$57,140,000
Capital Expenditures	$56,975,000
Dividends to Shareholders	$10,684,000
Payments in Lieu of Taxes (PILs)	$7,169,000
Energy Incentives and Rebates (OPA funded)	$3,100,493
Charitable Contributions (Employees and Corporate)	$257,000
Economic Benefit	$135,325,493

LIGHT MANUFACTURING 350KWH/MONTH



MANUFACTURING 3,500KWH/MONTH



COMPARATIVE DIRECT ECONOMIC VALUE 2011

	HORIZON UTILITIES (NOT HOLDINGS)	HORIZON UTILITIES /CUSTOMER	TEN LARGEST LDCS AVERAGE	TEN LARGEST AVG./ CUSTOMER	ALL 78 LDCS AVERAGE	ALL 78 LDCS AVG./CUSTOMER
Revenues	$98,520,033	$419	$134,350,079	$571	$26,655,024	$551
Operating Expenditures	$41,110,249	$175	$54,823,872	$233	$11,656,120	$241
Capital Expenditures	$39,548,836	$168	$88,451,584	$376	$16,066,152	$332
Payments in Lieu (PILs)	$5,924,017	$25	$4,258,359	$18	$1,782,635	$37

The direct economic value also includes social responsibility contributions. Combined employee and corporate charitable donations totalled $257,000 in 2012. Contributions include a $124,000 provided to the United Way agencies in St. Catharines and Hamilton to support the OEB's Low-income Energy Assistance Program. The Horizon Employees' Charity Fund also contributed an impressive $69,200 to local charities in Hamilton and St. Catharines.

Notes to Direct Economic Value Generated 2012. Source: Horizon Holdings' Global Reporting Initiative™ 2012 Filing. NB: The dividend payments shown here differs from that in the Board Chair and CEO Message on page 3. The figure of $10.7 million represents the actual dividend payments distributed on an accounting basis in 2012 and $13.7 million reflects the dividend payments distributed based on financial performance in respect of 2012, part of which was paid in 2013.
The figure of $257,000 for Charitable Contributions represents the total combined employee and corporate contributions. They consist of $124,000 for LEAP, $69,000 corporate and Employee Charity Fund, and an additional $64,000 corporate.

Notes to Comparative Direct Economic Value 2011. NB: Data generated by Distribution Utilities only. See full GRI filing for additional details. Source: Ontario Energy Board (OEB). LDC — An LDC is a local distribution company. LDCs are compared here because only their data is published by the OEB. 2011 data is used because 2012 is not yet published. Averages are simple averages. Hydro One Networks is excluded because its service territory differs so greatly from other LDCs. Charity contributions are not included because they are not published by the OEB.

FIVE YEAR CONSOLIDATED SUMMARY

($ in thousands)

As at December 31	2012	2011	2010	2009	2008
STATEMENT OF INCOME					
Net electricity revenue	$107,389	$99,494	$91,217	$88,583	$88,335
Other income from operations	11,902	9,267	10,517	10,369	10,090
	119,291	108,761	101,734	98,952	98,425
Operating expenses	57,140	58,355	46,762	44,855	43,997
Depreciation and amortization	18,555	16,772	26,978	25,012	23,481
	75,695	75,127	73,740	69,867	67,478
Income from operating activities	43,596	33,634	27,994	29,085	30,947
(Loss) gain on disposal of property, plant and equipment	(1,442)	(1,644)	99	92	45
Net finance charges	(8,804)	(10,716)	(9,639)	(9,185)	(9,246)
Payments in lieu of income taxes	(7,169)	(5,305)	(5,771)	(6,471)	(6,641)
(Loss) income from discontinued operations	(5)	1,088	25	-	-
Net income	$26,176	$17,057	$12,708	$13,521	$15,105
STATEMENT OF FINANCIAL POSITION					
Assests					
Current assets	$142,165	$110,630	$106,710	$97,872	$100,571
Non-current assets	424,049	387,401	367,056	355,521	336,430
	$566,214	$498,031	$473,766	$453,393	$437,001
Liabilities and shareholders' equity					
Current liabilities	$95,925	$213,143	$90,692	$114,015	$96,739
Long term borrowings	189,395	39,592	155,554	116,000	$116,000
Other non-current liabilities	47,602	26,182	45,125	45,578	44,923
Shareholders' equity	233,292	219,114	182,395	177,800	179,339
	$566,214	$498,031	$473,766	$453,393	$437,001
STATEMENT OF CASH FLOWS					
Net cash from operating activities	$42,406	$32,318	$43,730	$27,715	$39,852
Net cash used in the acquisition of property, plant and equipment and intangible assets	(56,975)	(35,414)	(39,193)	(44,775)	(42,045)
Net cash from other investing activities	434	1,806	144	142	45
Net cash from long term borrowings	33,803	-	39,554	-	-
Net cash from (used in) other financing activities	10,971	1,038	(10,556)	(11,404)	(7,903)
Net increase (decrease) in cash and cash equivalents	$30,639	$(252)	$33,679	$(28,322)	$(10,051)

Note – Horizon transitioned from Canadian Generally Accepted Accounting Principles (Canadian GAAP) to International Financial Reporting Standards (IFRS) effective January 1, 2012. The financial results for 2011 have been restated in accordance with IFRS for comparative purposes. The financial results for 2008, 2009 and 2010 are presented in accordance with Canadian GAAP applicable to those periods.

Sustainability Policy

Doing business sustainably is essential to Horizon Holdings' success as a provider of electricity and innovative energy solutions to the communities we serve. We are committed to delivering value to our shareholders by providing our customers with safe, reliable and efficient electricity and innovative energy solutions. This policy sets forth Horizon Holdings' commitment to protecting the health, safety, environment and well-being of our employees and contractors, the customers of our products and services, and the communities in which we operate.

Safety

The safety of our employees, contractors, customers and the public is paramount. We will continually strive to meet and exceed all legal safety requirements. We will not undertake any activity without proper safety procedures and equipment being in place.

Environmental Responsibility

We will work to minimize our impact on the environment and seek to continually improve our environmental performance. We will work to reduce waste, emissions of greenhouse gases and other air pollutants, and undertake to manage hazardous materials in a manner that meets or exceeds all government requirements. We will work with stakeholders to resolve land use conflicts in ways that protect the environment.

Economic Performance

Our success depends on the success of our customers and communities. We will return dividends to our shareholders that are consistent with ensuring sufficient investment for the provision of ongoing innovative and cost-effective energy products and services at competitive rates to our customers in the communities we serve.

Doing Business Ethically

We will meet or exceed all applicable laws and regulations relevant to our areas of business activity in the jurisdictions in which we operate. We will continue to implement and maintain ethical business practices and sound systems of corporate governance. We will not tolerate harassment or discrimination in any of our relationships, whether with employees, contractors, customers, or other stakeholders.

Our Employees

Our employees are Horizon Holdings' ambassadors to our customers and the communities we serve. We will provide employees with development opportunities in a safe, healthy and satisfying working environment. We will encourage the participation of employees in the continual improvement of our health, safety, environmental and social performance, and in the development of new and innovative energy products and services to our customers.

Managing Risk

We will meet or exceed all health, safety, and environmental regulatory requirements. We will evaluate the economic, social, and environmental risks of our business and take precautionary actions to address them. We will incorporate health, safety, environmental, and social considerations into our business decisions.

Our Communities

Our activities reach far and wide into the communities that we serve. The supply of energy products and services represents a major contribution to the health and well-being of our customers and their communities. We will actively participate in the social, economic, and institutional development of the communities in which we operate. We will engage our stakeholders through open and transparent consultation and verifiable public reporting of our sustainability performance.

Corporate Governance

Horizon Holdings Inc. is incorporated under the Ontario Business Corporations Act and, throughout 2012, was subject to a Shareholder Agreement with Hamilton Utilities Corporation and St. Catharines Hydro Inc., its two shareholders.

The Shareholder Agreement requires that the Board of Directors observe the standards of corporate governance which apply to publicly traded corporations to the extent this is practical. Although it is not a public corporation, Horizon Holdings Inc. recognizes the role of good governance in a successful business enterprise and provides voluntary disclosure on its corporate governance practices.

Horizon Holdings Inc. owns all the shares in each of the two subsidiaries through which it operates, namely Horizon Utilities Corporation and Horizon Energy Solutions Inc.

At present, accountability and responsibility for Committee oversight in Horizon Holdings Inc. and Horizon Energy Solutions Inc. is the responsibility of the full Board of Directors of the respective companies. Horizon Utilities, for its part, has three Board Committees in addition to its Board of Directors.

Responsibilities of the Board of Directors

The Canadian Securities Administrators (CSA) has published comprehensive guidelines for effective corporate governance. The guidelines cover a broad spectrum of good governance practices and elaborate specifically on a number of major areas where Boards should explicitly assume stewardship:

- Development of corporate governance principles and guidelines
- The integrity of senior management and staff throughout the organization
- Strategic planning process and approval of a strategic plan
- Risk assessment
- Integrity of internal controls and management information systems
- Succession planning and management performance
- Employee and public safety
- Communications policy

The Boards of Directors of Horizon Holdings Inc. and of Horizon Energy Solutions Inc. have assumed stewardship with respect to the areas identified by the CSA and fulfill such stewardship responsibilities directly. These two Boards have established written mandates for themselves and each has adopted a comprehensive statement of Governance Guidelines. The Boards have also developed roles and responsibilities for the Chair of the Board and the President and CEO of each corporation.

The Board of Directors of Horizon Utilities Corporation has also assumed stewardship with respect to the areas identified by the CSA and fulfills such stewardship responsibilities directly and with supporting oversight by its Committees. In addition to having established written mandates for itself and each of its Committees, the Board has adopted a comprehensive statement of Governance Guidelines. The Board has also developed roles and responsibilities for the Chair, and for each Committee Chair and the President and CEO.

The CSA also provides guidelines with respect to the composition of the Board of Directors, including that the majority of Directors should be independent. The Boards of Directors of Horizon Holdings Inc. and Horizon Energy Solutions each consist of five directors, all of whom are presently independent as defined by the CSA. The Board of Directors of Horizon Utilities Corporation consists of 10 directors, all of whom are also presently independent. The Chair of the Board is an independent Director, as are the Chairs of all Horizon Utilities' Board Committees. The independent members of each Board meet without management in attendance for part of each Board meeting.

Board composition also meets the requirements of the Ontario Energy Board's Affiliate Relationships Code (ARC). This code regulates the contractual arrangements between related parties and requires that at least one-third of a regulated distribution company's Directors are independent from its non-regulated affiliates.

All new Directors of Horizon Holdings Inc. and its two subsidiaries receive a comprehensive orientation with respect to the role of the Board, the business of the Corporation and the legislative and regulatory environment affecting the electricity sector. All three Boards have adopted a Code of Business Conduct, including a Conflict of Interest Policy. The Boards undertake an annual assessment of the Board and, in the case of Horizon Utilities Corporation, each Committee.

Annually, each of the companies' Boards request and receive an independence letter from its Auditors. By letters dated February 28, 2013, KPMG LLP has confirmed that they are objective with respect to each of the Corporations within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

The Strategic and Financial Plans for the Corporations are approved and monitored directly by their respective Board of Directors.

Horizon Utilities Corporation Board Committees

There are three Committees of the Board with respective oversight mandates as follows:

- Audit and Risk Management Committee: risk management, internal control, financial information, and annual audit; as well as the information systems activities of Horizon Utilities Corporation.

- Human Resources and Corporate Governance Committee: succession planning, setting management objectives and performance, compensation, communications and safety activities of the Corporation. This Committee also covers all governance issues.

- Nominating Committee: constituted as required for the evaluation of Board composition and nomination of prospective Directors of the Board as may be required.

Mandate of Management

The Board approves the mandate of the President and CEO and annual corporate objectives consistent with the recommendations of the CSA.

The permitted business activities of the Corporation are outlined in its Shareholder Agreement. The mandate of the President and CEO and annual corporate objectives are consistent with the Shareholder Agreement. The authority limits of the President and CEO, as delegated by the Board, have been formally documented and executed by the Board.

In addition, the Board of Directors annually reviews the President and CEO's objectives, evaluates the President and CEO's performance and monitors the succession planning process.

The Horizon Family of Companies

Horizon Holdings Inc.

Horizon Holdings Inc. is an investment holding company owned 78.9 per cent by Hamilton Utilities Corporation and 21.1 per cent by St. Catharines Hydro Inc. Horizon Holdings Inc. owns 100 per cent of the common equity of Horizon Utilities Corporation and Horizon Energy Solutions Inc.

Board of Directors

Robert Cary, Board Chair
Alexander (Sandy) Adam
Paul Benson
Edward Minich
Joan Weppler

Management and Officers

Max Cananzi, President & CEO
John G. Basilio, Senior Vice President & Chief Financial Officer
Neil Freeman, Vice President, Business Development & Corporate Relations
Sarah Hughes, Vice President, Finance
Scott Knapman, Vice President

Horizon Utilities Corporation

Horizon Utilities Corporation is a regulated local electricity distribution company serving more than 239,000 residential and business customers in Hamilton and St. Catharines, Ontario. Horizon's 424 employees are committed to delivering a safe and reliable supply of electricity, providing unparalleled customer value and helping create a culture of energy conservation in Ontario.

Board of Directors

Robert Cary, Board Chair
Alexander (Sandy) Adam
Paul Benson
John Bergsma
Patrick Crowley
Douglas J. Harrison
Edward Minich, Chair, Audit and Risk Management Committee
Margaret T. Nelligan, Chair, HR/Governance Committee
Marnie Spears
Joan Weppler

Management and Officers

Max Cananzi, President & CEO
John G. Basilio, Senior Vice President & Chief Financial Officer
Indy Butany-DeSouza, Vice President, Regulatory Affairs
Eileen Campbell, Vice President, Customer Services
Sarah Hughes, Vice President, Finance
Kathy Lerette, Vice President, Utility Operations
Brenda Schacht, Vice President, Human Resources

Horizon Energy Solutions Inc.

Horizon Energy Solutions Inc. is a local energy company dedicated to providing commercial and residential customers with easy, turnkey green energy solutions that generate benefits for the customer and the environment.

Board of Directors

Robert Cary, Board Chair
Alexander (Sandy) Adam
Paul Benson
Edward Minich
Joan Weppler

Management and Officers

Max Cananzi, President & CEO
John G. Basilio, Senior Vice President & Chief Financial Officer
Sarah Hughes, Vice President, Finance
Scott Knapman, Vice President

About Horizon Holdings – Fast Facts

Horizon Holdings is one of the largest municipally owned electricity distribution and related energy services companies in Ontario. The company provides electricity distribution services to residential, commercial and industrial customers in Hamilton and St. Catharines; rooftop solar generation; and energy related services such as meter sealing and installation.

- 239,000 customers – 5th largest distribution company in Ontario
- 424 dedicated and highly skilled employees
- $566 million in assets – largest LDC in the western Greater Golden Horseshoe
- $135 million contribution in "direct economic value" to our local communities in 2012
- 2 million hours without a lost-time injury – more than two years of operations
- 1.6 MW of commercial rooftop solar-photovoltaic generation in production or under construction
- Top 10 Employer in Hamilton-Niagara Region in 2012 and 2013
- First to be designated Sustainable Electricity Company™ by Canadian Electricity Association
- Named Sustainability Company of the Year by Canadian Electricity Association in 2011 and 2012
- Environmental Excellence Award recipient from Electricity Distributors Association in 2013
- Among the lowest residential and commercial distribution rates in Ontario

EcoLogo

BIOGAS ENERGY

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horizon® HOLDINGS *Looking beyond...*

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horizonenergysolutionsinc.com
horizonholdingsinc.com

Horizon Holdings Inc. is jointly owned by Hamilton Utilities Corporation and St. Catharines Hydro Inc. The latter two companies are owned by the City of Hamilton and the City of St. Catharines respectively.

Beliefs

Employees are our most valuable asset.
Our customers are the reason we exist.

Mission

Our employees create value for shareholders, customers and the communities we serve through the safe and reliable delivery of electricity and innovative energy solutions.

Vision

Our vision is to be the leader in providing innovative energy solutions to the communities we serve.

APPENDIX 1-13: STANDARD AND POOR'S CREDIT RATING

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Benchmarks. Research. Data and Analytics

Horizon Holdings Inc. 'A' CCR Affirmed On Strength Of Stable Regulated LDC Business; Outlook Stable

Contact Client Services
1-877-SPCLIENT
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Call Tree Options
Contact Us

Publication date: 28-Apr-2011 10:46:11 EST

View Analyst Contact Information

- We are affirming our ratings, including our 'A' long-term corporate credit rating on Horizon Holdings Inc. (HHI).
- We base the affirmation on the strength of HHI's stable regulated LDC business.
- The stable outlook reflects what we view as a predictable regulated business with an intermediate financial risk profile comparable to that of similarly rated LDCs in Ontario.

TORONTO (Standard & Poor's) April 28, 2011--Standard & Poor's Ratings Services today said it affirmed its ratings, including its 'A' long-term corporate credit rating on Horizon Holdings Inc. (HHI). The outlook is stable.

"The ratings on HHI reflect what we view as the excellent business risk profile of the company's key subsidiary, Horizon Utilities Corp., which is the low-risk regulated monopoly electricity distribution business," said Standard & Poor's credit analyst Greg Pau.

The electricity distribution business (local distribution company [LDC]) benefits from supportive regulation and predictable operating cash flow. The ratings also reflect our expectation that the added capital expenditure requirements could lead to higher debt in the medium term, as well as that the contribution from unregulated businesses could increase with HHI's planned extension into the solar energy generation business. We expect expansion into the unregulated business to be measured and likely would contribute to 10% or less of HHI's EBITDA, cash-flow generation, or fixed assets.

Hamilton Utilities Corp. (HUC; A/Stable/--) owns 78.9% of HHI, with St. Catharines Hydro Inc. (SCHI; not rated) owning the rest. HHI's other, much smaller, investments (water heater rental and street lights for St. Catharines) are not material to the rating. Although HUC and SCHI, HHI's shareholders, are owned by the City of Hamilton (AA/Stable/--) and the City of St. Catharines (not rated), respectively, the ratings on HHI are not enhanced or constrained by government ownership. In our opinion, there is a "low" likelihood that either ultimate shareholder would provide timely and sufficient extraordinary support to HHI in the event of severe financial distress. We view the link between the municipal governments and HHI as "limited" and the role of HHI of "limited importance" to the municipal government.

We believe the Ontario Energy Board's (OEB) regulatory framework supports the utility's cash flow stability, allowing for the recovery of prudent costs and the opportunity to earn a modest return. Regulatory cost recovery is generally predictable. The current environment limits the LDC's exposure to commodity risk. Although the LDC must bill electricity customers for the commodity delivered, the cost is a flow-through; Horizon has no obligation to ensure an adequate supply of electricity and is not burdened with the procurement process or power purchase agreements. A portion of net distribution revenues are subject to modest volumetric risk due to weather. In our opinion, the near-term risk of energy policy or electricity market framework initiatives that would affect the LDC credit quality is low. We do not expect this to change despite OEB's recent announcement of a renewed electricity framework and possible increased scrutiny in its rate decision.

Hide

The stable outlook reflects what we view as a predictable regulated business

with an intermediate financial risk profile comparable to that of similarly rated LDCs in Ontario. An adverse regulatory ruling or market restructuring (such as the assumption of the obligation to supply), a material increase in leverage beyond the regulator's deemed capital structure, or increased exposure to the unregulated businesses to exceed 10% of consolidated EBITDA, cash flow, or fixed assets, could lead to a negative rating action. An upgrade is unlikely, but could happen if HHI refrains from increasing debt further and reverts to a materially more conservative financial risk profile than that of its peers.

RELATED CRITERIA AND RESEARCH

- **General Criteria: Enhanced Methodology And Assumptions For Rating Government-Related Entities**, published June 29, 2009
- **Ratings On Ontario Local Distribution Companies Unaffected By Regulator's Announcement Of A Renewed Electricity Framework**, published Nov. 4, 2010
- **Criteria | Corporates | General:Methodology And Assumptions: Standard & Poor's Standardizes Liquidity Descriptors For Global Corporate Issuers**, July 2, 2010

Complete ratings information is available to subscribers of RatingsDirect on the Global Credit Portal at www.globalcreditportal.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.

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MATERIALITY THRESHOLD

STATEMENT ON MATERIALITY THRESHOLD

Chapter 2 of the Board's Filing Requirements for Transmission and Distribution Applications updated July 17, 2013 states that "the applicant must provide justification for changes from year to year to its rate base, capital expenditures, OM&A and other items above a materiality threshold. The materiality thresholds differ for each applicant depending on the magnitudes of the revenue requirement." Horizon Utilities' materiality threshold is computed as 0.5% of distribution revenue requirement, as it is a distributor with a distribution revenue requirement greater than $10MM and less than or equal to $200MM. The materiality threshold as per the Filing Requirements is $564,780 (0.5% of Horizon Utilities' 2015 Distribution Revenue of $112,956,026). Horizon Utilities will use a materiality threshold of $300,000 in preparing its variance analyses in Exhibits 2 and 4 of this Application. Horizon Utilities has selected the lower value of $300,000 to assist the Board in its review of the significant projects planned for the 2015-2019 Test Years.

ADMINISTRATION

A copy of the Table of Contents is included at Tab 1, Schedule 1 of this Exhibit.

PARTIES IMPACTED BY THE APPLICATION

Horizon Utilities' customers, located in its Hamilton and St. Catharines service areas, will be affected by this Application. Horizon Utilities will publish the Notice of Application in Horizon Utilities' Hamilton service area in the Hamilton Spectator, the English language newspaper with a readership of 230,000 and a paid circulation of 100,000, according to the best information available.

Horizon Utilities will publish the Notice of Application in Horizon Utilities' St. Catharines service area, in the St. Catharines Standard, the English language newspaper with a readership of 70,000 and a paid circulation of 22,000, according to the best information available.

Horizon Utilities will publish the Notice of Application in Le Regional, the French language newspaper with a weekly circulation of 7,000, according to the best information available.

Horizon Utilities will publish the Notice of Application in the above mentioned newspapers because each represents the largest paid circulation in each of the service areas; and the highest paid circulation French language paper in the service areas.

This Application and all documents related to this Application will be made available on Horizon Utilities' website at: www.horizonutilities.com under Regulatory Affairs. The Application will also be available on the OEB's website at www.ontarioenergyboard.ca, under Board File Number EB-2014-0002.

CONTACT INFORMATION, LEGAL REPRESENTATION, AND INTERNET ADDRESS

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REQUESTED EFFECTIVE DATE

Horizon Utilities is seeking approval for electricity distribution rates effective: January 1, 2015; January 1, 2016; January 1, 2017; January 1, 2018; and January 1, 2019.

Horizon Utilities requests a final rate order by December 19, 2014 in order to implement the rate order by the effective date of January 1, 2015.

BILL IMPACTS

Horizon Utilities has provided the distribution bill impacts for the proposed distribution rates for the 2015, 2016, 2017, 2018, and 2019 Test Years in Exhibit 8, Tab 4, Schedule 1 of this Application.

Table 1-23 provides the distribution bill impacts for a residential customer using 800 kWh per month and for a General Service < 50 kW customer using 2,000 kWh per month.

Table1-23: Distribution Bill Impacts

		Residential (at 800 kWh)	GS < 50 kW (at 2,000 kWh)
2015	**$$$**	$2.58	$12.32
	%	9.67%	24.44%
2016	**$$$**	$1.31	$2.93
	%	4.48%	4.67%
2017	**$$$**	$0.60	$1.62
	%	1.96%	2.47%
2018	**$$$**	$0.41	$1.03
	%	1.32%	1.53%
2019	**$$$**	$0.91	$1.89
	%	2.88%	2.77%

FORM OF HEARING REQUESTED

Horizon Utilities is requesting that its Application be disposed of through a written hearing as Horizon Utilities believes that this is the most cost effective and efficient manner to deal with this Application. Horizon Utilities is not submitting a list of witnesses or curricula vitae ("CVs") with this Application. Horizon Utilities will submit a list of witnesses and their CVs if the Board determines that an oral hearing is required for this Application.

SPECIFIC APPROVALS REQUESTED

Horizon Utilities is requesting the following approvals in this Application:

- Approval to charge rates effective January 1, 2015, January 1, 2016, January 1, 2017, January 1, 2018 and January 1, 2019 to recover Service Revenue Requirements as identified in Table 1-24 below;

Table 1-24 Service Revenue Requirement 2015-2019

	2015	2016	2017	2018	2019
Service Revenue Requirement	$ 118,433,942	$ 124,145,010	$ 127,299,380	$ 129,586,516	$ 133,635,798

- Approval to charge rates effective January 1, 2015, January 1, 2016, January 1, 2017, January 1, 2018 and January 1, 2019 to recover a Base Revenue Requirement in each of 2015 to 2019 as identified in Table 1-25 below;

Table 1-25 Base Revenue Requirement 2015-2019

	2015	2016	2017	2018	2019
Base Revenue Requirement	$ 112,956,026	$ 118,628,501	$ 121,743,444	$ 123,920,317	$ 127,881,899
Revenue Deficiency	10,067,729	5,299,581	2,805,433	1,745,644	3,568,776

- Approval of the Tariff of proposed rates and charges as provided in Exhibit 8, Tab 3, Schedule 3, 5, 7, 9, 11;

- Approval of the proposed loss factor of 1.0379 as provided in Exhibit 8, Tab 1, Schedule 9;

- Approval of revised low voltage rates as proposed and described in Exhibit 8, Tab 1, Schedule 8;

- Approval to charge Retail Transmission Network Service and Retail Transmission-Connection charges, as described in Exhibit 8, Tab 1, Schedule 3;

- Approval to continue the Specific Service Charges, Transformer Allowance, Wholesale Market Service Rate and Rural Rate Protection Charge as approved in the OEB's Decision and Order in Horizon Utilities' 2014 IRM Application (EB-2013-0137);

- Horizon Utilities is proposing to add a new Credit Card Charge of $5.95 for every transaction of $275 or less in order to reflect the service fee charged by Paymentus Corporation ("Paymentus), as this is a flow through charge that would be collected by Horizon Utilities and remitted directly to Paymentus. The cost related to this service is only borne by the customers using the service as described in Exhibit 8, Tab 1, Schedule 7;

- Approval to charge the Variable Rate for LU(1) and LU(2) customers for their class for Load Displacement;

- Approval to dispose of the Deferral and Variance Account Balances over a one-year period as described and using the method of recovery set out in Exhibit 9 for the accounts as provided in Table 1-26 below;

- Approval for the capitalization of Smart Meter and carrying costs accumulated in account 1555 as set out in Exhibit 9. This represents the final disposition of Smart Meter costs;

Table 1-26 – Deferral and Variance Accounts

Account Descriptions	Account Number	Disposition Period (Years)
Group One Accounts		
Low Voltage	1550	1
Smart Meter Entity Charge	1551	1
RSVA - Wholesale Market Service Charge	1580	1
RSVA - Retail Transmission Network Charge	1584	1
RSVA - Retail Transmission Connection Charge	1586	1
RSVA - Power	1588	1
RSVA - Power Global Adjustment	1589	1
Disposition and Recovery/Refund of Regulatory Balances	1595	1
Group Two Accounts		
Other Regulatory Assets - Deferred IFRS Transition Costs	1508	1
Other Regulatory Assets - Incremental Capital Charges	1508	1
Retail Cost Variance Account - Retail	1518	1
Renewable Generation Connection Funding Adder Deferral Account	1533	1
Retail Cost Variance Account - STR	1548	1
PILs & Tax Variance	1592	1
Other Regulatory Liabilities or Credits	2405	1

- Approval to dispose of LRAMVA amounts related to CDM activities in 2011 and 2012 over a one-year period, using the method of recovery set out in Exhibit 9, Tab 5, Schedule 1, Table 9-21;

- Approval for the disposition of the differences arising as a result of accounting policy changes caused by the transition from the former CGAAP to MIFRS from January 1, 2011 to December 31, 2014, as set out in Exhibit 9, Tab 3, Schedule 2, Table 9-17;

- Approval of a Smart Meter Disposition Rider to recover the revenue requirement associated with the investment in Smart Meters in the years 2012 through 2014 set out in Exhibit 9, Tab 7, Schedule 1;

- Approval for the capitalization of Smart Meter and carrying costs accumulated in account 1555 as set out in Exhibit 9;

- Approval to leave stranded meters in rate base until they are fully depreciated as provided in Exhibit 2;

- Approval to recover costs of preparing the Application as presented in Exhibit 4, Tab 4, Schedule 6;

- Approval to establish a new Large Use customer class ("LU2"), for customers with demand over 15 MW as provided in Exhibit 7, Tab 1, Schedule 1; and

- In the event that the Board is unable to issue a Decision and Order in this proceeding before December 15, 2014 for implementation of rates as of January 1, 2015, Horizon Utilities requests that the Board issue an Interim Order approving its current distribution rates and other charges effective January 1, 2015.

CHANGES IN TAX STATUS

Horizon Utilities is a corporation incorporated pursuant to the *Business Corporations Act (Ontario)* with its head office in the City of Hamilton. Horizon Utilities carries on the business of distributing electricity within the Cities of Hamilton and St. Catharines. Horizon Utilities has not had a change in tax status since its last Cost of Service Application.

COMPLIANCE WITH UNIFORM SYSTEM OF ACCOUNT & ACCOUNTING STANDARD

Horizon Utilities has followed the accounting principles and main categories of accounts as stated in the OEB's Accounting Procedures Handbook (the "APH") and the Uniform System of Accounts ("USoA") in the preparation of this Application.

Horizon Utilities has adopted IFRS as its accounting standard as of January 1, 2012, as provided in Exhibit 6, Tab 2, Schedule 1.

DISTRIBUTION SERVICE TERRITORY AND DISTRIBUTION SYSTEM

OVERVIEW

Description of Distributor:

COMMUNITY SERVED:	Hamilton and St. Catharines
TOTAL SERVICE AREA:	426 sq. km
DISTRIBUTION TYPE:	Electricity distribution
SERVICE AREA POPULATION:	651,349 (2011 stats)

Horizon Utilities is supplied through the Hydro One transmission system at voltages of 13.8 kV and 27.6 kV. Electricity is then distributed through Horizon Utilities' service area of 426 square kilometres over 1,733 kilometres of underground cable and 1,525 kilometres of overhead cable and 52,600 poles. Horizon Utilities not only delivers electricity at its supply voltage of 13.8 kV and 27.6 kV but also owns 30 distribution stations stepping voltage down to 4.16 kV and 8.3 kV. Voltage is further stepped down in order to supply individual customers through approximately 23,500 transformers.

Maps of Horizon Utilities' Distribution Service Territory accompany this Schedule in Appendices 1-14 (Hamilton) and 1-15 (St. Catharines).

LIST OF NEIGHBOURING UTILITIES

The following distributors are located adjacent to Horizon Utilities' service areas:

City Of Hamilton Services area:

- Burlington Hydro
- Grimsby Power Incorporated
- Hydro One Networks Incorporated
- Niagara Peninsula Energy Incorporated

City of St. Catharines Service area:

- Hydro One Networks Incorporated
- Niagara-On-The-Lake Hydro Inc.
- Niagara Peninsula Energy Incorporated

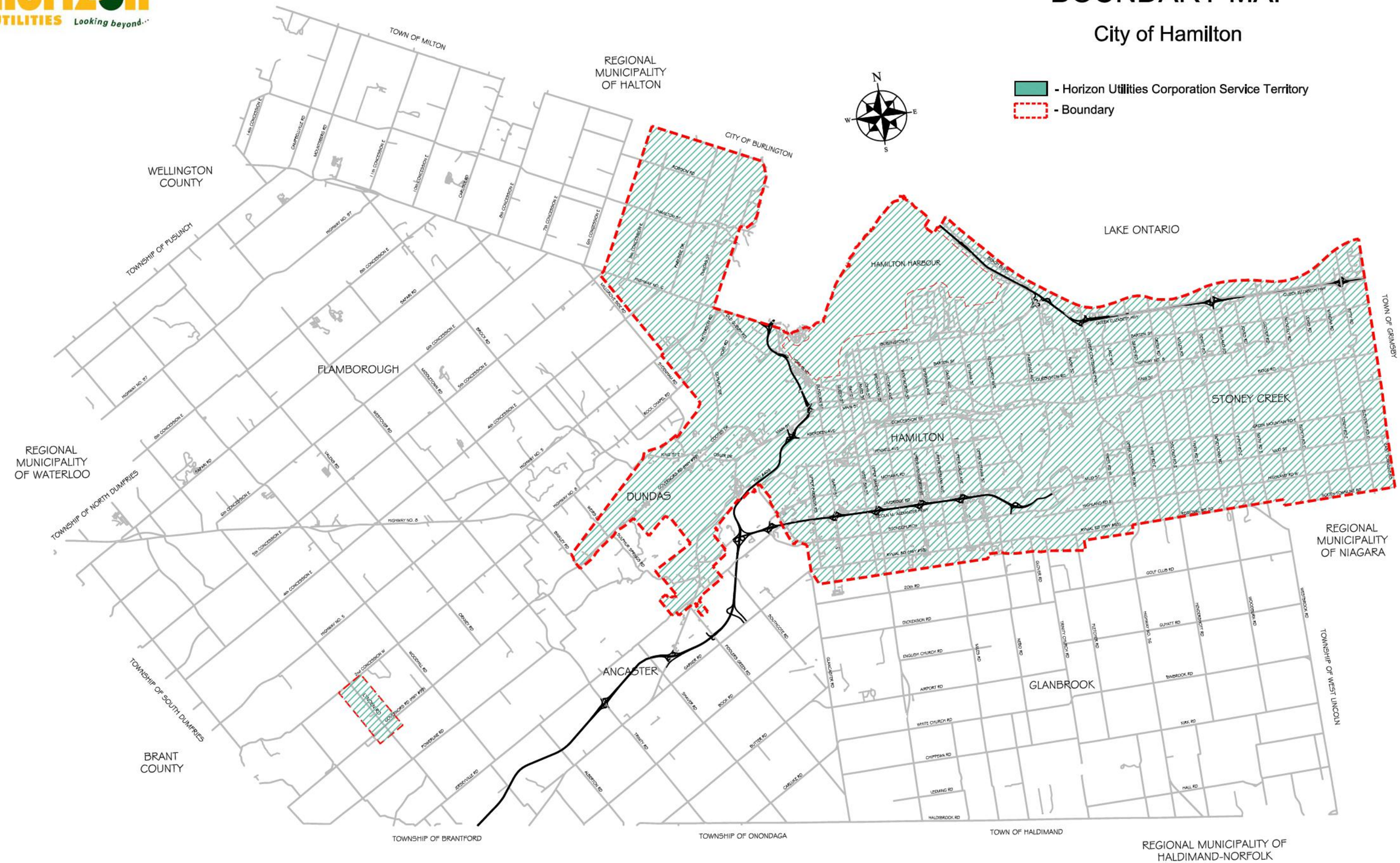
EXPLANATION OF HOST AND EMBEDDED UTILITIES

At certain delivery points, Horizon Utilities receives electricity from the Hydro One distribution system rather than from the IESO-controlled grid. Horizon Utilities' Hamilton service area is partially embedded in the Hydro One distribution system in the vicinities of Ancaster, Dundas, Flamborough, and Stoney Creek. These are former municipalities that now form part of the City of Hamilton following a municipal amalgamation in 2001, and that are within the Horizon Utilities Hamilton service area.

APPENDIX 1-14: MAP OF DISTRIBUTION SYSTEM - HAMILTON

HORIZON UTILITIES CORPORATION BOUNDARY MAP

City of Hamilton

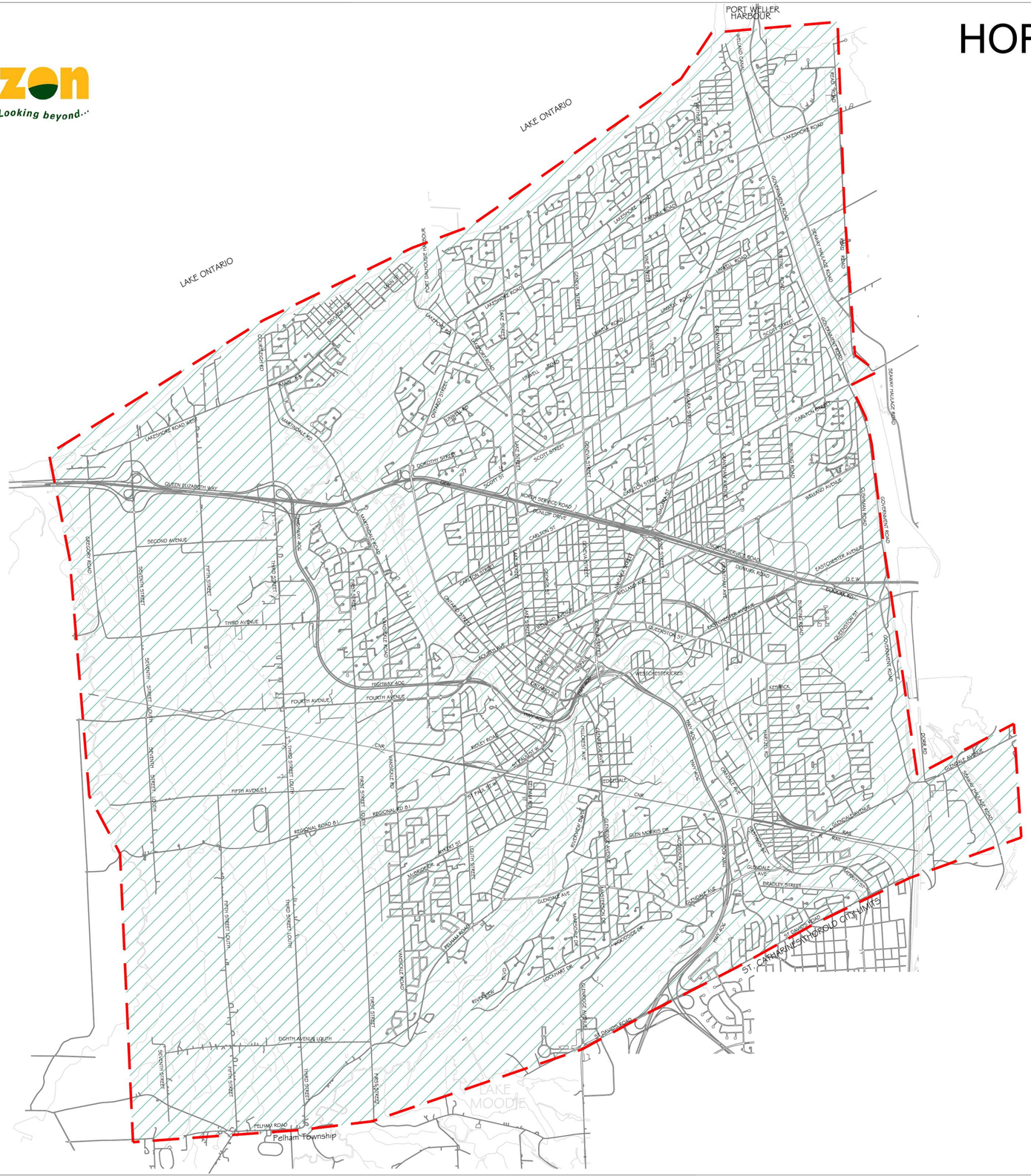


APPENDIX 1-15: MAP OF DISTRIBUTION SYSTEM – ST. CATHARINES

HORIZON UTILITIES CORPORATION BOUNDARY MAP

City of St. Catharines

- Horizon Utilities Corporation Service Territory
- Boundary



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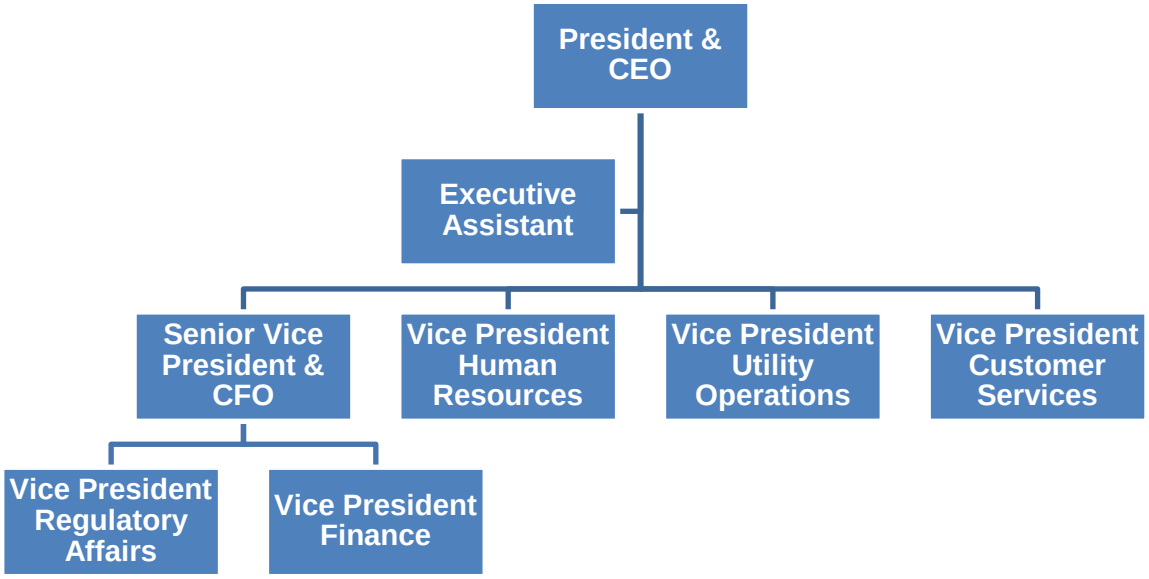
ORGANIZATIONAL STRUCTURES

UTILITY ORGANIZATIONAL STRUCTURE

The following Figure 1-5 provides the organization structure for Horizon Utilities.

Figure 1-5 Organization Structure



CORPORATE ENTITIES RELATIONSHIPS

Horizon Utilities is wholly owned by Horizon Holdings Inc. (“HHI”). HHI is a holding company that is a subsidiary of Hamilton Utilities Corporation ("HUC"), which owns 78.9% of the common shares of HHI. HUC is wholly owned by the City of Hamilton. The remaining 21.1% of the common shares of HHI are owned by St. Catharines Hydro Inc. (“SCHI”). SCHI is wholly owned by the City of St. Catharines.

The following are corporations or other entities related to or affiliated with Horizon Utilities:

- Horizon Holdings Inc. – HHI is an affiliate of Horizon Utilities. HHI is a holding company that wholly owns Horizon Utilities and Horizon Energy Solutions Inc. (“HESI”) and Horizon Solar Corporation (“HSC”);

- Hamilton Utilities Corporation – HUC is an affiliate of Horizon Utilities Corporation;

- St. Catharines Hydro Inc. – SCHI is not an affiliate of Horizon Utilities Corporation;

- Hamilton Hydro Services Inc. (“HHSI”) – HHSI is an affiliate of Horizon Utilities. HHSI is wholly owned by HUC, and holds OEB Electricity Generator Licence EG-2002-0383. HHSI provides unregulated district heating and cooling through its operating division, Hamilton Community Energy;

- Horizon Energy Solutions Inc. (“HESI”) – HESI is an affiliate of Horizon Utilities. HESI is wholly owned by HHI and provides non-regulated energy services including sentinel (street) light rentals and meter services;

- Hamilton Renewable Power Inc. (“HRPI”) – HRPI is an affiliate of Horizon Utilities. HRPI is wholly owned by the Corporation of the City of Hamilton and holds OEB Electricity Generator Licence, EG-2006-0005;

- St. Catharines Hydro Generation Inc. (“SCHGI”) – SCHGI is wholly owned by SCHI and is an affiliate of SCHI. SCHGI holds OEB Electricity Generator Licence EG-2003-0129. SCHGI is not an affiliate of Horizon Utilities;

- Horizon Solar Corporation ("HSC") is a single purpose holding company established by HHI to hold a 0.01% interest in Solar Sunbelt General Partnership ("SSGP"). Horizon Utilities holds the remaining 99.99% interest in SSGP; and

- SSGP is a general partnership established between Horizon Utilities and Horizon Solar Corporation for the purpose of developing, constructing, owning, financing and operating rooftop solar installations and selling the electricity to the Ontario Power Authority ("OPA") pursuant to long-term power purchase agreements under the Feed-in Tariff program established by the OPA.

A chart illustrating the Horizon Utilities corporate family is provided in Figure 1-6.

The Board of Directors of Horizon Utilities is comprised of ten members. Four directors are independent of any affiliate, including the City of Hamilton. Five directors are on the Board of Directors of Horizon Holdings Inc. and Horizon Energy Solutions Inc.

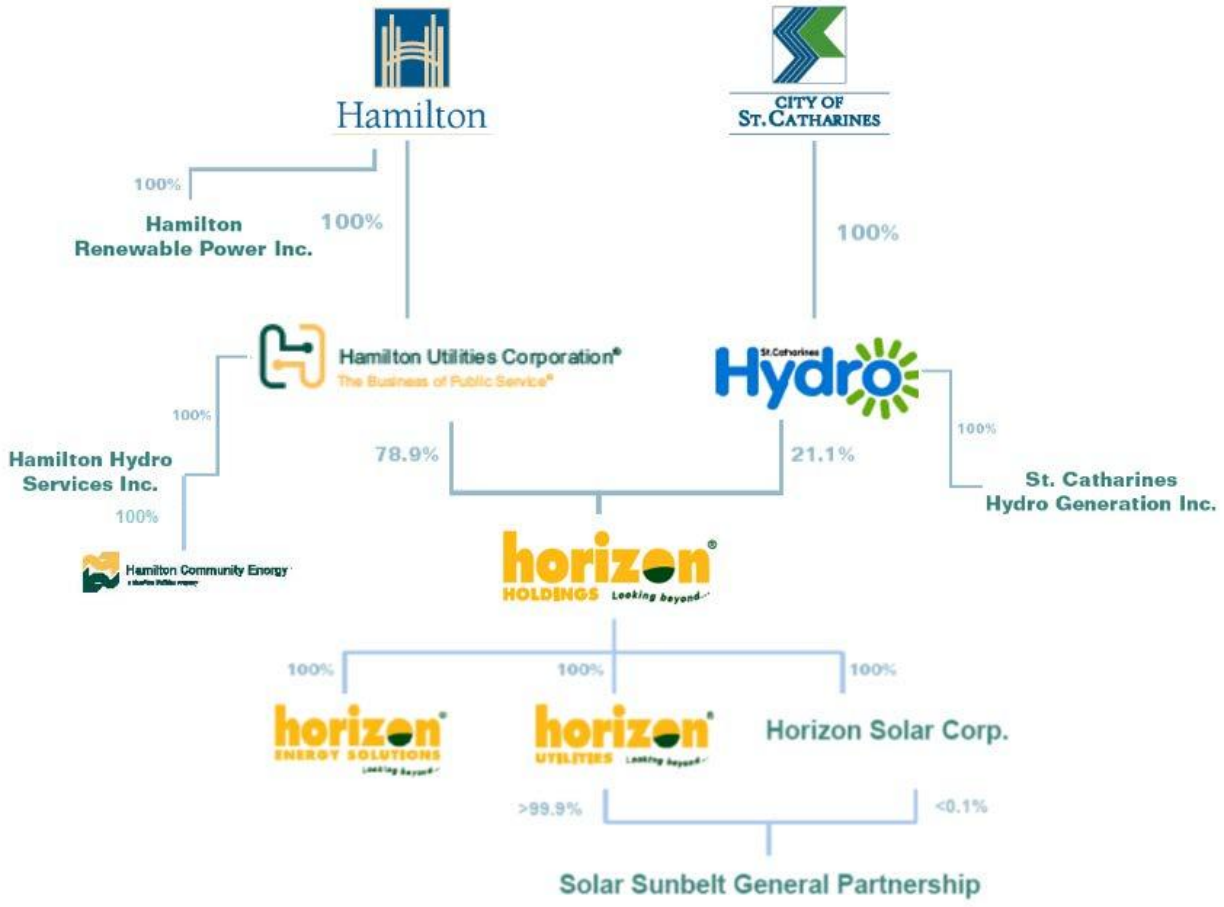
On the following page, Horizon Utilities has provided a chart setting out its high-level organizational structure. All of the five directors of HHI, the parent holding company of Horizon Utilities, are also directors of the Horizon Utilities Board. The Horizon Utilities Board consists of ten directors and includes four independent directors. The President and CEO of Horizon Utilities is also the President and CEO of the parent company, and reports to each of the Boards of Directors in his respective capacity.

Horizon Utilities' Electricity Distribution Operations ("EDO") shares certain corporate services with other business units and affiliates. Shared services include finance and accounting, health and safety support, human resources and payroll, supply chain management, and information systems support. Non-wires related activities, carried out by the business units, include water and sewer billing and CDM activities. EDO is the provider of those shared services. A Services Agreement (2009) outlines the shared services and the costing mechanism used for the shared services provided to Hamilton Utilities Corporation and to Hamilton Hydro Services Inc. A second Services Agreement (2014) outlines the shared services and the costing mechanism used for the shared services provided to Horizon Energy Solutions Inc. and to Horizon Holdings

Inc. ("HHI"). EDO is also a recipient of shared services provided by HHI. A final copy of these Services Agreements are provided as Appendix 4-6.2 and 4-6.3 to Exhibit 4, Tab 4.

The following Figure 1-6 illustrates the corporate organizational structure of Horizon Utilities and its affiliates and other non-affiliated members of its corporate family (the non-affiliated members include the City of St. Catharines, SCHI and SCHGI).

Figure 1-6 Corporate Entities Relationships



PLANNED CHANGES IN CORPORATE AND ORGANIZATIONAL STRUCTURE

There are no planned changes to the corporate or operational structure at the time of this filing.

CORPORATE GOVERNANCE

OVERVIEW OF CORPORATE GOVERNANCE

Horizon Utilities Corporation is wholly-owned by Horizon Holdings Inc. ("HHI"), and both are incorporated under the Ontario *Business Corporations Act*. The shareholders of HHI are Hamilton Utilities Corporation and St. Catharines Hydro Inc. These companies are respectively owned by the Corporation of the City of Hamilton and the Corporation of the City of St. Catharines.

Horizon Utilities, through its parent company, HHI, is governed by a Shareholders Agreement (the "Agreement") among Hamilton Utilities Corporation, St. Catharines Hydro Inc., and Horizon Holdings Inc. The Agreement provides for the following, among other matters:

- Composition of the Board of Directors;
- Qualification of Board Members;
- Term of Directors;
- Meeting frequency for the Board of Directors;
- Quorum for the Board of Directors;
- Identification of the Board Committees; and
- Other matters related to corporate governance.

The Agreement requires that the Horizon Utilities Board of Directors "*supervise the management of the business and affairs of the Corporation*[7]". The Agreement also provides that the Board must "*observe substantially the same standards of corporate governance as may be established from time to time by the Toronto Stock Exchange or securities regulators in*

[7] Hamilton Utilities Corporation and St. Catharines Hydro Inc. and Horizon Holdings Inc. Shareholders Agreement, November 1, 2006, Article 4.15 – Corporate Governance Matters

Canada for publicly traded corporations with such modifications as may be necessary to reflect the fact that the Corporation or Subsidiary is not a publicly traded corporation[8]*."*

The Board of Directors is directly responsible for the governance of Horizon Utilities and is active and diligent in its role of providing oversight to Horizon Utilities. The Board of Directors' Human Resources/ Governance Committee (the "HR/Gov. Committee") is responsible for monitoring changes to governance standards in Canada, benchmark Horizon Utilities against emerging changes, and make recommendations to the Board of Directors. The HRG Committee also makes recommendations on corporate governance principles to the Board of Directors for adoption, based on an annual review.

Horizon Utilities' Board of Directors

Horizon Utilities' Board of Directors (the "Board of Directors") comprises ten (10) members; four (4) of whom are independent members as defined in the OEB's Affiliate Relationship Code ("ARC"). The Board of Directors composition is compliant with ARC, which requires that at least one-third of a regulated distribution company's directors is independent from any affiliate. The Shareholders Agreement specifies that the composition of the Horizon Utilities Board of Directors shall comply, at all times, with the provisions of the ARC.

None of the directors is an officer or employee of Horizon Utilities or any of its affiliates, which is the same standard for independence as is provided for offering corporations under the Business Corporations Act (Ontario). Each director is provided ample time and opportunity to receive relevant information and provided the opportunity at Board meetings to appropriately challenge how executive officers are discharging their duties and achieving their goals.

Furthermore, the Board of Director's composition and practices facilitates the exercise of independent judgment. The directors are selected based on a desire to achieve diversity in business skills (e.g., human resources, legal, operational, government). It is this diversity that ensures that all voices around the Board "table" are valued and heard for their input and perspective. For certainty, the Chair of the Board of Directors ensures that all Board members'

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[8] ibid

input has been received by ensuring that no one individual or group monopolizes the time and further, each Board member is provided the time and opportunity to speak and voice their views around the table.

Annually, the Board of Directors evaluates its performance on the Board and Committees. Completed evaluations are submitted confidentially and aggregated by the Corporate Secretary. The results are reviewed and discussed and appropriate action items are agreed to by the Board of Directors or for the Chair's follow up.

The Board of Directors reviews its composition, size, and commitment of Board members annually and discusses change, in any area required. The Nominating Committee is constituted as required to select new Board of Directors candidates for appointment.

The Board of Directors has adopted a Code of Conduct that also pertains to all Horizon Utilities employees. The Code of Conduct is discussed further below in this Schedule.

The Board of Directors

The Agreement provides that the Board of Directors consists of individuals with a cross-section of skills and experience. Board members are recruited based on assessments of their sound judgment and integrity and a set of qualifications that may include:

- Industry knowledge concerning electricity distribution specifically and regulated industries generally;
- Business experience with businesses comparable to Horizon Utilities;
- Financial, legal, accounting and/ or marketing experience;
- Awareness of public policy issues related to Horizon Utilities and the electricity distribution business generally; and
- Knowledge and experience with corporate governance principles and/or risk management strategies.

The Board Members' biographies are provided below.

Board Chair | Robert Cary

Mr. Cary has served on the Horizon Utilities Corporation Board since its inception in 2005. He is an electricity markets consultant who has contributed to the development of market design and market rules for Ontario, New Brunswick and Nova Scotia, and has provided related consulting services in other jurisdictions. Mr. Cary is also a director of the Association of Power Producers of Ontario, as well as St. Catharines Hydro Inc. and its generation subsidiary. He is a professional engineer, chartered director and holds an MA Degree from Cambridge and an MBA from Cranfield.

Chair, Audit and Risk Management ("ARM") Committee | Ed Minich

Former President and CEO of Otis Canada Inc. and past Chair of McMaster University Board of Governors, Mr. Minich serves on the Boards of the Oakville Hospital Foundation, Tradeport International Corporation and the Hamilton Port Authority. He graduated with a B.Sc. and MBA from McMaster University, and in 2004, was honoured with a Doctor of Laws from McMaster. In 2005, Mr. Minich obtained his chartered director designation.

Chair, Human Resources/Governance ("HRG") Committee | Margaret T. Nelligan

Ms. Nelligan is a partner of Aird & Berlis LLP and practices in the areas of corporate and securities law, including investments for financial institutions, mergers and acquisitions, and general corporate work. She is a former member of the Securities Advisory Council of the Ontario Securities Commission and is an adjunct professor at Osgoode Hall Law School. Ms. Nelligan regularly advises the Boards of Directors of public companies on corporate governance and other matters. Ms. Nelligan was selected for the Women in the Lead directory, featuring women whose professional expertise and experience recommend them as candidates for corporate board appointments; she was also recognized as a "Woman of Influence" by Women of Influence Inc., a Canadian organization dedicated to the advancement of women.

Director | Rob MacIsaac

Mr. MacIsaac is the President and CEO of Hamilton Health Sciences ("HHS"). HHS is one of the most comprehensive health care systems in Canada. Prior to joining HHS, Mr. MacIsaac was President of Mohawk College of Applied Arts and Technology. He was also the first Chair

of Metrolinx, the authority responsible for planning and governing transportation (including GO Transit) in the Greater Toronto Hamilton Area ("GTHA"). During his time at Metrolinx, Mr. MacIsaac was responsible for crafting and gaining approval of the Big Move, the regional transportation plan for the GTHA. Prior to his work at Metrolinx, he was Mayor of the City of Burlington between 1997 and 2006. During this time, Mr. MacIsaac became well-known for his regional approach and progressive growth management ideas for the Greater Golden Horseshoe. Mr. MacIssac completed his undergraduate degree in Economics at the University of Waterloo in 1984 and received a Law degree at the University of Western Ontario in 1987. He was called to the Bar in 1989.

Director | Paul Benson

Mr. Benson was President and Chief Executive Officer of Benson Van Laer Inc., a financial advisory firm providing services in the areas of strategy, mergers and acquisitions, restructuring and corporate finance. He was a senior partner at Ernst & Young LLP ("E&Y") and, during his 26 years at E&Y, Mr. Benson's responsibilities included Group Managing Partner and National Director of Corporate Finance responsible for all corporate finance and related services in Canada. He is a shareholder and Chairman of Isotherm Technologies Inc., a manufacturer of food and beverage heating and cooling appliances for military vehicles. Mr. Benson has held directorships in various corporations including Oakville Hydro Corporation, Canadian Corporate Funding Limited, Brainhunter Inc., Association of Corporate Growth, and UNICEF Canada. Mr. Benson is a Chartered Professional Accountant, Chartered Accountant with a B.Comm. (Honours) degree from Queen's University. Mr. Benson is the current Chair of Hamilton Utilities Corporation

Director | John Bergsma

A former Commissioner of Corporate Services for the Regional Municipality of Niagara, John has served as President of Lennox Canada Inc., President and CEO of Union Gas Limited, President of Massey Ferguson Research Ltd., and Columbus McKinnon Limited. He currently sits on the Boards of St. Catharines Hydro Inc., Pioneering Technology Corp., the Ontario Clean Water Agency (OCWA), Niagara Health System Foundation, and has served over 20 years on the Board of Governors of the University of Waterloo, including a term as Board Chair. Mr.

Bergsma also served his community on the Boards of the Stratford Festival of Canada, Ontario Great Lakes Renewal Foundation, the Canadian Urban Institute and various United Ways across Ontario.

Director | Patrick Crowley

Mr. Crowley is a seasoned professional with a solid combination of strategic and financial leadership skills. He is a graduate of the Richard Ivey School of Business, a chartered accountant and a graduate of the Directors Education Program and holds the designation of ICD.D from the Institute of Corporate Directors. Mr. Crowley is the Executive Vice President and Chief Operating Officer of OMERS Administration Corporation and is a director of several not-for-profit corporations, private and public companies.

Director | Douglas J. Harrison

Mr. Harrison is President and CEO of VersaCold, Canada's largest warehousing and logistics company specializing in frozen and temperature sensitive products. He has an extensive background as both a CEO and Board member of various companies. He currently sits on the Board of Horizon Utilities and Mohawk College. Mr. Harrison holds an MBA from Heriot-Watt University (Scotland), is a graduate of the Certified Management Accountant's certification program (CMA) and is a graduate of the Canadian Institute of Traffic and Transportation (CITT). He is also a graduate from the Institute of Corporate Directors (ICD.D) and Mohawk College's Business Administration Program (Dipl.BA). Mr. Harrison was recognized as one of Canada's "Top 40 Under 40" and was honoured by the Canadian Institute of Traffic and Transportation with its Award of Excellence and Mohawk College as an Alumni of Distinction. He is a regular guest at various universities where he speaks on change management, strategy and leadership.

Director | Joseph Rinaldo

Mr. Rinaldo is the Former City Manager and General Manager of Finance and Corporate Services of the City of Hamilton. Prior to his role with the City of Hamilton, he was the Commissioner of Corporate Services and Regional Treasurer with the Region of Halton. He was the President of Hamilton Renewable Power Inc., a municipal corporation which operates a successful co-generation facility at the Hamilton Wastewater Treatment Plant. Mr. Rinaldo also

served on numerous Professional Associations, including Chairman of the Municipal Finance Officers Association, Co-Chair of a Provincial/Municipal Task Force on Financial Benchmarking, member of the Public Sector Accounting and Audit Committee of the Canadian Institute of Chartered Accountants and the Board of Directors of the Society of Management Accountants of Ontario. More recently, he served on several Advisory Committees on the Provincial/Municipal Fiscal and Service Delivery Review. Mr. Rinaldo holds a CMA designation from the Certified Management Accountants of Ontario.

Director | Joan Weppler

As former Vice-President of Dofasco, Inc. Ms. Weppler oversaw human resources, government relations, communications and legal matters. Prior to Dofasco, she was a partner at a Toronto-based national law firm. She served on several boards for a variety of companies and on the executive committee of her law firm. Ms. Weppler earned her BA and law degree from the University of Western Ontario.

Board Mandate

The Horizon Utilities Board of Directors follows a Mandate, which is reviewed annually. The most recent Mandate for the Board of Directors is provided as Appendix 1-17 to this Exhibit.

Board Meetings

The Board of Directors has 5 (five) regularly scheduled meetings each year; meetings of Committees of the Board are scheduled prior to the Board meeting. Board of Directors and Board Committee meetings are scheduled at the start of each year. In addition, *ad-hoc* Board of Directors or Board Committee meetings may be held to discuss pertinent issues arising outside of the normal meeting cycle, as necessary. The 2014 schedule of the Horizon Utilities Board of Directors and Board Committees is provided as follows:

Table 1-27 Horizon Utilities Board of Directors and Committee Meeting Schedule 2014

FEBRUARY 2014
February 20th Audit and Risk Management ("ARM") Committee; Human Resources and Corporate Governance ("HR/Gov.") Committee
February 27th Board Meeting
MAY 2014
May 7th HR/Gov. Committee
May 8th ARM Committee
May 15th Board Meeting
AUGUST 2014
August 12th ARM Committee; HR/Gov. Committee
August 14th Board Meeting
NOVEMBER 2014
November 5th HR/Gov. Committee
November 6th, 11th ARM Committee
November 13th Board Meeting
DECEMBER 2014
December 4th HR/Gov. Committee
December 11th Board Meeting

Orientation and Continuing Education

Orientation

New Directors attend an orientation session scheduled with the Corporate Secretary and receive a briefing and written materials on Horizon Utilities, its governance, its activities and its responsibilities. The following table provides the orientation materials for directors, by major topic.

Table 1-28 – Board of Directors Orientation Material

Topic	Related Material
Board Mandate and Corporate Governance	By-law No. 1
	Board of Directors and Committee Mandates, and the Role of the Chair
	Corporate Governance
	Code of Conduct and Conflict of Interest
	Directors & Officers Insurance
	Indemnity Agreement
	Dividend Policy
	Shareholder Agreement
Horizon Utilities' Corporate Information and Policies	Beliefs, Vision, & Mission (H)
	Audited Financial Statements and MD&A
	Current Sustainability-Based Annual Report
	Whistleblower Policy
	Sustainability Policy
	Environmental Policy
	Privacy Policy
	Public Safety Policy
	Healthy & Safety Policies
Legislation	*Ontario Energy Board Act, 1998*
	Electricity Act, 1998
	Information on Proposed and Pending Legislation
OEB Requirements	Distribution System Code
	Affiliate Relationships Code
	Standard Supply Service Code
	Retail Settlement Code

All Board members are provided access to previous Board of Directors and Board Committee meeting presentations and related materials as well as meeting minutes.

Continuing Education

The HR/Gov. Committee is responsible for periodically reviewing the adequacy of the director orientation and continuing education programs. The HR/Gov. Committee develops and initiates an annual evaluation process covering individual directors, the

Board of Directors, and its Committees. The Chair consolidates the results for presentation to the Board of Directors for discussion and action.

Management prepares presentations throughout the year to provide the Board of Directors with more detailed information and education on specific topics; such presentations are generally provided at regularly scheduled Board of Directors meetings. The Board also meets informally, at least twice a year, on the evening before a Board of Directors meeting typically, to discuss any recent events/changes in the industry that are material to Horizon Utilities' interests, or any aspect of Horizon Utilities' business that the Board wishes to learn about in greater detail. These meetings allow for a free flow discussion and have been found to be an excellent opportunity for Board members to enhance their knowledge.

The majority of Horizon Utilities' Board members are graduates of the Directors College (C. Dir.) or the Institute of Corporate Directors (ICD.D) having attained these designations on their own, prior to joining the Horizon Utilities Board. The Board of Directors may identify, and an individual Director may attend, subject to Chair approval, formal continuing education courses that would benefit Horizon Utilities' governance or business interests at Horizon Utilities' expense. While this option is available, to date, no formal educational courses have been identified by the Board of Directors or requested by any individual Board member to attend.

Board members also have the opportunity to attend industry conferences and are regularly invited and encouraged to attend various breakfast or luncheon events organized by such associations as the OEA, OEN, and EDA, which feature industry leaders as speakers. This has proven to be a good way for Horizon Utilities' Board members to stay connected to the industry and to get a quick update on matters relating to the OEB, IESO, LDCs.

Management also provides relevant electricity distribution rate application decisions and briefings on OEB policy papers to the Board of Directors as these are released. Board members also receive news releases or clippings of relevant industry news items from time to time.

Ethical Business Conduct

Horizon Utilities' Board of Directors has adopted the same Code of Conduct that pertains to all Horizon Utilities employees. Directors of the Board and Officers of the company are required to review the Code of Conduct annually and to complete a Conflict of Interest Declaration each year. A copy of the Code of Conduct is attached as Appendix 1-18, and the Conflict of Interest Declaration as Appendix 1-21 to this Exhibit. The HRG Committee also annually reviews the adequacy of Horizon Utilities' Code of Business Practice.

Nomination of Directors

The Board has an ad hoc Nominating Committee which is constituted by the Board when required. The Committee solicits resumes from candidates via advertisements or through the engagement of a consultant and evaluates the appropriateness of each candidate. The Nominating Committee then brings forward the proposed candidate(s) to the Board of Directors for their consideration. If approved, the candidate is recommended for approval by the Shareholders at its Annual General Meeting.

Board Committees

The Board of Directors has three Board Committees as follows:

- **Audit and Risk Management ("ARM") Committee** – This committee is responsible for the review of Horizon Utilities' financial results and annual audit; risk management and internal control; and the information systems activities. Two members of this committee are independent, and all members of this committee are required to be financially literate. The ARM Committee Mandate is attached as Appendix 1-19 to this Exhibit.

- **Human Resources and Corporate Governance Committee ("HR/Gov.")** – This committee is responsible to review and monitor human resources policies and to develop and implement corporate governance principles as required. This committee is also responsible for setting Board and executive management compensation policies, assessment of CEO performance, succession planning, and Board of Directors effectiveness. The HR/Gov. Committee Mandate is attached as Appendix 1-20 to this Exhibit.

- **Nominating Committee -** This committee is constituted as required for the evaluation of Board composition and nomination to Shareholders of prospective Directors of the Board as may be required.

APPENDIX 1-16: HORIZON HOLDINGS INC. SHAREHOLDERS AGREEMENT

Privileged and Confidential

SCHEDULE B

HOLDCO DIVIDEND POLICY

The following will represent the dividend policy of Horizon Holdings Inc. ("**Holdco**") until such time as Phase 2 of the Restructuring has occurred, after which this dividend policy will be replaced by the dividend policy for Horizon Utilities Corporation.

The dividend policy of Holdco and its subsidiaries is predicated on the mandate of the Board of Directors which includes maximizing shareholder value. Such value is generally realized by the shareholder through dividends or the appreciation of shareholder investment. It is the intention of the Board of Directors of Holdco to use its best efforts to declare and pay dividends from available earnings and cash flow, subject to certain conditions.

Conditions Precedent to the Payment of Dividends

Dividends will be paid to the extent that such would not otherwise cause:

(i) non-compliance with relevant statutes and regulations;

(ii) a breach of contract or the immediate or anticipated failure to otherwise meet the terms of financing arrangements;

(iii) an impairment in the operations and maintenance of electricity distribution infrastructure;

(iv) an impairment in financial prudence including capital investment in electricity distribution infrastructure to sustain reliability;

(v) a deterioration in the credit rating of Holdco or otherwise not support an "A" range or equivalent rating from credit rating agencies that rate Holdco and/ or its securities;

(vi) an impairment in the maintenance and growth of approved businesses, or logical extensions of existing or related businesses, in line with a Board approved business plan.

Payment of Dividends

Regular Dividends

Each year, at its meeting to approve the annual budget for the next fiscal year, the Board of Directors will forecast the annual dividend by applying the DPR to budgeted earning for the next fiscal year. Quarterly dividends will, subject to meeting the above criteria, be determined by the Board of Directors and paid March 1st (or shortly following the approval of the annual audited financial statements of the preceding year), June 1st, September 1st and December 1st. The first dividend of the fiscal year, targeted for payment on March 1st, will also include any adjustment to bring the total annual dividend for the preceding year to the full DPR level.

The payment of Regular Dividends is subject, in each instance, to the review and approval of the Board of Directors in accordance with this policy and subject to the Conditions Precedent noted above.

Special Dividends

Each year, at its meeting to approve the annual audited financial statements, the Board of Directors will review the current and forecast shareholder equity requirements of Holdco and compare such to the approved capital structure of Holdco. Subject to the Conditions Precedent, the Board of Directors shall declare and pay a dividend, if any, equal to the excess of actual shareholder equity over that required to support the approved capital structure of Holdco. Where a Special Dividend has been declared, the Board of Directors will endeavour to pay such dividend on March 1st of the year in which the audited financial statements of the preceding year have been approved.

Reporting to Shareholder

In the event that the Board of Directors does not approve a payment of a Regular Dividend, the Board will promptly report the circumstances underlying the non-payment to the shareholder and, thereafter, provide progress reports on a quarterly basis until such time as the payment of Regular Dividends resumes.

APPENDIX 1-17: MANDATE OF THE BOARD

Board of Directors Mandate

Horizon Utilities Corporation

ROLE OF THE CHAIR

The Chair represents the Board of Directors and the Chair also plays a crucial role in the functioning of the Board. The principal duties and responsibilities of the Chair are as follows:

- set a style of leadership for, and give direction to, the Board;
- manage the affairs of the Board, as well as its meetings, and guide its deliberations so that appropriate strategic and policy decisions are fully discussed, debated, and decided by the Board;
- set the Board agendas in cooperation with the Chief Executive Officer and the Board Secretary, and ensure that Horizon's strategic direction is defined and communicated to the Board for its approval and that all matters of strategic importance are being dealt with at the Board level during the course of the year;
- consider and suggest to the HR/Governance Committee candidates for Board membership and participate with the latter committee in the selection of candidates to be submitted to the Board for approval;
- recommend, in consultation with the HR/Governance Committee, committee composition to the Board and periodically review the effectiveness of each committee;
- ensure that the Board's policies with respect to regulatory compliance and its policy on ethical and moral standards are communicated to all persons concerned, including the public, as necessary;
- meet with the Chief Executive Officer as frequently as necessary to ensure there is a strong and effective communication link between the Chair and the Chief Executive Officer;
- ensure that there is an effective means of communication to the Board of all issues of importance to the Company, and directors are fully informed on all major issues; and,
- ensure that directors are informed and advised on all legal matters for which directors could be held responsible.

In consultation with the Chief Executive Officer, the Chair of Horizon serves as a "goodwill ambassador" representing the Company to its major stakeholders.

THE ROLE OF A BOARD OF DIRECTORS

A Board of directors oversees the management of the business and affairs of the corporate entity. The Board provides direction to the Corporation through the review and approval of strategy, policy and budgets, the appointment of the CEO and the delegation of appropriate authority, and by making those decisions not delegated all subject to the provisions of the Shareholder Agreement. The Board cannot, by the nature of things, run the day-to-day affairs of the corporation but must satisfy itself that it can have confidence in the diligence and capacities of management. And, notwithstanding any delegation to management or committees, the Board of a corporation must be ready to intervene, when need be, and to exercise final judgement on material matters. To exercise this ultimate control, the directors must obviously keep themselves abreast of corporate affairs and of its management.

Directors can, therefore, not be passive observers of corporate affairs. An “absentee director” or the “passive attendee” is, in short, not doing his or her duty.

In addition, an absent director is as responsible as the director who attends; absence does not relieve the director of liability. Thus, the director must ensure that he or she is heard on the issues presented to the Board: in concrete terms, this translates into being sufficiently informed about corporate matters, and involved in Board proceedings, to make a reasoned decision to vote on, to abstain from voting or to dissent. In particular, the director should:

- attend and actively participate in Board and committee meetings;
- study the documents distributed in anticipation of Board and committee meetings, including all the minutes prepared of meetings, whether or not attended;
- seek expert advice, if the technical complexity of the matter so requires or if objective or independent advice is desirable; and,
- ensure an effective review and approval process for developing corporate strategy and a comprehensive process for monitoring implementation.

REVISION DATE:	NEW ISSUE

APPENDIX 1-18: CODE OF CONDUCT

horizon UTILITIES Looking beyond...					POLICY
		Internal Use Only			Page: 1 of 4
Document Owner: Horizon Utilities		**Prepared by:** Corporate Services		**Date:** Mar 30, 2007	
Policy Owner: Corporate Communications		**Document Number: COMM-POL-0002**			**Rev. No.: 2.1**
Distribution	Policy Binder Holders, Horizon Intranet	**Revision Frequency**	3 Years or as required	**Last Revision Date**	05/25/2011
Approval	**Function**	**Name**	**Signature**		**Date**
	President & CEO	Max Cananzi			05/25/2011
Title: Code of Conduct Policy					

1.0 APPLICATION

1.1 This policy applies to Horizon Utilities Corporation ("Horizon Utilities") and all of its subsidiaries.

2.0 BACKGROUND

2.1 One of our company's most valued assets is its reputation for integrity and honesty. The reputation of Horizon Utilities can be impaired when the interests of a Board director or employee conflicts with, or even appears to conflict with, the interests of Horizon Utilities. A conflicting interest is a financial or other interest, whether direct or indirect, which may affect - or might reasonably be thought by others to affect – an employee's or Board director's judgment or conduct in matters involving Horizon Utilities. Each of us has a commitment to conduct ourselves, and our business transactions, in accordance with the highest ethical standards. Horizon Utilities has chosen to use our Code of Conduct to enshrine our Corporate Values. The Code defines the "Horizon Utilities way" of doing business.

2.2 The Code of Conduct applies to all business relationships with inside and outside individuals, companies and organizations. Horizon Utilities' employees and Board directors should protect the interests of Horizon Utilities and their own reputation by:

- acting in accordance with the law, established Horizon Utilities' values, and their own good consciences, and;
- avoiding personal transactions or situations in which their own interests conflict with, or might appear to conflict with those of Horizon Utilities.

2.3 A conflict may occur when a Horizon Utilities employee or Board director:

- is employed for personal gain by another firm, directly or as a consultant;
- has a direct financial interest in another firm;
- reports to or is supervised by someone with whom they have a close personal relationship;
- has an immediate family member with a financial interest in a firm who does business with Horizon Utilities, and;
- is a director or officer of another firm.

Current versions of controlled documents are posted on the Horizon Utilities Intranet
Printed copies or versions obtained from other locations are not considered controlled

3.0 CORE VALUES

Safety
Respect
Integrity
Excellence
Innovation

4.0 PURPOSE

4.1 This policy translates our Corporate Values into a single document that defines Horizon Utilities' way of doing business. It applies to employees at all levels.

4.2 As a general rule, Board directors, officers and management will complete an additional Conflict of Interest questionnaire annually.

4.3 All employees are responsible for complying with the Code of Conduct. Management and certain employees involved with specific internal controls will be requested to sign-off on the Code annually. Independent contractors, consultants, and agents working for or on behalf of Horizon Utilities will also be asked to acknowledge the principles and policies of the Code that are applicable to their work.

4.4 All employees are obliged to understand the Code of Conduct policy and raise with their functional supervisor, manager, director, or vice president any issues or conduct that may violate or be perceived to violate the Code of Conduct. Board members are obliged to bring issues forward to the Board Chair. An employee should discuss with their functional supervisor, any apparent discrepancies between their Professional Code and Horizon Utilities' Code of Conduct.

4.5 Breaches of the Code of Conduct may result in discipline and/or constitute cause for termination.

4.6 Horizon Utilities' reputation for integrity and fairness is one of its most valued assets. Maintaining this reputation is the job of every employee. Each one of us must conduct ourselves according to the highest ethical standards in order to safeguard that reputation.

4.7 The Horizon Utilities' Code of Conduct is intended as a guide, to help each employee in the organization make the right choices in their day-to-day business activities. It goes beyond the legislation and regulations that apply to our industry. It includes the values that drive our organization and make Horizon Utilities an employer of choice and a good corporate citizen.

5.0 Code of Conduct

Horizon Utilities is committed to providing value to its shareholder, employees, and the community in which it does business and all other stakeholders. Employees fulfill this commitment while upholding the highest level of ethical conduct and meeting Horizon Utilities' responsibilities as a good corporate citizen.

5.1 Respect:

5.1.1 In all workplace interactions, the principles of respect and dignity are paramount. Horizon Utilities actively enforces its harassment or discrimination policies. We practice the principle of equal employment opportunity without regard to: race, religion, national origin, gender, age, physical disability or political affiliation.

5.2 Compliance with legislation:

5.2.1 Horizon Utilities' employees comply fully with all applicable laws, rules and regulations. For example, employees conduct the business of the corporation in a manner that is compliant with the Affiliate Relationship Code (ARC).

5.3 Conflict of interest:

5.3.1 Employees, officers and members of the Board of Directors are committed to conducting their business affairs in the best interests of Horizon Utilities by dealing with customers, suppliers, contractors, competitors, existing and potential business partners, and other Horizon Utilities' employees in a manner that avoids a conflict of interest, either real, perceived or potential.

5.3.2 Any employee who is in doubt if a conflict exists is expected to report and discuss the potential conflict with a member of the senior management team of Horizon Utilities.

5.4 Integrity and Ethical business conduct:

5.4.1 Horizon Utilities' employees carry out our commitment to provide value to our shareholders while conducting themselves with honesty and integrity in all business relationships.

5.4.2 We exercise good business judgment in extending business courtesies and never offer or accept bribes, favours or kickbacks to secure a business transaction.

5.4.3 Horizon Utilities is committed to meeting or exceeding all environmental legislation and regulatory obligations, and to contribute to municipal economic development, and the improvement of the natural environment.

5.5. Protecting Horizon Utilities' assets:

5.5.1 Horizon Utilities' employees have a collective responsibility to protect the corporation's assets from fraud and theft and ensure records are accurate, timely and complete.

5.5.2 Information is a key asset of the corporation. Horizon Utilities' employees are required to safeguard Horizon's proprietary and confidential information, as well as proprietary information entrusted to Horizon by customers, suppliers or business partners.

5.6 Safety:

5.6.1 The corporation and Horizon Utilities' employees bear equal responsibility for workplace health and safety, and are committed to following the spirit as well as the letter of Ontario health and safety legislation in ensuring a safe workplace.

5.6.2 Horizon Utilities' employees undertake to protect the public interest with health and safety standards and programs that meet or exceed industry standards and applicable government codes, standards and regulation.

5.7 Social Responsibility and Innovation:

5.7.1 Horizon Utilities believes that being a good corporate citizen is an important measure of our success as a company. We give back to the communities in which Horizon Utilities' employees live and work by focusing on activities that make a meaningful difference.

5.7.2 Horizon Utilities' employees are encouraged to contribute time and talent to community causes. Employees wishing to do volunteer work during working hours must notify their functional supervisor who in turn will seek the approval of their functional vice president. Employees must understand that approval may not necessarily be forthcoming. Volunteer work, which may in some way conflict with an employee's job or Horizon Utilities' Code of Conduct, also must be discussed with their functional supervisor.

6.0 POLICY COMMUNICATION

6.1 The review and coordination of the policy will reside in Corporate Services. Senior management will be informed by Corporate Services annually as required, to initiate the sign-off process.

6.2 It is the responsibility of management to make this policy known to all employees in their functional areas, and it is the responsibility of the Corporate Secretary to make this policy known and sign-off attained from the Board of Directors.

6.3 The President or functional vice president is responsible for determining which employees are required to sign-off on the Code. Employees involved in purchasing or dealing with outside companies where Horizon Utilities buys goods and services, contractor relationships, consultants, financial institutions or internal control functions will be asked to sign-off on the policy.

7.0 FORMS & RELATED DOCUMENTS

7.1 Code of Conduct Sign-off

7.2 Conflict of Interest Questionnaire

This Policy Supersedes: 6.02 Code of Conduct Policy

APPENDIX 1-19: AUDIT RISK MANAGEMENT ("ARM") MANDATE

Horizon Utilities Corporation
Audit and Risk Management Committee

SUBJECT: ARM Committee's Annual Program

The following is subject matter that the Committee is required to review and/or assess annually in accordance the ARM Committee Mandate and other statutory obligations. The third page of this report outlines the subject matter and standing agenda items for the year 2013 (referenced to the ARM Committee Mandate).

Financial Statements and Reporting

FM1. To review all audited and unaudited financial information - including interim statements, Management's Discussion and Analysis or any other report of management contained therein, year-end statements, and any additional financial information required in prospectuses or by regulatory authorities.

FM2. To review any proposed material changes in accounting practices or policies, the resulting impact on the financial statements and their disclosure in the MD&A and statements.

FM3. To review accruals, provisions and estimates made by management that have a material effect on the financial statements and their disclosure in the MD&A and statements.

FM4. To ensure that the financial information is fairly presented, appropriate and in accordance with GAAP.

FM6. To annually review the expenses of senior management.

Relationship with External Auditors

EA1. To annually review the independence of the external auditors; pre-approve non audit related services or services beyond those set out in the approved Audit Plan or Engagement Letter.

EA2. To review and monitor the external audit function - recommend the auditor appointment, compensation, and audit plan; to review the annual Engagement Letter and all "management letters" containing recommendations or concerns.

EA3. To routinely interact with the external auditors, at or outside Committee meetings, on all areas of risk or concern, of financial and non-financial matters, ensuring actions are taken as appropriate.

EA4. To review any litigation, claim or other contingency that could have a material effect on the financial position or operating results of the Corporation and the manner in which these matters have been disclosed in the financial statements.

Dividends

FM7. Review the affordability and prudence of interim dividends and thereafter make a recommendation to the Board as a whole.

Compliance

To ensure compliance, by the Corporation, with statutes and regulations. Specific items identified:

FM5. To monitor the compliance with the short/long term financial instrument Terms and Conditions and undertakings and that no fundamental changes to the business are evolving or have occurred than originally anticipated.

SR1. To ensure compliance, by the Corporation, with statutes and regulations, including industry specific considerations such as the Affiliate Relationship Code, applicable to its business, legal covenants in corporate agreements, and all internal policies and procedures.

Horizon Utilities Corporation
Audit and Risk Management Committee

SUBJECT: ARM Committee's Annual Program

Internal Controls

Assess management's programs regarding the adequacy and effectiveness of internal controls. Specific risk/items identified:

O1. To ensure that appropriate strategies, policies, systems and controls are in place for the Information Technology of the Corporation.

O3. To ensure compliance with the Corporation's Limits of Authority.

F4. To monitor the need for an Internal Audit function.

Risk Management

To identify risk in the area of the Corporation's Strategic, Operational, Financial and Regulatory functions. Specific risk/items identified:

O2. To annually review the Corporation's Insurance coverage.

F1. To ensure the appropriate strategies, policies, processes and controls are in place to reasonably mitigate the Corporation's exposure to credit risk.

F2. To review the sufficiency and adequacy of the Corporation's access to financial capital and its management of related liquidity and price risk.

F3. To review the Corporation's exposure to and management of commodity risk.

Committee Review

To conduct an annual review of the Committee Mandate and the Committee's effectiveness.

APPENDIX 1-20: HUMAN RESOURCES AND GOVERNANCE ("HR/GOV") COMMITTEE MANDATE

[redacted]

Horizon Utilities Corporation

Human Resources and Corporate Governance Committee Mandate

PURPOSE

This Mandate ("Mandate") governs the operations of the Human Resources and Corporate Governance Committee ("Committee") of the Board of directors of Horizon (the "Company"). As part of the Company's governance and oversight process, the Committee has been appointed by the Board of Directors to assist with the development, implementation and monitoring of the Company's Human Resources policies and corporate governance principles, and to initiate the process to assess CEO and executive management performance, succession planning and Board effectiveness.

MEMBERSHIP

The Committee shall consist of:

1. 3 to 5 Board directors (quorum equal to a majority thereof). It is expected that the Board Chair would be a member.
2. Appointees will be outside directors who are independent of the Company and its management.
3. The Committee will have at least one member with significant in-depth knowledge of HR and governance matters.
4. The Committee may retain independent consulting services as required.

FREQUENCY AND SCHEDULING OF MEETINGS

1. Meetings will be scheduled where possible prior to full meetings of the Board of Directors in such manner that allows a sufficient amount of time to take any necessary action required prior to the meeting of the Board of directors.
2. Meetings will provide opportunity for attendance by the CEO, VP Human Resources and VP Utility Operations.
3. Meetings will be scheduled annually, in advance, in such a manner to support the needs of the business as it pertains to performance reviews, management development and succession plans, compensation and the nomination process.

HUMAN RESOURCE MANDATE

1. The Committee has the responsibility of overseeing that a formal and appropriate succession plan is in place for the CEO and key positions on the Executive Management Team (EMT). The Committee reports at least once annually to the Board of Directors on candidates' performance and development progress and reevaluates the candidates and contingency plan annually.

2. The Committee has a mandate to review the human resource policies, programs and the organizational structure which support the Company's corporate mission and strategic plan. The Committee monitors that such processes are effective and comply with all relevant social and regulatory norms and practices.

3. The Committee reviews and monitors any material changes in the human resource policies such as hiring policies, HR training & development policies and design of compensation structures which attract, motivate and retain the quality of personnel required to meet the business objectives.

[redacted]

4. The Committee ensures that there are appropriate labour relations strategies in place especially as they relate to change and regularly reviews with management its direction and decisions made in support of effectual labour and employee relations. The Committee sets labour relations reporting as a standing item on its agendas and subsequently reports to the Board of Directors on major issues.

5. The Committee reviews and makes recommendation to the Board on CEO compensation. The Committee reviews the EMT organization and compensation policy and provides guidance to the CEO.

6. The Committee reviews and approves the Company's compensation philosophy, policy and plans. The Committee will employ a third party consultant who provides utility, public and industrial comparators which support the Company's mission and rewards the creation of Shareholder value.

7. The Committee reviews the EMT performance formally and evaluates the CEO performance for Board discussion. It ensures that performance is measured against quantifiable and focused objectives and is aligned to the Company's mission and strategy. The Committee works with management to build appropriate performance metrics and approves the final iteration annually.

8. The Committee reviews and approves annually the Corporate Health & Safety policy and ensures that Health & Safety performance is reviewed at every regular Committee meeting, inclusive of Lost Time Incident (LTI's) reporting. As such the Committee ensures it receives sufficient and appropriate Health & Safety reporting with clear Key Performance Indicators (KPI's) and competitive industry comparator results.

9. The Committee has the responsibility of developing and maintaining a 'Whistleblower' policy.

10. The responsibility of assessing business risk in the HR and Governance areas is assigned to the Committee by the Board of directors.

11. The Committee conducts an annual review of the Committee mandate and the Committee's effectiveness.

BOARD GOVERNANCE MANDATE

The Committee:

1. Monitors the changes to governance standards in Canada, benchmarks Horizon against emerging changes and makes recommendations to the Board of Directors.

2. Reviews and recommends a set of corporate governance principles to the Board for adoption. The Committee shall review the principles on an annual basis, or more frequently if appropriate, and recommend changes as necessary.

3. Reviews the Board succession plans and makes recommendation to the Board regarding the Nominating Committee process.

4. Reviews the Board's committee structure and recommends to the Board for its approval directors to serve as members of each committee.

5. Annually reviews and makes recommendation to the Board with respect to the compensation of directors.

6. Develops and initiates an annual evaluation process covering individual directors, the Board and its Committees. The Board Chair shall consolidate the results for Board discussion and action.

7. Periodically reviews the adequacy of the Company's Code of Business Practice, director orientation programs, and director continuing education programs.

[redacted]

8. Reviews and, if appropriate, approves of any transaction between the Company and any officer, director or affiliate of the Company that would be required under Canadian Securities Administrators (CSA) to be disclosed; ensures that a Code of Conduct for directors/officers and a declaration of interest are signed-off annually, and monitors, through the Board Chair, any declarations of conflict or instances of probable conflict.

9. Reviews and reassesses the adequacy of this mandate annually and recommends any proposed changes to the Board for approval.

10. Ensures that a “Statement of Corporate Governance Practices” is included in the Annual Report.

11. Undertakes all further actions and discharges all further responsibilities imposed upon the Committee from time to time by the Board.

APPENDIX 1-21: CONFLICT OF INTEREST QUESTIONNAIRE

Horizon Utilities Corporation
CONFLICT OF INTEREST QUESTIONNAIRE

Please print or type:

_____
Name Position

_____
Department

This questionnaire is further to Horizon's Code of Conduct policy. The purpose of this policy is to protect the interests of the public and all stakeholders and to preserve the reputation of Horizon among its employees, customers, suppliers, shareholder and the public. The policy applies to all Horizon operations.

To insure compliance with this policy and to monitor its effectiveness and fair applications, you are expected to answer the following questions.

As noted below, you have a continuing duty to update this questionnaire as soon as facts or circumstances arise which would create an actual or perceived conflict of interest or would render the following invalid or incomplete.

The period covered by the questionnaire is the past two years.

		Circle Answer to Each Question	
1.	While employed by Horizon, have you received compensation, directly or indirectly for services rendered to any other corporation, partnership or organization? **(This question for employees only).**	YES	NO
2.	Are you, or is any member of your immediate household an officer, director, proprietor or partner in or consultant for any firm with which Horizon had or still has a supplier, customer, contractor, subcontractor relationship?	YES	NO
3.	Have you or has any member of your immediate household a direct or indirect interest in any firm which is a supplier or otherwise does business with Horizon?	YES	NO
4.	Have you or has any member of your immediate household any financial interest in any transactions between Horizon and any third party?	YES	NO
5.	Have you or have any member of your immediate household, directly or indirectly, received any gifts (other than those of nominal value), loans, favours, or entertainment other than customary business courtesies from any person or firm doing business with Horizon?	YES	NO
6.	Have you, directly or indirectly, purchased real estate which you know to be of interest to Horizon?	YES	NO
7.	Have you conducted any business transactions with Horizon not within the scope		

	of your job description? **(This question for employees only)**	YES	NO
8.	Have you, directly or indirectly, revealed confidential Horizon matters to persons not entitled to know the same or used Horizon confidential information in any way to promote your own interests?	YES	NO
9.	Do you have a personal relationship with any employee you supervise (or in the case a Director monitor) which is, or may be perceived to be, such as to compromise your ability to exercise independent judgment on behalf of Horizon in relation to that employee's employment or compensation by Horizon?	YES	NO
10.	Do you have any other interest or arrangement which may violate the policy on Conflict of Interest or which may result in your compromising yourself or Horizon?	YES	NO

If you answered YES to any of the preceding questions, please explain below in sufficient detail for proper evaluation.

_____
_____
_____
_____
_____
_____
_____

In accordance with our Corporate Governance Guidelines - Board of Directors and Senior Executives are required to list any external relationships or affiliations with associations to provide transparency. Please list any boards, committees, associations, volunteer associations, etc., with which you are actively associated or participate with. The objective of such review will be to determine the existence of any relationships, to ensure that the composition of the Board remains such that the majority of the directors are independent and unrelated, and that where any relationships exist, the director is acting appropriately.

_____
_____
_____
_____
_____

CERTIFICATION

I have read and understand the Horizon Code of Conduct policy and have answered the above Conflict of Interest questions to the best of my knowledge. It is my responsibility to update this questionnaire promptly should any situation or fact arise which creates a new or additional conflict of interest, actual or perceived, or which otherwise renders the preceding responses invalid or incomplete.

_____ _____

Board member or Officer signature Date

horizon UTILITIES Looking beyond...

STATEMENTS

STATEMENT OF TRANSMISSION ASSETS

Horizon Utilities has not had any transmission assets (>50kV) deemed previously by the Board as distribution assets. Horizon Utilities is not seeking approval to have any assets deemed as distribution assets in this Application.

DEVIATIONS FROM FILING REQUIREMENTS

Apart from the exceptions identified below, Horizon Utilities has not, to the best of its knowledge, deviated from Chapter 2 of the Board's Filing Requirements for Electricity Distribution Rate Applications, issued July 17, 2013, or Chapter 5 of the Board's *Filing Requirements for Electricity Distribution Rate Applications,* issued March 28, 2013.

Cost of Power

Horizon Utilities has deviated from the Chapter 2 filing requirements in its calculation of the Cost of Power. The filing requirements state "The commodity price estimate used to calculate the Cost of Power must be determined by the split between RPP and non-RPP customers based on actual data and using the most current RPP (TOU) price. The calculation must also reflect the most recent Uniform Transmission Rates approved by the Board…" Horizon Utilities has estimated cost of power in the Bridge Year using the most current RPP (TOU) price, with forecasted rates for the 2015-2019 Test Years based on the relevant historical trends in cost of power rates. Horizon Utilities submits that this approach provides a better indication of the working capital needs of the utility over the five Test Years. This matter is discussed in greater detail in Exhibit 2, Appendix 2-2.

Stranded Meters

Horizon Utilities has deviated from the Chapter 2 filing requirements in its treatment of stranded meters. In the Board's Decision on Horizon Utilities' 2011 Smart Meter Prudence Application (EB-2011-0417), the Board expressed its expectation that the remaining balance of stranded meters be brought forward for disposition in Horizon Utilities' next cost of service application. However, the guidelines issued by the Board on Smart Meter Funding and Cost Recovery (G-2008-0002 and G-2011-0001) infer that a distributor should take into account rate impacts on its affected customers, and that it may make proposals to mitigate potential material and adverse impacts.

Horizon Utilities proposes to leave the stranded meter amounts in rate base until they are fully depreciated to mitigate rate impacts to customers. The total rate impact to customers over the term of this Application is $1,024,397 lower over five years than if the stranded meters are

recovered by means of a rate rider; and $2,450,612 lower over five years than if the stranded meters are left in rate base and depreciated over the 5-year IR term. The rationale for this treatment is discussed in further detail in Exhibit 2, Tab 5, Schedule 1.

CHANGES IN METHODOLOGY

Horizon Utilities has not made any changes to the methodologies used in previous applications. However, Horizon Utilities adopted IFRS on January 1, 2012 and has changed its capitalization policy and depreciation rates accordingly. The impact of the transition to IFRS is discussed in further detail in Exhibit 6, Tab 2, Schedule 1.

ACCOUNTING TREATMENT OF ANY NON-UTILITY BUSINESS

Horizon Utilities confirms that the accounting treatment it has used for its non-utility businesses has segregated non-utility activities from its rate-regulated activities.

ACCOUNTING STANDARDS USED

Horizon Utilities adopted International Financial Reporting Standards ("IFRS") effective January 1, 2012. IFRS has been the basis of financial reporting for Horizon Utilities since that date and will continue to be for the 2015-2019 test period.

Horizon Utilities has prepared this Application in accordance with the requirements of the OEB for regulatory accounting, reporting, and filing. Such requirements include certain modified accounting treatments for regulated utilities reporting under IFRS as specified by the OEB in its Report of the Board: *Transition to International Financial Reporting Standards* dated July 28, 2009 ("IFRS Report"). Specifically, the OEB requires modified IFRS ("MIFRS") filings and reporting requirements for utilities that have adopted IFRS. Horizon Utilities has incorporated the MIFRS requirements specified in the IFRS Report within the accounting and reporting components of the Application. Consequently, Horizon Utilities has filed financial information within this Application as follows:

- 2011 - its last Board-Approved year and the IFRS transition year - in CGAAP and MIFRS;
- 2012-2019 Historical, Bridge and Test Years in MIFRS.

The adoption of IFRS has impacted the calculation of the cost of self-constructed assets, OM&A, depreciation and PILs. These changes have impacted the calculation of rate base and revenue requirement in each of the 2015-2019 Test Years.

STATUS OF BOARD DIRECTIVES FROM PREVIOUS BOARD DECISIONS

2011 Cost of Service Application (EB-2010-0131)

Horizon Utilities has three directives from the Board based on the Board decision in respect of Horizon Utilities' 2011 Cost of Service Application (EB-2010-0131):

1. The Board directs Horizon in its next Cost of Service application to move Management Fees paid to affiliates from Other Revenues to OM&A offsets. Horizon Utilities has complied with the Board's directive and has recorded Management Fees in OM&A offsets.

2. The Board directs Horizon in its next Cost of Service application to file more detailed information, which can be substantiated through examination, on the actual time allocated by Horizon's executive managers and staff involved in providing services to non-distribution affiliates. Horizon Utilities has complied with the Board's directive and has provided more detailed information on the time allocated by Horizon's executive managers and staff involved in providing services to non-distribution affiliates in the *Transfer Pricing Study – Management Fees between Horizon Utilities' Electricity Distribution Operations and Affiliated Entities* filed as Appendix 4-6.1 in Exhibit 4.

3. The Board directs Horizon to cease accruing CDM costs in Account 1508, in light of the CDM framework established by the Green Energy and green Economy Act, (the "GEA"). Pursuant to this framework, CDM costs are either funded by the OPA pursuant to a Master Agreement with the LDC or via Board approved CDM programs, which are also funded through the Global Adjustment. Horizon Utilities has complied with the Board's directive and is no longer accruing CDM costs in Account 1508.

Smart Meter Prudence Application (EB-2011-0417)

Horizon Utilities has one directive from the Board based on the Board decision in respect of Horizon Utilities' Smart Meter Prudence Application (EB-2011-0417):

1. To facilitate the disposition and allocation of the capital costs for the remaining smart meter installations between the Residential and GS < 50 kW classes, the Board directs Horizon Utilities to track the capital costs separately by customer class in sub-accounts of Account

1555. In this way, the costs can be directly allocated to each class when Horizon Utilities applies for disposition of the account balances.

CONDITIONS OF SERVICE

Horizon Utilities' Conditions of Service document dated July 26, 2013, was filed with the Board on November 29, 2013. The purpose of the Conditions of Service document is to provide a means for communicating the types and level of service available to the customers and consumers within Horizon Utilities' service area. The DSC requires that the Conditions of Service be readily available for review by the general public and it is posted on the Horizon Utilities website: www.horizonutilities.com.

Horizon Utilities has undertaken amendments and updates to its Conditions of Service in accordance with the procedures set out in Section 1.2 - Related Codes and Governing Laws to reflect the industry changes from the Green Energy and Green Economy Act and associated amendments to the DSC, the Standard Service Supply ("SSS") and the Transmission System Code ("TSC"), Electrical Safety Authority ("ESA") safety bulletins, and all Decisions as issued by the Board that need to be part of the Conditions of Service. Additionally, a number of changes were made to streamline templates and processes to meet the Horizon Utilities' customer objective of "being easy to do business with".

The Conditions of Service identify Horizon Utilities' current operating practices and replaces the previous document filed with the Board in July 2010. The Capital Cost Recovery Agreement for new connection/developments underwent an extensive review process in 2013 in consultation with stakeholders (i.e. developers) in Horizon's Utilities' service territory to reflect changes with IFRS. In order to meet the objective "easy to do business with", Horizon Utilities amended and simplified the Capital Cost Recovery Agreement ("CCRA") templates. The changes provided in Appendix D of the Conditions of Service include separate CCRA templates for Horizon Constructs and Alternative Bid projects as well as changes to expansion and maintenance deposit requirements for new developments. All customers have been notified of the changes in accordance with the requirements of the DSC, and the Conditions of Service are posted on the website: www.horizonutilities.com.

ANNUAL ADJUSTMENTS

ADJUSTMENTS

Horizon Utilities is proposing annual adjustments for recurring events that are mechanical in nature. The adjustment calculation will be derived based on year-end audited financial statements or parameters issued by the OEB or the federal or provincial government. Horizon Utilities proposes annual adjustments to the following items:

- changes in the cost of capital (Exhibit 5, Tab 1, Schedule1);
- changes to working capital (Exhibit 2, Tab 4, Schedule 1);
- changes in the tax rates (Exhibit 4, Tab 6, Schedule 2);
- changes in other third party pass through charges (Exhibit 8);
- CDM results that vary from plan (Exhibit 3, Tab 1, Schedule 2);
- disposition of deferral and variance accounts (Exhibit 9); and
- any additional annual adjustments as identified by the Board in developing the Custom IR Application process.

REOPENERS

Horizon Utilities is proposing that adjustments outside the normal course of business will be sought for unexpected events that will have a material impact to the operation of the utility and are outside of Management's control. Horizon Utilities' proposal for these adjustments includes the following:

- Changes to income tax rates and laws;
- Changes to Ontario Market Rules or OEB Codes that would impact costs or revenues;
- Changes to Board policies on distributor rate design. For example, the Board has been involved for some time in a review of revenue decoupling ("a regulatory framework that seeks to break the link between a distributor's revenue recovery and consumer consumption of energy").[9] As the Board indicates at page 1 of its *Draft Report on Rate Design for Electricity Distributors* issued March 31, 2014, "The Board intends to pursue a fixed rate design solution to achieve revenue decoupling. The Board believes that a fixed rate design for recovery of electricity distribution costs is the most effective rate design for ensuring that rates reflect the cost drivers for the distribution system and best responds to the current environment." A measure of this kind may have a significant impact on Horizon Utilities' rate structure in the 2015-2019 period, and Horizon Utilities must have the ability to adapt to changes that may be made by the Board during this period;
- Changes to environmental laws that would impact business requirements and processes resulting in increased expenditures;
- Changes to technical requirements beyond the control of the utility;

[9] EB-2012-0410 – Draft Report of the Board – Rate Design for Electricity Distributors, March 31, 2014

- Items that would meet the OEB's Z-Factor criteria as defined in Chapter 3 of the Board's Filing Requirements for Transmission and Distribution Applications that are material unforeseen events, that have a significant influence on the operation of the distributor;

- Ministerial Directives or similar required government action to provide a service to customers (such as the previous Smart Meter Deployment and CDM). Any adjustments to Horizon Utilities' rates, and any rate riders, needed to address reductions in distribution revenue resulting from the implementation of the March 26, 2014 Directive of the Minister of Energy to the Board, or any subsequent Directive of the Minister of Energy, regarding the promotion of electricity conservation and demand management, and any related guidelines and requirements of the Board;

- Accounting framework changes that have a significant impact on the recording of expenses and revenues; and

- Changes to the revenue allocated to unmetered load customers resulting from changes to the Board's policies on cost allocation for unmetered loads. For example, on December 19, 2013, the Board issued its Report on its *Review of the Board's Cost Allocation Policy for Unmetered Loads* (EB-2012-0383).[10] In that Report, the Board determined that it would not change its cost allocation methodology, nor would it narrow its current revenue to cost ratio range for the street lighting class. However, the Board did note (at page 18) that:

> *"The Board remains concerned with the allocation of costs to daisy-chain configured systems. The disparity in the cost allocation result between a street lighting customer configuration with multiple devices per connection and a street lighting customer with a device to connection ratio close to 1:1 appears to be disproportionate when compared to actual costs to serve the street lighting rate class. The Board believes that further investigation is necessary before making a*

[10] http://www.ontarioenergyboard.ca/oeb/_Documents/EB-2012-0383/Report_of_the_Board_Unmetered_Loads.pdf

determination. The Board will issue a letter shortly to begin a consultation process for this single issue."

On March 20, 2014, the Board issued proposed amendments to the *Distribution System Code* setting out the minimum requirements that distributors must include in their Conditions of Service in relation to unmetered loads. The "communication and engagement with unmetered load customers in relation to the preparation of cost allocation studies, load profile studies or other rate-related materials which may materially affect unmetered load customers."[11] This in turn may affect street lighting, sentinel lighting and unmetered scattered load customers and other customer classes in the event that changes must be made to the costs allocated to any of the unmetered customer classes. Similarly, changes in the configuration of street light connections and/or changes in street lighting technology may have significant impacts on distribution revenues. Such initiatives are beyond the control of Horizon Utilities and cannot practicably be forecasted at the time of filing this Application. Horizon Utilities requests that it be allowed to reopen the Application to adjust the allocation of costs and related revenues for all classes in the event of changes in the allocation of costs to any of the unmetered load customer classes.

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[11] Notice of Proposal to Amend a Code, March 20, 2014. Board File No. EB-2012-0383, at page 2 - http://www.ontarioenergyboard.ca/oeb/_Documents/EB-2012-0383/Notice_of_Proposal_Amend_a_Code_UL_20140320.pdf

OFF-RAMPS

Horizon Utilities is proposing to apply the Board's existing policy in relation to off-ramps. Under the RRFE, the Board expects that distributors that apply using the custom rate-setting method will be committed to that method for the duration of the approved term. The Board recognized that a distributor may need to seek early termination and had provided a mechanism for regulatory review to be initiated if the distributor performs outside of the ±300 basis points earnings dead band or if its performance erodes to unacceptable levels.

GENERIC ISSUES BEFORE THE BOARD

Long Term Load Transfers

Horizon Utilities has filed its annual Long Term Load Transfer ("LTLT") reports (EB-2009-0095) with the Board annually, as required. The filing of November 30, 2013 included the elimination of two of the LTLTs as they were economical and straight forward to complete. The other LTLTs that are still outstanding have not been included in the DSP for elimination. The cost of building new infrastructure to accommodate small pockets or single customers is prohibitive to the process. Horizon Utilities understands that the Board's plan is to have the LTLT's eliminated by June 30, 2014. At this time Horizon Utilities will not have their LTLT's eliminated by June 30, 2014. (Appendix 1- 23– Horizon Utilities' November 30, 2013 Long Term Load Transfer Report).

The following is a summary of the two customer groups that are in the LTLT process.

Table 1- 29: Horizon Utilities' Long Term Transfer Customers served by other LDCs

Area	Number of Customers	Annual Distribution Revenue (estimated)	Cost to Eliminate
Ancaster A	77	$20,482	$492,225
Dundas	17	$4,522	$330,000
Burlington A	2	$532	$200,000
Burlington B	1	$266	TBD
St.Catharines	3	$798	$310,000

Table 1-30: Other Utility Long Term Load Transfer Customers Served by Horizon contains information on potential customers Horizon Utilities could gain. The only cost Horizon Utilities would incur is for transformation costs, either purchased or installed.

Table 1-30: Other Utility Long Term Load Transfer Customers Served by Horizon Utilities

Utility	Number of Customers	Annual Revenue (estimated)	Cost
Hydro One Stoney Creek	52	$12,236	Transformation
Hydro One Ancaster A	16	$3,724	Transformation
Hydro One Ancaster B	5	$1,330	Transformation
Hydro One Ancaster C	5	$1,330	Transformation
Hydro One Dundas	6	$1,596	Transformation
Niagara Peninsula Energy (STC)	2	$532	Transformation
Niagara-on-the-Lake	43	$11,438	Transformation
Hydro One St Catharine's	30	$7,714	Transformation
Niagara Peninsula Energy (SCH)	6	$1,596	Transformation

Horizon Utilities is not requesting any approval or extension of the deadline for elimination for the LTLT's. Horizon Utilities expects that the Board will be issuing direction to all LDCs to finalize the LTLTs. On March 31, 2014, the Board released a Staff Discussion Paper[12] regarding Service Area Amendments ("SAAs") and Rate-Making policies associated with distributor consolidation (EB-2014-0138). As Board staff point out in the paper, a key element of the RRFE is the focus on continuous improvement and increased efficiency in the distribution sector. Board staff note at page 4 of the paper that:

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[12] Staff Discussion Paper – Review of the Board's Polices and Processes to Facilitate Electricity Distributor Efficiency: Service Area Amendments and Rate-Making Associated with Distributor Consolidation – EB-2014-0138 – March 31, 2014 - http://www.ontarioenergyboard.ca/oeb/_Documents/EB-2014-0183/Staff_Discussion_Paper_MAADs_SAA_Review_20140331.pdf

> *"The Board's decision to initiate a review and evaluation of its policies reflects its own expectations, as well as those of the government, that the distribution sector should continue to seek out efficiencies. This initiative is intended to assess whether and how the Board's policies may affect the ability of distributors to realize operational or organizational efficiencies, and whether and how changes to those policies might better support efficiency gains by distributors through economies of scope, economies of scale or consolidation.*

The paper focuses on two of the matters identified by the Board in its review – SAAs and rate-setting issues associated with MAADs (Mergers, Amalgamations, Acquisitions and Divestitures) transactions. With respect to SAAs, Board staff note at page 7 of the paper that uncontested SAA applications have resulted from the resolution of many LTLTs, and (at page 5) that "Economic efficiency is a primary consideration in assessing an SAA application, and failure on the part of an Applicant Distributor to adequately demonstrate the economic efficiency of the proposed SAA would generally constitute sufficient grounds for the Board to turn down the application." Staff present a number of questions to stakeholders on SAA-related matters discussed in the paper, and the consultation process is ongoing, but Horizon Utilities trusts that the Board will ensure that economic efficiency remains the key factor in the elimination of LTLTs. Horizon Utilities respectfully suggests that it would not be appropriate to impose requirements for the elimination of LTLTs that adversely affect economic efficiency.

Cost Allocation for Unmetered Loads

The Board finalized its consultation related to this matter (EB-2012-0383) in December 2013. The results of this consultation did not change the process that LDCs have been using to assign costs to the streetlighting (unmetered) customer. However, it did identify that each LDC should use specific weighting factors for the customer class if such information was available. The Board encouraged LDCs to communicate more with their municipalities to help them understand the process and the allocation of costs. The Board had discussed different methods of allocation, i.e. load, demand etc., but these were not well received within the working group. The Board will be initiating a further consultation on costing for daisy chaining, but will not go any further on the current cost allocation method for unmetered load.

Development of a Standby Rate

On January 24 2013, the Board initiated a consultation process into the "Development of a Standby Rates Policy for Load Displacement Generation - Board File No. EB-2013-0004". The Board established a working group of experts within the industry and they met throughout 2013. In the fall of 2013, a draft report was generated by the working group. This report has still not been finalized by the Board at this date. In its March 21, 2006 Decision in EB-2005-0529, the Board declared "all existing and proposed standby rates" interim pending further review of the issues associated with standby rates.

Smart Meter Entity Charge

On March 28, 2013 the Board issued its decision on the Smart Meter Entities' ("SME") costs and recovery process, EB-2012-0100/EB-2012-0211. The decision covers the actual costs from 2006 – 2012 and the estimated costs from 2013 – 2017. The Board has issued a generic rate order directing the distributors to collect $0.79 monthly from its Residential and GS<50 customer classes, beginning May 1, 2013 and ending October 31, 2018. The IESO will invoice each distributor on a monthly basis based on the most recent customer numbers as filed in the OEB's annual yearbook for electricity distributors. The decision also directed distributors to use three new deferral accounts to track differences in collection from each customer class. The deferral accounts will be cleared out at the time of the distributors' Cost of Service or Annual Incentive Regulation application. The amounts captured in the deferral accounts are not material and reflect the change in customer counts from the end of one year to the actuals for each month. It is expected that the Board will hold a new consultation in 2017 to ensure that there is a smooth transition to a new supplier of the SME if warranted and to adjust rates for the next five years.

ACCOUNTING ORDERS REQUESTED

As part of this proceeding, Horizon Utilities is requesting a new accounting order for the following:

- As discussed previously, Horizon Utilities seeks the Board's approval for the establishment of the following new Deferral and Variance account: Excess Revenues from Large User Load Displacement Generation. Horizon Utilities is requesting standby power rates equal to the variable distribution rate for both the LU (1) and LU (2) rate classes. Horizon Utilities proposes that setting the standby rate equal to the variable distribution rate is appropriate as this will maintain revenue neutrality with respect to any load displacement generation activities. Horizon Utilities proposes to track any incremental revenues earned on generation activities in the LU (1) and LU (2) customer classes over and above that which is approved in the load forecast in this Application. Should the balance of this account meet the criteria for disposition at the time of the next disposition period for Group 2 deferral accounts, Horizon Utilities proposes that it will be appropriate to return these revenues to the LU (1) and LU (2) customers at that time.

RESPONSES TO LETTERS OF COMMENT

Horizon Utilities will respond to any matters that are raised in letters of comment filed with the Board during the course of this proceeding and file those responses as additional evidence.

DRAFT ISSUES LIST

The following draft Issues List is based on the form of the Board-Approved Issues List in the Oakville Hydro 2014 Cost of Service proceeding (EB-2013-0159). It includes issues arising out of the RRFE.

1. Foundation

1.1 Does the planning (regional, infrastructure investment, asset management etc.) undertaken by the applicant and outlined in the application support the appropriate management of the applicant's assets?

1.2 Are the customer engagement activities undertaken by the applicant commensurate with the approvals requested in the application?

2. Performance Measures

2.1 Does the applicant's performance in the areas of: (1) delivering on Board-approved plans from its most recent cost of service decision; (2) reliability performance; (3) service quality, and (4) efficiency benchmarking, support the application?

3. Customer Focus

3.1 Are the applicant's proposed capital expenditures and operating expenses appropriately reflective of customer feedback and preferences?

4. Operational Effectiveness

4.1 Does the applicant's distribution system plan appropriately support continuous improvement in productivity, the attainment of system reliability and quality objectives, and the level of associated revenue requirement requested by the applicant?

4.2 Are the applicant's proposed OM&A expenses clearly driven by appropriate objectives and do they show continuous improvement in cost performance?

4.3 Are the applicant's proposed operating and capital expenditures appropriately paced and prioritized to result in reasonable rates for customers, or is any additional rate mitigation required?

5. Public Policy Responsiveness

5.1 Do the applicant's proposals meet the obligations mandated by government in areas such as renewable energy and smart meters and any other government mandated obligations?

6. Financial Performance

6.1 Do the applicant's proposed rates allow it to meet its obligations to its customers while maintaining its financial viability?

6.2 Has the applicant adequately demonstrated that the savings resulting from its operational effectiveness initiatives are sustainable?

7. Revenue Requirement

7.1 Is the proposed Test Years rate base including the working capital allowance reasonable?

7.2 Are the proposed levels of depreciation/amortization expense appropriately reflective of the useful lives of the assets and the Board`s accounting policies?

7.3 Are the proposed levels of taxes appropriate?

7.4 Is the proposed allocation of shared services and corporate costs appropriate?

7.5 Are the proposed capital structure, rate of return on equity and short and long term debt costs appropriate?

7.6 Is the proposed forecast of other revenues including those from specific service charges appropriate?

7.7 Has the proposed revenue requirement been accurately determined from the operating, depreciation and tax (PILs) expenses and return on capital, less other revenues?

8. Load Forecast, Cost Allocation and Rate Design

8.1 Is the proposed load forecast, including billing determinants an appropriate reflection of the energy and demand requirements of the applicant?

8.2 Is the proposed cost allocation methodology including the revenue-to-cost ratios appropriate?

8.3 Is the proposed rate design including the class-specific fixed and variable splits and any applicant-specific rate classes appropriate?

8.4 Are the proposed Total Loss Adjustment Factors appropriate for the distributor's system and a reasonable proxy for the expected losses?

8.5 Is the proposed forecast of other regulated rates and charges including the proposed Retail Transmission Service Rates appropriate?

8.6 Is the proposed Tariff of Rates and Charges an accurate representation of the application, subject to the Board's findings on the application?

9. Accounting

9.1 Are the proposed deferral accounts, both new and existing, account balances, allocation methodology, disposition periods and related rate riders appropriate?

9.2 Have all impacts of any changes in accounting standards, policies, estimates and adjustments been properly identified, and is the treatment of each of these impacts appropriate?

LIST OF ABBREVIATIONS

"ABC" - Activity Based Costing

"ACA"- Asset Condition Assessment

"AcSB" - Accounting Standards Board of Canada

"AED" - Automatic External Defibrillator

"AM" – Asset Management

"AMI" – Advanced Metering Infrastructure

"AMO" - Association of Municipalities of Ontario

"AMP" – Asset Management Plan

"AODA" – Accessibility for Ontarians with Disabilities Act

"APH" - Accounting Procedures Handbook

"APPrO" - Association of Power Producers of Ontario

"ARC" - Affiliate Relationships Code

"ARM" – Audit and Risk Management

"ARMA" – Auto Regressive Moving Average

"ARO" – Asset Retirement Obligation

"AWE" – Average Weekly Earnings

"BAC" - Building Automation System

"BCA" – Building Condition Assessment

"Board" – Ontario Energy Board

"BOMA" – Building Owners and Managers Association

"BSI" - British Standards Institution

"CAGR" – Compound Annual Growth Rate

"CAIDI" - Customer Average Interruption Duration Index

"CAIF" – Cost Allocation Information Filing

"C&M"- Construction and Maintenance division

"CAPEX" – Capital Expenditures

"Cash PILS" – Payments in Lieu of Taxes expected to be paid

"CC" - Customer Connections

"CCA" - Capital Cost Allowance

"CCRA" - Capital Cost Recovery Agreement

"CDD" – Cooling Degree Days

"CDM" - Conservation and Demand Management

"CEA" -Canadian Electricity Association

"CEC" - Cumulative Eligible Capital

"CELDI" – Customers experiencing long duration interruptions

"CEMI" – Customers experiencing multiple interruptions

"CEO" - Chief Executive Officer

"CFO" – Chief Financial Officer

"CFPRC" -Corporate Finance, Planning Reporting and Control Department

"CGAAP" - Canadian Generally Accepted Accounting Principles

"CICA" - Canadian Institute of Chartered Accountants

"CIP" – Capital Investment Plan

"CIS" - Customer Information System

"CDD" - Cooling Degree Days

"CLD" -Coalition of Large Distributors

"CMA" – Census Metropolitan Areas

"CMVSS" – Canadian Motor Vehicle Safety Standards

"Connections" - Customer Connections Department

"COS" - Cost of Service

"CPI" - Consumer Price Index

"CPP" – Canada Pension Plan

"CRTC" - Canadian Radio-television and Telecommunications Commission

"CS" -Customer Service

"CSA" - Canadian Standards Association

"CSR" - Customer Service Representative

"CUI" - Canadian Urban Institute

"CV" – Curriculum Vitae

"CWIP" – Construction Work in Progress

"D.A.R.T." - Distribution Assets Reporting Tool

"DG" – Distributed Generation

"DRC" -Debt Retirement Charge

"DSC" - Distribution System Code

"DSP" – Distribution System Plan

"E&O" – Engineering and Operations

"E&USA" - Electrical & Utilities Safety Association

"EARSL" – Estimated Average Remaining Service Life

"EBT" - Electronic Business Transactions

"ECE" - Eligible Capital Expenditure

"ECR" - Environmental Commitment & Responsibility

"EDA"- Electricity Distributors Association

"EDO" – Electricity Distribution Operations

"EDR" - Electricity Distribution Rate

"EDDVAR Report" - Report of the Board on Electricity Distributors' Deferral and Variance

"EFT" - Electronics Funds Transfer

"EHT" – Education Health Tax

"EI" – Employment Insurance

"EIT" - Engineer in Training

"EMS" – Environment Management System

"EMT" - Executive Management Team

"EMTS" - Electronic Meter Tracking System

"ENV" – Environment

"EOL" – End-of-Life

"EOOI"- Engineering, Operating & Operational Improvement

"ERM" - Enterprise Risk Management

"ERP" - Enterprise Risk Planning

"ESA" - Electrical Safety Authority

"ESQR" – Electricity Service Quality Requirement

"FIT" – Feed in Tariff

"FRS" – Fair Return Schedule

"FTE" - Full Time Equivalent

"GA" - Global Adjustment

"GAAP" - General Accepted Accounting Principles

"GDP" - Gross Domestic Product

"GEA" - Green Energy and Green Economy Act (Ontario), 2009

"GEAP" – Horizon Utilities' Basic Green Energy Act Plan

"GHESI" - Guelph Hydro Electric System Inc.

"GIS" - Geospatial Information System

"GNPPE" – Gross or Net Property, Plant and Equipment

"GOES" – Geostationary Satellite System

"GPPE" – Gross Property Plant & Equipment

"GPS" - Global Positioning System

"GRI" -Global Reporting Initiative

"GS >50 kW" – General Service with average monthly demand greater than 50 kilowatts

"GS <50 kW" – General Service with average monthly demand less than 50 kilowatts

"GST" - Goods and Service Tax

"GWL" – Great West Life

"H&S" - Health and Safety

"HDD" - Heating Degree Days

"HESI" – Horizon Energy Solutions Inc.

"HHI" - Horizon Holdings Inc.

"HHSI" – Hamilton Hydro Services Inc.

"HONI" – Hydro One Networks Inc.

"HR" – Human Resources

"HST" - Harmonized Sales Tax

"Horizon Utilities" - Horizon Utilities Corporation

"Horizon Utilities Merger" - Hamilton Hydro Inc. & St. Catharines Hydro Utility Services Inc.

"Horizon Solar" or "HSC" – Horizon Solar Corp.

"HR&G" – Human Resource and Governance

"HR&OD" - Human Resources and Organizational Development Team

"HRPI" – Hamilton Renewable Power Inc.

"HUC" - Hamilton Hydro Corporation

"HVAC" – Heating, Ventilation and Air Conditioning

"HWS" - Healthy Workplace and Safety

"Hydro One" – Hydro One Networks Inc.

"IAS" – International Accounting Standards

"IASB" – International Accounting Standards Board

"IBEW" - International Brotherhood of Electrical Workers

"IEMOC" - Integrated Mapping for Ontario Communities

"IESO" - Independent Electricity System Operator

"IFMA" – International Facility Management Association

"IFRS" – International Financial Reporting Standards

"IFS" – Industrial and Financial Systems

"IHSA" – Infrastructure Health and Safety Association

"Innovative" – Innovative Research Group Inc.

"iPass" – Integrated Planning and Scheduling Solution

"IRM" - Incentive Regulation Mechanism

"IST" - Information Systems and Technology

"IT" - Information Technology

"ITC" - Input Tax Credit

"IVR" - Interactive Voice Recording

"ISO" - International Organization for Standardization

"JHSC" - Joint Health and Safety Committee

"k" – Thousands

"Kinetrics" – Kinetrics Inc.

"KPI" - Key Performance Indicators

"KPMG" – KPMG LLP

"kV" – Kilovolt

"kW" - Kilowatt

"kWh" – Kilowatt hour

"kWhs" - Kilowatt hours

"LAN" - Local Area Network

"LBDS" – Load Break Disconnect Switch

"LCA" – Life Cycle Analysis

"LCT" - Large Corporation Tax

"LDC" -Local Distribution Company

"LEAP" – Low Income Energy Assistance Program

"LMS" – Learning Management System

"LOA" - Leave of Absence

"LPP Charge" – Late Payment Penalty Charge

"LRAM" - Lost Revenue Adjustment Mechanism

"LRAMVA" - Lost Revenue Adjustment Mechanism Variance Account

"LRT" - Light Rail Transit

"LTLT" - Long Term Load Transfer

"LTR" - Limited Time Rating

"LU" – Large Use Customer Class

"LU1" – Large Use 1 Customer Class

"LU2" – Large Use 2 Customer Class

"LV" - Low Voltage

"M&A" - Mergers and Acquisitions

"MA" – Moving Average

"MARE" – Market Adjusted Return on Equity

"MDM/R" - Meter Data Management Repository

"MEARIE" - Municipal Electric Association Reciprocal Insurance Exchange

"MetrixND" – Itron Inc.'s MetrixND Software

"Micro-FIT" – Micro-Feed-in Tariff

"MIFRS" – Modified International Financial Reporting Standards

"MM" - millions

"MOE" - Ministry of the Environment

"MOL" - Ministry of Labour

"MSC" - Monthly Service Charge

"MSP" – Meter Service Provider

"MTS" - Municipal Transformer Station

"MUSH" - Municipalities, Universities, Schools and Hospitals

"MVA" – Megavolt Ampere

"MVSS" - Motor Vehicle Inspection Station

"MW" - Megawatt

"MWh" - Megawatt hour

"Navigant" – Navigant Consulting

"NBR" – New Business Requirements

"NBV" - Net Book Value

"NEER" - New Experimental Experience Rating

"NERC" – North American Electric Reliability Corporation

"NERC/CIP" - North American Electric Reliability Corporation/Critical Infrastructure Protection

"Newton TS" - Newton Transformer Station

"NOAA" - National Oceanic and Atmospheric Association

"Non RPP" - Non Regulated Price Plan

"NS" – Needs Screening

"O&M" - Operations and Maintenance

"OBC" - Ontario Building Code

"OCI" – Other Comprehensive Income

"ODS" – Operational Data Storage

"OEA" - Ontario Energy Association

"OEB" – Ontario Energy Board

"OEFC" - Ontario Electricity Financial Corporation

"OEN" - Ontario Energy Network

"OH&S" - Occupational Health, Safety and Environment

"OHSAS" - Occupational Health and Safety Assessment Series

"OHSMS" - Occupational Health and Safety Management System

"OM&A" - Operations, Maintenance and Administration

"OMERS" - Ontario Municipal Employees Retirement System

"OMS" - Outage Management System

"OPA" - Ontario Power Authority

"OPC" - Ontario Price Credit

"OPEX" – Operating Expenditures

"Other Revenue" – Revenue from other sources

"PAS_55" - Publicly Available Specification

"PBR" - Performance Based Regulation

"PC" - Personal Computer

"PCB" - Polychlorinated Biphenyls

"PCO" – Project Controls Office

"PEG" - Pacific Economics Group

"PILC" - Paper Insulated Lead Cable

"PILS" - Payments in Lieu of Taxes

"PM" - Preventative Maintenance

"POs" - Procedural Orders

"PO" - Purchase Order

"PP&E" – Property, Plant and Equipment

"PPE" – Personal Protective Equipment

"PR" - Purchase Requisition

"PRI" – Primary Rate Interface

"Primavera" - Primavera Enterprise Project Management

"PTO" – Power Take-Off

"P.U.C.C." – Public Utility Coordinating Committee

"QMS" - Quality Management System

"QUEST" - Ontario Caucus of Quality Urban Energy Systems of Tomorrow

"RA/L" - Regulatory Assets and Liabilities

"RCVA" - Retail Cost Variance Account

"REG" – Renewable Energy Generation

"RFC" – Request for Change

"RFI" – Request for Information

"RFP" - Request for Proposal

"ROE" - Return on Equity

"ROI" – Return on Investment

"RPP" - Regulated Price Plan

"RRFE" - Renewed Regulatory Framework for Electricity Distributors

"RRR" - Reporting and Record Keeping Requirements

"RRRP" – Rural or Remote Electricity Rate Protection

"RRWF" – Revenue Requirement Work Form

"RSI" – Repetitive Strain Injury

"RSC" – Retail Settlement Code

"RSVA" - Retail Settlement Variance Account

"RTA" – Risk and Threat Assessment

"RTSR" – Retail Transmission Service Rate

"2nd GIRM" - Second Generation Incentive Regulation Mechanism

"SACA" - Substation Asset Condition Assessment

"SAIDI" - System Average Interruption Duration Index

"SAIFI" - System Average Interruption Frequency Index

"SAN" – Storage Area Network

"SCADA" - Supervisory Control and Data Acquisition

"SCHI" – St. Catharines Hydro Inc.

"SCM" - Supply Chain Management

"SIEM" - Security Incident and Event Management System

"SLAs" - Service Level Agreements

"SM" - Smart Meters

"SMC" – Standards Management Committee

"SME" – Smart Meter Entity

"SMI" - Smart Meter Initiative

"SMIP" - Smart Meter Investment Plan

"SMIRR" - Smart Meter Incremental Revenue Requirement Rate Rider

"SMPA" - Smart Meter Prudence Review Application

"SMS" – Short Message Service

"SNMP" - Simple Network Management Protocol

"SPC" - Special Purpose Charge

"SPI" – Schedule Performance Index

"SQI" – Service Quality Indicator

"SSM" - Shared Savings Mechanism

"SSGP" – Solar Sunbelt General Partnership

"STIP" – Short Term Incentive Plan

"STORES" – Logistics

"STRs" - Service transaction requests

"SVP" – Senior Vice President

"3rd GIRM" - Third Generation Incentive Regulation Mechanism

"TOC" - Transformer Ownership Credit

"TOU" - Time of Use

"TS" – Transformer Station

"TSC" – Transmission System Code

"TUL" – Typical Useful Life

"UCC" - Undepreciated Capital Cost

URM" - Utility Risk Management

"USL" - Unmetered Scattered Load

"USoA" - Uniform System of Accounts

"UTR" - Uniform Transmission Rate

"UV" – Ultra Violet

"VEE" – Validation, Editing and Estimation

"VOS" – Value of Service

"VP" - Vice President

"WAN" - Wide Area Network

1 “WCA” - Working Capital Allowance

2 “WIP” – Work-in-Progress

3 “WLSP” – Workforce Labour Strategy and Plan

4 “WMP” – Wholesale Market Participant

5 “WMS” – Wholesale Market Service

6 “WMSC” - Wholesale Market Service Charges

7 “WSIB” - Workplace Safety and Insurance Board

8 “XLPE” – Cross-linked Polyethylene

9 “YMPE” – Yearly Maximum Pensionable Earnings