Responses to Energy Probe Interrogatories

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1-Energy Probe-1

Ref: Exhibit 1

Horizon has labelled its application and evidence as a five year custom incentive regulation cost of service distribution rate application.

a) Please explain how an incentive regulation application can also be a cost of service application.

b) Would Horizon agree with the characterization that the 2015 test year is a cost of service rebasing application, followed by four years based on a custom incentive regulation model? If not, why not?

Response:

a) Horizon Utilities' application is a Custom IR Application within the definition provided in the Report of the Board - A Renewed Regulatory Framework for Electricity Distributors: A Performance Based Approach ("RRFE"). An incentive regulation application can also be a cost of service application if the former embeds into the revenue requirement monetized savings from productivity improvements, as Horizon Utilities' Application does.

b) Please see Horizon Utilities' response to BOMA-7 c).

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1-Energy Probe-2

Ref: Exhibit 1, Tab 2, Schedule 6

a) Are the figures shown in Table 1-9.1 for 2011 Board approved based on CGAAP or MIFRS?

b) If the response to part (a) above is CGAAP, please provide a version of Table 1-9.1 that reflects MIFRS figures for the 2011 Board approved column.

Response:

a) The figures in Table 1-9.1 are total payroll costs including overtime and incentive pay as identified in Tables 4-53 and Table 4-54. These are stated before any labour capitalization and are therefore not affected by reporting basis.

b) Please see Horizon Utilities' response to part a) above.

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1-Energy Probe-3

Ref: Exhibit 1, Tab 2, Schedule 6, Table 1-10

a) Please expand Table 1-10 to include a column for actual 2011 data (MIFRS).

b) Please provide a version of Table 1-10 that includes a productivity factor of 0.72% for 2012 and 2013.

c) Please explain how the line titled "Price Cap Index - Adjusted for Customer Growth" has been calculated.

d) Please provide a live Excel version of Table 1-10.

e) How many months of actual data are included in Table 1-10 for the 2014 bridge year?

f) Please provide an updated version of Table 1-10 that includes actual 2011 data as requested in part (a), and an updated forecast for the 2014 bridge year based on the most recent year-to-date actuals available, along with a forecast for the remainder of the year.

Response:

<u>Correction to Table 1-10</u>

Table 1-10 has been revised for modest changes to customer counts identified in EP-24 a) and b). The revised Table 1-10 has been attached as 1-EP-3_Attch 1. There were no notable changes to the analysis in Table 1-10 as a result of updating the customer counts. All corresponding analyses in response to this interrogatory include the revised customer counts.

All tables are based on MIFRS for all years.

<u>Overview</u>

Since the time of filing of the Application, Horizon Utilities has also performed Revenue Requirement trend analysis using the same principles, factors, and assumptions as those provided in Exhibit 1, Tab 2, Schedule 6, Table 1-10 (and revised as attached 1-EP-3_Attch 1). This analysis is performed against 2014 Board-Approved revenue requirement (based on the 2014 Incentive Rate Mechanism adjustment and including the annualized Board-Approved value of Smart Meter Rate Riders). This analysis is attached as [1-EP-3_Attch 2] and identifies that Horizon Utilities is effectively seeking approval for approximately $4,800,000 of Revenue Requirement in excess of a Price Cap based on a computed Horizon Utilities Total Productivity Factor.

It is noteworthy in this analysis that the labour/ non-labour ratio is approximately 50/50 based on analysis and assumptions used by Horizon Utilities to determine the labour component of its combined OM&A and Capital Expenditures (refer to 1-EP-3 Attch_6). Additionally, Horizon Utilities has used a non-labour inflation index of 1.5%; which is below the Bank of Canada target of 2% annual inflation. Otherwise, Horizon Utilities has adopted the same X-Factor applicable to Horizon Utilities from 2015 through 2019 as provided in the Report of the Board: *Rate Setting Parameters and Benchmarking under the Renewed Regulatory Framework for Ontario's Electricity Distributors* (EB-2010-0379).

a) Please refer to [1-EP-3 Attch_3] which has been updated to provide analysis relative to 2011 actual (MIFRS) data.

b) Please refer to [1-EP-3 Attch_4] which represents a version of Table 1-10 that includes a productivity factor of 0.72% for 2012 and 2013.

c) Please refer to the live Excel version of Table 1-10 (now 1-EP-3 Attch_1) provided in response to question 1-EP-3 d) and, specifically, calculated cells in the corresponding row to this question.

In general, the "Price Cap Index - Adjusted for Customer Growth" has been adjusted for connections growth by taking, for a particular year, the product of: a) "Price Cap Index – Actual/ Forecast + X-Factor" and b) (1 + "Customer Growth Rate – Annual").

d) A live Excel version of Table 1-10 (revised) and other Attachments referenced in this question have been provided.

e) Zero. The data for the 2014 Bridge Year is based on the Application.

f) Horizon Utilities interprets this question to effectively request a current forecast for the 2014 Bridge Year. Please refer to [1-EP-3 Attch_5]. The forecast revision is $60,264,113.

1-EP-3_Attch 1_OM&A Trend Analysis

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HORIZON UTILITIES
OM&A Analysis
2011 to 2019

OM&A Trend Analysis: Forecast vs. Price Cap
Horizon Utilities Total Productivity Factor

		2011 Board Approved	2012 Actual	2013 Actual	2014 Bridge Year	2015 Test Year	2016 Test Year	2017 Test Year	2018 Test Year	2019 Test Year
	OM&A Analysis - Actual and Forecast per Application									
	Total OM&A - 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	238,488	240,114	241,692	243,319	245,123	247,036	249,021	250,909
	Total OM&A/ Customer - Application	$ 216.23	$ 215.85	$ 227.04	$ 249.85	$ 257.41	$ 262.70	$ 268.20	$ 271.90	$ 275.56
	Year over Year Change in OM&A/ Customer		$ (0.38)	$ 11.19	$ 22.81	$ 7.56	$ 5.29	$ 5.50	$ 3.70	$ 3.66
	Cumulative/ Permanent Change in OM&A/ Customer Cost Structure		$ (0.38)	$ 10.81	$ 33.62	$ 41.18	$ 46.47	$ 51.97	$ 55.67	$ 59.33
	Customer Growth Rate - Annual		0.56%	0.68%	0.66%	0.67%	0.74%	0.78%	0.80%	0.76%
	<u>OM&A/ Customer Growth Rate per Application</u>									
	Year over Year per Application		-0.18%	5.18%	10.05%	3.02%	2.06%	2.09%	1.38%	1.35%
	Cumulative from 2011 Approved		-0.18%	5.00%	15.55%	19.04%	21.49%	24.03%	25.74%	27.44%
	CAGR - Total Actual OM&A Growth		-0.18%	2.47%	4.94%	4.45%	3.97%	3.66%	3.33%	3.08%
	OM&A Analysis - Price Cap vs. Application									
	<u>Price Cap Index - Actual/ Forecast Inflation</u>									
	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	$ 252.41	$ 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)		$ (4.85)	$ 1.05	$ 18.34	$ 20.86	$ 20.98	$ 21.20	$ 19.49	$ 17.63
	CAGR - Price Cap OM&A/ Customer		2.07%	2.23%	2.30%	2.27%	2.25%	2.24%	2.23%	2.23%
	<u>Analysis of OM&A/ Customer Difference under Price Cap vs. 2011</u>									
	Year over Year Change in OM&A/ Customer (Application)		$ (0.38)	$ 10.81	$ 33.62	$ 41.18	$ 46.47	$ 51.97	$ 55.67	$ 59.33
	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		$ (4.85)	$ 1.05	$ 18.34	$ 20.86	$ 20.98	$ 21.20	$ 19.49	$ 17.63
(ii)	**Projected OM&A under Price Cap (B = D * E) (rounded)**		**$ 52,600,000**	**$ 54,300,000**	**$ 56,000,000**	**$ 57,600,000**	**$ 59,300,000**	**$ 61,000,000**	**$ 62,900,000**	**$ 64,700,000**
(iii)	**Real OM&A Growth - Application vs. Price Cap (C = A - B) (rounded)**		**$ (1,100,000)**	**$ 200,000**	**$ 4,400,000**	**$ 5,000,000**	**$ 5,100,000**	**$ 5,300,000**	**$ 4,800,000**	**$ 4,400,000**

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1-EP-3_Attch 2_Rate Revenue Trend Analysis

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HORIZON UTILITIES 1-EP-3_Attch 2

Rate Revenue Analysis

2014 to 2019

Rate Revenue Trend Analysis: Forecast vs. Price Cap

Horizon Utilities Total Productivity Factor

		2014 Bridge Year	2015 Test Year	2016 Test Year	2017 Test Year	2018 Test Year	2019 Test Year
	Rate Revenue ("RR") Analysis - Actual and Forecast per Application						
(i)	**Total RR - including Smart Meters (A)**	**$ 107,230,228**	**$113,490,384**	**$118,628,501**	**$121,743,444**	**$123,920,317**	**$127,881,899**
	Customer/ Connections Counts (D)	241,692	243,319	245,123	247,036	249,021	250,909
	Total RR/ Customer - Application	$ 443.66	$ 466.43	$ 483.95	$ 492.82	$ 497.63	$ 509.67
	Year over Year Change in RR/ Customer		$ 22.76	$ 17.53	$ 8.86	$ 4.81	$ 12.04
	Cumulative/ Permanent Change in RR/ Customer Cost Structure		$ 22.76	$ 40.29	$ 49.15	$ 53.97	$ 66.01
	Customer Growth Rate - Annual		0.67%	0.74%	0.78%	0.80%	0.76%
	<u>RR/ Customer Growth Rate per Application</u>						
	Year over Year per Application		5.13%	3.76%	1.83%	0.98%	2.42%
	Cumulative from 2011 Approved		5.13%	9.08%	11.08%	12.16%	14.88%
	CAGR - Total Actual RR Growth		5.13%	4.44%	3.56%	2.91%	2.81%
	RR Analysis - Price Cap vs. Application						
	Labour RR as % of Total RR		49.6%	51.2%	51.0%	50.9%	50.9%
	Non-Labour RR as % of Total RR		50.4%	48.8%	49.0%	49.1%	49.1%
	Labour inflation index (actual and forecast)		2.8%	2.8%	2.8%	2.8%	2.8%
	Non-Labour inflation index (application assumption)		1.5%	1.5%	1.5%	1.5%	1.5%
	Inflation (Actual/ Forecast Combined Labour and Non-Labour Index)		2.15%	2.17%	2.16%	2.16%	2.16%
	Productivity Factor		0.00%	0.00%	0.00%	0.00%	0.00%
	Stretch Factor		-0.15%	-0.15%	-0.15%	-0.15%	-0.15%
	Price Cap Index - Actual/ Forecast + X-Factor		2.00%	2.02%	2.01%	2.01%	2.01%
	Price Cap Index - Adjusted for Customer Growth		2.01%	2.03%	2.03%	2.03%	2.03%
	Price Cap RR/ Customer (on 2011 Approved) (E)	$ 443.66	$ 452.58	$ 461.77	$ 471.13	$ 480.69	$ 490.43
	Price Cap RR/ Customer Growth (Year over Year)		$ 8.91	$ 9.19	$ 9.37	$ 9.56	$ 9.74
	Price Cap RR/ Customer Growth (Cumulative)		$ 8.91	$ 18.10	$ 27.47	$ 37.02	$ 46.77
	Difference - Application vs. Price Cap RR (Cumulative)		$ 13.85	$ 22.19	$ 21.68	$ 16.94	$ 19.24
	CAGR - Price Cap RR/ Customer		2.01%	2.02%	2.02%	2.02%	2.02%
	<u>Analysis of RR/ Customer Difference under Price Cap vs. 2011</u>						
	Year over Year Change in RR/ Customer (Application)		$ 22.76	$ 40.29	$ 49.15	$ 53.97	$ 66.01
	Less: Net Inflationary Growth (Price Cap)		8.91	18.10	27.47	37.02	46.77
	Real Growth in RR/ Customer vs. 2011 Approved		$ 13.85	$ 22.19	$ 21.68	$ 16.94	$ 19.24
(ii)	**Projected RR under Price Cap (B = D * E) (rounded)**		**$110,100,000**	**$113,200,000**	**$116,400,000**	**$119,700,000**	**$123,100,000**
(iii)	**Real RR Growth - Application vs. Price Cap (C = A - B) (rounded)**		**$ 3,400,000**	**$ 5,400,000**	**$ 5,300,000**	**$ 4,200,000**	**$ 4,800,000**

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1-EP-3_Attch 3_OM&A Trend Analysis (2011 MIFRS)

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HORIZON UTILITIES
OM&A Analysis
2011 to 2019

OM&A Trend Analysis: Forecast vs. Price Cap
Horizon Utilities Total Productivity Factor

		2011 Actual	2012 Actual	2013 Actual	2014 Bridge Year	2015 Test Year	2016 Test Year	2017 Test Year	2018 Test Year	2019 Test Year
	OM&A Analysis - Actual and Forecast per Application									
	Total OM&A - including Smart Meters (A)	$ 50,790,410	$ 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)	237,305	238,488	240,114	241,692	243,319	245,123	247,036	249,021	250,909
	Total OM&A/ Customer - Application	$ 214.03	$ 215.85	$ 227.04	$ 249.85	$ 257.41	$ 262.70	$ 268.20	$ 271.90	$ 275.56
	Year over Year Change in OM&A/ Customer		$ 1.82	$ 11.19	$ 22.81	$ 7.56	$ 5.29	$ 5.50	$ 3.70	$ 3.66
	Cumulative/ Permanent Change in OM&A/ Customer Cost Structure		$ 1.82	$ 13.01	$ 35.82	$ 43.38	$ 48.67	$ 54.17	$ 57.87	$ 61.53
	Customer Growth Rate - Annual		0.50%	0.68%	0.66%	0.67%	0.74%	0.78%	0.80%	0.76%
	<u>OM&A/ Customer Growth Rate per Application</u>									
	Year over Year per Application		0.85%	5.18%	10.05%	3.02%	2.06%	2.09%	1.38%	1.35%
	Cumulative from 2011 Approved		0.85%	6.08%	16.74%	20.27%	22.74%	25.31%	27.04%	28.75%
	CAGR - Total Actual OM&A Growth		0.85%	3.00%	5.29%	4.72%	4.18%	3.83%	3.48%	3.21%
	OM&A Analysis - Price Cap vs. Application									
	<u>Price Cap Index - Actual/ Forecast Inflation</u>									
	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)	$ 214.03	$ 218.46	$ 223.69	$ 229.15	$ 234.14	$ 239.26	$ 244.49	$ 249.83	$ 255.30
	Price Cap OM&A/ Customer Growth (Year over Year)		$ 4.43	$ 5.23	$ 5.46	$ 4.99	$ 5.12	$ 5.23	$ 5.34	$ 5.47
	Price Cap OM&A/ Customer Growth (Cumulative)		$ 4.43	$ 9.66	$ 15.12	$ 20.11	$ 25.23	$ 30.46	$ 35.80	$ 41.27
	Difference - Application vs. Price Cap OM&A (Cumulative)		$ (2.60)	$ 3.36	$ 20.70	$ 23.27	$ 23.44	$ 23.71	$ 22.07	$ 20.26
	CAGR - Price Cap OM&A/ Customer		2.07%	2.23%	2.30%	2.27%	2.25%	2.24%	2.23%	2.23%
	<u>Analysis of OM&A/ Customer Difference under Price Cap vs. 2011</u>									
	Year over Year Change in OM&A/ Customer (Application)		$ 1.82	$ 13.01	$ 35.82	$ 43.38	$ 48.67	$ 54.17	$ 57.87	$ 61.53
	Less: Net Inflationary Growth (Price Cap)		4.43	9.66	15.12	20.11	25.23	30.46	35.80	41.27
	Real Growth in OM&A/ Customer vs. 2011 Approved		$ (2.60)	$ 3.36	$ 20.70	$ 23.27	$ 23.44	$ 23.71	$ 22.07	$ 20.26
(ii)	**Projected OM&A under Price Cap (B = D * E) (rounded)**		**$ 52,100,000**	**$ 53,700,000**	**$ 55,400,000**	**$ 57,000,000**	**$ 58,600,000**	**$ 60,400,000**	**$ 62,200,000**	**$ 64,100,000**
(iii)	**Real OM&A Growth - Application vs. Price Cap (C = A - B) (rounded)**		**$ (600,000)**	**$ 800,000**	**$ 5,000,000**	**$ 5,600,000**	**$ 5,800,000**	**$ 5,900,000**	**$ 5,500,000**	**$ 5,000,000**

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1-EP-3_Attch 4_OM&A Trend Analysis (0.72%)

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HORIZON UTILITIES
OM&A Analysis
2011 to 2019

OM&A Trend Analysis: Forecast vs. Price Cap
Horizon Utilities Total Productivity Factor

		2011 Board Approved	2012 Actual	2013 Actual	2014 Bridge Year	2015 Test Year	2016 Test Year	2017 Test Year	2018 Test Year	2019 Test Year
	OM&A Analysis - Actual and Forecast per Application									
	Total OM&A - 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
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	Total OM&A/ Customer - Application	$ 216.23	$ 215.85	$ 227.04	$ 249.85	$ 257.41	$ 262.70	$ 268.20	$ 271.90	$ 275.56
	Year over Year Change in OM&A/ Customer		$ (0.38)	$ 11.19	$ 22.81	$ 7.56	$ 5.29	$ 5.50	$ 3.70	$ 3.66
	Cumulative/ Permanent Change in OM&A/ Customer Cost Structure		$ (0.38)	$ 10.81	$ 33.62	$ 41.18	$ 46.47	$ 51.97	$ 55.67	$ 59.33
	Customer Growth Rate - Annual		0.56%	0.68%	0.66%	0.67%	0.74%	0.78%	0.80%	0.76%
	<u>OM&A/ Customer Growth Rate per Application</u>									
	Year over Year per Application		-0.18%	5.18%	10.05%	3.02%	2.06%	2.09%	1.38%	1.35%
	Cumulative from 2011 Approved		-0.18%	5.00%	15.55%	19.04%	21.49%	24.03%	25.74%	27.44%
	CAGR - Total Actual OM&A Growth		-0.18%	2.47%	4.94%	4.45%	3.97%	3.66%	3.33%	3.08%
	OM&A Analysis - Price Cap vs. Application									
	<u>Price Cap Index - Actual/ Forecast Inflation</u>									
	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		-0.72%	-0.72%	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		1.34%	1.66%	2.43%	2.16%	2.17%	2.17%	2.17%	2.17%
	Price Cap Index - Adjusted for Customer Growth		1.34%	1.67%	2.44%	2.18%	2.19%	2.19%	2.19%	2.19%
	Price Cap OM&A/ Customer (on 2011 Approved) (E)	$ 216.23	$ 219.14	$ 222.80	$ 228.24	$ 233.21	$ 238.31	$ 243.52	$ 248.84	$ 254.29
	Price Cap OM&A/ Customer Growth (Year over Year)		$ 2.91	$ 3.66	$ 5.44	$ 4.97	$ 5.10	$ 5.21	$ 5.32	$ 5.45
	Price Cap OM&A/ Customer Growth (Cumulative)		$ 2.91	$ 6.57	$ 12.01	$ 16.98	$ 22.08	$ 27.29	$ 32.61	$ 38.06
	Difference - Application vs. Price Cap OM&A (Cumulative)		$ (3.29)	$ 4.24	$ 21.61	$ 24.20	$ 24.39	$ 24.68	$ 23.06	$ 21.27
	CAGR - Price Cap OM&A/ Customer		1.34%	1.51%	1.82%	1.91%	1.96%	2.00%	2.03%	2.05%
	<u>Analysis of OM&A/ Customer Difference under Price Cap vs. 2011</u>									
	Year over Year Change in OM&A/ Customer (Application)		$ (0.38)	$ 10.81	$ 33.62	$ 41.18	$ 46.47	$ 51.97	$ 55.67	$ 59.33
	Less: Net Inflationary Growth (Price Cap)		2.91	6.57	12.01	16.98	22.08	27.29	32.61	38.06
	Real Growth in OM&A/ Customer vs. 2011 Approved		$ (3.29)	$ 4.24	$ 21.61	$ 24.20	$ 24.39	$ 24.68	$ 23.06	$ 21.27
(ii)	**Projected OM&A under Price Cap (B = D * E) (rounded)**		**$ 52,300,000**	**$ 53,500,000**	**$ 55,200,000**	**$ 56,700,000**	**$ 58,400,000**	**$ 60,200,000**	**$ 62,000,000**	**$ 63,800,000**
(iii)	**Real OM&A Growth - Application vs. Price Cap (C = A - B) (rounded)**		**$ (800,000)**	**$ 1,000,000**	**$ 5,200,000**	**$ 5,900,000**	**$ 6,000,000**	**$ 6,100,000**	**$ 5,700,000**	**$ 5,300,000**

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1-EP-3_Attch 5_OM&A Trend Analysis (Current Forecast)

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HORIZON UTILITIES
OM&A Analysis
2011 to 2019

OM&A Trend Analysis: Forecast vs. Price Cap
Horizon Utilities Total Productivity Factor

		2011 Actual	2012 Actual	2013 Actual	2014 Bridge Year	2015 Test Year	2016 Test Year	2017 Test Year	2018 Test Year	2019 Test Year
	OM&A Analysis - Actual and Forecast per Application									
	Total OM&A - including Smart Meters (A)	$ 50,790,410	$ 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)	237,305	238,488	240,114	241,692	243,319	245,123	247,036	249,021	250,909
	Total OM&A/ Customer - Application	$ 214.03	$ 215.85	$ 227.04	$ 249.85	$ 257.41	$ 262.70	$ 268.20	$ 271.90	$ 275.56
	Year over Year Change in OM&A/ Customer		$ 1.82	$ 11.19	$ 22.81	$ 7.56	$ 5.29	$ 5.50	$ 3.70	$ 3.66
	Cumulative/ Permanent Change in OM&A/ Customer Cost Structure		$ 1.82	$ 13.01	$ 35.82	$ 43.38	$ 48.67	$ 54.17	$ 57.87	$ 61.53
	Customer Growth Rate - Annual		0.50%	0.68%	0.66%	0.67%	0.74%	0.78%	0.80%	0.76%
	<u>OM&A/ Customer Growth Rate per Application</u>									
	Year over Year per Application		0.85%	5.18%	10.05%	3.02%	2.06%	2.09%	1.38%	1.35%
	Cumulative from 2011 Approved		0.85%	6.08%	16.74%	20.27%	22.74%	25.31%	27.04%	28.75%
	CAGR - Total Actual OM&A Growth		0.85%	3.00%	5.29%	4.72%	4.18%	3.83%	3.48%	3.21%
	OM&A Analysis - Price Cap vs. Application									
	<u>Price Cap Index - Actual/ Forecast Inflation</u>									
	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)	$ 214.03	$ 218.46	$ 223.69	$ 229.15	$ 234.14	$ 239.26	$ 244.49	$ 249.83	$ 255.30
	Price Cap OM&A/ Customer Growth (Year over Year)		$ 4.43	$ 5.23	$ 5.46	$ 4.99	$ 5.12	$ 5.23	$ 5.34	$ 5.47
	Price Cap OM&A/ Customer Growth (Cumulative)		$ 4.43	$ 9.66	$ 15.12	$ 20.11	$ 25.23	$ 30.46	$ 35.80	$ 41.27
	Difference - Application vs. Price Cap OM&A (Cumulative)		$ (2.60)	$ 3.36	$ 20.70	$ 23.27	$ 23.44	$ 23.71	$ 22.07	$ 20.26
	CAGR - Price Cap OM&A/ Customer		2.07%	2.23%	2.30%	2.27%	2.25%	2.24%	2.23%	2.23%
	<u>Analysis of OM&A/ Customer Difference under Price Cap vs. 2011</u>									
	Year over Year Change in OM&A/ Customer (Application)		$ 1.82	$ 13.01	$ 35.82	$ 43.38	$ 48.67	$ 54.17	$ 57.87	$ 61.53
	Less: Net Inflationary Growth (Price Cap)		4.43	9.66	15.12	20.11	25.23	30.46	35.80	41.27
	Real Growth in OM&A/ Customer vs. 2011 Approved		$ (2.60)	$ 3.36	$ 20.70	$ 23.27	$ 23.44	$ 23.71	$ 22.07	$ 20.26
(ii)	**Projected OM&A under Price Cap (B = D * E) (rounded)**		**$ 52,100,000**	**$ 53,700,000**	**$ 55,400,000**	**$ 57,000,000**	**$ 58,600,000**	**$ 60,400,000**	**$ 62,200,000**	**$ 64,100,000**
(iii)	**Real OM&A Growth - Application vs. Price Cap (C = A - B) (rounded)**		**$ (600,000)**	**$ 800,000**	**$ 5,000,000**	**$ 5,600,000**	**$ 5,800,000**	**$ 5,900,000**	**$ 5,500,000**	**$ 5,000,000**

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1-EP-3_Attch 6_Labour and Non-Labour Expenditure Components

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HORIZON UTILITIES
Expenditure Analysis
2015 to 2019

Labour and Non-Labour Expenditure Components Analysis

($000s)	2015 Test Year	2016 Test Year	2017 Test Year	2018 Test Year	2019 Test Year
Capital Expenditures					
System Access	8,243	8,472	7,896	8,092	8,273
System Renewal	18,070	28,294	33,168	33,208	34,706
System Service	4,140	295	535	2,032	2,057
Total Distribution Plant	30,453	37,061	41,599	43,332	45,036
General Plant	9,487	5,887	5,827	5,611	6,236
Total Capital Expenditures	39,940	42,948	47,426	48,943	51,272
Assumed Labour Component - Distribution Plant	38.8%	38.8%	38.8%	38.8%	38.8%
Assumed Labour Component - General Plant	0.0%	0.0%	0.0%	0.0%	0.0%
Weighted Labour Component - Total Capital Expenditures	29.6%	33.5%	34.0%	34.4%	34.1%
Labour Component	11,816	14,380	16,140	16,813	17,474
Non-Labour Component	28,124	28,568	31,286	32,130	33,798
Total Capital Expenditures	39,940	42,948	47,426	48,943	51,272
Operating Expenditures					
Total Operating Expenditures	62,633	64,394	66,256	67,709	69,140
Labour Component	39,100	40,600	41,800	42,600	43,800
Non-Labour Component	23,533	23,794	24,456	25,109	25,340
Total Operating Expenditures	62,633	64,394	66,256	67,709	69,140
Combined Expenditures					
Labour Expenditures Component	50,916	54,980	57,940	59,413	61,274
Non-Labour Expenditures Component	51,657	52,362	55,742	57,239	59,138
Total Expenditures	102,573	107,342	113,682	116,652	120,412
Labour Component	49.6%	51.2%	51.0%	50.9%	50.9%
Non-Labour Component	50.4%	48.8%	49.0%	49.1%	49.1%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

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1-Energy Probe-4

Ref: Exhibit 1, Tab 9, Schedule 2

Are there any costs included in the revenue requirement for Horizon Utilities associated with any payments made to the other entities shown in Figure 1-6 associated with the Board of Directors for these other entities? If yes, please quantify for each test year.

Response:

No, the revenue requirement for Horizon Utilities does not include any costs associated with the Board of Directors for any of the other entities shown in Figure 1-6.

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1-Energy Probe-5

Ref: Exhibit 1, Tab 12, Schedules 1 & 2

a) For each of the bullet points listed in Schedule 1, please provide a complete description of the adjustment that would be made, the timing of the adjustment and the basis for the adjustment being made.

b) Changes in tax rates are listed as both an adjustment (Schedule 1) and a reopener (Schedule 2). Please explain.

c) Please provide examples for each of the bullet points shown as reopeners in Schedule 2 where a full explanation has not already been provided.

Response:

a) Horizon Utilities expects to file its annual adjustments with the Board in the third quarter of each year (i.e., 2015 through 2018). This should allow adequate time for the Board to review and approve the changes and to issue a rate order for the implementation of rates effective January 1 of each year (i.e., 2016 through 2019). Horizon Utilities will file a draft rate order with supporting documentation to establish rates for either the year following or for the remaining years in the rate plan, depending on the Board's determination.

The following is a description and the basis of the proposed annual adjustments identified in Exhibit 1, Tab 12, Schedule 1:

Annual recurring adjustments:

- Cost of Capital – cost of capital parameters for return on equity and short-term debt rates be updated to incorporate the most recent parameters issued by the Board into the revenue requirement; the Long-Term Debt rate used for all long-term deemed debt, funded and unfunded, be the weighted average of rates applicable to funded debt for Horizon Utilities; and that such annual adjustments incorporate the actual market-based cost of any new debt issuances since the Application filing;
- Changes in Working Capital – updated annually to incorporate most recent estimates for cost of power. This adjustment will have an impact on rate base and the components of revenue requirement;

- Tax rates – updated annually to incorporate changes in tax rates; allowable deductions; implementation of surtaxes; for Payments in Lieu of Taxes and other commodity taxes. This adjustment will impact revenue requirement;
- Changes in other third party pass through charges (energy, wholesale market service charges, etc.) – this could result in a rate change and the recognition of variances from plan in the working capital allowance, rate base, and revenue requirement;
- CDM results – adjust the balance in the LRAM Variance Account to include the revenue requirement related to the difference between forecasted and most recent actual CDM results;
- Disposition of Deferral and Variance accounts – disposition of Group 1 Accounts subject to threshold of +/-$0.001 identified in the EDDVAR Report; and
- Any additional annual adjustments as identified by the Board in developing the Custom IR Application process – there may be other adjustments outside of management's control that are not anticipated above. These adjustments will be requested -of the Board in the annual update.

b) Changes in tax rates listed under "adjustments" would include changes to tax rates by governments. For example, if customer rates are set by the Board based on an income tax rate of 26.5% and the rate is decreased to 26.0%, this would be adjusted in rates going forward. Changes in tax rates and laws listed under "reopeners" is intended to include fundamental changes in the way taxes are applied - the past introduction of GST/HST is an example of a fundamental change.

c) Please see Horizon Utilities' responses to a) and b) above.

2-Energy Probe-6

Ref: Exhibit 2, Tab 1, Schedule 1, Table 2-6

a) How many months of actual capital expenditures are included in the 2014 bridge year forecast in Table 2-6?

b) Does Horizon have an updated forecast for 2014? If yes, please update Table 2.6.

c) Please explain why Horizon plans to spend significantly more in 2013, 2014 and 2015 than in the other years and why the expenditures were not divided more evenly over all years, about a level of about $2.75 million per year.

d) Which expenditures forecast for 2014 and 2015 could be delayed for a year or more without causing any significant impact on the overall project?

e) What is the status of each of the projects shown for 2014? In particular, has the work commenced or been contracted out at the present time and are each of the projects still scheduled to be completed in 2014?

Response:

a) There are zero months of actual capital expenditures included in the 2014 Bridge Year forecast in Table 2-6 in Exhibit 2, Tab 1, Schedule 1.

b) Horizon Utilities has an updated Q2 forecast for 2014 which includes five months of actuals (January to May 2014) and seven months of forecast for 2014 (June to December 2014). Table 2-6 below is updated for Horizon Utilities' Q2 forecast.

Updated Table 2-6

Buildings - Capital Expenditures $	2012 Actual	2013 Actual	2014 Bridge Year	2015 Test Year	2016 Test Year	2017 Test Year	2018 Test Year	2019 Test Year
Reporting Basis	*MIFRS*	*MIFRS*	*MIFRS*	*MIFRS*	*MIFRS*	*MIFRS*	*MIFRS*	*MIFRS*
Building Renovations - Vansickle Road	$ 460,000	$ 2,060,000	$ 1,400,000	$ -	$ -	$ -	$ -	$ -
Building Renovations - John and Hughson Streets	$ 1,307,000	$ 1,900,000	$ -	$ 2,000,000	$ 1,600,000	$ 2,200,000	$ 1,200,000	$ -
Building Renovations - Nebo Road	$ -	$ 1,530,000	$ 2,600,000	$ -	$ -	$ -	$ -	$ -
Building Renovations - Stoney Creek	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,200,000
Building Security Replacement	$ -	$ -	$ 400,000	$ 300,000	$ 200,000	$ -	$ -	$ -
John Street Roof Replacement	$ -	$ -	$ -	$ 900,000	$ -	$ -	$ -	$ -
John Street Window Replacement	$ -	$ -	$ -	$ 300,000	$ 300,000	$ 200,000	$ -	$ -
Nebo Road Emergency Backup Generator	$ -	$ -	$ -	$ 300,000	$ -	$ -	$ -	$ -
Total Material Buildings Capital Expenditures	**$ 1,767,000**	**$ 5,490,000**	**$ 4,400,000**	**$ 3,800,000**	**$ 2,100,000**	**$ 2,400,000**	**$ 1,200,000**	**$ 1,200,000**

c) Capital expenditures for 2013-2015 were higher than other years because Horizon Utilities had and continues to have a critical need 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. Horizon Utilities has deferred investments in buildings and infrastructure systems for several years. In Horizon Utilities' last rate application EB-

2010-0131, building renovations were deferred from 2008 to 2010 due to deferrals of key business requirements to address the revenue volatility and revenue risk experienced by the utility over this period. Capital expenditures for 2011 were deferred again to mitigate the non-discretionary increase in System Access obligations in 2011. 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 due to end-of-life systems as identified on page 32 of Exhibit 2, Tab 6, Schedule 1.

The Building Condition Assessments identified in Exhibit 2, Tab 6, Schedule 1 provided confirmation that investments in buildings and infrastructure systems could not continue to be deferred. The level of investment in 2013-2015 was and is required to mitigate increased operating and maintenance costs and address the health of building infrastructure systems, structural deficiencies, office congestion, continued compliance with the Accessibility for Ontarians with Disabilities Act ("AODA"), Ontario Building Code ("OBC") and Fire Codes, and health and safety concerns related to poor air quality and unsecured access points.

Horizon Utilities has paced its building and infrastructure investments over multiple years. Dividing these expenditures more evenly over all years is impracticable due to the critical nature of the expenditures required and the staging of the renovations. The scope of each project was carefully planned to segregate areas under renovation from ongoing operations, limit disruption to employees and services to customers, and reduce and pace capital expenditures. One example of this is the renovations of the fourth floor at the John Street building in 2013. The floor was original to 1950 and renovations were required to:

- remove large amounts of asbestos;
- install proper fire barriers to meet current fire codes;
- install duct work to the HVAC systems to improve air quality;
- replace Heating Ventilation and Air Conditioning ("HVAC") systems
- raise the ceiling to improve air quality and lighting;
- ensure compliance with the Accessibility for Ontarians with Disabilities Act ("AODA"); and

- re-design the floor to create functional spaces for each workgroup. This included renovations to Horizon Utilities Control Room.

Employees on the fourth floor were temporarily relocated to the sixth floor swing space for six months while renovations took place. The fourth floor needed to be vacant due to the extent of the renovations and the required removal of hazardous materials. It was not safe or economically and operationally prudent to renovate this floor in stages.

Horizon Utilities' investments in buildings and infrastructure systems are discussed in further detail on pages 37 to 58 in Exhibit 2, Tab 6, Schedule 1. Pacing considerations are discussed in further detail in Horizon Utilities' response to Board Staff Interrogatory 1-Staff-12f.

d) There are no expenditures forecast for 2014 and 2015 which could be delayed for a year or more without causing a significant impact on the overall project.

Capital expenditures forecasted for 2014 have been contracted out, are well underway and on schedule to be completed by or before December 2014.

The expenditures forecast for 2015 cannot be delayed without:

- increasing risks in providing a safe and secure work environment (Building Security replacement and John Street renovations);
- increasing maintenance expenditures due to structural deficiencies, hazardous material mitigation and equipment failures;
- further deterioration of building structures, furniture and systems equipment due to water damage (John Street roof and windows);
- impacting response time to customers (Nebo Road Backup Generator);
- increasing communication, alignment and operational inefficiencies by having employees from the same departments located on different floors;
- creating an overcrowded work environment by not reclaiming available space;
- increasing health and safety concerns due to hazardous materials; and
- affecting compliance with the Accessibility for Ontarians with Disabilities Act ("AODA") and Ontario Building Code (OBC) and Fire Codes.

The John and Hughson Street renewal planned for 2015 is the third of six phases at this location. These projects are required to address congestion, consolidate work groups to improve organizational work flows, and to comply with current fire codes and the OBC as identified on page 52 in Exhibit 2, Tab 6, Schedule 1. Delaying this project in 2015 will impact 2016 and 2017 projects which are dependent upon the completion of the 2015 renovations. The 2016 renovation project for the 2nd floor is required to address employee security, safety, and deficiencies related to fire and OBC codes, air quality, and lighting. The 2017 project for the 6th floor is required to address organization congestion in addition to the same issues identified for the 2nd floor.

The Building Security Replacement project commenced in 2014, and will continue into 2015 and 2016. This project is required to manage risk, and delaying the last phase of this project would significantly jeopardize the security of the facilities because the new systems would not be fully operational. The risks are further elaborated on page 41 in Exhibit 2, Tab 6, Schedule 1.

Replacement of the roof and windows at John Street cannot be delayed because these end-of-life assets are causing damage to the building structure and internal walls and floors due to water egress. These projects are discussed in further detail on page 42 of Exhibit 2, Tab 6, Schedule 1.

The Nebo generator project cannot be delayed for two reasons: the use of portable generators is no longer acceptable due to non-conformance with safety regulations; and increased extreme weather and large scale outages that affect this service centre hamper the dispatching of crews when this building is without power. This project is discussed in further detail on page 58 of Exhibit 2, Tab 6, Schedule 1.

As stated in part (c), Horizon Utilities has deferred investments in buildings and infrastructure systems for several years. Investments in buildings and infrastructure systems cannot continue to be deferred - buildings and infrastructure systems are at or nearing end of life resulting in poor equipment performance, increased risk of system failure, increased operating and maintenance costs, poor work environments for employees, and increased health and safety risks.

e) For each of the projects shown for 2014, the work has commenced and been contracted out. The third phase of the Vansickle Road Service Centre project will be completed by the end of August 2014 and the second phase of the Nebo Road Service Centre project is scheduled to be completed by December 2014. The first phase of the building security replacement has commenced and is scheduled to be completed by November 2014.

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2-Energy Probe-7

Ref: Exhibit 2, Tab 1, Schedule 1, Table 2-7

What would be the possible implications if Horizon delayed the phone system upgrade shown in Table 2-7 from 2015 to 2016?

Response:

The primary implication of delaying the Horizon Utilities' telephone system upgrade as provided in Exhibit 2, Tab 1, Schedule 1, Table 2-7 from 2015 to 2016 is the increased risks associated with lack of vendor support.

The current version of the contract centre and call manager software (version 8.6) will not be supported by the provider beyond 2015. The provider will not provide software bug fixes or security updates. Horizon Utilities would be required to update to a supported version prior to getting assistance, in the event of technical issues.

The telephone system is foundational to Horizon Utilities' business; it is the primary communication channel for customers. The risk of this core system being unsupported by the vendor is viewed as unacceptable.

In addition, the telephone system vendor does not provide a direct upgrade path from unsupported software versions.

Should Horizon Utilities delay the telephone system upgrade from 2015 to 2016, the system is anticipated to be at least three versions behind the vendor supported version. To proceed with the necessary upgrade to the appropriate version, Horizon Utilities would first have to upgrade to an earlier but still supported version and then to the latest version. This duplication of effort is forecasted to increase the upgrade costs by 25% to 30% and double the staff efforts as system configuration and testing would be performed twice.

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2-Energy Probe-8

Ref: Exhibit 2, Tab 1, Appendix 2-1

a) Please update Table 5 to reflect actual capital additions closed to rate base in 2014 along with the forecast for the remainder of the year. Please indicate how many months of actual capital additions are included in the updated forecast compared to the original forecast.

b) The cost disposals shown for each of the years is significantly higher than the corresponding adjustment to the accumulated depreciation disposals, implying that these assets being disposed of are not near the end of life, at least from an accounting perspective. Please explain why the assets being disposed of do not appear to have any significant amounts of depreciation associated with them. For example, in the 2015 test year there is only an adjustment to accumulated depreciation of $187,423 on assets with a cost of $2,089,496, or about 9% of the cost.

Response:

a) Please refer to the attachment “2-EP-8_Attch 1_Revised Table 5” which provides the actual capital additions for 5 months to May 2014 and a forecast for the 7 months remaining in the year. The original Table 5 filed in the Application had zero months of actual capital expenditures.

b) The assets being disposed of do not appear to have any significant amount of associated accumulated depreciation from an accounting perspective for several reasons which relate to the change in accounting policy from CGAAP to IFRS.

1. The most significant factor that creates a low ratio of accumulated depreciation to cost is the election of deemed cost upon conversion to IFRS. By using the carrying value (net book value) as the cost under IFRS, and zeroing out accumulated depreciation, assets derecognized in the years following the IFRS conversion do not have a significant amount of accumulated depreciation in comparison to cost (net book value). The deemed cost exemption is discussed in further detail on page 5 of Exhibit 6, Tab 2, Schedule 1.

2. The componentization of assets upon IFRS conversion resulted in the extension of the useful lives of assets, for example from 25 to 40, 50 or 70 years. As a result of longer useful lives, the depreciation amount accumulates annually at a significantly lower rate which lowers the ratio of accumulated depreciation to cost.

3. Under CGAAP for rate regulated entities, assets were written off for accounting purposes when fully depreciated, even though they continued in service and were not physically disposed of. These assets are physically disposed of as they reach end-of-life in the post IFRS conversion years. When disposed of, these fully depreciated assets have no impact on the accumulated depreciation to cost ratio since they have already been written off for accounting purposes. The exclusion of these assets from the cost and accumulated depreciation associated with disposals contributes to the lower accumulated depreciation to cost ratio.

4. Horizon Utilities does dispose of some assets which are not near or at the end of their typical useful life. These asset disposals can be the result of accidents, storms and customer demands for system access such as road relocations. These assets may not have a significant amount of depreciation associated with them depending on their age at the time of disposal as compared to their typical useful life. As such, they could have a very low accumulated depreciation to cost ratio and cause a disproportionate negative impact on the overall ratio.

In summary, the deemed cost exemption and extension of useful lives upon conversion to IFRS; the write-off of fully depreciated assets before physical disposal under CGAAP; and the disproportionate impact of assets derecognized before the end of their typical useful life contribute to the cost of disposals being significantly higher than the adjustment to accumulated depreciation.

2-EP-8_Attch 1_Revised Table 5

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Table 5 - Chapter 2 Filing Requirements - Appendix 2-BA2 – 2014 Bridge Year Actual (5 Mths to May 2014) + Forecast (7 Mths June to Dec 2014) MIFRS

Year 2014

			Cost				Accumulated Depreciation				
CCA Class	**OEB**	**Description**	**Opening Balance**	**Additions**	**Disposals**	**Closing Balance**	**Opening Balance**	**Additions**	**Disposals**	**Closing Balance**	**Net Book Value**
43.1	1675	Standby Generators	$ -	$ -	$ -	**$ -**	$ -		$ -	**$ -**	**$ -**
47	1609	Capital Contributions	$ 12,419,847	$ -	$ -	**$ 12,419,847**	$ (733,127)	$ (721,794)	$ -	**$ (1,551,715)**	**$ 10,868,132**
N/A	1805	Land - Substations	$ 414,741	$ -	$ -	**$ 414,741**	$ -	$ -	$ -	**$ -**	**$ 414,741**
1	1808	Buildings - Substations	$ 729,005	$ 164,500	$ -	**$ 879,005**	$ (224,914)	$ (69,764)	$ -	**$ (301,773)**	**$ 577,232**
13	1810	Leasehold Improvements	$ 0	$ -	$ -	**$ 0**	$ (0)	$ -	$ -	**$ (0)**	**$ -**
47	1820	Substation transformers	$ 11,925,312	$ 967,330	$ -	**$ 12,772,102**	$ (453,756)	$ (318,974)	$ -	**$ (758,356)**	**$ 12,013,746**
47	1830	Poles, towers and fixtures - concrete	$ 69,001,403	$ 7,080,317	$ (241,328)	**$ 75,327,373**	$ (4,724,048)	$ (1,911,544)	$ 19,309	**$ (6,667,545)**	**$ 68,659,828**
47	1835	Overhead conductors and devices - secondary service	$ 53,094,562	$ 5,447,838	$ (432,258)	**$ 57,528,119**	$ (3,515,638)	$ (1,386,905)	$ 27,613	**$ (4,899,860)**	**$ 52,628,259**
47	1840	Underground conduit chambers and other elements	$ 65,333,526	$ 4,321,731	$ (31,452)	**$ 69,252,369**	$ (5,902,955)	$ (2,197,141)	$ 2,404	**$ (8,082,733)**	**$ 61,169,636**
47	1845	Underground conductors and devises primary PILC	$ 82,383,876	$ 3,721,179	$ (308,125)	**$ 84,063,024**	$ (7,416,019)	$ (2,495,245)	$ 24,286	**$ (9,839,947)**	**$ 74,223,077**
47	1850	Line transformers - Overhead	$ 66,297,507	$ 5,435,379	$ (362,050)	**$ 72,937,233**	$ (6,555,624)	$ (2,497,648)	$ 36,646	**$ (9,102,262)**	**$ 63,834,971**
47	1855	Services	$ 19,008,063	$ 3,465,751	$ -	**$ 22,445,058**	$ (1,209,700)	$ (452,081)	$ -	**$ (1,683,831)**	**$ 20,761,227**
47	1860	Meters	$ 49,621,783	$ 2,409,104	$ (142,800)	**$ 52,053,114**	$ (9,926,055)	$ (3,392,660)	$ 35,002	**$ (13,446,625)**	**$ 38,606,489**
N/A	1905	Land	$ 1,067,629	$ -	$ -	**$ 1,067,629**	$ -	$ -	$ -	**$ -**	**$ 1,067,629**
CEC	1906	Land Rights	$ 90,487	$ -	$ -	**$ 90,487**	$ (10,011)	$ (3,337)	$ -	**$ (13,347)**	**$ 77,140**
1	1908	Buildings & Fixtures	$ 20,083,948	$ 4,192,810	$ -	**$ 23,783,949**	$ (3,462,261)	$ (1,102,178)	$ -	**$ (4,628,892)**	**$ 19,155,057**
13	1910	Leasehold Improvements	$ -	$ -	$ -	**$ -**	$ -	$ -	$ -	**$ -**	**$ -**
8	1915	Office Furniture & Equipment	$ 3,069,896	$ 358,139	$ -	**$ 3,687,896**	$ (751,928)	$ (353,707)	$ -	**$ (1,156,080)**	**$ 2,531,816**
52	1920	Computer - Hardware	$ 6,370,018	$ 1,208,855	$ -	**$ 7,502,774**	$ (2,926,565)	$ (1,396,200)	$ -	**$ (4,224,589)**	**$ 3,278,185**
12	1611	Computer - Software	$ 8,296,229	$ 4,645,878	$ -	**$ 13,618,174**	$ (5,087,169)	$ (1,769,275)	$ -	**$ (6,740,807)**	**$ 6,877,368**
10	1930	Transportation Equipment	$ 8,109,000	$ 740,000	$ -	**$ 8,894,000**	$ (3,711,950)	$ (1,163,461)	$ -	**$ (5,042,521)**	**$ 3,851,480**
8	1935	Stores Equipment	$ 417,864	$ 3,302	$ -	**$ 417,864**	$ (162,856)	$ (49,368)	$ -	**$ (212,223)**	**$ 205,641**
8	1940	Tools, Shop & Garage Equipment	$ 3,040,535	$ 514,018	$ (0)	**$ 3,551,835**	$ (1,048,471)	$ (375,223)	$ 0	**$ (1,439,710)**	**$ 2,112,125**
8	1945	Measurement & Testing Equipment	$ 997,348	$ 115,900	$ -	**$ 1,151,348**	$ (319,648)	$ (123,876)	$ -	**$ (464,416)**	**$ 686,932**
8	1950	Power operated Equipment	$ 35,360	$ -	$ -	**$ 35,360**	$ (29,176)	$ (6,184)	$ -	**$ (35,354)**	**$ 6**
10	1955	Communications Equipment	$ 1,745,855	$ 6,200	$ -	**$ 1,752,055**	$ (584,943)	$ (219,497)	$ -	**$ (805,616)**	**$ 946,440**
8	1970	Load Management controls	$ 312,338	$ -	$ -	**$ 312,338**	$ (154,808)	$ (51,611)	$ -	**$ (206,423)**	**$ 105,915**
8	1980	System Supervisory Protection and Control	$ 982,817	$ 400,000	$ -	**$ 1,382,817**	$ (308,524)	$ (92,630)	$ -	**$ (406,016)**	**$ 976,801**
47	1996	Hydro One S/S Contribution	$ 7,956,730	$ -	$ -	**$ 7,956,730**	$ (1,147,845)	$ (356,124)	$ -	**$ (1,505,229)**	**$ 6,451,501**
47	1995	Contributions & Grants	$ (34,882,612)	$ -	$ -	**$ (34,882,612)**	$ 4,889,627	$ 1,607,580	$ -	**$ 6,497,207**	**$ (28,385,405)**
10	2005	Capital Lease	$ 820,130	$ -	$ -	**$ 820,130**	$ (273,377)	$ (149,115)	$ -	**$ (546,753)**	**$ 273,377**
		Sub-Total	**$ 458,743,200**	**$ 45,198,231**	**$ (1,518,013)**	**$ 501,234,761**	**$ (55,751,738)**	**$ (21,047,960)**	**$ 145,261**	**$ (77,265,415)**	**$ 423,969,347**
		Less Socialized Renewable Energy Generation Investments (input as negative)				**$ -**				**$ -**	**$ -**
		Less Other Non Rate-Regulated Utility Assets (input as negative)				**$ -**				**$ -**	**$ -**
	2440	***Less Capital Contributions 2011 and future years***	$ 20,582,078	$ 5,925,520	$ -	**$ 25,055,078**	$ (662,379)	$ (623,000)	$ -	**$ (1,285,379)**	**$ 23,769,700**
		Total PP&E	**$ 438,161,122**	**$ 39,272,711**	**$ (1,518,013)**	**$ 476,179,683**	**$ (55,089,359)**	**$ (20,424,960)**	**$ 145,261**	**$ (75,980,036)**	**$ 400,199,647**
		Work in Process	$ 5,357,299	$ (1,200,847)		**$ 3,338,563**	$ -	$ -	$ -	**$ -**	**$ 3,338,563**
		Total PP&E Including WIP	**$ 443,518,421**	**$ 38,071,864**	**$ (1,518,013)**	**$ 479,518,246**	**$ (55,089,359)**	**$ (20,424,960)**	**$ 145,261**	**$ (75,980,036)**	**$ 403,538,209**

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2-Energy Probe-9

Ref: Exhibit 2, Tab 2, Schedule 1

a) The evidence indicates that Horizon is proposing that the working capital calculation would be updated annually with rates as published by the Board for the cost of power. Please provide a comprehensive list of all changes that Horizon is proposing would be updated as part of the update to the working capital calculation.

b) Does Horizon propose to update the cost of power annually to reflect any changes in the ratio of RPP to non RPP volumes?

c) Please provide all the data used to provide the estimates for future adjustments to the RPP price in November 2014 through 2019 (i.e. the RPP prices from May 2006 to November 2013).

d) Please provide a sample calculation using the data from part (c) above for the RPP price. In particular please show the derivation of the RPP figure of $0.09440 used for 2015 for residential customers.

e) Please provide the data and calculations used to calculate the ratio of the non-RPP price to the RPP price (May 2009 through November 2013) in a table.

f) Please provide the calculation based on the data in part (e) that results in the non-RPP price of $0.05133 for residential customers in 2015.

g) Please explain why the RPP and non-RPP prices are different by rate class and for each rate class please show the derivation of RPP and non-RPP prices shown for 2015. If a spreadsheet exists that does this calculation, please provide a live Excel version of it.

Response:

a) Horizon Utilities is proposing to update the working capital calculation for the following changes:
   1. RPP and TOU rates
   2. Hourly Ontario Energy Price ("HOEP")
   3. Global Adjustment $ for Class A customers and $/kWh for Class B customers
   4. Uniform Transmission Rates
   5. Low Voltage Rates
   6. Wholesale Market Service ("WMS") rates
   7. Rural or Remote Electricity Rate Protection ("RRRP")
   8. Smart Meter Entity ("SME") Charge
   9. Changes in the ratio of RPP to non-RPP volumes

   With respect to any other updates to the working capital calculation, please see Horizon Utilities' response to interrogatory 2-SEC-10.

b) Horizon Utilities proposes to update the cost of power annually to reflect any changes in the ratio of RPP to non-RPP volumes.

c) The data used to provide the estimates for future adjustments to the RPP price in May 2014 through 2019 (i.e. the RPP prices from May 2006 to November 2013) is provided in Table 1 below. The RPP price is in the row "Average Supply Cost for RPP Consumers".

Table 1: Data for RPP/Non-RPP Price Estimates

	Calculation	May-06	Nov-06	May-07	Nov-07	May-08	Nov-08	May-09	Nov-09	May-10	Nov-10	May-11	Nov-11	May-12	Nov-12	May-13	Nov-13
		Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual
Forecast Wholesale Electricity Price ($ / MWh)	A	$62.30	$58.74	$58.01	$54.10	$60.72	$50.16	$44.88	$35.68	$36.66	$39.23	$40.15	$31.83	$21.05	$20.65	$19.33	$19.67
Load-Weighted Price for RPP Consumers ($ / MWh)	B	$67.65	$63.56	$62.83	$58.55	$65.57	$53.46	$48.00	$38.14	$39.51	$42.16	$43.41	$34.62	$22.99	$23.06	$21.05	$21.56
Impact of the Global Adjusment ($ / MWh)	C	($4.79)	($1.70)	($0.52)	$2.18	($1.11)	$8.52	$14.26	$24.94	$27.72	$26.38	$28.22	$40.08	$57.72	$59.36	$66.12	$67.94
Impact of the OPG Non-prescribed Asset Rebate ($ / MWh)	D	($6.45)	($5.45)	($5.41)	($4.20)	($7.44)	($1.02)										
Adjusment to Address Bias Towards Unfavourable Variance ($ / MWh)	E	$1.11	$1.12	$1.10	$0.92	$1.00	$1.00	$0.94	$0.94	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00
Adjusment to Recover Existing Variance ($ / MWh)	F	$5.04	$1.44	($0.96)	($3.16)	($3.52)	($1.66)	($2.47)	($1.86)	$1.14	($1.16)	$0.35	($0.06)	($1.02)	($4.10)	($4.21)	($1.50)
Average Supply Cost for RPP Consumers ($ / MWh)	G = (B+C+D+E+F)	$62.56	$58.97	$57.04	$54.29	$54.50	$60.30	$60.73	$62.16	$69.37	$68.38	$72.98	$75.64	$80.69	$79.32	$83.96	$89.00
Average Supply Cost for Non-RPP Consumers ($ / MWh)	H = A + C	Unable to reflect the impact of OPG Non-						$59.14	$60.62	$64.38	$65.61	$68.37	$71.91	$78.77	$80.01	$85.45	$87.61
% Non-RPP to RPP	I = H/G	prescribed Asset Rebate for RPP on Non-RPP						97.4%	97.5%	92.8%	95.9%	93.7%	95.1%	97.6%	100.9%	101.8%	98.4%
	J = Average of I													Average			97.1%
% Make-up of Forecast Wholesale Electricity Price ($ / MWh)	K = A / H													26.7%	25.8%	22.6%	22.5%

d) Subsequent to the submission of its Application, Horizon Utilities reviewed the information provided in Appendix 2-2 Cost of Power in Exhibit 2, Tab 2. It determined that the uplifted kWhs in column 4 were not updated for the most recent RPP/Non-RPP ratio and as such the cost of energy on a $/kWh basis in column 5 was incorrect. Horizon Utilities recalculates the uplifted kWhs and the cost of energy on a $/kWh basis and provides the revised tables in Tables 4 through 9 below. The revision to the uplifted kWhs and cost of energy on a $/kWh basis did not affect the cost of power purchased. The cost of energy on a $/kWh basis is a calculation equal to the cost of power purchased divided by the uplifted kWh.

The RPP price for May 2006 to November 2013 is the sum of the following as identified in Table 1: Load-Weighted Price for RPP Consumers (B), Impact of the Global Adjustment (C), Impact of the OPG Non-prescribed Asset Rebate (D), Adjustment of Address Bias towards Unfavourable Variance (E), and Adjustment to Recover Existing Variance (F). Linear progression is performed on actual/forecast values for the RPP price to determine each subsequent value after November 2013 as identified in Table 2 below. For example, the RPP price for November 2014 is based on values from May 2006 to May 2014. The derivation of the RPP price of $0.08825, used for 2015 for residential customers (based on the revised Table 4) is a weighted average of the November 2014, May 2015 and November 2015 RPP prices as identified in Table 3 below.

Table 2: Trend of Average Supply Cost for RPP Consumers

Description	2015 Effective Date	Formula	May-06	Nov-06	May-07	Nov-07	May-08	Nov-08	May-09	Nov-09	May-10	Nov-10	May-11	Nov-11	May-12	Nov-12	May-13	Nov-13	Trend
Historical Average Supply Cost for RPP Consumers ($ / MWh)			$62.56	$58.97	$57.04	$54.29	$54.50	$60.30	$60.73	$62.16	$69.37	$68.38	$72.98	$75.64	$80.69	$79.32	$83.96	$89.00	
May 2014 RPP price	n/a	Trend of Average Supply Cost for RPP Consumers ($ / MWh) from May 2006 to November 2013																	$86.18
November 2014 RPP price	Jan 2015-Apr 2015	Trend of Average Supply Cost for RPP Consumers ($ / MWh) from May 2006 to May 2014																	$86.58
May 2015 RPP price	May 2015-Oct 2015	Trend of Average Supply Cost for RPP Consumers ($ / MWh) from May 2006 to November 2014																	$88.54
November 2015 RPP price	Nov 2015-Dec 2015	Trend of Average Supply Cost for RPP Consumers ($ / MWh) from May 2006 to May 2015																	$90.54

Table 3: Derivation of Residential RPP rate for 2015

2015	RPP Uplifted kWh	RPP Rate	Power Purchased
January	135,642,071	$0.08658	$ 11,743,890
February	120,976,400	$0.08658	$ 10,474,137
March	122,697,856	$0.08658	$ 10,623,180
April	110,365,020	$0.08658	$ 9,555,403
May	110,958,966	$0.08854	$ 9,824,307
June	128,675,670	$0.08854	$ 11,392,944
July	155,515,699	$0.08854	$ 13,769,360
August	146,976,375	$0.08854	$ 13,013,288
September	120,922,581	$0.08854	$ 10,706,485
October	119,908,872	$0.08854	$ 10,616,732
November	123,828,836	$0.09054	$ 11,211,463
December	133,628,984	$0.09054	$ 12,098,768
TOTAL	1,530,097,329		$ 135,029,958
RPP Power Purchased	$ 135,029,958		
RPP Uplifted kWh	1,530,097,329		
Weighted RPP Rate	$ 0.08825		

Table 4: 2014 – Electricity - Commodity Charges

Electricity - Commodity	2014 Forecasted	2014 Loss	2014 Bridge Year		
Class Per Load Forecast	**Metered kWhs**	**Factor**	**Uplifted**	**Cost of Energy**	**Total Cost**
Residential	1,630,039,291	1.0407			
- RPP			1,545,912,816	$0.08715	$134,726,963
- Non RPP			150,469,074	$0.08501	$12,791,537
GS<50kW	589,101,097	1.0407			
- RPP			524,487,812	$0.08718	$45,724,080
- Non RPP			88,589,700	$0.08505	$7,534,545
GS>50kW	1,862,301,069	1.0407			
- RPP			224,043,981	$0.08718	$19,532,234
- Non RPP			1,714,052,742	$0.08505	$145,785,733
Large Use (1)	264,367,942	1.0078			
- RPP			0	$0.00000	$0
- Non RPP			266,430,012	$0.08508	$22,669,067
Large Use (2)	322,581,816	1.0078			
- RPP			0	$0.00000	
- Non RPP			325,097,954	$0.08518	$27,690,584
Unmetered Scattered Load	11,620,990	1.0407			
- RPP			9,715,082	$0.08716	$846,755
- Non RPP			2,378,883	$0.08502	$202,252
Sentinel Lighting	455,814	1.0407			
- RPP			470,001	$0.08714	$40,957
- Non RPP			4,364	$0.08500	$371
Street Lighting	39,744,804	1.0407			
- RPP			239,902	$0.08727	$20,937
- Non RPP			41,122,516	$0.08518	$3,502,634
Total	**4,720,212,823**		**4,893,014,838**		**$ 421,068,649**

Table 5: 2015 – Electricity - Commodity Charges

Electricity - Commodity		2015 Forecasted	2015 Loss	2015 Test Year		
Class Per Load Forecast		**Metered kWhs**	**Factor**	**Uplifted**	**Cost of Energy**	**Total Cost**
Residential		1,617,715,605	1.0379			
	- RPP			1,530,097,329	$0.08825	$135,029,958
	- Non RPP			148,929,697	$0.08570	$12,763,032
GS<50kW		586,002,830	1.0379			
	- RPP			520,325,655	$0.08823	$45,909,225
	- Non RPP			87,886,683	$0.08568	$7,530,250
GS>50kW		1,857,864,416	1.0379			
	- RPP			222,908,876	$0.08822	$19,664,689
	- Non RPP			1,705,368,601	$0.08567	$146,096,458
Large Use (1)		269,877,849	1.0060			
	- RPP			0	$0.00000	$0
	- Non RPP			271,497,116	$0.08566	$23,255,934
Large Use (2)		329,305,006	1.0060			
	- RPP			0	$0.00000	$0
	- Non RPP			331,280,836	$0.08562	$28,363,384
Unmetered Scattered Load		11,397,660	1.0379			
	- RPP			9,502,743	$0.08829	$838,964
	- Non RPP			2,326,889	$0.08573	$199,495
Sentinel Lighting		437,397	1.0379			
	- RPP			449,798	$0.08830	$39,718
	- Non RPP			4,177	$0.08575	$358
Street Lighting		39,694,810	1.0379			
	- RPP			238,956	$0.08825	$21,089
	- Non RPP			40,960,288	$0.08570	$3,510,453
Total		**4,712,295,573**		**4,871,777,642**		**$ 423,223,007**

Table 6: 2016 – Electricity - Commodity Charges

Electricity - Commodity	**2016 Forecasted**	**2016 Loss**	**2016 Test Year**		
Class Per Load Forecast	**Metered kWhs**	**Factor**	**Uplifted**	**Cost of Energy**	**Total Cost**
Residential	1,615,569,770	1.0379			
- RPP			1,528,067,716	$0.09222	$140,919,756
- Non RPP			148,732,148	$0.08956	$13,319,981
GS<50kW	585,648,636	1.0379			
- RPP			520,011,157	$0.09220	$47,946,231
- Non RPP			87,833,562	$0.08954	$7,864,505
GS>50kW	1,852,830,462	1.0379			
- RPP			222,304,896	$0.09219	$20,493,985
- Non RPP			1,700,747,840	$0.08953	$152,260,210
Large Use (1)	275,125,662	1.0060			
- RPP			0	$0.00000	$0
- Non RPP			276,776,416	$0.08952	$24,776,457
Large Use (2)	335,708,389	1.0060			
- RPP			0	$0.00000	$0
- Non RPP			337,722,639	$0.08948	$30,218,229
Unmetered Scattered Load	11,174,331	1.0379			
- RPP			9,316,543	$0.09226	$859,558
- Non RPP			2,281,295	$0.08960	$204,395
Sentinel Lighting	418,980	1.0379			
- RPP			430,859	$0.09228	$39,760
- Non RPP			4,001	$0.08961	$359
Street Lighting	39,602,538	1.0379			
- RPP			238,400	$0.09223	$21,988
- Non RPP			40,865,075	$0.08957	$3,660,193
Total	**4,716,078,768**		**4,875,332,547**		**$ 442,585,607**

Table 7: 2017 – Electricity - Commodity Charges

Electricity - Commodity	2017 Forecasted	2017 Loss	2017 Test Year		
Class Per Load Forecast	**Metered kWhs**	**Factor**	**Uplifted**	**Cost of Energy**	**Total Cost**
Residential	1,608,117,860	1.0379			
- RPP			1,521,019,415	$0.09620	$146,318,206
- Non RPP			148,046,112	$0.09342	$13,830,203
GS<50kW	583,142,939	1.0379			
- RPP			517,786,290	$0.09618	$49,800,117
- Non RPP			87,457,766	$0.09340	$8,168,575
GS>50kW	1,841,172,846	1.0379			
- RPP			220,906,201	$0.09616	$21,243,435
- Non RPP			1,690,047,095	$0.09339	$157,827,837
Large Use (1)	280,664,097	1.0060			
- RPP			0	$0.00000	$0
- Non RPP			282,348,082	$0.09338	$26,364,646
Large Use (2)	342,466,388	1.0060			
- RPP			0	$0.00000	$0
- Non RPP			344,521,186	$0.09334	$32,156,021
Unmetered Scattered Load	10,951,001	1.0379			
- RPP			9,130,343	$0.09624	$878,668
- Non RPP			2,235,701	$0.09346	$208,939
Sentinel Lighting	400,564	1.0379			
- RPP			411,920	$0.09626	$39,650
- Non RPP			3,825	$0.09348	$358
Street Lighting	39,651,553	1.0379			
- RPP			238,695	$0.09620	$22,963
- Non RPP			40,936,229	$0.09338	$3,822,483
Total	**4,706,567,248**		**4,865,088,861**		**$ 460,682,101**

Table 8: 2018 – Electricity - Commodity Charges

Electricity - Commodity	2018 Forecasted	2018 Loss	2018 Test Year		
Class Per Load Forecast	**Metered kWhs**	**Factor**	**Uplifted**	**Cost of Energy**	**Total Cost**
Residential	1,604,991,612	1.0379			
- RPP			1,518,062,490	$0.10016	$152,050,063
- Non RPP			147,758,304	$0.09727	$14,372,402
GS<50kW	581,558,617	1.0379			
- RPP			516,379,533	$0.10014	$51,711,296
- Non RPP			87,220,155	$0.09725	$8,482,306
GS>50kW	1,831,925,238	1.0379			
- RPP			219,796,662	$0.10013	$22,007,815
- Non RPP			1,681,558,543	$0.09724	$163,511,599
Large Use (1)	285,758,686	1.0060			
- RPP			0	$0.00000	$0
- Non RPP			287,473,238	$0.09723	$27,950,484
Large Use (2)	348,682,806	1.0060			
- RPP			0	$0.00000	$0
- Non RPP			350,774,903	$0.09719	$34,090,880
Unmetered Scattered Load	10,727,671	1.0379			
- RPP			8,944,143	$0.10020	$896,210
- Non RPP			2,190,107	$0.09731	$213,116
Sentinel Lighting	382,147	1.0379			
- RPP			392,982	$0.10022	$39,386
- Non RPP			3,649	$0.09733	$355
Street Lighting	39,629,670	1.0379			
- RPP			238,563	$0.10017	$23,896
- Non RPP			40,893,071	$0.09727	$3,977,849
Total	**4,703,656,447**		**4,861,686,343**		**$ 479,327,656**

Table 9: 2019 – Electricity - Commodity Charges

Electricity - Commodity		2019 Forecasted	2019 Loss	2019 Test Year		
Class Per Load Forecast		**Metered kWhs**	**Factor**	**Uplifted**	**Cost of Energy**	**Total Cost**
Residential		1,600,739,130	1.0379			
	- RPP			1,514,040,330	$0.10413	$157,652,190
	- Non RPP			147,366,814	$0.10112	$14,901,375
GS<50kW		579,899,038	1.0379			
	- RPP			514,905,954	$0.10411	$53,606,217
	- Non RPP			86,971,257	$0.10110	$8,792,801
GS>50kW		1,822,597,172	1.0379			
	- RPP			218,677,469	$0.10409	$22,763,206
	- Non RPP			1,672,996,136	$0.10109	$169,117,459
Large Use (1)		290,887,091	1.0060			
	- RPP			0	$0.00000	$0
	- Non RPP			292,632,413	$0.10108	$29,578,229
Large Use (2)		354,940,487	1.0060			
	- RPP			0	$0.00000	$0
	- Non RPP			357,070,130	$0.10104	$36,076,722
Unmetered Scattered Load		10,504,342	1.0379			
	- RPP			8,757,943	$0.10417	$912,306
	- Non RPP			2,144,513	$0.10116	$216,936
Sentinel Lighting		363,731	1.0379			
	- RPP			374,043	$0.08448	$31,598
	- Non RPP			3,473	$2.16338	$7,514
Street Lighting		39,610,413	1.0379			
	- RPP			238,448	$0.10413	$24,830
	- Non RPP			40,873,200	$0.10112	$4,133,193
Total		**4,699,541,403**		**4,857,052,123**		**$ 497,814,578**

e) Horizon Utilities provides the data and calculations used to calculate the ratio of the non-RPP price to the RPP price (May 2009 through November 2013) in Table 10 below. The calculation of the RPP price is provided in the response to part d). The non-RPP price for May 2009 through November 2013 is the sum of the following as identified in Table 1: Forecast Wholesale Electricity Price (A) and Impact of the Global Adjustment (C).

Table 10: Ratio non-RPP to RPP Price

	Formula	May-09	Nov-09	May-10	Nov-10	May-11	Nov-11	May-12	Nov-12	May-13	Nov-13
Average Supply Cost for Non-RPP Consumers ($ / MWh)	H (from Table 1)	$59.14	$60.62	$64.38	$65.61	$68.37	$71.91	$78.77	$ 80.01	$ 85.45	$87.61
Average Supply Cost for RPP Consumers ($ / MWh)	G (from Table 1)	$60.73	$62.16	$69.37	$68.38	$72.98	$75.64	$80.69	$ 79.32	$ 83.96	$89.00
% Non-RPP to RPP	I=H/G	97.4%	97.5%	92.8%	95.9%	93.7%	95.1%	97.6%	100.9%	101.8%	98.4%
Average % Non-RPP to RPP for May 2009 to November 2013											97.1%

f) Horizon Utilities provides a sample calculation using the data from Table 10 to derive the Non-RPP figures for each of November 2014, May 2015 and November 2015. The derivation of the non-RPP price of $0.08570 used for 2015 for residential customers (based on the revised Table 4) is a weighted average of the November 2014, May 2015 and November 2015 non-RPP prices as identified in Table 12 below.

Table 11: RPP & Non-RPP Price Derivation

Description	Calculation	May-14	Nov-14	May-15	Nov-15
RPP Price	A (from Table 1)	$ 86.18	$ 86.58	$ 88.54	$ 90.54
Average % of non-RPP	B (from Table 10)	97.1%	97.1%	97.1%	97.1%
Non-RPP Price	C= A * B	$ 83.69	$ 84.08	$ 85.98	$ 87.92

Table 12: Residential Non-RPP Price for 2015

2015	Non-RPP Uplifted kWh	Non-RPP Rate	Power Purchased
January	13,202,515	$0.08408	$ 1,110,067
February	11,775,054	$0.08408	$ 990,047
March	11,942,609	$0.08408	$ 1,004,135
April	10,742,211	$0.08408	$ 903,205
May	10,800,022	$0.08598	$ 928,586
June	12,524,451	$0.08598	$ 1,076,852
July	15,136,884	$0.08598	$ 1,301,469
August	14,305,722	$0.08598	$ 1,230,006
September	11,769,816	$0.08598	$ 1,011,969
October	11,671,148	$0.08598	$ 1,003,485
November	12,052,691	$0.08792	$ 1,059,673
December	13,006,574	$0.08792	$ 1,143,538
TOTAL	148,929,697		$ 12,763,032

Non-RPP Power Purchased	$ 12,763,032
Non-RPP Uplifted kWh	148,929,697
Weighted RPP Rate	$ 0.08570

g) Horizon Utilities has updated Tables 4 through 9 as identified in part d). As such there are only minor variations in the RPP and non-RPP price between the rate classes as compared to the tables originally filed in the Application. The minor monthly variation is due to differences in monthly consumption by rate class. Horizon Utilities provides the live excel version of the power purchased calculation in attachment “2-EP-9_Attch 1_Cost of Power Calculation”.

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Ref: Exhibit 2, Tab 4, Appendix 2-3

a) Please provide the data and calculations used to arrive at the service lag of 27.06 days.

b) Please provide the data and calculations used to arrive at the billing lag of 18.98 days.

c) Is the billing lag based on revenue weights?

d) The evidence states that the 18.98 days for the billing lag is for both residential and general service customers. In this context, does general service include all non-residential rate classes such as GS>50, large user, streetlighting, etc.? If not, what rate classes are included?

e) Please provide the data and calculations used to arrive at the 21.77 day collection lag.

f) Please provide the data and calculations that result in the 1.54 day payment processing lag.

Response:

Subsequent to the submission of its Application, Horizon Utilities reviewed the inputs used to calculate the Billing Service Lag of 27.06. It determined that some of the revenue allocations between monthly and bi-monthly billing were incorrect. Navigant Consulting Inc. recalculates the Revenue Lag to be 25.02 days, based on the correct revenue allocations. The revised Revenue Lag of 25.02 has been used to calculate a revised Working Capital Allowance. This revision results in a reduction in the Working Capital Allowance of 0.7% from 12.7% to 12.0%. Horizon Utilities has included a revised Lead/Lag Report from Navigant as an attachment to its response to 2-Staff-23a.

a) The data and calculations used to arrive at the Billing Service Lag of 25.02 days are filed as an attachment to Horizon Utilities' response to Interrogatory 2-Staff-23a) as 2-Staff-23a_Attch 3_Service Lag Revised Table.

b) The data and calculations used to arrive at the billing lag of 18.98 days are filed as attachment 2-EP-10b_Attch 1_Billing Lag.

c) Horizon Utilities confirms that the billing lag is based on revenue weights.

d) Horizon Utilities confirms that the General Service group includes all non-residential rate classes for the purposes of calculating the billing lag of 18.98 days.

e) The data and calculations used to arrive at the 21.77 day collection lag are provided in attachment 2-EP-10e_Attch 2_Collection Lag.

f) The data and calculations that result in the 1.54 day payment processing lag are provided in attachment 2-EP-10f_Attch 3_Derivation of Payment Processing Lag.

2-EP-10b_Attch 1_Billing Lag

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Meter Reading Date	Billing Date	Due Date	Lag Due to Mailing	Billing Lag Days
1/2/2013	1/18/2013	2/7/2013	3.00	19.00
1/3/2013	1/18/2013	2/7/2013	3.00	18.00
1/4/2013	1/21/2013	2/8/2013	3.00	20.00
1/7/2013	1/22/2013	2/11/2013	3.00	18.00
1/8/2013	1/23/2013	2/12/2013	3.00	18.00
1/9/2013	1/24/2013	2/13/2013	3.00	18.00
1/10/2013	1/25/2013	2/14/2013	3.00	18.00
1/11/2013	1/28/2013	2/15/2013	3.00	20.00
1/14/2013	1/29/2013	2/19/2013	3.00	18.00
1/15/2013	1/30/2013	2/19/2013	3.00	18.00
1/16/2013	1/31/2013	2/20/2013	3.00	18.00
1/17/2013	2/1/2013	2/21/2013	3.00	18.00
1/18/2013	2/4/2013	2/22/2013	3.00	20.00
1/21/2013	2/5/2013	2/25/2013	3.00	18.00
1/22/2013	2/6/2013	2/26/2013	3.00	18.00
1/23/2013	2/7/2013	2/27/2013	3.00	18.00
1/24/2013	2/8/2013	2/28/2013	3.00	18.00
1/25/2013	2/11/2013	3/1/2013	3.00	20.00
1/28/2013	2/12/2013	3/4/2013	3.00	18.00
1/29/2013	2/13/2013	3/5/2013	3.00	18.00
1/30/2013	2/14/2013	3/6/2013	3.00	18.00
1/31/2013	2/19/2013	3/11/2013	3.00	22.00
2/1/2013	2/20/2013	3/12/2013	3.00	22.00
2/4/2013	2/20/2013	3/12/2013	3.00	19.00
2/5/2013	2/21/2013	3/13/2013	3.00	19.00
2/6/2013	2/22/2013	3/14/2013	3.00	19.00
2/7/2013	2/25/2013	3/18/2013	3.00	21.00
2/8/2013	2/26/2013	3/18/2013	3.00	21.00
2/11/2013	2/27/2013	3/19/2013	3.00	19.00
2/12/2013	2/28/2013	3/20/2013	3.00	19.00
2/13/2013	3/1/2013	3/21/2013	3.00	19.00
2/14/2013	3/4/2013	3/25/2013	3.00	21.00
2/15/2013	3/5/2013	3/26/2013	3.00	21.00
2/19/2013	3/6/2013	3/27/2013	3.00	18.00
2/20/2013	3/7/2013	3/28/2013	3.00	18.00
2/21/2013	3/8/2013	4/2/2013	3.00	18.00
2/22/2013	3/11/2013	4/3/2013	3.00	20.00
2/25/2013	3/12/2013	4/4/2013	3.00	18.00
2/26/2013	3/13/2013	4/5/2013	3.00	18.00
2/27/2013	3/14/2013	4/8/2013	3.00	18.00
2/28/2013	3/18/2013	4/10/2013	3.00	21.00
				18.98

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2-EP-10e_Attch 2_Collection Lag

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Derivation of Collections Lag

Aging Intervals	Total
Current	16.00
Less Than 30 Days	31.00
31 - 60 days	46.00
61 - 90 days	61.00
> 90 Days	199.00

Month >>>	1	2	3	4	5	6	7	8	9	10	11	12	Totals
Current	26,815	21,869	23,669	23,880	23,071	19,658	25,331	31,750	33,144	24,670	20,023	23,335	297,215
Less Than 30 Days	3,630	4,099	3,895	4,331	3,787	3,732	3,386	4,533	5,721	4,652	4,441	4,342	50,549
31 - 60 days	1,112	900	913	964	1,079	765	871	745	892	1,246	1,134	1,388	12,009
61 - 90 days	432	471	355	428	356	439	357	347	318	381	515	485	4,884
> 90 Days	376	385	385	351	367	346	419	343	331	321	328	362	4,314
Total	32,365	27,724	29,217	29,954	28,660	24,940	30,364	37,718	40,406	31,270	26,441	29,912	368,971
Percentage Breakdown													
Current	82.85%	78.88%	81.01%	79.72%	80.50%	78.82%	83.42%	84.18%	82.03%	78.89%	75.73%	78.01%	80.55%
Less Than 30 Days	11.22%	14.79%	13.33%	14.46%	13.21%	14.96%	11.15%	12.02%	14.16%	14.88%	16.80%	14.52%	13.70%
31 - 60 days	3.44%	3.25%	3.12%	3.22%	3.76%	3.07%	2.87%	1.98%	2.21%	3.98%	4.29%	4.64%	3.25%
61 - 90 days	1.33%	1.70%	1.22%	1.43%	1.24%	1.76%	1.18%	0.92%	0.79%	1.22%	1.95%	1.62%	1.32%
> 90 Days	1.16%	1.39%	1.32%	1.17%	1.28%	1.39%	1.38%	0.91%	0.82%	1.03%	1.24%	1.21%	1.17%
Weighted Lag Time													**21.77**

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2-EP-10f_Attch 3_Derivation of Payment Processing Lag

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HORIZON UTILITIES

Working Capital Allowance

Derivation of Payment Processing Lag

2-EP-10(f)

	Date In Bank (Credit Card)	Lead Time (Credit Card)	Date In Bank (Cash Debit)	Lead Time (Cash Debit)	Date In Bank (Cheques)	Lead Time (Cheques)	Date In Bank (Internet)	Lead Time (Internet)	Date In Bank (Pre-Auth)	Lead Time (Pre-Auth)	Date In Bank (ATM/Tellers)	Lead Time (ATM/Tellers)
Days	**2**		**2**		**3**		**2**		**2**		**3**	
1-Jan-12	3-Jan-12	1.50	3-Jan-12	1.50	4-Jan-12	2.00	3-Jan-12	1.50	3-Jan-12	1.50	4-Jan-12	2.00
2-Jan-12	4-Jan-12	1.50	4-Jan-12	1.50	5-Jan-12	2.00	4-Jan-12	1.50	4-Jan-12	1.50	5-Jan-12	2.00
3-Jan-12	5-Jan-12	1.50	5-Jan-12	1.50	6-Jan-12	2.00	5-Jan-12	1.50	5-Jan-12	1.50	6-Jan-12	2.00
4-Jan-12	6-Jan-12	1.50	6-Jan-12	1.50	7-Jan-12	2.00	6-Jan-12	1.50	6-Jan-12	1.50	7-Jan-12	2.00
5-Jan-12	7-Jan-12	1.50	7-Jan-12	1.50	8-Jan-12	2.00	7-Jan-12	1.50	7-Jan-12	1.50	8-Jan-12	2.00
6-Jan-12	8-Jan-12	1.50	8-Jan-12	1.50	9-Jan-12	2.00	8-Jan-12	1.50	8-Jan-12	1.50	9-Jan-12	2.00
7-Jan-12	9-Jan-12	1.50	9-Jan-12	1.50	10-Jan-12	2.00	9-Jan-12	1.50	9-Jan-12	1.50	10-Jan-12	2.00
8-Jan-12	10-Jan-12	1.50	10-Jan-12	1.50	11-Jan-12	2.00	10-Jan-12	1.50	10-Jan-12	1.50	11-Jan-12	2.00
9-Jan-12	11-Jan-12	1.50	11-Jan-12	1.50	12-Jan-12	2.00	11-Jan-12	1.50	11-Jan-12	1.50	12-Jan-12	2.00
10-Jan-12	12-Jan-12	1.50	12-Jan-12	1.50	13-Jan-12	2.00	12-Jan-12	1.50	12-Jan-12	1.50	13-Jan-12	2.00
11-Jan-12	13-Jan-12	1.50	13-Jan-12	1.50	14-Jan-12	2.00	13-Jan-12	1.50	13-Jan-12	1.50	14-Jan-12	2.00
12-Jan-12	14-Jan-12	1.50	14-Jan-12	1.50	15-Jan-12	2.00	14-Jan-12	1.50	14-Jan-12	1.50	15-Jan-12	2.00
13-Jan-12	15-Jan-12	1.50	15-Jan-12	1.50	16-Jan-12	2.00	15-Jan-12	1.50	15-Jan-12	1.50	16-Jan-12	2.00
14-Jan-12	16-Jan-12	1.50	16-Jan-12	1.50	17-Jan-12	2.00	16-Jan-12	1.50	16-Jan-12	1.50	17-Jan-12	2.00
15-Jan-12	17-Jan-12	1.50	17-Jan-12	1.50	18-Jan-12	2.00	17-Jan-12	1.50	17-Jan-12	1.50	18-Jan-12	2.00
16-Jan-12	18-Jan-12	1.50	18-Jan-12	1.50	19-Jan-12	2.00	18-Jan-12	1.50	18-Jan-12	1.50	19-Jan-12	2.00
17-Jan-12	19-Jan-12	1.50	19-Jan-12	1.50	20-Jan-12	2.00	19-Jan-12	1.50	19-Jan-12	1.50	20-Jan-12	2.00
18-Jan-12	20-Jan-12	1.50	20-Jan-12	1.50	21-Jan-12	2.00	20-Jan-12	1.50	20-Jan-12	1.50	21-Jan-12	2.00
19-Jan-12	21-Jan-12	1.50	21-Jan-12	1.50	22-Jan-12	2.00	21-Jan-12	1.50	21-Jan-12	1.50	22-Jan-12	2.00
20-Jan-12	22-Jan-12	1.50	22-Jan-12	1.50	23-Jan-12	2.00	22-Jan-12	1.50	22-Jan-12	1.50	23-Jan-12	2.00
21-Jan-12	23-Jan-12	1.50	23-Jan-12	1.50	24-Jan-12	2.00	23-Jan-12	1.50	23-Jan-12	1.50	24-Jan-12	2.00
22-Jan-12	24-Jan-12	1.50	24-Jan-12	1.50	25-Jan-12	2.00	24-Jan-12	1.50	24-Jan-12	1.50	25-Jan-12	2.00
23-Jan-12	25-Jan-12	1.50	25-Jan-12	1.50	26-Jan-12	2.00	25-Jan-12	1.50	25-Jan-12	1.50	26-Jan-12	2.00
24-Jan-12	26-Jan-12	1.50	26-Jan-12	1.50	27-Jan-12	2.00	26-Jan-12	1.50	26-Jan-12	1.50	27-Jan-12	2.00
25-Jan-12	27-Jan-12	1.50	27-Jan-12	1.50	28-Jan-12	2.00	27-Jan-12	1.50	27-Jan-12	1.50	28-Jan-12	2.00
26-Jan-12	28-Jan-12	1.50	28-Jan-12	1.50	29-Jan-12	2.00	28-Jan-12	1.50	28-Jan-12	1.50	29-Jan-12	2.00
27-Jan-12	29-Jan-12	1.50	29-Jan-12	1.50	30-Jan-12	2.00	29-Jan-12	1.50	29-Jan-12	1.50	30-Jan-12	2.00
28-Jan-12	30-Jan-12	1.50	30-Jan-12	1.50	31-Jan-12	2.00	30-Jan-12	1.50	30-Jan-12	1.50	31-Jan-12	2.00
29-Jan-12	31-Jan-12	1.50	31-Jan-12	1.50	1-Feb-12	2.00	31-Jan-12	1.50	31-Jan-12	1.50	1-Feb-12	2.00
30-Jan-12	1-Feb-12	1.50	1-Feb-12	1.50	2-Feb-12	2.00	1-Feb-12	1.50	1-Feb-12	1.50	2-Feb-12	2.00
31-Jan-12	2-Feb-12	1.50	2-Feb-12	1.50	3-Feb-12	2.00	2-Feb-12	1.50	2-Feb-12	1.50	3-Feb-12	2.00
1-Feb-12	3-Feb-12	1.50	3-Feb-12	1.50	4-Feb-12	2.00	3-Feb-12	1.50	3-Feb-12	1.50	4-Feb-12	2.00
2-Feb-12	4-Feb-12	1.50	4-Feb-12	1.50	5-Feb-12	2.00	4-Feb-12	1.50	4-Feb-12	1.50	5-Feb-12	2.00
3-Feb-12	5-Feb-12	1.50	5-Feb-12	1.50	6-Feb-12	2.00	5-Feb-12	1.50	5-Feb-12	1.50	6-Feb-12	2.00
4-Feb-12	6-Feb-12	1.50	6-Feb-12	1.50	7-Feb-12	2.00	6-Feb-12	1.50	6-Feb-12	1.50	7-Feb-12	2.00
5-Feb-12	7-Feb-12	1.50	7-Feb-12	1.50	8-Feb-12	2.00	7-Feb-12	1.50	7-Feb-12	1.50	8-Feb-12	2.00
6-Feb-12	8-Feb-12	1.50	8-Feb-12	1.50	9-Feb-12	2.00	8-Feb-12	1.50	8-Feb-12	1.50	9-Feb-12	2.00
7-Feb-12	9-Feb-12	1.50	9-Feb-12	1.50	10-Feb-12	2.00	9-Feb-12	1.50	9-Feb-12	1.50	10-Feb-12	2.00
8-Feb-12	10-Feb-12	1.50	10-Feb-12	1.50	11-Feb-12	2.00	10-Feb-12	1.50	10-Feb-12	1.50	11-Feb-12	2.00
9-Feb-12	11-Feb-12	1.50	11-Feb-12	1.50	12-Feb-12	2.00	11-Feb-12	1.50	11-Feb-12	1.50	12-Feb-12	2.00
10-Feb-12	12-Feb-12	1.50	12-Feb-12	1.50	13-Feb-12	2.00	12-Feb-12	1.50	12-Feb-12	1.50	13-Feb-12	2.00
11-Feb-12	13-Feb-12	1.50	13-Feb-12	1.50	14-Feb-12	2.00	13-Feb-12	1.50	13-Feb-12	1.50	14-Feb-12	2.00
12-Feb-12	14-Feb-12	1.50	14-Feb-12	1.50	15-Feb-12	2.00	14-Feb-12	1.50	14-Feb-12	1.50	15-Feb-12	2.00

	Date In Bank (Credit Card)	Lead Time (Credit Card)	Date In Bank (Cash Debit)	Lead Time (Cash Debit)	Date In Bank (Cheques)	Lead Time (Cheques)	Date In Bank (Internet)	Lead Time (Internet)	Date In Bank (Pre-Auth)	Lead Time (Pre-Auth)	Date In Bank (ATM/Tellers)	Lead Time (ATM/Tellers)
13-Feb-12	15-Feb-12	1.50	15-Feb-12	1.50	16-Feb-12	2.00	15-Feb-12	1.50	15-Feb-12	1.50	16-Feb-12	2.00
14-Feb-12	16-Feb-12	1.50	16-Feb-12	1.50	17-Feb-12	2.00	16-Feb-12	1.50	16-Feb-12	1.50	17-Feb-12	2.00
15-Feb-12	17-Feb-12	1.50	17-Feb-12	1.50	18-Feb-12	2.00	17-Feb-12	1.50	17-Feb-12	1.50	18-Feb-12	2.00
16-Feb-12	18-Feb-12	1.50	18-Feb-12	1.50	19-Feb-12	2.00	18-Feb-12	1.50	18-Feb-12	1.50	19-Feb-12	2.00
17-Feb-12	19-Feb-12	1.50	19-Feb-12	1.50	20-Feb-12	2.00	19-Feb-12	1.50	19-Feb-12	1.50	20-Feb-12	2.00
18-Feb-12	20-Feb-12	1.50	20-Feb-12	1.50	21-Feb-12	2.00	20-Feb-12	1.50	20-Feb-12	1.50	21-Feb-12	2.00
19-Feb-12	21-Feb-12	1.50	21-Feb-12	1.50	22-Feb-12	2.00	21-Feb-12	1.50	21-Feb-12	1.50	22-Feb-12	2.00
20-Feb-12	22-Feb-12	1.50	22-Feb-12	1.50	23-Feb-12	2.00	22-Feb-12	1.50	22-Feb-12	1.50	23-Feb-12	2.00
21-Feb-12	23-Feb-12	1.50	23-Feb-12	1.50	24-Feb-12	2.00	23-Feb-12	1.50	23-Feb-12	1.50	24-Feb-12	2.00
22-Feb-12	24-Feb-12	1.50	24-Feb-12	1.50	25-Feb-12	2.00	24-Feb-12	1.50	24-Feb-12	1.50	25-Feb-12	2.00
23-Feb-12	25-Feb-12	1.50	25-Feb-12	1.50	26-Feb-12	2.00	25-Feb-12	1.50	25-Feb-12	1.50	26-Feb-12	2.00
24-Feb-12	26-Feb-12	1.50	26-Feb-12	1.50	27-Feb-12	2.00	26-Feb-12	1.50	26-Feb-12	1.50	27-Feb-12	2.00
25-Feb-12	27-Feb-12	1.50	27-Feb-12	1.50	28-Feb-12	2.00	27-Feb-12	1.50	27-Feb-12	1.50	28-Feb-12	2.00
26-Feb-12	28-Feb-12	1.50	28-Feb-12	1.50	29-Feb-12	2.00	28-Feb-12	1.50	28-Feb-12	1.50	29-Feb-12	2.00
27-Feb-12	29-Feb-12	1.50	29-Feb-12	1.50	1-Mar-12	2.00	29-Feb-12	1.50	29-Feb-12	1.50	1-Mar-12	2.00
28-Feb-12	1-Mar-12	1.50	1-Mar-12	1.50	2-Mar-12	2.00	1-Mar-12	1.50	1-Mar-12	1.50	2-Mar-12	2.00
29-Feb-12	2-Mar-12	1.50	2-Mar-12	1.50	3-Mar-12	2.00	2-Mar-12	1.50	2-Mar-12	1.50	3-Mar-12	2.00
1-Mar-12	3-Mar-12	1.50	3-Mar-12	1.50	4-Mar-12	2.00	3-Mar-12	1.50	3-Mar-12	1.50	4-Mar-12	2.00
2-Mar-12	4-Mar-12	1.50	4-Mar-12	1.50	5-Mar-12	2.00	4-Mar-12	1.50	4-Mar-12	1.50	5-Mar-12	2.00
3-Mar-12	5-Mar-12	1.50	5-Mar-12	1.50	6-Mar-12	2.00	5-Mar-12	1.50	5-Mar-12	1.50	6-Mar-12	2.00
4-Mar-12	6-Mar-12	1.50	6-Mar-12	1.50	7-Mar-12	2.00	6-Mar-12	1.50	6-Mar-12	1.50	7-Mar-12	2.00
5-Mar-12	7-Mar-12	1.50	7-Mar-12	1.50	8-Mar-12	2.00	7-Mar-12	1.50	7-Mar-12	1.50	8-Mar-12	2.00
6-Mar-12	8-Mar-12	1.50	8-Mar-12	1.50	9-Mar-12	2.00	8-Mar-12	1.50	8-Mar-12	1.50	9-Mar-12	2.00
7-Mar-12	9-Mar-12	1.50	9-Mar-12	1.50	10-Mar-12	2.00	9-Mar-12	1.50	9-Mar-12	1.50	10-Mar-12	2.00
8-Mar-12	10-Mar-12	1.50	10-Mar-12	1.50	11-Mar-12	2.00	10-Mar-12	1.50	10-Mar-12	1.50	11-Mar-12	2.00
9-Mar-12	11-Mar-12	1.50	11-Mar-12	1.50	12-Mar-12	2.00	11-Mar-12	1.50	11-Mar-12	1.50	12-Mar-12	2.00
10-Mar-12	12-Mar-12	1.50	12-Mar-12	1.50	13-Mar-12	2.00	12-Mar-12	1.50	12-Mar-12	1.50	13-Mar-12	2.00
11-Mar-12	13-Mar-12	1.50	13-Mar-12	1.50	14-Mar-12	2.00	13-Mar-12	1.50	13-Mar-12	1.50	14-Mar-12	2.00
12-Mar-12	14-Mar-12	1.50	14-Mar-12	1.50	15-Mar-12	2.00	14-Mar-12	1.50	14-Mar-12	1.50	15-Mar-12	2.00
13-Mar-12	15-Mar-12	1.50	15-Mar-12	1.50	16-Mar-12	2.00	15-Mar-12	1.50	15-Mar-12	1.50	16-Mar-12	2.00
14-Mar-12	16-Mar-12	1.50	16-Mar-12	1.50	17-Mar-12	2.00	16-Mar-12	1.50	16-Mar-12	1.50	17-Mar-12	2.00
15-Mar-12	17-Mar-12	1.50	17-Mar-12	1.50	18-Mar-12	2.00	17-Mar-12	1.50	17-Mar-12	1.50	18-Mar-12	2.00
16-Mar-12	18-Mar-12	1.50	18-Mar-12	1.50	19-Mar-12	2.00	18-Mar-12	1.50	18-Mar-12	1.50	19-Mar-12	2.00
17-Mar-12	19-Mar-12	1.50	19-Mar-12	1.50	20-Mar-12	2.00	19-Mar-12	1.50	19-Mar-12	1.50	20-Mar-12	2.00
18-Mar-12	20-Mar-12	1.50	20-Mar-12	1.50	21-Mar-12	2.00	20-Mar-12	1.50	20-Mar-12	1.50	21-Mar-12	2.00
19-Mar-12	21-Mar-12	1.50	21-Mar-12	1.50	22-Mar-12	2.00	21-Mar-12	1.50	21-Mar-12	1.50	22-Mar-12	2.00
20-Mar-12	22-Mar-12	1.50	22-Mar-12	1.50	23-Mar-12	2.00	22-Mar-12	1.50	22-Mar-12	1.50	23-Mar-12	2.00
21-Mar-12	23-Mar-12	1.50	23-Mar-12	1.50	24-Mar-12	2.00	23-Mar-12	1.50	23-Mar-12	1.50	24-Mar-12	2.00
22-Mar-12	24-Mar-12	1.50	24-Mar-12	1.50	25-Mar-12	2.00	24-Mar-12	1.50	24-Mar-12	1.50	25-Mar-12	2.00
23-Mar-12	25-Mar-12	1.50	25-Mar-12	1.50	26-Mar-12	2.00	25-Mar-12	1.50	25-Mar-12	1.50	26-Mar-12	2.00
24-Mar-12	26-Mar-12	1.50	26-Mar-12	1.50	27-Mar-12	2.00	26-Mar-12	1.50	26-Mar-12	1.50	27-Mar-12	2.00
25-Mar-12	27-Mar-12	1.50	27-Mar-12	1.50	28-Mar-12	2.00	27-Mar-12	1.50	27-Mar-12	1.50	28-Mar-12	2.00
26-Mar-12	28-Mar-12	1.50	28-Mar-12	1.50	29-Mar-12	2.00	28-Mar-12	1.50	28-Mar-12	1.50	29-Mar-12	2.00
27-Mar-12	29-Mar-12	1.50	29-Mar-12	1.50	30-Mar-12	2.00	29-Mar-12	1.50	29-Mar-12	1.50	30-Mar-12	2.00

Derivation of Payment Processing Lag

	Date In Bank (Credit Card)	Lead Time (Credit Card)	Date In Bank (Cash Debit)	Lead Time (Cash Debit)	Date In Bank (Cheques)	Lead Time (Cheques)	Date In Bank (Internet)	Lead Time (Internet)	Date In Bank (Pre-Auth)	Lead Time (Pre-Auth)	Date In Bank (ATM/Tellers)	Lead Time (ATM/Tellers)
28-Mar-12	30-Mar-12	1.50	30-Mar-12	1.50	31-Mar-12	2.00	30-Mar-12	1.50	30-Mar-12	1.50	31-Mar-12	2.00
29-Mar-12	31-Mar-12	1.50	31-Mar-12	1.50	1-Apr-12	2.00	31-Mar-12	1.50	31-Mar-12	1.50	1-Apr-12	2.00
30-Mar-12	1-Apr-12	1.50	1-Apr-12	1.50	2-Apr-12	2.00	1-Apr-12	1.50	1-Apr-12	1.50	2-Apr-12	2.00
31-Mar-12	2-Apr-12	1.50	2-Apr-12	1.50	3-Apr-12	2.00	2-Apr-12	1.50	2-Apr-12	1.50	3-Apr-12	2.00
1-Apr-12	3-Apr-12	1.50	3-Apr-12	1.50	4-Apr-12	2.00	3-Apr-12	1.50	3-Apr-12	1.50	4-Apr-12	2.00
2-Apr-12	4-Apr-12	1.50	4-Apr-12	1.50	5-Apr-12	2.00	4-Apr-12	1.50	4-Apr-12	1.50	5-Apr-12	2.00
3-Apr-12	5-Apr-12	1.50	5-Apr-12	1.50	6-Apr-12	2.00	5-Apr-12	1.50	5-Apr-12	1.50	6-Apr-12	2.00
4-Apr-12	6-Apr-12	1.50	6-Apr-12	1.50	7-Apr-12	2.00	6-Apr-12	1.50	6-Apr-12	1.50	7-Apr-12	2.00
5-Apr-12	7-Apr-12	1.50	7-Apr-12	1.50	8-Apr-12	2.00	7-Apr-12	1.50	7-Apr-12	1.50	8-Apr-12	2.00
6-Apr-12	8-Apr-12	1.50	8-Apr-12	1.50	9-Apr-12	2.00	8-Apr-12	1.50	8-Apr-12	1.50	9-Apr-12	2.00
7-Apr-12	9-Apr-12	1.50	9-Apr-12	1.50	10-Apr-12	2.00	9-Apr-12	1.50	9-Apr-12	1.50	10-Apr-12	2.00
8-Apr-12	10-Apr-12	1.50	10-Apr-12	1.50	11-Apr-12	2.00	10-Apr-12	1.50	10-Apr-12	1.50	11-Apr-12	2.00
9-Apr-12	11-Apr-12	1.50	11-Apr-12	1.50	12-Apr-12	2.00	11-Apr-12	1.50	11-Apr-12	1.50	12-Apr-12	2.00
10-Apr-12	12-Apr-12	1.50	12-Apr-12	1.50	13-Apr-12	2.00	12-Apr-12	1.50	12-Apr-12	1.50	13-Apr-12	2.00
11-Apr-12	13-Apr-12	1.50	13-Apr-12	1.50	14-Apr-12	2.00	13-Apr-12	1.50	13-Apr-12	1.50	14-Apr-12	2.00
12-Apr-12	14-Apr-12	1.50	14-Apr-12	1.50	15-Apr-12	2.00	14-Apr-12	1.50	14-Apr-12	1.50	15-Apr-12	2.00
13-Apr-12	15-Apr-12	1.50	15-Apr-12	1.50	16-Apr-12	2.00	15-Apr-12	1.50	15-Apr-12	1.50	16-Apr-12	2.00
14-Apr-12	16-Apr-12	1.50	16-Apr-12	1.50	17-Apr-12	2.00	16-Apr-12	1.50	16-Apr-12	1.50	17-Apr-12	2.00
15-Apr-12	17-Apr-12	1.50	17-Apr-12	1.50	18-Apr-12	2.00	17-Apr-12	1.50	17-Apr-12	1.50	18-Apr-12	2.00
16-Apr-12	18-Apr-12	1.50	18-Apr-12	1.50	19-Apr-12	2.00	18-Apr-12	1.50	18-Apr-12	1.50	19-Apr-12	2.00
17-Apr-12	19-Apr-12	1.50	19-Apr-12	1.50	20-Apr-12	2.00	19-Apr-12	1.50	19-Apr-12	1.50	20-Apr-12	2.00
18-Apr-12	20-Apr-12	1.50	20-Apr-12	1.50	21-Apr-12	2.00	20-Apr-12	1.50	20-Apr-12	1.50	21-Apr-12	2.00
19-Apr-12	21-Apr-12	1.50	21-Apr-12	1.50	22-Apr-12	2.00	21-Apr-12	1.50	21-Apr-12	1.50	22-Apr-12	2.00
20-Apr-12	22-Apr-12	1.50	22-Apr-12	1.50	23-Apr-12	2.00	22-Apr-12	1.50	22-Apr-12	1.50	23-Apr-12	2.00
21-Apr-12	23-Apr-12	1.50	23-Apr-12	1.50	24-Apr-12	2.00	23-Apr-12	1.50	23-Apr-12	1.50	24-Apr-12	2.00
22-Apr-12	24-Apr-12	1.50	24-Apr-12	1.50	25-Apr-12	2.00	24-Apr-12	1.50	24-Apr-12	1.50	25-Apr-12	2.00
23-Apr-12	25-Apr-12	1.50	25-Apr-12	1.50	26-Apr-12	2.00	25-Apr-12	1.50	25-Apr-12	1.50	26-Apr-12	2.00
24-Apr-12	26-Apr-12	1.50	26-Apr-12	1.50	27-Apr-12	2.00	26-Apr-12	1.50	26-Apr-12	1.50	27-Apr-12	2.00
25-Apr-12	27-Apr-12	1.50	27-Apr-12	1.50	28-Apr-12	2.00	27-Apr-12	1.50	27-Apr-12	1.50	28-Apr-12	2.00
26-Apr-12	28-Apr-12	1.50	28-Apr-12	1.50	29-Apr-12	2.00	28-Apr-12	1.50	28-Apr-12	1.50	29-Apr-12	2.00
27-Apr-12	29-Apr-12	1.50	29-Apr-12	1.50	30-Apr-12	2.00	29-Apr-12	1.50	29-Apr-12	1.50	30-Apr-12	2.00
28-Apr-12	30-Apr-12	1.50	30-Apr-12	1.50	1-May-12	2.00	30-Apr-12	1.50	30-Apr-12	1.50	1-May-12	2.00
29-Apr-12	1-May-12	1.50	1-May-12	1.50	2-May-12	2.00	1-May-12	1.50	1-May-12	1.50	2-May-12	2.00
30-Apr-12	2-May-12	1.50	2-May-12	1.50	3-May-12	2.00	2-May-12	1.50	2-May-12	1.50	3-May-12	2.00
1-May-12	3-May-12	1.50	3-May-12	1.50	4-May-12	2.00	3-May-12	1.50	3-May-12	1.50	4-May-12	2.00
2-May-12	4-May-12	1.50	4-May-12	1.50	5-May-12	2.00	4-May-12	1.50	4-May-12	1.50	5-May-12	2.00
3-May-12	5-May-12	1.50	5-May-12	1.50	6-May-12	2.00	5-May-12	1.50	5-May-12	1.50	6-May-12	2.00
4-May-12	6-May-12	1.50	6-May-12	1.50	7-May-12	2.00	6-May-12	1.50	6-May-12	1.50	7-May-12	2.00
5-May-12	7-May-12	1.50	7-May-12	1.50	8-May-12	2.00	7-May-12	1.50	7-May-12	1.50	8-May-12	2.00
6-May-12	8-May-12	1.50	8-May-12	1.50	9-May-12	2.00	8-May-12	1.50	8-May-12	1.50	9-May-12	2.00
7-May-12	9-May-12	1.50	9-May-12	1.50	10-May-12	2.00	9-May-12	1.50	9-May-12	1.50	10-May-12	2.00
8-May-12	10-May-12	1.50	10-May-12	1.50	11-May-12	2.00	10-May-12	1.50	10-May-12	1.50	11-May-12	2.00
9-May-12	11-May-12	1.50	11-May-12	1.50	12-May-12	2.00	11-May-12	1.50	11-May-12	1.50	12-May-12	2.00
10-May-12	12-May-12	1.50	12-May-12	1.50	13-May-12	2.00	12-May-12	1.50	12-May-12	1.50	13-May-12	2.00

	Date In Bank (Credit Card)	Lead Time (Credit Card)	Date In Bank (Cash Debit)	Lead Time (Cash Debit)	Date In Bank (Cheques)	Lead Time (Cheques)	Date In Bank (Internet)	Lead Time (Internet)	Date In Bank (Pre-Auth)	Lead Time (Pre-Auth)	Date In Bank (ATM/Tellers)	Lead Time (ATM/Tellers)
11-May-12	13-May-12	1.50	13-May-12	1.50	14-May-12	2.00	13-May-12	1.50	13-May-12	1.50	14-May-12	2.00
12-May-12	14-May-12	1.50	14-May-12	1.50	15-May-12	2.00	14-May-12	1.50	14-May-12	1.50	15-May-12	2.00
13-May-12	15-May-12	1.50	15-May-12	1.50	16-May-12	2.00	15-May-12	1.50	15-May-12	1.50	16-May-12	2.00
14-May-12	16-May-12	1.50	16-May-12	1.50	17-May-12	2.00	16-May-12	1.50	16-May-12	1.50	17-May-12	2.00
15-May-12	17-May-12	1.50	17-May-12	1.50	18-May-12	2.00	17-May-12	1.50	17-May-12	1.50	18-May-12	2.00
16-May-12	18-May-12	1.50	18-May-12	1.50	19-May-12	2.00	18-May-12	1.50	18-May-12	1.50	19-May-12	2.00
17-May-12	19-May-12	1.50	19-May-12	1.50	20-May-12	2.00	19-May-12	1.50	19-May-12	1.50	20-May-12	2.00
18-May-12	20-May-12	1.50	20-May-12	1.50	21-May-12	2.00	20-May-12	1.50	20-May-12	1.50	21-May-12	2.00
19-May-12	21-May-12	1.50	21-May-12	1.50	22-May-12	2.00	21-May-12	1.50	21-May-12	1.50	22-May-12	2.00
20-May-12	22-May-12	1.50	22-May-12	1.50	23-May-12	2.00	22-May-12	1.50	22-May-12	1.50	23-May-12	2.00
21-May-12	23-May-12	1.50	23-May-12	1.50	24-May-12	2.00	23-May-12	1.50	23-May-12	1.50	24-May-12	2.00
22-May-12	24-May-12	1.50	24-May-12	1.50	25-May-12	2.00	24-May-12	1.50	24-May-12	1.50	25-May-12	2.00
23-May-12	25-May-12	1.50	25-May-12	1.50	26-May-12	2.00	25-May-12	1.50	25-May-12	1.50	26-May-12	2.00
24-May-12	26-May-12	1.50	26-May-12	1.50	27-May-12	2.00	26-May-12	1.50	26-May-12	1.50	27-May-12	2.00
25-May-12	27-May-12	1.50	27-May-12	1.50	28-May-12	2.00	27-May-12	1.50	27-May-12	1.50	28-May-12	2.00
26-May-12	28-May-12	1.50	28-May-12	1.50	29-May-12	2.00	28-May-12	1.50	28-May-12	1.50	29-May-12	2.00
27-May-12	29-May-12	1.50	29-May-12	1.50	30-May-12	2.00	29-May-12	1.50	29-May-12	1.50	30-May-12	2.00
28-May-12	30-May-12	1.50	30-May-12	1.50	31-May-12	2.00	30-May-12	1.50	30-May-12	1.50	31-May-12	2.00
29-May-12	31-May-12	1.50	31-May-12	1.50	1-Jun-12	2.00	31-May-12	1.50	31-May-12	1.50	1-Jun-12	2.00
30-May-12	1-Jun-12	1.50	1-Jun-12	1.50	2-Jun-12	2.00	1-Jun-12	1.50	1-Jun-12	1.50	2-Jun-12	2.00
31-May-12	2-Jun-12	1.50	2-Jun-12	1.50	3-Jun-12	2.00	2-Jun-12	1.50	2-Jun-12	1.50	3-Jun-12	2.00
1-Jun-12	3-Jun-12	1.50	3-Jun-12	1.50	4-Jun-12	2.00	3-Jun-12	1.50	3-Jun-12	1.50	4-Jun-12	2.00
2-Jun-12	4-Jun-12	1.50	4-Jun-12	1.50	5-Jun-12	2.00	4-Jun-12	1.50	4-Jun-12	1.50	5-Jun-12	2.00
3-Jun-12	5-Jun-12	1.50	5-Jun-12	1.50	6-Jun-12	2.00	5-Jun-12	1.50	5-Jun-12	1.50	6-Jun-12	2.00
4-Jun-12	6-Jun-12	1.50	6-Jun-12	1.50	7-Jun-12	2.00	6-Jun-12	1.50	6-Jun-12	1.50	7-Jun-12	2.00
5-Jun-12	7-Jun-12	1.50	7-Jun-12	1.50	8-Jun-12	2.00	7-Jun-12	1.50	7-Jun-12	1.50	8-Jun-12	2.00
6-Jun-12	8-Jun-12	1.50	8-Jun-12	1.50	9-Jun-12	2.00	8-Jun-12	1.50	8-Jun-12	1.50	9-Jun-12	2.00
7-Jun-12	9-Jun-12	1.50	9-Jun-12	1.50	10-Jun-12	2.00	9-Jun-12	1.50	9-Jun-12	1.50	10-Jun-12	2.00
8-Jun-12	10-Jun-12	1.50	10-Jun-12	1.50	11-Jun-12	2.00	10-Jun-12	1.50	10-Jun-12	1.50	11-Jun-12	2.00
9-Jun-12	11-Jun-12	1.50	11-Jun-12	1.50	12-Jun-12	2.00	11-Jun-12	1.50	11-Jun-12	1.50	12-Jun-12	2.00
10-Jun-12	12-Jun-12	1.50	12-Jun-12	1.50	13-Jun-12	2.00	12-Jun-12	1.50	12-Jun-12	1.50	13-Jun-12	2.00
11-Jun-12	13-Jun-12	1.50	13-Jun-12	1.50	14-Jun-12	2.00	13-Jun-12	1.50	13-Jun-12	1.50	14-Jun-12	2.00
12-Jun-12	14-Jun-12	1.50	14-Jun-12	1.50	15-Jun-12	2.00	14-Jun-12	1.50	14-Jun-12	1.50	15-Jun-12	2.00
13-Jun-12	15-Jun-12	1.50	15-Jun-12	1.50	16-Jun-12	2.00	15-Jun-12	1.50	15-Jun-12	1.50	16-Jun-12	2.00
14-Jun-12	16-Jun-12	1.50	16-Jun-12	1.50	17-Jun-12	2.00	16-Jun-12	1.50	16-Jun-12	1.50	17-Jun-12	2.00
15-Jun-12	17-Jun-12	1.50	17-Jun-12	1.50	18-Jun-12	2.00	17-Jun-12	1.50	17-Jun-12	1.50	18-Jun-12	2.00
16-Jun-12	18-Jun-12	1.50	18-Jun-12	1.50	19-Jun-12	2.00	18-Jun-12	1.50	18-Jun-12	1.50	19-Jun-12	2.00
17-Jun-12	19-Jun-12	1.50	19-Jun-12	1.50	20-Jun-12	2.00	19-Jun-12	1.50	19-Jun-12	1.50	20-Jun-12	2.00
18-Jun-12	20-Jun-12	1.50	20-Jun-12	1.50	21-Jun-12	2.00	20-Jun-12	1.50	20-Jun-12	1.50	21-Jun-12	2.00
19-Jun-12	21-Jun-12	1.50	21-Jun-12	1.50	22-Jun-12	2.00	21-Jun-12	1.50	21-Jun-12	1.50	22-Jun-12	2.00
20-Jun-12	22-Jun-12	1.50	22-Jun-12	1.50	23-Jun-12	2.00	22-Jun-12	1.50	22-Jun-12	1.50	23-Jun-12	2.00
21-Jun-12	23-Jun-12	1.50	23-Jun-12	1.50	24-Jun-12	2.00	23-Jun-12	1.50	23-Jun-12	1.50	24-Jun-12	2.00
22-Jun-12	24-Jun-12	1.50	24-Jun-12	1.50	25-Jun-12	2.00	24-Jun-12	1.50	24-Jun-12	1.50	25-Jun-12	2.00
23-Jun-12	25-Jun-12	1.50	25-Jun-12	1.50	26-Jun-12	2.00	25-Jun-12	1.50	25-Jun-12	1.50	26-Jun-12	2.00

Derivation of Payment Processing Lag

	Date In Bank (Credit Card)	Lead Time (Credit Card)	Date In Bank (Cash Debit)	Lead Time (Cash Debit)	Date In Bank (Cheques)	Lead Time (Cheques)	Date In Bank (Internet)	Lead Time (Internet)	Date In Bank (Pre-Auth)	Lead Time (Pre-Auth)	Date In Bank (ATM/Tellers)	Lead Time (ATM/Tellers)
24-Jun-12	26-Jun-12	1.50	26-Jun-12	1.50	27-Jun-12	2.00	26-Jun-12	1.50	26-Jun-12	1.50	27-Jun-12	2.00
25-Jun-12	27-Jun-12	1.50	27-Jun-12	1.50	28-Jun-12	2.00	27-Jun-12	1.50	27-Jun-12	1.50	28-Jun-12	2.00
26-Jun-12	28-Jun-12	1.50	28-Jun-12	1.50	29-Jun-12	2.00	28-Jun-12	1.50	28-Jun-12	1.50	29-Jun-12	2.00
27-Jun-12	29-Jun-12	1.50	29-Jun-12	1.50	30-Jun-12	2.00	29-Jun-12	1.50	29-Jun-12	1.50	30-Jun-12	2.00
28-Jun-12	30-Jun-12	1.50	30-Jun-12	1.50	1-Jul-12	2.00	30-Jun-12	1.50	30-Jun-12	1.50	1-Jul-12	2.00
29-Jun-12	1-Jul-12	1.50	1-Jul-12	1.50	2-Jul-12	2.00	1-Jul-12	1.50	1-Jul-12	1.50	2-Jul-12	2.00
30-Jun-12	2-Jul-12	1.50	2-Jul-12	1.50	3-Jul-12	2.00	2-Jul-12	1.50	2-Jul-12	1.50	3-Jul-12	2.00
1-Jul-12	3-Jul-12	1.50	3-Jul-12	1.50	4-Jul-12	2.00	3-Jul-12	1.50	3-Jul-12	1.50	4-Jul-12	2.00
2-Jul-12	4-Jul-12	1.50	4-Jul-12	1.50	5-Jul-12	2.00	4-Jul-12	1.50	4-Jul-12	1.50	5-Jul-12	2.00
3-Jul-12	5-Jul-12	1.50	5-Jul-12	1.50	6-Jul-12	2.00	5-Jul-12	1.50	5-Jul-12	1.50	6-Jul-12	2.00
4-Jul-12	6-Jul-12	1.50	6-Jul-12	1.50	7-Jul-12	2.00	6-Jul-12	1.50	6-Jul-12	1.50	7-Jul-12	2.00
5-Jul-12	7-Jul-12	1.50	7-Jul-12	1.50	8-Jul-12	2.00	7-Jul-12	1.50	7-Jul-12	1.50	8-Jul-12	2.00
6-Jul-12	8-Jul-12	1.50	8-Jul-12	1.50	9-Jul-12	2.00	8-Jul-12	1.50	8-Jul-12	1.50	9-Jul-12	2.00
7-Jul-12	9-Jul-12	1.50	9-Jul-12	1.50	10-Jul-12	2.00	9-Jul-12	1.50	9-Jul-12	1.50	10-Jul-12	2.00
8-Jul-12	10-Jul-12	1.50	10-Jul-12	1.50	11-Jul-12	2.00	10-Jul-12	1.50	10-Jul-12	1.50	11-Jul-12	2.00
9-Jul-12	11-Jul-12	1.50	11-Jul-12	1.50	12-Jul-12	2.00	11-Jul-12	1.50	11-Jul-12	1.50	12-Jul-12	2.00
10-Jul-12	12-Jul-12	1.50	12-Jul-12	1.50	13-Jul-12	2.00	12-Jul-12	1.50	12-Jul-12	1.50	13-Jul-12	2.00
11-Jul-12	13-Jul-12	1.50	13-Jul-12	1.50	14-Jul-12	2.00	13-Jul-12	1.50	13-Jul-12	1.50	14-Jul-12	2.00
12-Jul-12	14-Jul-12	1.50	14-Jul-12	1.50	15-Jul-12	2.00	14-Jul-12	1.50	14-Jul-12	1.50	15-Jul-12	2.00
13-Jul-12	15-Jul-12	1.50	15-Jul-12	1.50	16-Jul-12	2.00	15-Jul-12	1.50	15-Jul-12	1.50	16-Jul-12	2.00
14-Jul-12	16-Jul-12	1.50	16-Jul-12	1.50	17-Jul-12	2.00	16-Jul-12	1.50	16-Jul-12	1.50	17-Jul-12	2.00
15-Jul-12	17-Jul-12	1.50	17-Jul-12	1.50	18-Jul-12	2.00	17-Jul-12	1.50	17-Jul-12	1.50	18-Jul-12	2.00
16-Jul-12	18-Jul-12	1.50	18-Jul-12	1.50	19-Jul-12	2.00	18-Jul-12	1.50	18-Jul-12	1.50	19-Jul-12	2.00
17-Jul-12	19-Jul-12	1.50	19-Jul-12	1.50	20-Jul-12	2.00	19-Jul-12	1.50	19-Jul-12	1.50	20-Jul-12	2.00
18-Jul-12	20-Jul-12	1.50	20-Jul-12	1.50	21-Jul-12	2.00	20-Jul-12	1.50	20-Jul-12	1.50	21-Jul-12	2.00
19-Jul-12	21-Jul-12	1.50	21-Jul-12	1.50	22-Jul-12	2.00	21-Jul-12	1.50	21-Jul-12	1.50	22-Jul-12	2.00
20-Jul-12	22-Jul-12	1.50	22-Jul-12	1.50	23-Jul-12	2.00	22-Jul-12	1.50	22-Jul-12	1.50	23-Jul-12	2.00
21-Jul-12	23-Jul-12	1.50	23-Jul-12	1.50	24-Jul-12	2.00	23-Jul-12	1.50	23-Jul-12	1.50	24-Jul-12	2.00
22-Jul-12	24-Jul-12	1.50	24-Jul-12	1.50	25-Jul-12	2.00	24-Jul-12	1.50	24-Jul-12	1.50	25-Jul-12	2.00
23-Jul-12	25-Jul-12	1.50	25-Jul-12	1.50	26-Jul-12	2.00	25-Jul-12	1.50	25-Jul-12	1.50	26-Jul-12	2.00
24-Jul-12	26-Jul-12	1.50	26-Jul-12	1.50	27-Jul-12	2.00	26-Jul-12	1.50	26-Jul-12	1.50	27-Jul-12	2.00
25-Jul-12	27-Jul-12	1.50	27-Jul-12	1.50	28-Jul-12	2.00	27-Jul-12	1.50	27-Jul-12	1.50	28-Jul-12	2.00
26-Jul-12	28-Jul-12	1.50	28-Jul-12	1.50	29-Jul-12	2.00	28-Jul-12	1.50	28-Jul-12	1.50	29-Jul-12	2.00
27-Jul-12	29-Jul-12	1.50	29-Jul-12	1.50	30-Jul-12	2.00	29-Jul-12	1.50	29-Jul-12	1.50	30-Jul-12	2.00
28-Jul-12	30-Jul-12	1.50	30-Jul-12	1.50	31-Jul-12	2.00	30-Jul-12	1.50	30-Jul-12	1.50	31-Jul-12	2.00
29-Jul-12	31-Jul-12	1.50	31-Jul-12	1.50	1-Aug-12	2.00	31-Jul-12	1.50	31-Jul-12	1.50	1-Aug-12	2.00
30-Jul-12	1-Aug-12	1.50	1-Aug-12	1.50	2-Aug-12	2.00	1-Aug-12	1.50	1-Aug-12	1.50	2-Aug-12	2.00
31-Jul-12	2-Aug-12	1.50	2-Aug-12	1.50	3-Aug-12	2.00	2-Aug-12	1.50	2-Aug-12	1.50	3-Aug-12	2.00
1-Aug-12	3-Aug-12	1.50	3-Aug-12	1.50	4-Aug-12	2.00	3-Aug-12	1.50	3-Aug-12	1.50	4-Aug-12	2.00
2-Aug-12	4-Aug-12	1.50	4-Aug-12	1.50	5-Aug-12	2.00	4-Aug-12	1.50	4-Aug-12	1.50	5-Aug-12	2.00
3-Aug-12	5-Aug-12	1.50	5-Aug-12	1.50	6-Aug-12	2.00	5-Aug-12	1.50	5-Aug-12	1.50	6-Aug-12	2.00
4-Aug-12	6-Aug-12	1.50	6-Aug-12	1.50	7-Aug-12	2.00	6-Aug-12	1.50	6-Aug-12	1.50	7-Aug-12	2.00
5-Aug-12	7-Aug-12	1.50	7-Aug-12	1.50	8-Aug-12	2.00	7-Aug-12	1.50	7-Aug-12	1.50	8-Aug-12	2.00
6-Aug-12	8-Aug-12	1.50	8-Aug-12	1.50	9-Aug-12	2.00	8-Aug-12	1.50	8-Aug-12	1.50	9-Aug-12	2.00

	Date In Bank (Credit Card)	Lead Time (Credit Card)	Date In Bank (Cash Debit)	Lead Time (Cash Debit)	Date In Bank (Cheques)	Lead Time (Cheques)	Date In Bank (Internet)	Lead Time (Internet)	Date In Bank (Pre-Auth)	Lead Time (Pre-Auth)	Date In Bank (ATM/Tellers)	Lead Time (ATM/Tellers)
7-Aug-12	9-Aug-12	1.50	9-Aug-12	1.50	10-Aug-12	2.00	9-Aug-12	1.50	9-Aug-12	1.50	10-Aug-12	2.00
8-Aug-12	10-Aug-12	1.50	10-Aug-12	1.50	11-Aug-12	2.00	10-Aug-12	1.50	10-Aug-12	1.50	11-Aug-12	2.00
9-Aug-12	11-Aug-12	1.50	11-Aug-12	1.50	12-Aug-12	2.00	11-Aug-12	1.50	11-Aug-12	1.50	12-Aug-12	2.00
10-Aug-12	12-Aug-12	1.50	12-Aug-12	1.50	13-Aug-12	2.00	12-Aug-12	1.50	12-Aug-12	1.50	13-Aug-12	2.00
11-Aug-12	13-Aug-12	1.50	13-Aug-12	1.50	14-Aug-12	2.00	13-Aug-12	1.50	13-Aug-12	1.50	14-Aug-12	2.00
12-Aug-12	14-Aug-12	1.50	14-Aug-12	1.50	15-Aug-12	2.00	14-Aug-12	1.50	14-Aug-12	1.50	15-Aug-12	2.00
13-Aug-12	15-Aug-12	1.50	15-Aug-12	1.50	16-Aug-12	2.00	15-Aug-12	1.50	15-Aug-12	1.50	16-Aug-12	2.00
14-Aug-12	16-Aug-12	1.50	16-Aug-12	1.50	17-Aug-12	2.00	16-Aug-12	1.50	16-Aug-12	1.50	17-Aug-12	2.00
15-Aug-12	17-Aug-12	1.50	17-Aug-12	1.50	18-Aug-12	2.00	17-Aug-12	1.50	17-Aug-12	1.50	18-Aug-12	2.00
16-Aug-12	18-Aug-12	1.50	18-Aug-12	1.50	19-Aug-12	2.00	18-Aug-12	1.50	18-Aug-12	1.50	19-Aug-12	2.00
17-Aug-12	19-Aug-12	1.50	19-Aug-12	1.50	20-Aug-12	2.00	19-Aug-12	1.50	19-Aug-12	1.50	20-Aug-12	2.00
18-Aug-12	20-Aug-12	1.50	20-Aug-12	1.50	21-Aug-12	2.00	20-Aug-12	1.50	20-Aug-12	1.50	21-Aug-12	2.00
19-Aug-12	21-Aug-12	1.50	21-Aug-12	1.50	22-Aug-12	2.00	21-Aug-12	1.50	21-Aug-12	1.50	22-Aug-12	2.00
20-Aug-12	22-Aug-12	1.50	22-Aug-12	1.50	23-Aug-12	2.00	22-Aug-12	1.50	22-Aug-12	1.50	23-Aug-12	2.00
21-Aug-12	23-Aug-12	1.50	23-Aug-12	1.50	24-Aug-12	2.00	23-Aug-12	1.50	23-Aug-12	1.50	24-Aug-12	2.00
22-Aug-12	24-Aug-12	1.50	24-Aug-12	1.50	25-Aug-12	2.00	24-Aug-12	1.50	24-Aug-12	1.50	25-Aug-12	2.00
23-Aug-12	25-Aug-12	1.50	25-Aug-12	1.50	26-Aug-12	2.00	25-Aug-12	1.50	25-Aug-12	1.50	26-Aug-12	2.00
24-Aug-12	26-Aug-12	1.50	26-Aug-12	1.50	27-Aug-12	2.00	26-Aug-12	1.50	26-Aug-12	1.50	27-Aug-12	2.00
25-Aug-12	27-Aug-12	1.50	27-Aug-12	1.50	28-Aug-12	2.00	27-Aug-12	1.50	27-Aug-12	1.50	28-Aug-12	2.00
26-Aug-12	28-Aug-12	1.50	28-Aug-12	1.50	29-Aug-12	2.00	28-Aug-12	1.50	28-Aug-12	1.50	29-Aug-12	2.00
27-Aug-12	29-Aug-12	1.50	29-Aug-12	1.50	30-Aug-12	2.00	29-Aug-12	1.50	29-Aug-12	1.50	30-Aug-12	2.00
28-Aug-12	30-Aug-12	1.50	30-Aug-12	1.50	31-Aug-12	2.00	30-Aug-12	1.50	30-Aug-12	1.50	31-Aug-12	2.00
29-Aug-12	31-Aug-12	1.50	31-Aug-12	1.50	1-Sep-12	2.00	31-Aug-12	1.50	31-Aug-12	1.50	1-Sep-12	2.00
30-Aug-12	1-Sep-12	1.50	1-Sep-12	1.50	2-Sep-12	2.00	1-Sep-12	1.50	1-Sep-12	1.50	2-Sep-12	2.00
31-Aug-12	2-Sep-12	1.50	2-Sep-12	1.50	3-Sep-12	2.00	2-Sep-12	1.50	2-Sep-12	1.50	3-Sep-12	2.00
1-Sep-12	3-Sep-12	1.50	3-Sep-12	1.50	4-Sep-12	2.00	3-Sep-12	1.50	3-Sep-12	1.50	4-Sep-12	2.00
2-Sep-12	4-Sep-12	1.50	4-Sep-12	1.50	5-Sep-12	2.00	4-Sep-12	1.50	4-Sep-12	1.50	5-Sep-12	2.00
3-Sep-12	5-Sep-12	1.50	5-Sep-12	1.50	6-Sep-12	2.00	5-Sep-12	1.50	5-Sep-12	1.50	6-Sep-12	2.00
4-Sep-12	6-Sep-12	1.50	6-Sep-12	1.50	7-Sep-12	2.00	6-Sep-12	1.50	6-Sep-12	1.50	7-Sep-12	2.00
5-Sep-12	7-Sep-12	1.50	7-Sep-12	1.50	8-Sep-12	2.00	7-Sep-12	1.50	7-Sep-12	1.50	8-Sep-12	2.00
6-Sep-12	8-Sep-12	1.50	8-Sep-12	1.50	9-Sep-12	2.00	8-Sep-12	1.50	8-Sep-12	1.50	9-Sep-12	2.00
7-Sep-12	9-Sep-12	1.50	9-Sep-12	1.50	10-Sep-12	2.00	9-Sep-12	1.50	9-Sep-12	1.50	10-Sep-12	2.00
8-Sep-12	10-Sep-12	1.50	10-Sep-12	1.50	11-Sep-12	2.00	10-Sep-12	1.50	10-Sep-12	1.50	11-Sep-12	2.00
9-Sep-12	11-Sep-12	1.50	11-Sep-12	1.50	12-Sep-12	2.00	11-Sep-12	1.50	11-Sep-12	1.50	12-Sep-12	2.00
10-Sep-12	12-Sep-12	1.50	12-Sep-12	1.50	13-Sep-12	2.00	12-Sep-12	1.50	12-Sep-12	1.50	13-Sep-12	2.00
11-Sep-12	13-Sep-12	1.50	13-Sep-12	1.50	14-Sep-12	2.00	13-Sep-12	1.50	13-Sep-12	1.50	14-Sep-12	2.00
12-Sep-12	14-Sep-12	1.50	14-Sep-12	1.50	15-Sep-12	2.00	14-Sep-12	1.50	14-Sep-12	1.50	15-Sep-12	2.00
13-Sep-12	15-Sep-12	1.50	15-Sep-12	1.50	16-Sep-12	2.00	15-Sep-12	1.50	15-Sep-12	1.50	16-Sep-12	2.00
14-Sep-12	16-Sep-12	1.50	16-Sep-12	1.50	17-Sep-12	2.00	16-Sep-12	1.50	16-Sep-12	1.50	17-Sep-12	2.00
15-Sep-12	17-Sep-12	1.50	17-Sep-12	1.50	18-Sep-12	2.00	17-Sep-12	1.50	17-Sep-12	1.50	18-Sep-12	2.00
16-Sep-12	18-Sep-12	1.50	18-Sep-12	1.50	19-Sep-12	2.00	18-Sep-12	1.50	18-Sep-12	1.50	19-Sep-12	2.00
17-Sep-12	19-Sep-12	1.50	19-Sep-12	1.50	20-Sep-12	2.00	19-Sep-12	1.50	19-Sep-12	1.50	20-Sep-12	2.00
18-Sep-12	20-Sep-12	1.50	20-Sep-12	1.50	21-Sep-12	2.00	20-Sep-12	1.50	20-Sep-12	1.50	21-Sep-12	2.00
19-Sep-12	21-Sep-12	1.50	21-Sep-12	1.50	22-Sep-12	2.00	21-Sep-12	1.50	21-Sep-12	1.50	22-Sep-12	2.00

Derivation of Payment Processing Lag

	Date In Bank (Credit Card)	Lead Time (Credit Card)	Date In Bank (Cash Debit)	Lead Time (Cash Debit)	Date In Bank (Cheques)	Lead Time (Cheques)	Date In Bank (Internet)	Lead Time (Internet)	Date In Bank (Pre-Auth)	Lead Time (Pre-Auth)	Date In Bank (ATM/Tellers)	Lead Time (ATM/Tellers)
20-Sep-12	22-Sep-12	1.50	22-Sep-12	1.50	23-Sep-12	2.00	22-Sep-12	1.50	22-Sep-12	1.50	23-Sep-12	2.00
21-Sep-12	23-Sep-12	1.50	23-Sep-12	1.50	24-Sep-12	2.00	23-Sep-12	1.50	23-Sep-12	1.50	24-Sep-12	2.00
22-Sep-12	24-Sep-12	1.50	24-Sep-12	1.50	25-Sep-12	2.00	24-Sep-12	1.50	24-Sep-12	1.50	25-Sep-12	2.00
23-Sep-12	25-Sep-12	1.50	25-Sep-12	1.50	26-Sep-12	2.00	25-Sep-12	1.50	25-Sep-12	1.50	26-Sep-12	2.00
24-Sep-12	26-Sep-12	1.50	26-Sep-12	1.50	27-Sep-12	2.00	26-Sep-12	1.50	26-Sep-12	1.50	27-Sep-12	2.00
25-Sep-12	27-Sep-12	1.50	27-Sep-12	1.50	28-Sep-12	2.00	27-Sep-12	1.50	27-Sep-12	1.50	28-Sep-12	2.00
26-Sep-12	28-Sep-12	1.50	28-Sep-12	1.50	29-Sep-12	2.00	28-Sep-12	1.50	28-Sep-12	1.50	29-Sep-12	2.00
27-Sep-12	29-Sep-12	1.50	29-Sep-12	1.50	30-Sep-12	2.00	29-Sep-12	1.50	29-Sep-12	1.50	30-Sep-12	2.00
28-Sep-12	30-Sep-12	1.50	30-Sep-12	1.50	1-Oct-12	2.00	30-Sep-12	1.50	30-Sep-12	1.50	1-Oct-12	2.00
29-Sep-12	1-Oct-12	1.50	1-Oct-12	1.50	2-Oct-12	2.00	1-Oct-12	1.50	1-Oct-12	1.50	2-Oct-12	2.00
30-Sep-12	2-Oct-12	1.50	2-Oct-12	1.50	3-Oct-12	2.00	2-Oct-12	1.50	2-Oct-12	1.50	3-Oct-12	2.00
1-Oct-12	3-Oct-12	1.50	3-Oct-12	1.50	4-Oct-12	2.00	3-Oct-12	1.50	3-Oct-12	1.50	4-Oct-12	2.00
2-Oct-12	4-Oct-12	1.50	4-Oct-12	1.50	5-Oct-12	2.00	4-Oct-12	1.50	4-Oct-12	1.50	5-Oct-12	2.00
3-Oct-12	5-Oct-12	1.50	5-Oct-12	1.50	6-Oct-12	2.00	5-Oct-12	1.50	5-Oct-12	1.50	6-Oct-12	2.00
4-Oct-12	6-Oct-12	1.50	6-Oct-12	1.50	7-Oct-12	2.00	6-Oct-12	1.50	6-Oct-12	1.50	7-Oct-12	2.00
5-Oct-12	7-Oct-12	1.50	7-Oct-12	1.50	8-Oct-12	2.00	7-Oct-12	1.50	7-Oct-12	1.50	8-Oct-12	2.00
6-Oct-12	8-Oct-12	1.50	8-Oct-12	1.50	9-Oct-12	2.00	8-Oct-12	1.50	8-Oct-12	1.50	9-Oct-12	2.00
7-Oct-12	9-Oct-12	1.50	9-Oct-12	1.50	10-Oct-12	2.00	9-Oct-12	1.50	9-Oct-12	1.50	10-Oct-12	2.00
8-Oct-12	10-Oct-12	1.50	10-Oct-12	1.50	11-Oct-12	2.00	10-Oct-12	1.50	10-Oct-12	1.50	11-Oct-12	2.00
9-Oct-12	11-Oct-12	1.50	11-Oct-12	1.50	12-Oct-12	2.00	11-Oct-12	1.50	11-Oct-12	1.50	12-Oct-12	2.00
10-Oct-12	12-Oct-12	1.50	12-Oct-12	1.50	13-Oct-12	2.00	12-Oct-12	1.50	12-Oct-12	1.50	13-Oct-12	2.00
11-Oct-12	13-Oct-12	1.50	13-Oct-12	1.50	14-Oct-12	2.00	13-Oct-12	1.50	13-Oct-12	1.50	14-Oct-12	2.00
12-Oct-12	14-Oct-12	1.50	14-Oct-12	1.50	15-Oct-12	2.00	14-Oct-12	1.50	14-Oct-12	1.50	15-Oct-12	2.00
13-Oct-12	15-Oct-12	1.50	15-Oct-12	1.50	16-Oct-12	2.00	15-Oct-12	1.50	15-Oct-12	1.50	16-Oct-12	2.00
14-Oct-12	16-Oct-12	1.50	16-Oct-12	1.50	17-Oct-12	2.00	16-Oct-12	1.50	16-Oct-12	1.50	17-Oct-12	2.00
15-Oct-12	17-Oct-12	1.50	17-Oct-12	1.50	18-Oct-12	2.00	17-Oct-12	1.50	17-Oct-12	1.50	18-Oct-12	2.00
16-Oct-12	18-Oct-12	1.50	18-Oct-12	1.50	19-Oct-12	2.00	18-Oct-12	1.50	18-Oct-12	1.50	19-Oct-12	2.00
17-Oct-12	19-Oct-12	1.50	19-Oct-12	1.50	20-Oct-12	2.00	19-Oct-12	1.50	19-Oct-12	1.50	20-Oct-12	2.00
18-Oct-12	20-Oct-12	1.50	20-Oct-12	1.50	21-Oct-12	2.00	20-Oct-12	1.50	20-Oct-12	1.50	21-Oct-12	2.00
19-Oct-12	21-Oct-12	1.50	21-Oct-12	1.50	22-Oct-12	2.00	21-Oct-12	1.50	21-Oct-12	1.50	22-Oct-12	2.00
20-Oct-12	22-Oct-12	1.50	22-Oct-12	1.50	23-Oct-12	2.00	22-Oct-12	1.50	22-Oct-12	1.50	23-Oct-12	2.00
21-Oct-12	23-Oct-12	1.50	23-Oct-12	1.50	24-Oct-12	2.00	23-Oct-12	1.50	23-Oct-12	1.50	24-Oct-12	2.00
22-Oct-12	24-Oct-12	1.50	24-Oct-12	1.50	25-Oct-12	2.00	24-Oct-12	1.50	24-Oct-12	1.50	25-Oct-12	2.00
23-Oct-12	25-Oct-12	1.50	25-Oct-12	1.50	26-Oct-12	2.00	25-Oct-12	1.50	25-Oct-12	1.50	26-Oct-12	2.00
24-Oct-12	26-Oct-12	1.50	26-Oct-12	1.50	27-Oct-12	2.00	26-Oct-12	1.50	26-Oct-12	1.50	27-Oct-12	2.00
25-Oct-12	27-Oct-12	1.50	27-Oct-12	1.50	28-Oct-12	2.00	27-Oct-12	1.50	27-Oct-12	1.50	28-Oct-12	2.00
26-Oct-12	28-Oct-12	1.50	28-Oct-12	1.50	29-Oct-12	2.00	28-Oct-12	1.50	28-Oct-12	1.50	29-Oct-12	2.00
27-Oct-12	29-Oct-12	1.50	29-Oct-12	1.50	30-Oct-12	2.00	29-Oct-12	1.50	29-Oct-12	1.50	30-Oct-12	2.00
28-Oct-12	30-Oct-12	1.50	30-Oct-12	1.50	31-Oct-12	2.00	30-Oct-12	1.50	30-Oct-12	1.50	31-Oct-12	2.00
29-Oct-12	31-Oct-12	1.50	31-Oct-12	1.50	1-Nov-12	2.00	31-Oct-12	1.50	31-Oct-12	1.50	1-Nov-12	2.00
30-Oct-12	1-Nov-12	1.50	1-Nov-12	1.50	2-Nov-12	2.00	1-Nov-12	1.50	1-Nov-12	1.50	2-Nov-12	2.00
31-Oct-12	2-Nov-12	1.50	2-Nov-12	1.50	3-Nov-12	2.00	2-Nov-12	1.50	2-Nov-12	1.50	3-Nov-12	2.00
1-Nov-12	3-Nov-12	1.50	3-Nov-12	1.50	4-Nov-12	2.00	3-Nov-12	1.50	3-Nov-12	1.50	4-Nov-12	2.00
2-Nov-12	4-Nov-12	1.50	4-Nov-12	1.50	5-Nov-12	2.00	4-Nov-12	1.50	4-Nov-12	1.50	5-Nov-12	2.00

HORIZON UTILITIES
Working Capital Allowance

Derivation of Payment Processing Lag

2-EP-10(f)

	Date In Bank (Credit Card)	Lead Time (Credit Card)	Date In Bank (Cash Debit)	Lead Time (Cash Debit)	Date In Bank (Cheques)	Lead Time (Cheques)	Date In Bank (Internet)	Lead Time (Internet)	Date In Bank (Pre-Auth)	Lead Time (Pre-Auth)	Date In Bank (ATM/Tellers)	Lead Time (ATM/Tellers)
3-Nov-12	5-Nov-12	1.50	5-Nov-12	1.50	6-Nov-12	2.00	5-Nov-12	1.50	5-Nov-12	1.50	6-Nov-12	2.00
4-Nov-12	6-Nov-12	1.50	6-Nov-12	1.50	7-Nov-12	2.00	6-Nov-12	1.50	6-Nov-12	1.50	7-Nov-12	2.00
5-Nov-12	7-Nov-12	1.50	7-Nov-12	1.50	8-Nov-12	2.00	7-Nov-12	1.50	7-Nov-12	1.50	8-Nov-12	2.00
6-Nov-12	8-Nov-12	1.50	8-Nov-12	1.50	9-Nov-12	2.00	8-Nov-12	1.50	8-Nov-12	1.50	9-Nov-12	2.00
7-Nov-12	9-Nov-12	1.50	9-Nov-12	1.50	10-Nov-12	2.00	9-Nov-12	1.50	9-Nov-12	1.50	10-Nov-12	2.00
8-Nov-12	10-Nov-12	1.50	10-Nov-12	1.50	11-Nov-12	2.00	10-Nov-12	1.50	10-Nov-12	1.50	11-Nov-12	2.00
9-Nov-12	11-Nov-12	1.50	11-Nov-12	1.50	12-Nov-12	2.00	11-Nov-12	1.50	11-Nov-12	1.50	12-Nov-12	2.00
10-Nov-12	12-Nov-12	1.50	12-Nov-12	1.50	13-Nov-12	2.00	12-Nov-12	1.50	12-Nov-12	1.50	13-Nov-12	2.00
11-Nov-12	13-Nov-12	1.50	13-Nov-12	1.50	14-Nov-12	2.00	13-Nov-12	1.50	13-Nov-12	1.50	14-Nov-12	2.00
12-Nov-12	14-Nov-12	1.50	14-Nov-12	1.50	15-Nov-12	2.00	14-Nov-12	1.50	14-Nov-12	1.50	15-Nov-12	2.00
13-Nov-12	15-Nov-12	1.50	15-Nov-12	1.50	16-Nov-12	2.00	15-Nov-12	1.50	15-Nov-12	1.50	16-Nov-12	2.00
14-Nov-12	16-Nov-12	1.50	16-Nov-12	1.50	17-Nov-12	2.00	16-Nov-12	1.50	16-Nov-12	1.50	17-Nov-12	2.00
15-Nov-12	17-Nov-12	1.50	17-Nov-12	1.50	18-Nov-12	2.00	17-Nov-12	1.50	17-Nov-12	1.50	18-Nov-12	2.00
16-Nov-12	18-Nov-12	1.50	18-Nov-12	1.50	19-Nov-12	2.00	18-Nov-12	1.50	18-Nov-12	1.50	19-Nov-12	2.00
17-Nov-12	19-Nov-12	1.50	19-Nov-12	1.50	20-Nov-12	2.00	19-Nov-12	1.50	19-Nov-12	1.50	20-Nov-12	2.00
18-Nov-12	20-Nov-12	1.50	20-Nov-12	1.50	21-Nov-12	2.00	20-Nov-12	1.50	20-Nov-12	1.50	21-Nov-12	2.00
19-Nov-12	21-Nov-12	1.50	21-Nov-12	1.50	22-Nov-12	2.00	21-Nov-12	1.50	21-Nov-12	1.50	22-Nov-12	2.00
20-Nov-12	22-Nov-12	1.50	22-Nov-12	1.50	23-Nov-12	2.00	22-Nov-12	1.50	22-Nov-12	1.50	23-Nov-12	2.00
21-Nov-12	23-Nov-12	1.50	23-Nov-12	1.50	24-Nov-12	2.00	23-Nov-12	1.50	23-Nov-12	1.50	24-Nov-12	2.00
22-Nov-12	24-Nov-12	1.50	24-Nov-12	1.50	25-Nov-12	2.00	24-Nov-12	1.50	24-Nov-12	1.50	25-Nov-12	2.00
23-Nov-12	25-Nov-12	1.50	25-Nov-12	1.50	26-Nov-12	2.00	25-Nov-12	1.50	25-Nov-12	1.50	26-Nov-12	2.00
24-Nov-12	26-Nov-12	1.50	26-Nov-12	1.50	27-Nov-12	2.00	26-Nov-12	1.50	26-Nov-12	1.50	27-Nov-12	2.00
25-Nov-12	27-Nov-12	1.50	27-Nov-12	1.50	28-Nov-12	2.00	27-Nov-12	1.50	27-Nov-12	1.50	28-Nov-12	2.00
26-Nov-12	28-Nov-12	1.50	28-Nov-12	1.50	29-Nov-12	2.00	28-Nov-12	1.50	28-Nov-12	1.50	29-Nov-12	2.00
27-Nov-12	29-Nov-12	1.50	29-Nov-12	1.50	30-Nov-12	2.00	29-Nov-12	1.50	29-Nov-12	1.50	30-Nov-12	2.00
28-Nov-12	30-Nov-12	1.50	30-Nov-12	1.50	1-Dec-12	2.00	30-Nov-12	1.50	30-Nov-12	1.50	1-Dec-12	2.00
29-Nov-12	1-Dec-12	1.50	1-Dec-12	1.50	2-Dec-12	2.00	1-Dec-12	1.50	1-Dec-12	1.50	2-Dec-12	2.00
30-Nov-12	2-Dec-12	1.50	2-Dec-12	1.50	3-Dec-12	2.00	2-Dec-12	1.50	2-Dec-12	1.50	3-Dec-12	2.00
1-Dec-12	3-Dec-12	1.50	3-Dec-12	1.50	4-Dec-12	2.00	3-Dec-12	1.50	3-Dec-12	1.50	4-Dec-12	2.00
2-Dec-12	4-Dec-12	1.50	4-Dec-12	1.50	5-Dec-12	2.00	4-Dec-12	1.50	4-Dec-12	1.50	5-Dec-12	2.00
3-Dec-12	5-Dec-12	1.50	5-Dec-12	1.50	6-Dec-12	2.00	5-Dec-12	1.50	5-Dec-12	1.50	6-Dec-12	2.00
4-Dec-12	6-Dec-12	1.50	6-Dec-12	1.50	7-Dec-12	2.00	6-Dec-12	1.50	6-Dec-12	1.50	7-Dec-12	2.00
5-Dec-12	7-Dec-12	1.50	7-Dec-12	1.50	8-Dec-12	2.00	7-Dec-12	1.50	7-Dec-12	1.50	8-Dec-12	2.00
6-Dec-12	8-Dec-12	1.50	8-Dec-12	1.50	9-Dec-12	2.00	8-Dec-12	1.50	8-Dec-12	1.50	9-Dec-12	2.00
7-Dec-12	9-Dec-12	1.50	9-Dec-12	1.50	10-Dec-12	2.00	9-Dec-12	1.50	9-Dec-12	1.50	10-Dec-12	2.00
8-Dec-12	10-Dec-12	1.50	10-Dec-12	1.50	11-Dec-12	2.00	10-Dec-12	1.50	10-Dec-12	1.50	11-Dec-12	2.00
9-Dec-12	11-Dec-12	1.50	11-Dec-12	1.50	12-Dec-12	2.00	11-Dec-12	1.50	11-Dec-12	1.50	12-Dec-12	2.00
10-Dec-12	12-Dec-12	1.50	12-Dec-12	1.50	13-Dec-12	2.00	12-Dec-12	1.50	12-Dec-12	1.50	13-Dec-12	2.00
11-Dec-12	13-Dec-12	1.50	13-Dec-12	1.50	14-Dec-12	2.00	13-Dec-12	1.50	13-Dec-12	1.50	14-Dec-12	2.00
12-Dec-12	14-Dec-12	1.50	14-Dec-12	1.50	15-Dec-12	2.00	14-Dec-12	1.50	14-Dec-12	1.50	15-Dec-12	2.00
13-Dec-12	15-Dec-12	1.50	15-Dec-12	1.50	16-Dec-12	2.00	15-Dec-12	1.50	15-Dec-12	1.50	16-Dec-12	2.00
14-Dec-12	16-Dec-12	1.50	16-Dec-12	1.50	17-Dec-12	2.00	16-Dec-12	1.50	16-Dec-12	1.50	17-Dec-12	2.00
15-Dec-12	17-Dec-12	1.50	17-Dec-12	1.50	18-Dec-12	2.00	17-Dec-12	1.50	17-Dec-12	1.50	18-Dec-12	2.00
16-Dec-12	18-Dec-12	1.50	18-Dec-12	1.50	19-Dec-12	2.00	18-Dec-12	1.50	18-Dec-12	1.50	19-Dec-12	2.00

Derivation of Payment Processing Lag

	Date In Bank (Credit Card)	Lead Time (Credit Card)	Date In Bank (Cash Debit)	Lead Time (Cash Debit)	Date In Bank (Cheques)	Lead Time (Cheques)	Date In Bank (Internet)	Lead Time (Internet)	Date In Bank (Pre-Auth)	Lead Time (Pre-Auth)	Date In Bank (ATM/Tellers)	Lead Time (ATM/Tellers)
17-Dec-12	19-Dec-12	1.50	19-Dec-12	1.50	20-Dec-12	2.00	19-Dec-12	1.50	19-Dec-12	1.50	20-Dec-12	2.00
18-Dec-12	20-Dec-12	1.50	20-Dec-12	1.50	21-Dec-12	2.00	20-Dec-12	1.50	20-Dec-12	1.50	21-Dec-12	2.00
19-Dec-12	21-Dec-12	1.50	21-Dec-12	1.50	22-Dec-12	2.00	21-Dec-12	1.50	21-Dec-12	1.50	22-Dec-12	2.00
20-Dec-12	22-Dec-12	1.50	22-Dec-12	1.50	23-Dec-12	2.00	22-Dec-12	1.50	22-Dec-12	1.50	23-Dec-12	2.00
21-Dec-12	23-Dec-12	1.50	23-Dec-12	1.50	24-Dec-12	2.00	23-Dec-12	1.50	23-Dec-12	1.50	24-Dec-12	2.00
22-Dec-12	24-Dec-12	1.50	24-Dec-12	1.50	25-Dec-12	2.00	24-Dec-12	1.50	24-Dec-12	1.50	25-Dec-12	2.00
23-Dec-12	25-Dec-12	1.50	25-Dec-12	1.50	26-Dec-12	2.00	25-Dec-12	1.50	25-Dec-12	1.50	26-Dec-12	2.00
24-Dec-12	26-Dec-12	1.50	26-Dec-12	1.50	27-Dec-12	2.00	26-Dec-12	1.50	26-Dec-12	1.50	27-Dec-12	2.00
25-Dec-12	27-Dec-12	1.50	27-Dec-12	1.50	28-Dec-12	2.00	27-Dec-12	1.50	27-Dec-12	1.50	28-Dec-12	2.00
26-Dec-12	28-Dec-12	1.50	28-Dec-12	1.50	29-Dec-12	2.00	28-Dec-12	1.50	28-Dec-12	1.50	29-Dec-12	2.00
27-Dec-12	29-Dec-12	1.50	29-Dec-12	1.50	30-Dec-12	2.00	29-Dec-12	1.50	29-Dec-12	1.50	30-Dec-12	2.00
28-Dec-12	30-Dec-12	1.50	30-Dec-12	1.50	31-Dec-12	2.00	30-Dec-12	1.50	30-Dec-12	1.50	31-Dec-12	2.00
29-Dec-12	31-Dec-12	1.50	31-Dec-12	1.50	1-Jan-13	2.00	31-Dec-12	1.50	31-Dec-12	1.50	1-Jan-13	2.00
30-Dec-12	1-Jan-13	1.50	1-Jan-13	1.50	2-Jan-13	2.00	1-Jan-13	1.50	1-Jan-13	1.50	2-Jan-13	2.00
31-Dec-12	2-Jan-13	1.50	2-Jan-13	1.50	3-Jan-13	2.00	2-Jan-13	1.50	2-Jan-13	1.50	3-Jan-13	2.00
		1.50		**1.50**		**2.00**		**1.50**		**1.50**		**2.00**
Weighting		0%		1%		7%		65%		26%		1%
												1.54

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2-Energy Probe-11

Ref: Exhibit 2, Tab 4, Appendix 2-3

a) Does Horizon have any plans to move customers from bi-monthly to monthly billing?

b) If all customers were moved to monthly billing, please show the impact on the overall working capital percentage along with the changes in days for the components of the revenue lag and expense lead, and any change associated with the HST.

c) If Horizon does move some or all customers to monthly billing in 2015-2019, would this adjustment be part of the annual adjustment to the working capital calculation? If not, why not?

Response:

Subsequent to the submission of its Application, Horizon Utilities reviewed the inputs used to calculate the Revenue Lag of 27.06. It determined that some of the revenue allocations between monthly and bi-monthly billing were incorrect. Navigant Consulting Inc. recalculates the Revenue Lag to be 25.02 days, based on the correct revenue allocations. The revised Revenue Lag of 25.02 has been used to calculate a revised Working Capital Allowance. This revision results in a reduction in the Working Capital Allowance of 0.7% from 12.7% to 12.0%. Horizon Utilities has included a revised Lead/Lag Report from Navigant as an attachment to its response to 2-Staff-23a. Horizon Utilities response to part b) is based on the revised Working Capital Allowance of 12.0%.

a) Please see Horizon Utilities' response to Interrogatory 2-Staff-23b).

b) Horizon Utilities provides the impact of switching to monthly billing to its overall working capital percentage along with the changes in days for the components of the revenue lag and expense lead, and any change associated with the HST in an attachment to this response as 2-EP-11b_Attch 1_Impact of Switching All Customers to Monthly Billing. A summary of the impact is identified in Table 1 below:

Table 1

		2015	2016	2017	2018	2019
Revenue Lag Days	Current State	67.30	67.30	67.30	67.30	67.30
	Monthly Billing - all Customers	57.53	57.53	57.53	57.53	57.53
Expense Lead Days		no change				
Working Capital Allowance	Current State	12.0%	12.0%	12.0%	12.0%	12.0%
	Monthly Billing - all Customers	8.8%	8.7%	8.7%	8.7%	8.7%
Total Working Capital Requirement including HST	Current State	$70,287,875	$72,767,684	$75,440,421	$78,139,129	$80,754,758
	Monthly Billing - all Customers	$51,215,047	$53,005,107	$54,943,476	$56,945,822	$58,893,908

The transition to monthly billing results in the issuance of an additional 1.2MM invoices annually.

The transition would require one-time implementation costs that are forecasted to be approximately $0.5MM. This cost includes: the development of implementation plans; testing; documentation, and training; the provision of necessary programming changes for the Customer Information System; and the development of a customer communications strategy and related materials.

Incremental annual operating expenditures are anticipated to be approximately $1.4MM annually (adjusted for inflation). These costs include: increased paper, printing, and mailing/ postage expenditures corresponding to increased billing volumes and Call Centre requirements. Horizon Utilities estimates it will require an additional five Call Centre staff to manage the increased call volumes arising from monthly billing. Approximately $0.84MM of this annual expenditure corresponds to additional postage expense; which has increased at super-inflationary levels and may continue to do so.

Horizon Utilities has estimated the net impact on Revenue Requirement (summarized in Table 2 below) resulting from:

i) The reduction in Revenue Requirement corresponding to the reduction in Working Capital Allowance provided in Table 1 above (Refer to Table 3 below);

ii) The ongoing increase in Revenue Requirement corresponding to an increase in annual operating expenditures necessary to support monthly billing (Refer to Table 4 below);

iii) The increase in Revenue Requirement from 2015 to 2019 corresponding to the recovery of implementation costs for monthly billing (Refer to Table 5 below).

Table 2

Impact on Revenue Requirement from Change to Monthly Billing
($000s)

	Reference	2015	2016	2017	2018	2019	Totals
Impact on Revenue Requirement							
Reduction of Working Capital Allowance	Table 3	(1,358)	(1,407)	(1,460)	(1,528)	(1,592)	(7,346)
Increase in OM&A	Table 4	1,409	1,437	1,466	1,495	1,525	7,332
Implementation Impact	Table 5	(6)	74	157	150	143	520
Net Increase/ (Decrease)		44	104	163	117	76	505

Table 2 demonstrates that Revenue Requirement would increase approximately $0.5MM across 2015 to 2019 as a result of implementing monthly billing. Thereafter, the outcome is marginally positive to ratepayers following the full amortization of one-time implementation costs and under the cost and inflation assumptions identified above and in Tables 3 through 5 below. Horizon Utilities submits that there is relative ratepayer indifference to monthly billing insofar as the impact on their distribution rates.

Horizon Utilities has not evaluated customer preferences with respect to monthly vs. bi-monthly billing. There have been very few calls from customers in the past requesting monthly billing, which may suggest relative indifference. Customers seeking to make electricity payments monthly for budgeting purposes already have opportunity to do so through Horizon Utilities equal monthly payment plan. Based on historical billing amounts, Horizon Utilities computes the monthly billing amount and settles on any differences relative to actual charges on an annual basis.

It is clear that a transition to monthly billing would effectively cause customers to advance one month of their electricity bills, which may be viewed negatively from a cash flow perspective.

Table 3

Impact on Revenue Requirement
Reduction of Working Capital Allowance from Change to Monthly Billing
($000s)

Assumptions:						
Working Capital Rate	8.80%					
PILs Rate	26.50%					
Deemed Debt %	60.00%					
Deemed Equity %	40.00%					
	2015	**2016**	**2017**	**2018**	**2019**	**Totals**
Working Capital Allowance Impact						
Current State	70,288	72,768	75,440	78,139	80,755	
Monthly Billing - All	51,215	53,005	54,943	56,946	58,894	
Working Capital Impact	19,073	19,763	20,497	21,193	21,861	
Cost of Capital						
Debt	3.38%	3.38%	3.38%	3.53%	3.65%	
Equity	9.36%	9.36%	9.36%	9.36%	9.36%	
Revenue Requirement						
Cost of Capital:						
Debt	387	401	416	449	479	2,131
Equity	714	740	767	793	818	3,833
PILs Gross-Up	257	267	277	286	295	1,382
Total	1,358	1,407	1,460	1,528	1,592	7,346

Table 4

Impact on Revenue Requirement
Increase in OM&A from Change to Monthly Billing
($000s)

Assumptions:

OMA - Annual	1,400
Inflation Rate	2.00%
Working Capital Rate	8.80%
PILs Rate	26.50%
Deemed Debt %	60.00%
Deemed Equity %	40.00%

	2015	2016	2017	2018	2019	Totals
Cost of Capital						
Debt	3.38%	3.38%	3.38%	3.53%	3.65%	
Equity	9.36%	9.36%	9.36%	9.36%	9.36%	
Revenue Requirement						
OM&A	1,400	1,428	1,457	1,486	1,515	7,286
Cost of Capital:						
Debt	2	3	3	3	3	13
Equity	5	5	5	5	5	24
PILs Gross-Up	2	2	2	2	2	9
Total	1,409	1,437	1,466	1,495	1,525	7,332
Working Capital Impact	123	126	128	131	133	

Table 5

Implementation Costs - Monthly Billing
Impact of Increase in OM&A from Change to Monthly Billing
($000s)

Assumptions:

Implementation CapEx	500
Depreciable Life (Years)	5
CCA Rate	100.00%
PILs Rate	26.50%
Deemed Debt %	60.00%
Deemed Equity %	40.00%

	2015	2016	2017	2018	2019	Totals
Fixed Asset Continuity						
Opening Balance	-	450	350	250	150	
Additions	500					
Depreciation	(50)	(100)	(100)	(100)	(100)	
Closing Balance	450	350	250	150	50	
Average Balance	225	400	300	200	100	
UCC Continuity						
Opening	-	250	-	-	-	
Additions	500	-	-	-	-	
CCA	(250)	(250)	-	-	-	
Closing	250	-	-	-	-	
Cost of Capital						
Debt (Exhibit 5)	3.38%	3.38%	3.38%	3.53%	3.65%	
Equity (Exhibit 5)	9.36%	9.36%	9.36%	9.36%	9.36%	
Revenue Requirement						
Depreciation	50	100	100	100	100	450
Cost of Capital:						
Debt	5	8	6	4	2	25
Equity	8	15	11	7	4	46
PILs Gross-Up (1)	(69)	(49)	40	39	37	(1)
Total	(6)	74	157	150	143	520
PILs Calculation						
Cost of Equity Capital	8	15	11	7	4	46
Add:						
Depreciation	50	100	100	100	100	450
Deduct:						
CCA	(250)	(250)	-	-	-	(500)
PILs Income	(192)	(135)	111	107	104	(4)
PILs before Gross-Up	(51)	(36)	29	28	27	(1)
PILs Gross-Up	(69)	(49)	40	39	37	(1)

1) PILs Gross-Up only applies to change in Cost of Equity

c) Yes.

However, it is Horizon Utilities' expectation that it would commence recovery of one-time and ongoing incremental costs identified in b) at the same time as the adjustment to working capital.

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2-EP-11b_Attch 1_Impact of Switching All Customers to Monthly Billing

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Monthly/bi-monthly customers (filed) VS all customers with monthly billing

As per updated filed report

2014 WORKING CAPITAL REQUIREMENT

2014

Description	Revenue Lag Days	Expense Lead Days	Net Lag Days	Working Capital Factor	2014 Expenses	2014 Working Capital Requirement
Cost of Power	67.30	32.86	34.44	9.4%	$514,946,434	$48,584,754
OM&A Expenses	67.30	7.30	60.00	16.4%	$64,986,015	$10,683,086
PILS	67.30	14.50	52.80	14.5%	$555,146	$80,303
DRC	67.30	25.59	41.70	11.4%	$32,180,619	$3,676,858
Interest Expense	67.30	(67.15)	134.45	36.8%	$9,519,067	$3,506,363
Total					**$622,187,281**	**$66,531,364**
HST						$2,925,521
Total - Including HST						**$69,456,886**
Working Capital as a Percent of OM&A incl. Cost of Power						**12.0%**

2015 WORKING CAPITAL REQUIREMENT

2015

Description	Revenue Lag Days	Expense Lead Days	Net Lag Days	Working Capital Factor	2015 Expenses	2015 Working Capital Requirement
Cost of Power	67.30	32.86	34.44	9.4%	$520,720,617	$49,129,543
OM&A Expenses	67.30	7.30	60.00	16.4%	$64,479,807	$10,599,871
PILS	67.30	14.50	52.80	14.5%	$2,874,217	$415,763
DRC	67.30	25.59	41.70	11.4%	$31,854,423	$3,639,588
Interest Expense	67.30	(67.15)	134.45	36.8%	$9,831,640	$3,621,500
Total					**$629,760,705**	**$67,406,264**
HST						$2,881,611
Total - Including HST						**$70,287,875**
Working Capital as a Percent of OM&A incl. Cost of Power						**12.0%**

2016 WORKING CAPITAL REQUIREMENT

2016

Description	Revenue Lag Days	Expense Lead Days	Net Lag Days	Working Capital Factor	2016 Expenses	2016 Working Capital Requirement
Cost of Power	67.30	32.86	34.44	9.4%	$542,171,542	$51,013,656
OM&A Expenses	67.30	7.30	60.00	16.4%	$65,940,947	$10,810,450
PILS	67.30	14.50	52.80	14.4%	$4,252,792	$613,496
DRC	67.30	25.59	41.70	11.4%	$31,531,534	$3,592,852
Interest Expense	67.30	(67.15)	134.45	36.7%	$10,204,633	$3,748,622
Total					**$654,101,448**	**$69,779,077**
HST						$2,988,607
Total - Including HST						**$72,767,684**
Working Capital as a Percent of OM&A incl. Cost of Power						**12.0%**

2017 WORKING CAPITAL REQUIREMENT

2017

Description	Revenue Lag Days	Expense Lead Days	Net Lag Days	Working Capital Factor	2017 Expenses	2017 Working Capital Requirement
Cost of Power	67.30	32.86	34.44	9.4%	$562,422,662	$53,064,095
OM&A Expenses	67.30	7.30	60.00	16.4%	$67,692,855	$11,128,065
PILS	67.30	14.50	52.80	14.5%	$4,496,240	$650,392
DRC	67.30	25.59	41.70	11.4%	$31,211,917	$3,566,177
Interest Expense	67.30	(67.15)	134.45	36.8%	$10,624,086	$3,913,398
Total					**$676,447,760**	**$72,322,128**
HST						$3,118,293
Total - Including HST						**$75,440,421**
Working Capital as a Percent of OM&A incl. Cost of Power						**12.0%**

2018 WORKING CAPITAL REQUIREMENT

2018

Description	Revenue Lag Days	Expense Lead Days	Net Lag Days	Working Capital Factor	2018 Expenses	2018 Working Capital Requirement
Cost of Power	67.30	32.86	34.44	9.4%	$583,269,859	$55,031,010
OM&A Expenses	67.30	7.30	60.00	16.4%	$69,773,217	$11,470,057
PILS	67.30	14.50	52.80	14.5%	$3,925,141	$567,781
DRC	67.30	25.59	41.70	11.4%	$30,895,541	$3,530,029
Interest Expense	67.30	(67.15)	134.45	36.8%	$11,632,105	$4,284,704
Total					**$699,495,863**	**$74,883,581**
HST						$3,255,548
Total - Including HST						**$78,139,129**
Working Capital as a Percent of OM&A incl. Cost of Power						**12.0%**

2019 WORKING CAPITAL REQUIREMENT

2019

Description	Revenue Lag Days	Expense Lead Days	Net Lag Days	Working Capital Factor	2019 Expenses	2019 Working Capital Requirement
Cost of Power	67.30	32.86	34.44	9.4%	$602,042,446	$56,802,187
OM&A Expenses	67.30	7.30	60.00	16.4%	$72,228,903	$11,873,749
PILS	67.30	14.50	52.80	14.5%	$4,021,290	$581,690
DRC	67.30	25.59	41.70	11.4%	$30,582,371	$3,494,247
Interest Expense	67.30	(67.15)	134.45	36.8%	$12,600,791	$4,641,521
Total					**$721,475,801**	**$77,393,394**
HST						$3,361,364
Total - Including HST						**$80,754,758**
Working Capital as a Percent of OM&A incl. Cost of Power						**12.0%**

Monthly/bi-monthly customers (filed) VS all customers with monthly billing

As per switching all customers to monthly billing

2014 WORKING CAPITAL REQUIREMENT

2014

Description	Revenue Lag Days	Expense Lead Days	Net Lag Days	Working Capital Factor	2014 Expenses	2014 Working Capital Requirement
Cost of Power	57.53	32.86	24.67	6.8%	$514,946,434	$34,804,956
OM&A Expenses	57.53	7.30	50.24	13.8%	$64,986,015	$8,944,082
PILS	57.53	14.50	43.03	11.8%	$555,146	$65,448
DRC	57.53	25.59	31.94	8.7%	$32,180,619	$2,815,715
Interest Expense	57.53	(67.15)	124.68	34.2%	$9,519,067	$3,251,636
Total					**$622,187,281**	**$49,881,837**
HST						$761,026
Total - Including HST						**$50,642,863**
Working Capital as a Percent of OM&A incl. Cost of Power						**8.7%**

2015 WORKING CAPITAL REQUIREMENT

2015

Description	Revenue Lag Days	Expense Lead Days	Net Lag Days	Working Capital Factor	2015 Expenses	2015 Working Capital Requirement
Cost of Power	57.53	32.86	24.67	6.8%	$520,720,617	$35,195,230
OM&A Expenses	57.53	7.30	50.24	13.8%	$64,479,807	$8,874,412
PILS	57.53	14.50	43.03	11.8%	$2,874,217	$338,850
DRC	57.53	25.59	31.94	8.7%	$31,854,423	$2,787,174
Interest Expense	57.53	(67.15)	124.68	34.2%	$9,831,640	$3,358,408
Total					**$629,760,705**	**$50,554,074**
HST						$660,973
Total - Including HST						**$51,215,047**
Working Capital as a Percent of OM&A incl. Cost of Power						**8.8%**

2016 WORKING CAPITAL REQUIREMENT

2016

Description	Revenue Lag Days	Expense Lead Days	Net Lag Days	Working Capital Factor	2016 Expenses	2016 Working Capital Requirement
Cost of Power	57.53	32.86	24.67	6.7%	$542,171,542	$36,544,963
OM&A Expenses	57.53	7.30	50.24	13.7%	$65,940,947	$9,050,714
PILS	57.53	14.50	43.03	11.8%	$4,252,792	$500,004
DRC	57.53	25.59	31.94	8.7%	$31,531,534	$2,751,384
Interest Expense	57.53	(67.15)	124.68	34.1%	$10,204,633	$3,476,295
Total					**$654,101,448**	**$52,323,360**
HST						$681,747
Total - Including HST						**$53,005,107**
Working Capital as a Percent of OM&A incl. Cost of Power						**8.7%**

2017 WORKING CAPITAL REQUIREMENT

2017

Description	Revenue Lag Days	Expense Lead Days	Net Lag Days	Working Capital Factor	2017 Expenses	2017 Working Capital Requirement
Cost of Power	57.53	32.86	24.67	6.8%	$562,422,662	$38,013,849
OM&A Expenses	57.53	7.30	50.24	13.8%	$67,692,855	$9,316,627
PILS	57.53	14.50	43.03	11.8%	$4,496,240	$530,074
DRC	57.53	25.59	31.94	8.7%	$31,211,917	$2,730,957
Interest Expense	57.53	(67.15)	124.68	34.2%	$10,624,086	$3,629,101
Total					**$676,447,760**	**$54,220,608**
HST						$722,868
Total - Including HST						**$54,943,476**
Working Capital as a Percent of OM&A incl. Cost of Power						**8.7%**

2018 WORKING CAPITAL REQUIREMENT

2018

Description	Revenue Lag Days	Expense Lead Days	Net Lag Days	Working Capital Factor	2018 Expenses	2018 Working Capital Requirement
Cost of Power	57.53	32.86	24.67	6.8%	$583,269,859	$39,422,900
OM&A Expenses	57.53	7.30	50.24	13.8%	$69,773,217	$9,602,949
PILS	57.53	14.50	43.03	11.8%	$3,925,141	$462,746
DRC	57.53	25.59	31.94	8.7%	$30,895,541	$2,703,275
Interest Expense	57.53	(67.15)	124.68	34.2%	$11,632,105	$3,973,432
Total					**$699,495,863**	**$56,165,302**
HST						$780,520
Total - Including HST						**$56,945,822**
Working Capital as a Percent of OM&A incl. Cost of Power						**8.7%**

2019 WORKING CAPITAL REQUIREMENT

2019

Description	Revenue Lag Days	Expense Lead Days	Net Lag Days	Working Capital Factor	2019 Expenses	2019 Working Capital Requirement
Cost of Power	57.53	32.86	24.67	6.8%	$602,042,446	$40,691,729
OM&A Expenses	57.53	7.30	50.24	13.8%	$72,228,903	$9,940,927
PILS	57.53	14.50	43.03	11.8%	$4,021,290	$474,081
DRC	57.53	25.59	31.94	8.7%	$30,582,371	$2,675,873
Interest Expense	57.53	(67.15)	124.68	34.2%	$12,600,791	$4,304,328
Total					**$721,475,801**	**$58,086,938**
HST						$806,970
Total - Including HST						**$58,893,908**
Working Capital as a Percent of OM&A incl. Cost of Power						**8.7%**

2-Energy Probe-12

Ref: Exhibit 2, Tab 4, Appendix 2-3

a) Tables 5 and 6 appear to ignore the fact that 2012 was a leap year, using service lead times of 14 days rather than 14.5 days. Please explain.

b) Please identify any other calculations associated with expense leads that did not take into account that 2012 was a leap year.

Response:

a) Tables 5 and 6 included a typographical error and should have read 14.5 instead of 14. The actual calculations include the total lead time used, which were 30.5 days, which accounts for 14.5 instead of 14. All other calculations have been verified and capture the leap year. Please refer to attachment 2-EP-12a_Attch 1_Tables 5 and 6" for the details of the derivation of the calculations.

b) All of the expense leads used in the tables in Exhibit 2, Tab 4, Appendix 2-3 were calculated with consideration for the fact that 2012 was a leap year.

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2-EP-12a_Attch 1_Tables 5 and 6

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Corrected Table 5 & Table 6

Table 5: Summary of IESO Cost of Power Expenses

Service Start	Service End	Amounts ($M)	Weighting Factor %	Payment Date	Service Lead Time	Payment Lead Time	Total Lead Time	Weighted Lead Time
A [1]	**B**	**C**	**D**	**E**	**F = (B - A + 1) / 2**	**G = E - B**	**H = F + G**	**I = H X D**
12/1/2011	12/31/2011	$32.62	8.16%	1/18/2012	15.50	18.00	33.5	2.73
1/1/2012	1/31/2012	$32.05	8.02%	2/16/2012	15.50	16.00	31.5	2.53
2/1/2012	2/29/2012	$31.31	7.83%	3/16/2012	14.50	16.00	30.5	2.39
3/1/2012	3/31/2012	$30.95	7.74%	4/19/2012	15.50	19.00	34.5	2.67
4/1/2012	4/30/2012	$28.82	7.21%	5/16/2012	15.00	16.00	31	2.24
5/1/2012	5/31/2012	$31.80	7.96%	6/18/2012	15.50	18.00	33.5	2.67
6/1/2012	6/30/2012	$36.89	9.23%	7/18/2012	15.00	18.00	33	3.05
7/1/2012	7/31/2012	$39.47	9.88%	8/17/2012	15.50	17.00	32.5	3.21
8/1/2012	8/31/2012	$42.81	10.71%	9/19/2012	15.50	19.00	34.5	3.69
9/1/2012	9/30/2012	$29.52	7.39%	10/17/2012	15.00	17.00	32	2.36
10/1/2012	10/31/2012	$30.99	7.75%	11/15/2012	15.50	15.00	30.5	2.37
11/1/2012	11/30/2012	$32.46	8.12%	12/18/2012	15.00	18.00	33	2.68
		$399.68	**100.00%**					**32.58**

[1] As Dec'12 data was not available, Dec'11 data was used to reflect a full calendar year worth of dat

Table 6: Summary of Hydro One Cost of Power Expenses

Service Start	Service End	Amounts ($M)	Weighting Factor %	Payment Date	Service Lead Time	Payment Lead Time	Total Lead Time	Weighted Lead Time
A	**B**	**C**	**D**	**E**	**F = (B - A + 1) / 2**	**G = E - B**	**H = F + G**	**I = H X D**
1/7/2012	2/7/2012	$0.32	7.38%	3/20/2012	16.00	42.00	58	4.28
2/7/2012	3/7/2012	$0.31	7.24%	4/19/2012	15.00	43.00	58	4.2
3/7/2012	4/5/2012	$0.29	6.74%	5/18/2012	15.00	43.00	58	3.91
4/5/2012	5/8/2012	$0.28	6.44%	6/20/2012	17.00	43.00	60	3.86
5/8/2012	6/6/2012	$0.40	9.20%	7/19/2012	15.00	43.00	58	5.33
6/6/2012	7/6/2012	$0.45	10.53%	8/16/2012	15.50	41.00	56.5	5.95
7/6/2012	8/4/2012	$0.46	10.66%	9/18/2012	15.00	45.00	60	6.4
8/4/2012	9/6/2012	$0.42	9.84%	10/18/2012	17.00	42.00	59	5.81
9/6/2012	10/5/2012	$0.38	8.76%	11/19/2012	15.00	45.00	60	5.25
10/5/2012	11/6/2012	$0.30	7.01%	12/18/2012	16.50	42.00	58.5	4.1
11/6/2012	12/6/2012	$0.32	7.47%	1/21/2013	15.50	46.00	61.5	4.6
12/6/2012	1/8/2013	$0.38	8.74%	2/19/2013	17.00	42.00	59	5.16
		$4.32	**100.00%**					**58.84**

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2-Energy Probe-13

Ref: Exhibit 2, Tab 4, Appendix 2-3

a) With respect to regular payroll, please define the term of the prior week's services. For example is the work week defined as Monday through Sunday?

b) Please explain why the average service lead time is 15.23 days for Great West Life - Health Care Spending, WSIB and OMERS instead of 15.25 days as it is for the other 2 categories shown page 12.

c) Please show the derivation of 373.61 days for the average service lead time and for the -731.16 days for the average payment lead time for computer maintenance.

d) Please provide the data and calculations that resulted in the (210.66) days for the annual payment lead time for property taxes.

e) Please explain why an average service lead time of 15.21 days was used for PILs instead of 15.25 days for the leap year?

f) Please provide the data and calculations that were used to derive the average payment lead time of (158.65) days for interest expense.

g) Have there been any changes since 2012 related to the payment timing or frequency of PILs, HST or interest expenses? If so, please provide details.

h) Please explain why there is no calculation of the expense lead associated with the payment of dividends, while there is for interest payments.

Response:

a) Horizon Utilities work week is defined for 7 days, i.e., 1/3/2012 through 1/9/2012 with the next pay period being 1/10/2012 through 1/16/2012 (i.e. Horizon Utilities defines the work week specifically as Tuesday to Monday inclusive).

b) The detailed data and the calculations that are used in the working capital report for Great West Life, WSIB and OMERS are provided in the attachment 2-EP-13b_Attch 1_GWL WSIB Pension. Please note that the expenditures vary from month to month in each category thus impacting the expense lead days for each category.

c) The detailed data and calculations that are used in the derivation of the service and average payment lead times for computer maintenance is provided in the attachment “2-EP-13c_Attch 2_Computer Maintenance Expense Lead Time”. The item questioned is for a 3 year computer maintenance contract that is paid at the beginning of the term of the agreement. Note that the 373.61 is the sum of the "Weighted Service Lead Time" column and the 731.16 is the sum of the "Weighted Payment Lead Time" column.

d) The data and calculations used to derive the 210.66 annual payment lead time for property taxes are shown in the attachment 2-EP-13d_Attch 3_Property Tax Expense Lead Time.

e) The average service lead time of 15.25 was used for PILs. The value of 15.21 is a typographical error in the report. Note that the report also states 14.96 days for weighted expense lead time for PILs, which instead should be 14.50 days. The data and calculations used to derive the average service lead time for PILs are shown in the attachment 2-EP-13e_Attch 4_PILS Average Service Lead Time.

f) The data and calculations used to derive the 158.65 average payment lead time for

interest expense are provided in attachment 2-EP-13f_Attch 5_Interest Expense Lead Time.

g) Horizon Utilities confirms that there have been no changes since 2012 related to the payment timing or frequency of PILs, HST, or interest expenses.

h) Horizon Utilities has not included dividends in the working calculation as Horizon Utilities considers dividends as a distribution of equity as opposed to an expense.

2-EP-13b_Attch 1_GWL WSIB Pension

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Derivation of GWL - MDV, GWL - HCS, Life Insurance, WSIB and Pensions

GREAT WEST LIFE - MDV

Month	Period Beginning	Period Ending	Invoice Date	Payment Date	Service Lead Time	Weighted Service Lead Time	Payment Lead Time	Weighted Payment Lead Time	Payment Amount	Weighting Factor	Weighted Service Time Lead
January	12/1/2011	12/31/2011	1/1/2012	1/12/2012	15.50	1.27	12.00	0.98	$ 246,550.69	8.2%	2.25
February	1/1/2012	1/31/2012	2/1/2012	2/9/2012	15.50	1.26	9.00	0.73	$ 244,923.90	8.1%	1.99
March	2/1/2012	2/29/2012	3/1/2012	3/8/2012	14.50	1.20	8.00	0.66	$ 249,020.96	8.3%	1.86
April	3/1/2012	3/31/2012	4/12/2012	4/19/2012	15.50	1.28	19.00	1.57	$ 249,522.58	8.3%	2.86
May	4/1/2012	4/30/2012	5/3/2012	5/10/2012	15.00	1.24	10.00	0.83	$ 248,784.73	8.3%	2.06
June	5/1/2012	5/31/2012	6/8/2012	6/14/2012	15.50	1.31	14.00	1.19	$ 255,142.47	8.5%	2.50
July	6/1/2012	6/30/2012	7/9/2012	7/12/2012	15.00	1.26	12.00	1.01	$ 253,292.59	8.4%	2.27
August	7/1/2012	7/31/2012	8/3/2012	8/9/2012	15.50	1.30	9.00	0.76	$ 253,439.36	8.4%	2.06
September	8/1/2012	8/31/2012	9/7/2012	9/13/2012	15.50	1.31	13.00	1.09	$ 253,741.13	8.4%	2.40
October	9/1/2012	9/30/2012	10/4/2012	10/11/2012	15.00	1.25	11.00	0.92	$ 251,820.88	8.4%	2.17
November	10/1/2012	10/31/2012	11/12/2012	11/15/2012	15.50	1.30	15.00	1.26	$ 253,020.46	8.4%	2.56
December	11/1/2012	11/30/2012	12/12/2012	12/20/2012	15.00	1.26	20.00	1.68	$ 253,847.72	8.4%	2.95
						15.25		**12.68**	**$ 3,013,107.47**	**100.0%**	**27.93**

GREAT WEST LIFE - HCS

Month	Period Beginning	Period Ending	Invoice Date	Payment Date	Service Lead Time	Weighted Service Lead Time	Payment Lead Time	Weighted Payment Lead Time	Payment Amount	Weighting Factor	Weighted Service Time Lead
January	1/1/2012	1/31/2012	3/1/2012	3/8/2012	15.50	1.23	37.00	2.94	$ 3,241.26	7.9%	4.17
February	2/1/2012	2/29/2012	3/23/2012	3/29/2012	14.50	1.09	29.00	2.18	$ 3,067.60	7.5%	3.27
March	3/1/2012	3/31/2012	4/19/2012	4/26/2012	15.50	0.99	26.00	1.66	$ 2,611.03	6.4%	2.66
April	4/1/2012	4/30/2012	5/23/2012	5/24/2012	15.00	1.34	24.00	2.14	$ 3,636.26	8.9%	3.48
May	5/1/2012	5/31/2012	6/25/2012	6/28/2012	15.50	1.61	28.00	2.91	$ 4,234.29	10.4%	4.51
June	6/1/2012	6/30/2012	8/2/2012	8/9/2012	15.00	2.08	40.00	5.54	$ 5,652.24	13.9%	7.62
July	7/1/2012	7/31/2012	9/6/2012	9/13/2012	15.50	0.95	44.00	2.70	$ 2,501.49	6.1%	3.65
August	8/1/2012	8/31/2012	10/4/2012	10/11/2012	15.50	1.13	41.00	2.99	$ 2,973.45	7.3%	4.12
September	9/1/2012	9/30/2012	11/2/2012	11/8/2012	15.00	0.84	39.00	2.17	$ 2,275.18	5.6%	3.01
October	10/1/2012	10/31/2012	11/29/2012	12/13/2012	15.50	0.95	43.00	2.62	$ 2,488.36	6.1%	3.57
November	11/1/2012	11/30/2012	1/16/2013	1/24/2013	15.00	1.63	55.00	5.99	$ 4,441.40	10.9%	7.62
December	12/1/2012	12/31/2012	2/7/2013	2/14/2013	15.50	1.40	45.00	4.06	$ 3,683.51	9.0%	5.46
						15.23		**37.90**	**$ 40,806.07**	**100.0%**	**53.13**

Derivation of GWL - MDV, GWL - HCS, Life Insurance, WSIB and Pensions

LIFE INSURANCE

Month	Period Beginning	Period Ending	Invoice Date	Payment Date	Service Lead Time	Weighted Service Lead Time	Payment Lead Time	Weighted Payment Lead Time	Payment Amount	Weighting Factor	Weighted Service Time Lead
January	12/1/2011	12/31/2011	1/5/2012	1/12/2012	15.50	1.27	12.00	0.98	$ 246,550.69	8.2%	2.25
February	1/1/2012	1/31/2012	2/3/2012	2/9/2012	15.50	1.26	9.00	0.73	$ 244,923.90	8.1%	1.99
March	2/1/2012	2/29/2012	3/7/2012	3/15/2012	14.50	1.20	15.00	1.24	$ 249,020.96	8.3%	2.44
April	3/1/2012	3/31/2012	3/23/2012	3/29/2012	15.50	1.28	(2.00)	(0.17)	$ 249,522.58	8.3%	1.12
May	4/1/2012	4/30/2012	5/3/2012	5/10/2012	15.00	1.24	10.00	0.83	$ 248,784.73	8.3%	2.06
June	5/1/2012	5/31/2012	6/7/2012	6/14/2012	15.50	1.31	14.00	1.19	$ 255,142.47	8.5%	2.50
July	6/1/2012	6/30/2012	7/11/2012	7/19/2012	15.00	1.26	19.00	1.60	$ 253,292.59	8.4%	2.86
August	7/1/2012	7/31/2012	8/3/2012	8/16/2012	15.50	1.30	16.00	1.35	$ 253,439.36	8.4%	2.65
September	8/1/2012	8/31/2012	9/7/2012	9/13/2012	15.50	1.31	13.00	1.09	$ 253,741.13	8.4%	2.40
October	9/1/2012	9/30/2012	10/5/2012	10/11/2012	15.00	1.25	11.00	0.92	$ 251,820.88	8.4%	2.17
November	10/1/2012	10/31/2012	11/12/2012	11/15/2012	15.50	1.30	15.00	1.26	$ 253,020.46	8.4%	2.56
December	11/1/2012	11/30/2012	12/10/2012	12/13/2012	15.00	1.26	13.00	1.10	$ 253,847.72	8.4%	2.36
						15.25		**12.11**	**$ 3,013,107.47**	**100.0%**	**27.36**

WSIB

Month	Period Beginning	Period Ending	Payment Date	Service Lead Time	Weighted Service Lead Time	Payment Lead Time	Weighted Payment Lead Time	Payment Amount	Weighting Factor	Weighted Service Time Lead
January	1/1/2012	1/31/2012	2/9/2012	15.50	1.25	9.00	0.73	$ 25,326.15	8.1%	1.98
February	2/1/2012	2/29/2012	3/15/2012	14.50	1.57	15.00	1.63	$ 34,099.54	10.9%	3.20
March	3/1/2012	3/31/2012	4/19/2012	15.50	1.60	19.00	1.96	$ 32,407.62	10.3%	3.56
April	4/1/2012	4/30/2012	5/17/2012	15.00	1.20	17.00	1.36	$ 25,202.03	8.0%	2.57
May	5/1/2012	5/31/2012	6/21/2012	15.50	1.27	21.00	1.72	$ 25,660.64	8.2%	2.98
June	6/1/2012	6/30/2012	7/12/2012	15.00	1.55	12.00	1.24	$ 32,511.94	10.4%	2.80
July	7/1/2012	7/31/2012	8/9/2012	15.50	1.25	9.00	0.73	$ 25,391.50	8.1%	1.98
August	8/1/2012	8/31/2012	9/13/2012	15.50	1.54	13.00	1.29	$ 31,212.31	9.9%	2.83
September	9/1/2012	9/30/2012	10/11/2012	15.00	1.12	11.00	0.82	$ 23,488.22	7.5%	1.95
October	10/1/2012	10/31/2012	11/8/2012	15.50	1.07	8.00	0.55	$ 21,692.31	6.9%	1.62
November	11/1/2012	11/30/2012	12/13/2012	15.00	1.07	13.00	0.93	$ 22,381.21	7.1%	2.00
December	12/1/2012	12/31/2012	1/24/2013	15.50	0.72	24.00	1.12	$ 14,599.50	4.6%	1.84
					15.23		**14.08**	**$ 313,972.97**	**100.0%**	**29.30**

Derivation of GWL - MDV, GWL - HCS, Life Insurance, WSIB and Pensions

PENSIONS

Month	Period Beginning	Period Ending	End of Month Due Date	Payment Date	Service Lead Time	Weighted Service Lead Time	Payment Lead Time	Weighted Payment Lead Time	Payment Amount	Weighting Factor	Weighted Service Time Lead
January	1/1/2012	1/31/2012	2/29/2012	2/27/2012	15.50	1.05	27.00	1.83	$ 218,389.52	6.8%	2.88
February	2/1/2012	2/29/2012	3/31/2012	3/28/2012	14.50	1.47	28.00	2.84	$ 326,451.02	10.1%	4.31
March	3/1/2012	3/31/2012	4/30/2012	4/26/2012	15.50	1.66	26.00	2.78	$ 344,076.40	10.7%	4.43
April	4/1/2012	4/30/2012	5/31/2012	5/29/2012	15.00	1.08	29.00	2.09	$ 232,476.56	7.2%	3.17
May	5/1/2012	5/31/2012	6/30/2012	6/27/2012	15.50	1.13	27.00	1.97	$ 235,706.79	7.3%	3.11
June	6/1/2012	6/30/2012	7/31/2012	7/27/2012	15.00	1.39	27.00	2.50	$ 298,843.24	9.3%	3.90
July	7/1/2012	7/31/2012	8/31/2012	8/29/2012	15.50	1.16	29.00	2.17	$ 241,187.30	7.5%	3.33
August	8/1/2012	8/31/2012	9/30/2012	9/29/2012	15.50	1.44	29.00	2.69	$ 299,023.52	9.3%	4.13
September	9/1/2012	9/30/2012	10/31/2012	10/29/2012	15.00	1.11	29.00	2.15	$ 239,055.12	7.4%	3.26
October	10/1/2012	10/31/2012	11/30/2012	11/28/2012	15.50	1.15	28.00	2.07	$ 238,619.22	7.4%	3.22
November	11/1/2012	11/30/2012	12/31/2012	12/27/2012	15.00	1.35	27.00	2.43	$ 289,894.10	9.0%	3.78
December	12/1/2012	12/31/2012	1/31/2013	1/29/2013	15.50	1.24	29.00	2.33	$ 258,696.14	8.0%	3.57
						15.23		**27.86**	**$ 3,222,418.93**	**100.0%**	**43.09**

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2-EP-13c_Attch 2_Computer Maintenance Expense Lead Time

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Derivation of Computer Maintenance Expense Lead Time

COMPUTER MAINTENANCE

Identifier Code	Period Beginning	Period Ending	Payment Date	Service Lead Time	Weighted Service Lead Time	Payment Lead Time	Weighted Payment Lead Time	Payment Amount	Weighting Factor	Weighted Service Time Lead	HST Reimbursement Date	HST Lead Time
25181	4/1/2012	4/30/2012	09/05/2012	15.00	0.00	9.00	0.00	$ 35.00	0.01%	0.00	31/05/2012	22
27494	8/1/2012	8/31/2012	26/09/2012	15.50	0.00	26.00	0.00	$ 45.04	0.01%	0.00	30/09/2012	4
450	4/1/2012	4/30/2012	22/05/2012	15.00	0.00	22.00	0.00	$ 125.00	0.02%	0.01	31/05/2012	9
450	4/1/2012	4/30/2012	22/05/2012	15.00	0.00	22.00	0.01	$ 200.00	0.03%	0.01	31/05/2012	9
27716	7/1/2012	7/31/2012	15/08/2012	15.50	0.01	15.00	0.01	$ 211.25	0.03%	0.01	31/08/2012	16
27494	7/1/2012	7/31/2012	27/08/2012	15.50	0.01	27.00	0.01	$ 241.94	0.04%	0.02	31/08/2012	4
25568	3/1/2012	3/31/2012	27/04/2012	15.50	0.01	27.00	0.01	$ 255.00	0.04%	0.02	30/04/2012	3
25181	4/1/2012	4/30/2012	31/05/2012	15.00	0.01	31.00	0.02	$ 360.00	0.06%	0.03	31/05/2012	0
27992	12/1/2011	12/31/2011	19/01/2012	15.50	0.01	19.00	0.01	$ 395.00	0.06%	0.02	31/01/2012	12
27494	8/1/2012	8/31/2012	26/09/2012	15.50	0.01	26.00	0.02	$ 452.22	0.07%	0.03	30/09/2012	4
25181	12/1/2011	12/31/2011	07/01/2012	15.50	0.01	7.00	0.01	$ 555.00	0.09%	0.02	31/01/2012	24
28120	8/1/2012	8/31/2012	11/09/2012	15.50	0.01	11.00	0.01	$ 564.00	0.09%	0.02	30/09/2012	19
25181	4/1/2012	4/30/2012	03/05/2012	15.00	0.01	3.00	0.00	$ 600.00	0.10%	0.02	31/05/2012	28
27494	5/1/2012	5/31/2012	27/06/2012	15.50	0.02	27.00	0.03	$ 609.99	0.10%	0.04	30/06/2012	3
27766	9/1/2012	9/30/2012	24/10/2012	15.00	0.02	24.00	0.03	$ 785.00	0.12%	0.05	31/10/2012	7
25181	10/1/2012	10/31/2012	20/11/2012	15.50	0.02	20.00	0.03	$ 895.00	0.14%	0.05	30/11/2012	10
27759	12/1/2011	12/31/2011	23/01/2012	15.50	(0.02)	23.00	(0.03)	$ (935.83)	-0.15%	(0.06)	31/01/2012	8
27759	12/1/2011	12/31/2011	20/01/2012	15.50	0.03	20.00	0.04	$ 1,123.00	0.18%	0.06	31/01/2012	11
5847	4/1/2012	4/30/2012	31/05/2012	15.00	0.03	31.00	0.06	$ 1,300.00	0.21%	0.10	31/05/2012	0
25181	9/1/2012	9/30/2012	23/10/2012	15.00	0.04	23.00	0.05	$ 1,488.41	0.24%	0.09	31/10/2012	8
450	4/1/2012	4/30/2012	22/05/2012	15.00	0.04	22.00	0.05	$ 1,525.00	0.24%	0.09	31/05/2012	9
27766	9/1/2012	9/30/2012	31/10/2012	15.00	0.04	31.00	0.08	$ 1,592.00	0.25%	0.12	31/10/2012	0
27766	9/1/2012	9/30/2012	31/10/2012	15.00	0.04	31.00	0.08	$ 1,600.00	0.25%	0.12	31/10/2012	0
27766	9/1/2012	9/30/2012	31/10/2012	15.00	0.04	31.00	0.08	$ 1,600.00	0.25%	0.12	31/10/2012	0
27766	9/1/2012	9/30/2012	31/10/2012	15.00	0.04	31.00	0.08	$ 1,600.00	0.25%	0.12	31/10/2012	0
27766	9/1/2012	9/30/2012	31/10/2012	15.00	0.04	31.00	0.08	$ 1,600.00	0.25%	0.12	31/10/2012	0
25178	9/1/2012	9/30/2012	31/10/2012	15.00	0.04	31.00	0.09	$ 1,826.50	0.29%	0.13	31/10/2012	0
25181	12/1/2011	12/31/2011	07/01/2012	15.50	0.05	7.00	0.02	$ 1,946.00	0.31%	0.07	31/01/2012	24
27597	12/1/2011	12/31/2011	25/01/2012	15.50	0.05	25.00	0.08	$ 1,981.00	0.31%	0.13	31/01/2012	6
25181	7/1/2012	7/31/2012	31/08/2012	15.50	0.06	31.00	0.12	$ 2,406.57	0.38%	0.18	31/08/2012	0
25404	12/1/2011	12/31/2011	04/01/2012	15.50	0.06	4.00	0.02	$ 2,436.00	0.39%	0.08	31/01/2012	27
25181	10/1/2012	10/31/2012	05/11/2012	15.50	0.06	5.00	0.02	$ 2,630.20	0.42%	0.09	30/11/2012	25
27766	9/1/2012	9/30/2012	31/10/2012	15.00	0.07	31.00	0.14	$ 2,850.58	0.45%	0.21	31/10/2012	0
25181	8/1/2012	8/31/2012	11/09/2012	15.50	0.08	11.00	0.06	$ 3,189.45	0.51%	0.13	30/09/2012	19
27766	9/1/2012	9/30/2012	24/10/2012	15.00	0.08	24.00	0.12	$ 3,200.00	0.51%	0.20	31/10/2012	7
25181	4/1/2012	4/30/2012	23/05/2012	15.00	0.08	23.00	0.12	$ 3,270.00	0.52%	0.20	31/05/2012	8
5847	3/1/2012	3/31/2012	24/04/2012	15.50	0.13	24.00	0.20	$ 5,290.00	0.84%	0.33	30/04/2012	6
27766	9/1/2012	9/30/2012	31/10/2012	15.00	0.13	31.00	0.27	$ 5,495.00	0.87%	0.40	31/10/2012	0
27766	9/1/2012	9/30/2012	31/10/2012	15.00	0.14	31.00	0.29	$ 5,981.44	0.95%	0.44	31/10/2012	0
27766	9/1/2012	9/30/2012	31/10/2012	15.00	0.15	31.00	0.32	$ 6,452.04	1.03%	0.47	31/10/2012	0
25181	8/1/2012	8/31/2012	10/09/2012	15.50	0.18	10.00	0.11	$ 7,219.71	1.15%	0.29	30/09/2012	20
19400	1/1/2012	1/31/2012	23/02/2012	15.50	0.19	23.00	0.28	$ 7,733.77	1.23%	0.47	29/02/2012	6

HORIZON UTILITIES
Working Capital Allowance

Derivation of Computer Maintenance Expense Lead Time

2-EP-13(c)

Identifier Code	Period Beginning	Period Ending	Payment Date	Service Lead Time	Weighted Service Lead Time	Payment Lead Time	Weighted Payment Lead Time	Payment Amount	Weighting Factor	Weighted Service Time Lead	HST Reimbursement Date	HST Lead Time
27759	12/1/2011	12/31/2011	23/01/2012	15.50	(0.21)	23.00	(0.30)	$ (8,332.50)	-1.32%	(0.51)	31/01/2012	8
27766	9/1/2012	9/30/2012	31/10/2012	15.00	0.22	31.00	0.45	$ 9,075.50	1.44%	0.66	31/10/2012	0
27759	12/1/2011	12/31/2011	20/01/2012	15.50	0.25	20.00	0.32	$ 9,999.00	1.59%	0.56	31/01/2012	11
27766	9/1/2012	9/30/2012	31/10/2012	15.00	0.32	31.00	0.66	$ 13,433.64	2.13%	0.98	31/10/2012	0
25404	12/1/2011	12/31/2011	04/01/2012	15.50	0.34	4.00	0.09	$ 13,730.88	2.18%	0.43	31/01/2012	27
19400	1/1/2012	1/31/2012	23/02/2012	15.50	0.39	23.00	0.58	$ 15,783.39	2.51%	0.97	29/02/2012	6
27766	4/1/2012	4/30/2012	10/05/2012	15.00	0.58	10.00	0.39	$ 24,476.70	3.89%	0.97	31/05/2012	21
27766	4/1/2012	4/30/2012	10/05/2012	15.00	0.97	10.00	0.65	$ 40,789.15	6.48%	1.62	31/05/2012	21
27597	12/1/2011	12/31/2011	11/01/2012	15.50	(1.05)	11.00	(0.75)	$ (42,729.62)	-6.79%	(1.80)	31/01/2012	20
27597	12/1/2011	12/31/2011	05/01/2012	15.50	1.15	5.00	0.37	$ 46,614.13	7.41%	1.52	31/01/2012	26
Prepaid	4/1/2012	3/31/2015	01/04/2012	547.50	368.65	(1,094.00)	(736.63)	$ 423,727.12	67.33%	(367.98)	30/04/2012	29
					4.96		**5.47**	**$ 629,297.67**	**100.00%**	**(357.55)**		**9.94**

2-EP-13d_Attch 3_Property Tax Expense Lead Time

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Derivation of Property Tax Expense Lead Time

PROPERTY TAXES

City	Period Beginning	Period Ending	Payment Date (Cheque Date)	Payment Amount	Weighting Factor	Service Lead Time	Weighted Service Lead Time	Payment Lead Time	Weighted Payment Lead Time	Weighted Lead Time
A	**B**	**C**	**D**	**E**	**F**	**G = (C - B + 1) / 2**	**H = G X F**	**I = D - C**	**J = I X F**	**K = (H + J)**
SC	1/1/2012	12/31/2012	3/1/2012	$ 37,421	5.5%	183.00	10.14	(305.00)	(16.90)	(6.76)
SC	1/1/2012	12/31/2012	5/3/2012	$ 37,419	5.5%	183.00	10.14	(242.00)	(13.41)	(3.27)
SC	1/1/2012	12/31/2012	8/9/2012	$ 39,570	5.9%	183.00	10.73	(144.00)	(8.44)	2.29
SC	1/1/2012	12/31/2012	9/27/2012	$ 39,569	5.9%	183.00	10.73	(95.00)	(5.57)	5.16
HM	1/1/2012	12/31/2012	2/23/2012	$ 130,807	19.4%	183.00	35.45	(312.00)	(60.45)	(24.99)
HM	1/1/2012	12/31/2012	4/26/2012	$ 130,806	19.4%	183.00	35.45	(249.00)	(48.24)	(12.79)
HM	1/1/2012	12/31/2012	6/21/2012	$ 136,769	20.3%	183.00	37.07	(193.00)	(39.10)	(2.03)
HM	1/1/2012	12/31/2012	9/20/2012	$ 122,797	18.2%	183.00	33.28	(102.00)	(18.55)	14.73
				$ 675,158	**100.0%**		**183.00**		**(210.66)**	**(27.66)**

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2-EP-13e_Attch 4_PILS Average Service Lead Time

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Derivation of PILS Expense Lead Time

PILS

Description	Period Beginning	Period Ending	Payment Date	Payment Amount	Weighting Factor	Service Lead Time	Weighted Service Lead Time	Payment Lead Time	Weighted Payment Lead Time	Weighted Lead Time
A	**B**	**C**	**D**	**E**	**F**	**G = (C - B + 1) / 2**	**H = G X F**	**I = D - C**	**J = I X F**	**K = (H + J)**
Jan	1/1/2012	12/31/2012	1/31/2012	$634,375	8.3%	183.00	15.25	(335.00)	(27.92)	(12.67)
Feb	1/1/2012	12/31/2012	2/29/2012	$634,375	8.3%	183.00	15.25	(306.00)	(25.50)	(10.25)
Mar	1/1/2012	12/31/2012	3/30/2012	$634,375	8.3%	183.00	15.25	(276.00)	(23.00)	(7.75)
Apr	1/1/2012	12/31/2012	4/30/2012	$634,375	8.3%	183.00	15.25	(245.00)	(20.42)	(5.17)
May	1/1/2012	12/31/2012	5/31/2012	$634,375	8.3%	183.00	15.25	(214.00)	(17.83)	(2.58)
Jun	1/1/2012	12/31/2012	6/29/2012	$634,375	8.3%	183.00	15.25	(185.00)	(15.42)	(0.17)
Jul	1/1/2012	12/31/2012	7/31/2012	$634,375	8.3%	183.00	15.25	(153.00)	(12.75)	2.50
Aug	1/1/2012	12/31/2012	8/31/2012	$634,375	8.3%	183.00	15.25	(122.00)	(10.17)	5.08
Sep	1/1/2012	12/31/2012	9/28/2012	$634,375	8.3%	183.00	15.25	(94.00)	(7.83)	7.42
Oct	1/1/2012	12/31/2012	10/31/2012	$634,375	8.3%	183.00	15.25	(61.00)	(5.08)	10.17
Nov	1/1/2012	12/31/2012	11/30/2012	$634,375	8.3%	183.00	15.25	(31.00)	(2.58)	12.67
Dec	1/1/2012	12/31/2012	12/31/2012	$634,375	8.3%	183.00	15.25	-	-	15.25
				$7,612,500	**100.0%**		**183.00**		**(168.50)**	**14.50**

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2-EP-13f_Attch 5_Interest Expense Lead Time

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Derivation of Interest Expense Lead Time

INTEREST EXPENSE

Par Amount	Period Beginning	Period Ending	Frequency	Payment Date	Payment Amount	Weighting Factor	Service Lead Time	Weighted Service Lead Time	Payment Lead Time	Weighted Payment Lead Time	Weighted Lead Time
$40M	1/1/2012	7/1/2012	Semi-Annual	1/20/2012	$ 986,038	9.9%	91.50	9.05	(163.00)	(16.13)	(7.08)
$40M	7/2/2012	12/31/2012	Semi-Annual	7/20/2012	$ 969,962	9.7%	91.50	8.91	(164.00)	(15.96)	(7.06)
$116M	1/1/2012	7/1/2012	Semi-Annual	1/27/2012	$ 4,093,370	41.1%	91.50	37.59	(156.00)	(64.08)	(26.50)
$116M	7/2/2012	12/31/2012	Semi-Annual	7/25/2012	$ 3,915,397	39.3%	91.50	35.95	(159.00)	(62.47)	(26.52)
					$ 9,964,767	**100.0%**		**91.50**		**(158.65)**	**(67.15)**

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2-Energy Probe-14

Ref: Exhibit 2, Tab 4, Appendix 2-3

a) Please show the derivation of the HST revenue lead days of (21.08) and show how this figure relates to the components of the revenue lag.

b) Please show the derivation of the HST cost of power lead days of 43.73 and show how this figure relates to the cost of power lead time of 32.86 days.

Response:

a) HST revenue lead days are used to calculate the working capital expenses related to HST. The derivation of HST on Revenues, and how the (21.08) is used to calculate the working capital expenses related to HST, is provided in the attachment 2-EP-14a_Attch 1_HST Revenues and Working Capital Expenses Related to HST.

b) The HST weighted average lead time calculations of 43.73 are provided in the attachment 2-EP-14b_Attch 2_HST on Cost of Power. The 32.86 expense lead time for Cost of Power is not directly related to the IESO HST expense lead time of 43.75 and the Hydro One HST expense lead time of 42.08. The Cost of Power calculation is a separate component in calculating the Working Capital percent (see table 4 in the Navigant Report). The HST lead time on all expenses (including Cost of Power) is used in deriving the total HST values as per Tables 9 and 10 of the Navigant Report.

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2-EP-14a_Attch 1_HST Revenue and Working Capital Expenses Related to HST

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Derivation of HST on Revenues, and Derivation of Working Capital Expenses Related to HST

HST on Revenues

Service Start	Customer Invoice Date	HST Remittance Date	HST Collection Date	HST Lead Revenues
1/1/2012	2/16/2012	3/31/2012	3/10/2012	(20.66)
2/1/2012	3/18/2012	4/30/2012	4/10/2012	(19.66)
3/1/2012	4/16/2012	5/31/2012	5/9/2012	(21.66)
4/1/2012	5/17/2012	6/30/2012	6/9/2012	(20.66)
5/1/2012	6/16/2012	7/31/2012	7/9/2012	(21.66)
6/1/2012	7/17/2012	8/31/2012	8/9/2012	(21.66)
7/1/2012	8/16/2012	9/30/2012	9/8/2012	(21.66)
8/1/2012	9/16/2012	10/31/2012	10/9/2012	(21.66)
9/1/2012	10/17/2012	11/30/2012	11/9/2012	(20.66)
10/1/2012	11/16/2012	12/31/2012	12/9/2012	(21.66)
11/1/2012	12/17/2012	1/31/2013	1/9/2013	(21.66)
12/1/2012	1/16/2013	2/28/2013	2/8/2013	(19.66)
Average				**(21.08)**

Working Capital Expenses Related to HST

Description	HST Lead/Lag Days	Working Capital Factor	Working Capital Factor (Leap Yr)	Amount 2014	Amount 2015	Amount 2016	Amount 2017	Amount 2018	Amount 2019
HST Rate				13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
Revenues [incl C	(21.08)	-5.77%	-5.76%	$622,203,415	$638,342,404	$664,944,611	$688,586,511	$711,468,938	$734,283,591
Cost of Power	43.73	11.98%	11.95%	$514,946,434	$520,720,617	$542,171,542	$562,422,662	$583,269,859	$602,042,446
OM&A	2.55	0.70%	0.70%	$30,783,301	$29,728,985	$29,849,980	$30,659,445	$31,709,813	$33,108,690

Description	HST Lead/Lag Days	Working Capital Factor	Working Capital Factor (Leap Yr)	Working Capital 2014	Working Capital 2015	Working Capital 2016	Working Capital 2017	Working Capital 2018	Working Capital 2019
HST Rate									
Revenues [incl C	(21.08)	-5.77%	-5.76%	-$4,671,108	-$4,792,269	-$4,978,342	-$5,169,470	-$5,341,257	-$5,512,535
Cost of Power	43.73	11.98%	11.95%	$8,020,726	$8,110,664	$8,421,707	$8,760,209	$9,084,921	$9,377,320
OM&A	2.55	0.70%	0.70%	$28,011	$27,052	$27,088	$27,899	$28,854	$30,127
				$3,377,630	**$3,345,447**	**$3,470,453**	**$3,618,637**	**$3,772,519**	**$3,894,913**

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2-EP-14b_Attch 2_HST on Cost of Power

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HST on Cost of Power

Month	Service Start Date	Service End Date	Payment Date	Payment Amount (with HST)	HST	HST Reimbursement Date	HST Lead Time
Jan	12/1/2011	12/31/2011	1/18/2012	$ 37,271,003	$ 4,652,818	2/29/2012	42.00
Feb	1/1/2012	1/31/2012	2/16/2012	$ 36,695,424	$ 4,649,994	3/31/2012	44.00
Mar	2/1/2012	2/29/2012	3/16/2012	$ 35,804,409	$ 4,494,276	4/30/2012	45.00
Apr	3/1/2012	3/31/2012	4/19/2012	$ 35,445,220	$ 4,492,123	5/31/2012	42.00
May	4/1/2012	4/30/2012	5/16/2012	$ 32,917,989	$ 4,098,373	6/30/2012	45.00
Jun	5/1/2012	5/31/2012	6/18/2012	$ 36,377,914	$ 4,575,897	7/31/2012	43.00
Jul	6/1/2012	6/30/2012	7/18/2012	$ 42,075,108	$ 5,185,677	8/31/2012	44.00
Aug	7/1/2012	7/31/2012	8/17/2012	$ 45,071,338	$ 5,601,906	9/30/2012	44.00
Sep	8/1/2012	8/31/2012	9/19/2012	$ 49,037,911	$ 6,232,568	10/31/2012	42.00
Oct	9/1/2012	9/30/2012	10/17/2012	$ 33,752,068	$ 4,229,715	11/30/2012	44.00
Nov	10/1/2012	10/31/2012	11/15/2012	$ 35,397,949	$ 4,404,298	12/31/2012	46.00
Dec	11/1/2012	11/30/2012	12/18/2012	$ 37,054,401	$ 4,598,159	1/31/2013	44.00
							43.75

HST on Hydro One Portion of Cost of Power

Month	Service Start Date	Service End Date	Payment Date	Payment Amount (with HST)	HST	HST Reimbursement Date	HST Lead Time
Jan	1/7/2012	2/7/2012	3/20/2012	$ 360,083	$ 41,425	4/30/2012	41.00
Feb	2/7/2012	3/7/2012	4/19/2012	$ 353,181	$ 40,631	5/31/2012	42.00
Mar	3/7/2012	4/5/2012	5/18/2012	$ 328,875	$ 37,835	6/30/2012	43.00
Apr	4/5/2012	5/8/2012	6/20/2012	$ 314,343	$ 36,163	7/31/2012	41.00
May	5/8/2012	6/6/2012	7/19/2012	$ 448,754	$ 51,627	8/31/2012	43.00
Jun	6/6/2012	7/6/2012	8/16/2012	$ 514,094	$ 59,144	9/30/2012	45.00
Jul	7/6/2012	8/4/2012	9/18/2012	$ 520,304	$ 59,858	10/31/2012	43.00
Aug	8/4/2012	9/6/2012	10/18/2012	$ 480,216	$ 55,246	11/30/2012	43.00
Sep	9/6/2012	10/5/2012	11/19/2012	$ 427,314	$ 49,160	12/31/2012	42.00
Oct	10/5/2012	11/6/2012	12/18/2012	$ 341,995	$ 39,345	1/31/2013	44.00
Nov	11/6/2012	12/6/2012	1/21/2013	$ 364,672	$ 41,953	2/28/2013	38.00
Dec	12/6/2012	1/8/2013	2/19/2013	$ 426,526	$ 49,069	3/31/2013	40.00
							42.08

HST on Cost of Power Total

Category	Amount	Lead Days	HST	Weighting Factor	Weighted Lead Days	Weighted HST Days
IESO	$ 399,684,930	32.58	43.75	98.93%	32.23	43.28
Hydro One	$ 4,318,900	58.84	42.08	1.07%	0.63	0.45
Total	**$ 404,003,829**			**100.00%**	**32.86**	**43.73**

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2-Energy Probe-15

Ref: Exhibit 2, Tab 5, Schedule 1

a) Please confirm that the stranded meters would be fully depreciated by the end of 2022 if left in rate base. If this cannot be confirmed, please extend Table 2-43 to the year when the stranded meters are fully depreciated if left in rate base.

b) Please confirm that the second option noted on page 4 assumes the $7,974,590 shown in Table 2-42 is transferred to Account 1555 at the end of 2014 and carrying costs are calculated based on the Board approved rate applicable for deferral and variance accounts. If this cannot be confirmed, please indicate what assumptions have been made in calculating the applicable rate riders by rate class.

c) Please explain why the 'revenue requirement' is higher in the second option relative to the first option in Table 2-43. Does the 'revenue requirement' for the second option include the revenue from the rate rider? If yes, what other revenue is included in the second option line, since there would be no true revenue requirement associated with the stranded meters if they are removed from rate base.

d) Please explain how the recovery of $7,974, 590 in stranded assets through a rate rider results in the recovery of more than $9.4 million over the 2015 to 2019 period.

e) Please show the calculation of the rate riders for 2015 and the resulting collection of $2,107,094 in that test year.

Response:

The revenue requirement impacts identified by Horizon Utilities in Table 2-43 on page 5 of Exhibit 2, Tab 5, Schedule 1 calculated the revenue requirement impact of leaving the stranded meters in rate base using a short-term debt cost rate of 2.46% with respect to the deemed short-term debt component supporting the stranded meter component of rate base. Horizon Utilities provides a revised Table 2-43 below which calculates the revenue requirement impact of leaving the stranded meters in rate base using a revised short term debt cost rate of 2.11% as updated in the Ontario Energy Board's letter: Cost of Capital Parameters for 2014 Cost of Service Applications, dated November 25, 2013. The responses below are based on this revised Table 2-43.

Revised Table 2-43

Description	2015	2016	2017	2018	2019	Total 2015-2019	2020	2021	2022	Total 2015-2022
Revenue Requirement with Stranded Meters in Rate Base	$1,529,293	$1,458,298	$1,387,302	$1,320,420	$1,251,044	$6,946,356	$1,178,409	$1,105,775	$1,033,141	$10,263,682
Revenue Requirement with NBV recovered over 5 year IR term	$2,106,089	$1,992,495	$1,878,902	$1,767,503	$1,653,025	$9,398,014	$0	$0	$0	$9,398,014
Difference	($576,795)	($534,198)	($491,600)	($447,082)	($401,982)	($2,451,658)	$1,178,409	$1,105,775	$1,033,141	$865,668

(a) Horizon Utilities confirms that under the first option (proposed approach) on page 4 of Exhibit 2, Tab 5, Schedule 1, the stranded meters would be fully depreciated by the end of 2022 if left in rate base.

(b) Horizon Utilities does not confirm that the second option identified on page 4 of Exhibit 2, Tab 5, Schedule 1 assumes the $7,974,590 shown in Table 2-42 is transferred to Account 1555 at the end of 2014 and carrying costs are calculated based on the Board approved rate applicable for deferral and variance accounts.

The second option (Alternative Approach) identified on page 4 assumes that the stranded meters are left in rate base but are fully and evenly amortized over the five year rate plan term from 2015 to 2019. The stranded meters are left in rate base under both the first and second option. However, the second option accelerates depreciation so that the stranded meters are fully depreciated in 2019 and as such there is no revenue requirement for 2020 to 2022.

Neither the first or second option includes the calculation of rate riders. The stranded meters are left in rate base and Horizon Utilities is proposing recovery of the stranded meters through base rates. Therefore, applicable rate riders by rate class have not been calculated.

(c) The interrogatory presumes that the second option removes the stranded meters from rate base. For both the first and second options, the stranded meters are left in rate base. The difference between the first and second options is discussed in part (b). The revenue requirement from 2015 to 2019 is higher in the second option because depreciation is accelerated to facilitate the recovery of the stranded meters through base rates over a five year period instead of over an eight year period as provided in the first option.

The revenue requirement in the second option does not include revenue from a rate rider.

(d) Horizon Utilities is not proposing to recover $7,974,590 in stranded assets through a rate rider. The revenue requirement in the second option of $9,398,014 assumes that the stranded meters are left in rate base as previously discussed and recovery is through base rates. The recovery of $7,974,590 in stranded assets through base rates results in the recovery of $9.4 million over the 2015 to 2019 period because revenue requirement includes a regulated rate of return component. The implementation of Smart Meters was a public policy change mandated by the Ministry of Energy and as such Horizon Utilities was obligated to replace conventional meters with Smart Meters for all Residential and GS<50kW customers. Please also refer to Horizon Utilities' response to Interrogatory 2-Staff-22 a).

(e) As previously discussed, the second option does not involve the calculation of a rate rider. However, if the second option were to involve recovery via a rate rider, Horizon Utilities has provided the calculation of the rate riders in the table below. Horizon Utilities provides the rate riders based on the revised calculation of the 2015 revenue requirement of $2,106,089 as identified in the revised Table 2-43 above. The calculation of the rate riders assume that the rate riders change every year based on the revenue requirements in the revised Table 2-43. The total amount to be collected of $9,398,014 is not amortized evenly over the five-year period.

1 **Table 1: Rate Rider Calculation**

Customer Class	# of Active Metered Customers (average 2015)	NBV of Stranded Meters including Rate of Return	2015 Monthly Rate Rider	Total Recovery for 2015
Residential	220,565	$1,621,882	$0.61	$1,621,882
GS< 50kW	18,428	$412,293	$1.86	$412,293
GS>50kW	2,198	$71,914	$2.73	$71,914
Total	**241,190**	**$2,106,089**		**$2,106,089**

2

2-Energy Probe-16

Ref: Exhibit 2, Appendix 2-4, Appendix G

Has Horizon filed Material Capital Project Templates for the 2014 bridge year? If yes, please identify where in the evidence they are located. If not, please file them.

Response:

Horizon Utilities has provided material capital project templates for historical years and the 2014 Bridge Year in Exhibit 2, Tab 6, Schedule 3. The material capital project templates for the 2014 Bridge Year are provided on pages 113-134 of the above noted Schedule.

The 2014 material capital project templates contain the planned expenditure amount, a description of the scope and the justification for each project, and were prepared in a manner consistent with the project templates used in Horizon Utilities' 2011 Cost of Service application (EB-2010-0131).

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3-Energy Probe-17

Ref: Exhibit 3, Tab 1, Schedule 2

It does not appear that Horizon has provided spreadsheets that show the estimation of the equations reported in the evidence.

a) Please provide one live Excel spreadsheet for each regression equation that includes all of the data used to estimate the equation, along with the forecast of the explanatory variables used to generate the forecasts, the estimated equations and the forecasts generated by the equations that match the figures shown in the evidence.

b) For each of the above noted spreadsheets, please provide the actual and forecasted number of customers by month in the live spreadsheets.

Response:

a) Horizon Utilities provides 3-EP-17a_Attch 1_Regression Equation Data which consists of one live Excel spreadsheet for each regression equation that includes all of the data used to estimate the equation, along with the forecast of the explanatory variables used to generate the forecasts, the estimated equations and the forecasts generated by the equations that match the figures shown in the evidence.

b) Horizon Utilities provides the actual and forecasted number of customers by month in a separate live spreadsheet labeled 3-EP-17b_Attch 2_Actual and Forecasted Number of Customers.

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3-Energy Probe-18

Ref: Exhibit 3, Tab 1, Schedule 2

a) Please explain why the 20 year average monthly degree days is based on 1993-2012 data (page 7), while the 10 year average and 20 year trend use data up to the end of 2013 (page 32).

b) The evidence states that the regression equations do not need to include the number of customers as an explanatory variable because the impact of the number of customers is captured in the population explanatory variable. However, it does not appear that there is a population explanatory variable included in the equations. Please reconcile and explain.

c) The evidence (page 6) indicates that the forecasts are based on the July 2012 economic outlook from the Conference Board of Canada. Please provide a table that shows each variable used in the regression equations derived from the Conference Board July 2012 forecast and the corresponding value of each of the variables based on the most recent Conference Board forecast available.

Response:

a) The 20 year average monthly degree days are based on data from 1994-2013 as stated on page 32 in Exhibit 3, Tab 1, Schedule 2. The year range provided on page 7 in Exhibit 3, Tab 1, Schedule 2, is incorrect and should read “20 year average monthly degree days based on 1994-2013 data”.

b) The Residential customer forecast model uses the population variable as the primary explanatory variable to forecast future Residential customers. The Residential sales model uses the explanatory variable, real personal disposable income (RPDI). The inclusion of both population and RPDI in the same model would result in multicolinearity, as the RPDI and population variable are closely related. Population is implicitly embedded in RPDI as RPDI growth is a result of employment growth and increasing real wages. Over the long-term, employment growth is driven by population growth.

c) The evidence (page 6) should have indicated that the forecasts were based on the July 2013 economic outlook from the Conference Board of Canada. Horizon Utilities provides a live excel file that shows each variable used in the regression equations derived from the Conference Board July 2013 forecast and the corresponding value of each of the variables based on the most recent Conference Board forecasts available as filed in 3-EP-18c_Attch 1_Conferance Board of Canada Economic Variables.

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3-Energy Probe-19

Ref: Exhibit 3, Tab 1, Schedule 2

a) Please explain the theory behind a positive coefficient on the RPDI variable in the equation and a negative coefficient on the RPDI trend variable. Does this mean that as real personal disposable income increases, residential consumption increases, but if the trend is for increased real personal disposable income, there is a corresponding decrease in residential consumption?

b) Please explain the same concept as in part (a) with respect to the GDP and GDP trend variables in the GS < 50 equation. Does this imply that when GDP grows slower electricity consumption in the GS < 50 class increases, and vice versa?

c) Please show mathematically how each of the RDPI and GDP trend variables is calculated.

Response:

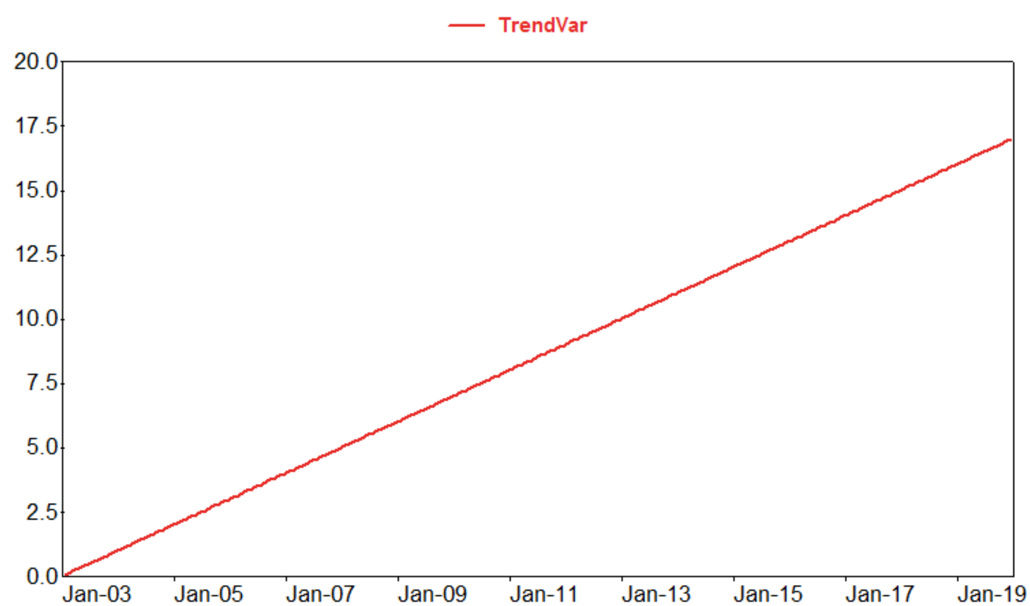
a) RPDI (real personal disposable income) is used to capture the impact of economic growth on residential sales. The relationship between sales and economic growth has been changing over the estimation period largely as a result of improving energy efficiency from appliance replacement, new standards, and past CDM activity. While RPDI has averaged 1.23% annual growth over the estimation period, residential sales on a weather-normalized basis have been flat. The RPDI_Trend model variable is designed to capture the changing relationship between real income and residential sales.

The interaction of the RPDI with a linear trend variable allows the slope of the coefficient on RPDI to change over time. This a common approach for allowing the relationship between a key forecast driver and sales to change over time. To evaluate the impact of RPDI on sales the combined effect of both variables needs to be included. From the estimated regression the calculated contribution of RDPI to predicted monthly sales is: *RPDI Sales Impact = 3.201*RPDI - .048 * RPDI_Trend*. Therefore, the impact of RPDI on sales over the forecast period is always positive but the size of the income impact declines over the forecast period.

b) The logic for the interactive term in the GS<50 kW customer class is the same as that for residential customer class. The primary economic driver in the GS<50 kW class is GDP. The impact of GDP changes over the estimation period as is indicated by the negative coefficient on the GDP_Trend variable. Where GDP has increased 0.7% on an average annual basis over the estimation period (this includes the impact of the 2008 recession), GS<50 kWh sales have averaged just 0.2% average annual growth (weather normalized) over the estimation period. Horizon Utilities believes this impact is largely the result of efficiency improvements from new standards and historical CDM activity. While total impact of GDP on sales is positive over the forecast period, the contribution GDP growth has on sales will slow over time. The total impact of GDP on sales is the sum of each variable times their estimated model coefficient: *GDP Sales impact = 572.9 * GDP -10.425 * GDP_Trend*. Therefore, the impact of GDP on sales over the forecast period is always positive but the size of the GDP impact declines over the forecast period.

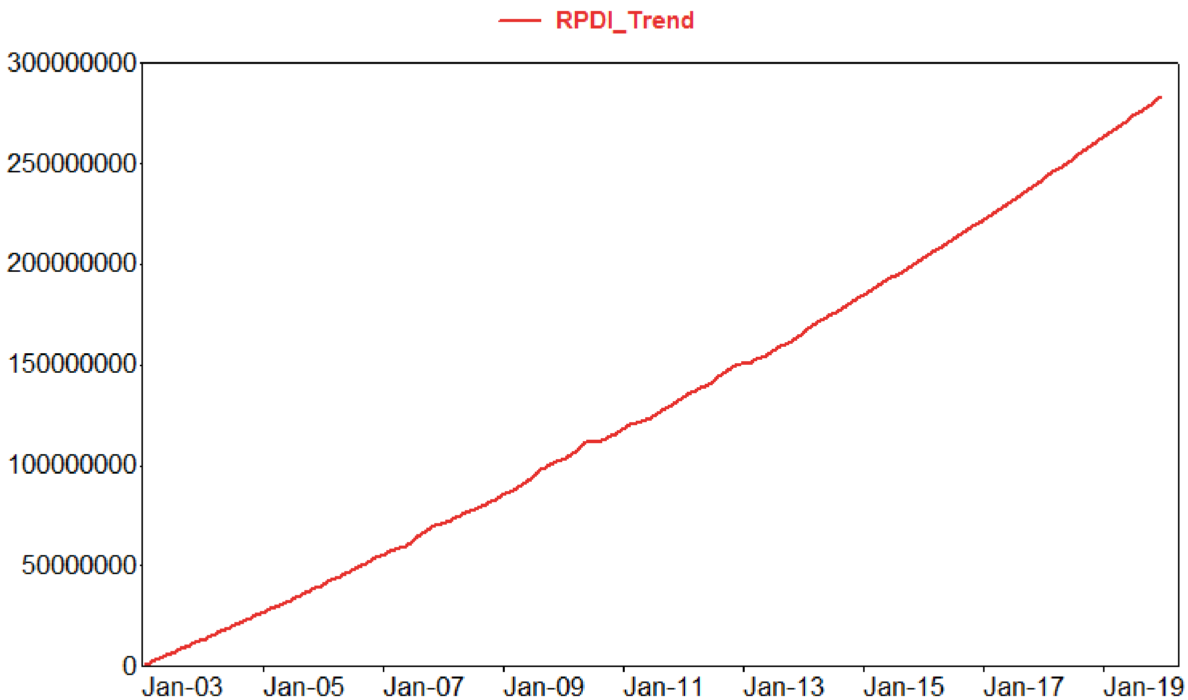
c) The RPDI_Trend is calculated as the product of a monthly linear trend variable and real disposable personal income (RPDI). The trend variable (Trendvar) is calculated as: *Trendvar = (year - 2003)+ month/12.* The calculated trend variable is depicted in Figures 1 through 3 below:

Figure 1: Trend Variable



The RPDI_Trend is calculated as: *RPDI_Trend = RPDI * Trendvar*. The calculated interactive variable is shown in Figure 2 below:

1 **Figure 2: RPDI_Trend Variable**



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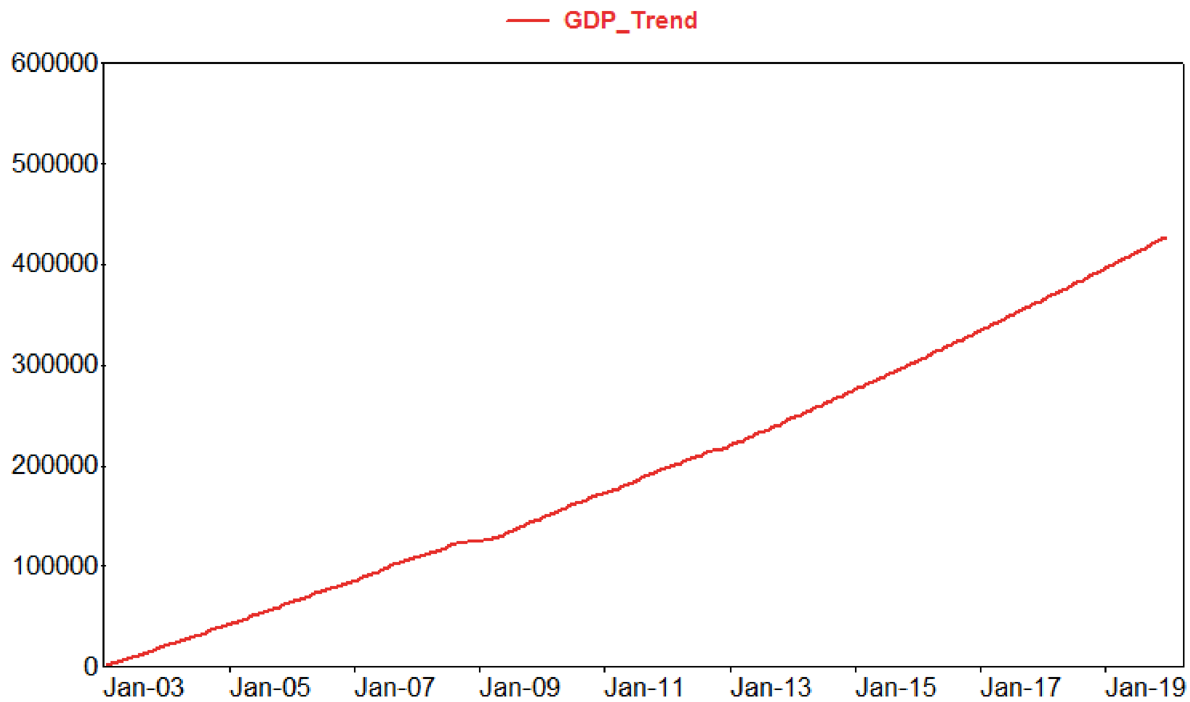
3 The GDP interactive term (*GDP_Trend*) is calculated in a similar manner: *GDP_Trend* =
4 *GDP * Trendvar.* The resulting interactive term is shown in Figure 3 below:

Figure 3: GDP_Trend Variable



3-Energy Probe-20

Ref: Exhibit 3, Tab 1, Schedule 2

Please provide the corresponding data in the same format as Tables 3-13 and 3-14 that shows the development of the kW forecast for the sentinel and street lighting classes.

Response:

Horizon Utilities provides, in Tables 1 through 4, the corresponding data in the same format as Table 3-13 and 3-14 that shows the development of the kW forecast for the sentinel and street lighting classes below.

Table 1: Sentinel Conversion Factor

	kWh's	kW's	Conversion Factor
2010 Actual	535,268	1,466	0.2739%
2011 Actual	494,368	1,401	0.2833%
2012 Actual	500,445	1,468	0.2933%
2013 Actual	477,104	1,365	0.2862%
		Four Year Average	0.2842%

Table 2: Sentinel (kW) Forecast

	(kW)	% Change
2007 Actual	1,743	
2008 Actual	1,664	(4.5%)
2009 Actual	1,542	(7.3%)
2010 Actual	1,466	(4.9%)
2011 Actual	1,401	(4.5%)
2012 Actual	1,468	4.8%
2013 Actual	1,365	(7.0%)
2014 Bridge Year	1,294	(5.3%)
2015 Test Year	1,241	(4.1%)
2016 Test Year	1,185	(4.5%)
2017 Test Year	1,135	(4.2%)
2018 Test Year	1,083	(4.6%)
2019 Test Year	1,030	(4.9%)

Table 3: Street Lighting Conversion Factor

	kWh's	kW's	Conversion Factor
2010 Actual	40,324,005	110,097	0.2730%
2011 Actual	39,350,326	109,877	0.2792%
2012 Actual	39,307,022	109,523	0.2786%
2013 Actual	39,480,566	110,340	0.2795%
		Four Year Average	0.2776%

Table 4: Street Lighting (kW) Forecast

	(kW)	% Change
2007 Actual	109,964	
2008 Actual	110,018	0.0%
2009 Actual	110,133	0.1%
2010 Actual	110,097	(0.0%)
2011 Actual	109,877	(0.2%)
2012 Actual	109,523	(0.3%)
2013 Actual	110,340	0.7%
2014 Bridge Year	110,065	(0.2%)
2015 Test Year	110,006	(0.1%)
2016 Test Year	109,948	(0.1%)
2017 Test Year	109,890	(0.1%)
2018 Test Year	109,831	(0.1%)
2019 Test Year	109,773	(0.1%)

3-Energy Probe-21

Ref: Exhibit 3, Tab 2, Schedule 1

Please provide live Excel spreadsheets that contain the estimated equations, historical data and forecasted explanatory variable that result in the customer forecast shown for residential, GS < 50 and GS > 50 customers.

Response:

Horizon Utilities provides the live Excel spreadsheets that contain the estimated equations, historical data, and forecasted explanatory variables that result in the customer forecasts shown for Residential, GS<50kW, and GS>50kW customers as 3-EP-21_Attch 1_Estimated Equations for Customers.

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3-Energy Probe-22

Ref: Exhibit 3, Tab 3, Schedule 2

a) Please confirm that the 2013 column in Table 3-41 is an actual figure.

b) Please explain why there is no interest income forecast for 2015 through 2017.

Response:

a. Horizon Utilities confirms that the 2013 column in Table 3-41 is an actual amount. The updated table below (also provided in response to 3-Staff-25) shows the correct header and amounts for this column.

Table 3-41 - Interest and Dividend Income

	2011 Actual	2012 Actual	2013 Actual	2014 Budget	2015 Budget	2016 Budget	2017 Budget	2018 Budget	2019 Budget
Bank Deposit Interest	$ 3,994	$ 204,994	$ 293,493	$ 104,099	$ -	$ -	$ -	$ 70,098	$ 82,265
Interest Income on Regulatory Deferral/Variance Acct Balances	$ 139,803	$ 292,563	$ 26,839						
Inter-company interest income	$ 4,757	$ -							
Total	**$ 148,554**	**$ 497,557**	**$ 320,332**	**$ 104,099**	**$ -**	**$ -**	**$ -**	**$ 70,098**	**$ 82,265**

b. For an explanation of why there is no interest income forecast for 2015 to 2017 please see Horizon Utilities' response to Interrogatory 3-Staff-25.

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3-Energy Probe-23

Ref: Exhibit 3, Tab 3, Schedule 1

a) How many months of actual revenues are reflected in the 2014 bridge year column in Table 3-40?

b) Please provide a table in the same level of disaggregation as Table 3-40 that shows the most recent year-to-date figures for 2014 in one column and the figures for the corresponding period in 2013 in another column.

c) Please explain the increase in 2013 and subsequent decrease in 2014 in rent from electric property by showing the components of this revenue along with an explanation from any one-time revenue received in 2013.

d) Please explain the drop in revenue in 2014 from revenues from merchandise.

e) Please explain the decrease in late payment charges forecast for 2014 and then remaining at this level in 2015 through 2019 despite an increase forecast for bad debt expense over this period.

Response:

a) Table 3-40 includes budgeted revenues only for the 2014 bridge year.

b) Table 1 below provides a comparison of Other Operating Revenues for the 5 month periods ending May 2013 and May 2014.

Table 1: Other Operating Revenue

USoA #	USoA Description	2013 May YTD Actual (5 months)	2014 May YTD Actual (5 months)
	Reporting Basis	MIFRS	MIFRS
4235	Miscellaneous Services Revenues	549,059	463,784
4225	Late Payment Charges	333,447	382,545
4080	Distribution Services Revenue (SSS Charge)	294,490	293,673
4082	Retail Services Revenues	98,262	84,979
4084	Services Transactions Requests (STR) Revenues	3,290	2,334
4210	Rent from Electric Property	514,844	579,672
4325	Revenues from Merchandise	111,444	132,781
4390	Miscellaneous Non-Operating Income	276,570	268,214
4405	Interest and Dividend Income	159,008	108,186
Miscellaneous Services Revenues		549,059	463,784
Late Payment Charges		333,447	382,545
Other Distribution Revenue		910,885	960,658
Other Income or Deductions		547,022	509,181
Total		**$ 2,340,412**	**$ 2,316,168**

c) Rent from Electric Property increased in 2013 by $566,928 from the settlement of a joint use agreement with another utility using Horizon Utilities' duct banks in prior periods. Without this one-time revenue from the joint use settlement in 2013, Rent from Electric Property is budgeted to increase in 2014 by 8%.

Table 2 below shows the components of the Rent from Electric Property revenue for 2013.

Table 2: Rent from Electric Property

USoA #	USoA Description	2013 Actual
	Reporting Basis	**MIFRS**
4210	Rental income - Pole and duct	1,218,812
4210	Rental income - Pole and duct - Prior Yrs Settlement	566,928
4210	Building rental - John Street	10,590
4210	Building rental - Stoney Creek	4,000
4210	Building rental - Governor's Road	4,418
4210	Building rental - Nebo Rd.	18,000
4210	Building rental - St. Catharines	4,000
Total	Rent from Electric Property	**1,826,748**

d) Revenues from Merchandising arise primarily from recoverable work done as a result of accidental pole hits or contact to underground infrastructure by the public, which fluctuate based on circumstances beyond Horizon Utilities' control. Accordingly, the budgeted amount for 2014 ($180,000) is based on the actual average merchandising revenue of the 30 months (January 2011 to June 2013) prior to the budget preparation, a level which Management expects will be sustained for 2014, although below the historical peak level of 2013.

e) Horizon Utilities considers a number of factors in the development of its forecast for both late payment charge revenue and bad debt expense including: economic projections; customer growth; account balance growth; credit and collection policies; Customer Service collection effectiveness; and actual historical experience. Although many of these considerations impact both late payments and bad debts, the weighing of these factors in the individual forecast differs based on management judgment.

Revenue from late payment charges has been trending downward in recent years, from $918,231 in 2011 to $842,431 in 2013. This trend is attributed to the implementation of the Arrears Management Program ("AMP") under the Ontario Energy Board's amended

Customer Service Rules and due to the implementation of an additional collection notice. Under the amended AMP, once the customer enters the AMP, late payment charges are no longer accumulated. The additional collection notice, referred to as the "friendly reminder", is being sent to all customers starting from 2011 and is contributing to the reduced level of late payment revenue. Horizon Utilities expects this downward trend from AMP and Customer Service diligence to continue and to offset any effect from growth in customers and balances. Consequently, Horizon Utilities anticipates late payment charges for 2014 to 2019 to be relatively stable at a level ($825,000) within 2% of 2013.

The bad debt forecast is further elaborated in Horizon Utilities' response to Interrogatory 4.0-VECC-39 and in Exhibit 4, Tab 3, Schedule 2, pages 11-12.

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4-Energy Probe-24

**Ref: Exhibit 4, Tab 1, Schedule 1 &
Exhibit 4, Tab 2, Schedule 3**

a) Please explain the difference in the customer numbers between Tables 4-2 and 4-20.

b) Please provide a version of Table 4-2 that reflects the customer numbers used in Table 4-20.

c) Please explain the source of the historical non-labour inflation index used for 2012 and 2013.

d) Please explain the source of the historical and forecast labour inflation index used.

Response:

a) Horizon Utilities incorrectly reported the customer numbers in Table 4-2 and Table 4-20. Horizon Utilities has restated Table 4-2 and Table 4-20 using the correct customer numbers as identified in Table 3-29 in Exhibit 3, Tab 2, Schedule 1. The restated Table 4-20 is below. The restated Table 4-2 is provided in part b) of this interrogatory response.

Table 4-20.1 OM&A per Customer and per FTE 2011-2019 (with correction to Customer Counts)

	Last Rebasing Year -2011- Board Approved	Last Rebasing Year - 2011- Actual	2012 Actual	2013 Actual	2014 Bridge Year	2015 Test Year	2016 Test Year	2017 Test Year	2018 Test Year	2019 Test Year
Reporting Basis	CGAAP	CGAAP	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS
Number of Customers	237,031	237,305	238,488	240,114	241,692	243,319	245,123	247,036	249,021	250,909
Total Recoverable OM&A from Appendix 2-JB	$ 42,136,201	$ 41,644,654	$ 51,478,365	$ 54,516,506	$ 60,387,369	$ 62,632,679	$ 64,394,131	$ 66,255,827	$ 67,708,658	$ 69,140,489
OM&A cost per customer	$ 177.77	$ 175.49	$ 215.85	$ 227.04	$ 249.85	$ 257.41	$ 262.70	$ 268.20	$ 271.90	$ 275.56
Number of FTEs	349	328	333	335	355	348	345	344	344	344
Customers/FTEs	679	724	717	717	682	700	711	718	723	729
OM&A Cost per FTE	$ 120,699.52	$ 127,058.38	$ 154,729.08	$ 162,735.84	$ 170,340.38	$ 180,103.17	$ 186,649.65	$ 192,458.68	$ 196,678.84	$ 200,838.00

b) Horizon Utilities has provided a version of Table 4-2 below that incorporates the customer numbers used in Table 4-20.1 above.

Table 4-2.1 OM&A Trend Analysis: Forecast vs. Price Cap (with correction to Customer Counts)

		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)	237,031	238,488	240,114	241,692	243,319	245,123	247,036	249,021	250,909
	Total OM&A/ Customer - Application	$ 216.35	$ 215.85	$ 227.04	$ 249.85	$ 257.41	$ 262.70	$ 268.20	$ 271.90	$ 275.56
	Year over Year Change in OM&A/ Customer		$ (0.50)	$ 11.19	$ 22.81	$ 7.56	$ 5.29	$ 5.50	$ 3.70	$ 3.66
	Cumulative/ Permanent Change in OM&A/ Customer Cost Structure		$ (0.50)	$ 10.69	$ 33.50	$ 41.06	$ 46.35	$ 51.85	$ 55.55	$ 59.21
	Customer Growth Rate - Annual		0.61%	0.68%	0.66%	0.67%	0.74%	0.78%	0.80%	0.76%
	OM&A/ Customer Growth Rate per Application									
	Year over Year per Application		-0.23%	5.18%	10.05%	3.02%	2.06%	2.09%	1.38%	1.35%
	Cumulative from 2011 Approved		-0.23%	4.94%	15.48%	18.98%	21.42%	23.97%	25.67%	27.37%
	CAGR - Total Actual OM&A Growth		-0.23%	2.44%	4.92%	4.44%	3.96%	3.65%	3.32%	3.07%
	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)	$ 216.35	$ 220.83	$ 226.12	$ 231.64	$ 236.68	$ 241.86	$ 247.15	$ 252.55	$ 258.08
	Price Cap OM&A/ Customer Growth (Year over Year)		$ 4.48	$ 5.29	$ 5.52	$ 5.04	$ 5.17	$ 5.29	$ 5.40	$ 5.53
	Price Cap OM&A/ Customer Growth (Cumulative)		$ 4.48	$ 9.77	$ 15.29	$ 20.33	$ 25.51	$ 30.79	$ 36.20	$ 41.73
	Difference - Application vs. Price Cap OM&A (Cumulative)		$ (4.98)	$ 0.92	$ 18.21	$ 20.73	$ 20.84	$ 21.06	$ 19.35	$ 17.48
	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)		$ (0.50)	$ 10.69	$ 33.50	$ 41.06	$ 46.35	$ 51.85	$ 55.55	$ 59.21
	Less: Net Inflationary Growth (Price Cap)		4.48	9.77	15.29	20.33	25.51	30.79	36.20	41.73
	Real Growth in OM&A/ Customer vs. 2011 Approved		$ (4.98)	$ 0.92	$ 18.21	$ 20.73	$ 20.84	$ 21.06	$ 19.35	$ 17.48
(ii)	**Projected OM&A under Price Cap (B = D * E) (rounded)**		**$ 52,700,000**	**$ 54,300,000**	**$ 56,000,000**	**$ 57,600,000**	**$ 59,300,000**	**$ 61,100,000**	**$ 62,900,000**	**$ 64,800,000**
(iii)	**Real OM&A Growth - Application vs. Price Cap (C = A - B) (rounded)**	**51,281,957**	**$ (1,200,000)**	**$ 200,000**	**$ 4,400,000**	**$ 5,000,000**	**$ 5,100,000**	**$ 5,200,000**	**$ 4,800,000**	**$ 4,300,000**

c) The historical non-labour inflation rates of 1.70% and 2.20% for 2012 and 2013 respectively are price escalators prescribed by the Board for each IRM period. The 2012 rate was announced on Nov 10th, 2011 and the 2013 rate was announced on Oct 4th 2012. (Please refer to the source: http://www.ontarioenergyboard.ca/oeb/Industry/Regulatory%20Proceedings/Applications%20Before%20the%20Board/Electricity%20Distribution%20Rates/3rd%20Gen%20Stretch%20Factors)

d) The historical labour inflation index is based on average actual increases to base salaries and negotiated wage rates. The forecast labour inflation index was based on a number of factors. Horizon Utilities considered negotiated settlements in the Hamilton area and Ontario, the Consumer Price Index, commentary from Mercer regarding non-union salary and structure budget adjustments for 2011, 2012 and 2013 (as referenced in Exhibit 4, Tab 4, Appendix 4-5) and participation in salary surveys.

4-Energy Probe-25

Ref: Exhibit 4, Tab 2, Schedule 1

a) How many months of actual expenses are included in Table 4-8 for the 2014 bridge year?

b) Please provide an updated version of Table 4-8 that reflects actual year-to-date OM&A expenses incurred and the forecast for the rest of the year.

c) Please provide a table in the same level of detail as found in Table 4-8 that shows the most recent year-to-date OM&A expenses available, along with the figures for the corresponding period in 2013.

d) Do the donations shown in Table 4-8 include any donations other than those related to LEAP? If yes, please identify and quantify by year any other donations included in the table.

Response:

a) The 2014 bridge year amounts are based on budget and do not include any actual OM&A expenses. Refer to (b) for an updated version of Table 4-8 that reflects May 2014 year-to-date OM&A expenses and 7 months of forecast.

b) Table 4-8.1 below provides actual May year-to-date OM&A expenses and 7 months of forecast for the 2014 bridge year.

Table 4-8.1 Summary of Recoverable OM&A Expenses with 2014 Forecast

	Last Rebasing Year (2011 Board-Approved)	Last Rebasing Year (2011 Actual)	2011 Actual restated with Smart Meters	2012 Actual	2013 Actual	2014 Bridge Year (Forecast)	2015 Test Year	2016 Test Year	2017 Test Year	2018 Test Year	2019 Test Year
Reporting Basis	CGAAP	CGAAP	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS
Operations	$ 15,787,962	$ 15,431,149	$ 23,396,603	$ 24,353,827	$ 25,708,382	$ 30,572,089	$ 31,084,364	$ 31,890,317	$ 32,645,901	$ 33,529,011	$ 34,181,330
Maintenance	$ 4,514,428	$ 4,222,626	$ 4,222,626	$ 3,400,949	$ 4,219,425	$ 2,932,101	$ 3,486,620	$ 3,613,989	$ 3,708,903	$ 3,808,133	$ 3,903,135
SubTotal	**$ 20,302,390**	**$ 19,653,775**	**$ 27,619,229**	**$ 27,754,776**	**$ 29,927,807**	**$ 33,504,191**	**$ 34,570,984**	**$ 35,504,306**	**$ 36,354,803**	**$ 37,337,143**	**$ 38,084,465**
%Change (year over year)				41.2%	7.8%	12.0%	3.2%	2.7%	2.4%	2.7%	2.0%
%Change (Test Year vs Last Rebasing Year - Actual)							75.9%	80.6%	85.0%	90.0%	93.8%
Billing and Collecting	$ 8,437,861	$ 8,307,921	$ 8,307,921	$ 9,022,692	$ 8,400,090	$ 9,527,553	$ 9,965,710	$ 10,197,508	$ 10,753,379	$ 10,709,232	$ 10,864,119
Community Relations	$ 35,000	$ 0	$ 0	$ (0)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Administrative and General	$ 12,878,150	$ 13,148,552	$ 14,328,855	$ 14,466,571	$ 15,768,966	$ 16,817,569	$ 17,660,247	$ 18,245,269	$ 18,692,289	$ 19,199,676	$ 19,719,835
SubTotal	**$ 21,351,011**	**$ 21,456,473**	**$ 22,636,776**	**$ 23,489,263**	**$ 24,169,056**	**$ 26,345,122**	**$ 27,625,957**	**$ 28,442,778**	**$ 29,445,668**	**$ 29,908,908**	**$ 30,583,954**
%Change (year over year)				9.5%	2.9%	9.0%	4.9%	3.0%	3.5%	1.6%	2.3%
%Change (Test Year vs Last Rebasing Year - Restated)							22.0%	25.6%	30.1%	32.1%	35.1%
Total	**$ 41,653,401**	**$ 41,110,249**	**$ 50,256,006**	**$ 51,244,039**	**$ 54,096,863**	**$ 59,849,312**	**$ 62,196,942**	**$ 63,947,083**	**$ 65,800,472**	**$ 67,246,052**	**$ 68,668,419**
%Change (year over year)				24.7%	5.6%	10.6%	3.9%	2.8%	2.9%	2.2%	2.1%
Property taxes not included in OM&A	$ 337,800	$ 396,097	$ 396,097	$ 50,574	$ 294,779	$ 288,002	$ 300,190	$ 304,693	$ 309,263	$ 313,902	$ 318,611
Donations (inclusive of LEAP)	$ 145,000	$ 138,308	$ 138,308	$ 183,752	$ 124,863	$ 126,798	$ 135,547	$ 142,354	$ 146,092	$ 148,704	$ 153,459
Total (including Property taxes and LEAP donations	**$ 42,136,201**	**$ 41,644,654**	**$ 50,790,411**	**$ 51,478,365**	**$ 54,516,505**	**$ 60,264,113**	**$ 62,632,679**	**$ 64,394,131**	**$ 66,255,827**	**$ 67,708,658**	**$ 69,140,489**

	Last Rebasing Year (2011 Board-Approved)	Last Rebasing Year (2011 Actual)	2011 Actual restated with Smart Meters	2012 Actual	2013 Actual	2014 Bridge Year (Forecast)	2015 Test Year	2016 Test Year	2017 Test Year	2018 Test Year	2019 Test Year
Operations	$ 15,787,962	$ 15,431,149	$ 23,396,603	$ 24,353,827	$ 25,708,382	$ 30,572,089	$ 31,084,364	$ 31,890,317	$ 32,645,901	$ 33,529,011	$ 34,181,330
Maintenance	$ 4,514,428	$ 4,222,626	$ 4,222,626	$ 3,400,949	$ 4,219,425	$ 2,932,101	$ 3,486,620	$ 3,613,989	$ 3,708,903	$ 3,808,133	$ 3,903,135
Billing and Collecting	$ 8,437,861	$ 8,307,921	$ 8,307,921	$ 9,022,692	$ 8,400,090	$ 9,527,553	$ 9,965,710	$ 10,197,508	$ 10,753,379	$ 10,709,232	$ 10,864,119
Community Relations	$ 35,000	$ 0	$ 0	-$ 0	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Administrative and General	$ 12,878,150	$ 13,148,552	$ 14,328,855	$ 14,466,571	$ 15,768,966	$ 16,817,569	$ 17,660,247	$ 18,245,269	$ 18,692,289	$ 19,199,676	$ 19,719,835
Total	**$ 41,653,401**	**$ 41,110,249**	**$ 50,256,006**	**$ 51,244,039**	**$ 54,096,863**	**$ 59,849,312**	**$ 62,196,942**	**$ 63,947,083**	**$ 65,800,472**	**$ 67,246,052**	**$ 68,668,419**
%Change (year over year)				24.7%	5.6%	10.6%	3.9%	2.8%	2.9%	2.2%	2.1%
Property taxes not included in OM&A	$ 337,800	$ 396,097	$ 396,097	$ 50,574	$ 294,779	$ 288,002	$ 300,190	$ 304,693	$ 309,263	$ 313,902	$ 318,611
Donations (inclusive of LEAP)	$ 145,000	$ 138,308	$ 138,308	$ 183,752	$ 124,863	$ 126,798	$ 135,547	$ 142,354	$ 146,092	$ 148,704	$ 153,459
Total (including Property taxes and LEAP donations	**$ 42,136,201**	**$ 41,644,654**	**$ 50,790,411**	**$ 51,478,365**	**$ 54,516,505**	**$ 60,264,113**	**$ 62,632,679**	**$ 64,394,131**	**$ 66,255,827**	**$ 67,708,658**	**$ 69,140,489**

c) Table 4-8.2 below provides actual May year-to-date OM&A expenses for 2014 and comparative figures for 2013.

Table 4-8.2 Summary of Recoverable OM&A for Jan to May 2014 v Jan to May 2013

	2014 (5 months actuals)	2013 (5 months actuals)
Reporting Basis	MIFRS	MIFRS
Operations	$ 11,334,871	$ 10,577,345
Maintenance	$ 1,455,063	$ 1,497,328
SubTotal	**$ 12,789,934**	**$ 12,074,673**
%Change (year over year)	5.9%	
%Change (Test Year vs Last Rebasing Year - Actual)		
Billing and Collecting	$ 3,799,116	$ 3,732,448
Community Relations		
Administrative and General	$ 7,512,513	$ 6,234,789
SubTotal	**$ 11,311,629**	**$ 9,967,237**
%Change (year over year)	13.5%	
%Change (Test Year vs Last Rebasing Year - Restated)		
Total	**$ 24,101,563**	**$ 22,041,911**
%Change (year over year)	9.3%	
Property taxes not included in OM&A	$ 120,000	$ 114,844
Donations (inclusive of LEAP)	$ 126,798	$ 124,863
Total (including Property taxes and LEAP donations	**$ 24,348,361**	**$ 22,281,618**

	2014 (5 months actuals)	2013 (5 months actuals)
Operations	$ 11,334,871	$ 10,577,345
Maintenance	$ 1,455,063	$ 1,497,328
Billing and Collecting	$ 3,799,116	$ 3,732,448
Community Relations	$ -	$ -
Administrative and General	$ 7,512,513	$ 6,234,789
Total	**$ 24,101,563**	**$ 22,041,911**
%Change (year over year)	9.3%	
Property taxes not included in OM&A	$ 120,000	$ 114,844
Donations (inclusive of LEAP)	$ 126,798	$ 124,863
Total (including Property taxes and LEAP donations	**$ 24,348,361**	**$ 22,281,618**

d) Horizon Utilities has not included any charitable or political donations in the revenue requirement for the term of the rate plan, other than contributions to programs that provide assistance to low income consumers as identified in Table 4-8 and Table 4-73. Table 4-8 does include donations other than those related to LEAP in years 2011 and 2012. The table below quantifies the other donations. For 2013 to 2019, the donations amounts are wholly relating to LEAP.

Table 1: Donations

	2011 Actual	2012 Actual	2013 Actual	2014 Bridge Year	2015 Test Year	2016 Test Year	2017 Test Year	2018 Test Year	2019 Test Year
LEAP donations per Table 4-73	$122,667	$123,528	$124,863	$129,000	$135,547	$142,354	$146,092	$148,704	$153,459
Other donations	$15,641	$60,224	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total donations per Table 4-8	$138,308	$183,752	$124,863	$129,000	$135,547	$142,354	$146,092	$148,704	$153,459

4-Energy Probe-26

Ref: Exhibit 4, Tab 2, Schedule 2

a) Please provide a disaggregation of the $2,759,704 third party costs associated with the 2015 Custom IR application and the year in which the costs were or are forecasted to be incurred.

b) Please confirm that the cost incurred or forecast to be incurred before 2015 are not included in 2012, 2013 or 2014 in the data shown in Table 4-20, but only in 2015 through 2019 at a cost of $551,941. If this cannot be confirmed, please indicate the amount included in 2012, 2013 and 2014 associated with this total cost.

Response:

a) Please see Horizon Utilities' response to Interrogatory 4-CCC-32.

b) Horizon Utilities confirms that costs incurred before 2015 are not included in the 2012, 2013 and 2014 data as shown in Table 4-20, but are recognized in years 2015 to 2019 at an annual cost of $551,941.

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4-Energy Probe-27

Ref: Exhibit 4, Tab 2, Schedule 2

a) Table 4-17 shows levels of expenditures in 2015 through 2019 of $551,941 for the 2015 Custom IR application. What was the amount embedded in 2011 base rates from the last COS application for that application? Please confirm that these costs were amortized over the 2011 through 2014 period. If not, please explain how these costs were recovered.

b) What were the costs associated with the last collective agreement bargaining process?

c) For each of the new business items shown in Table 4-17 please provide the reduction in OM&A costs (if any) built into each of 2015 through 2019 and provide details of the value to be received by customers for each of the items.

d) Please provide the cost of the Kinetrics and KPMG studies noted on page 26 and the year in which those costs are included in Table 4-20.

e) Please explain why Horizon is not proposing to amortize the costs associated with the ACA studies over the 2015 through 2019 period, or the 2014 through 2019 period.

f) A number of the new business requirements shown in Table 4-17 appear to be one-time costs incurred in the historical or bridge years, with no costs shown for any of the test years. Is this a fair characterization of these costs? If not, why not?

g) For each of the new business requirements shown in the 2014 bridge year, please provide a status update on the projects, including the most recent year-to-date forecast of actual expenditures and a forecast for the remainder of the bridge year.

Response:

a) Horizon Utilities confirms that a total of $960,000 ($240,000 per year over four years 2011 - 2014) was embedded into base rates for costs to prepare the 2011 Cost of Service Application (EB-2010-0131).

b) Please refer to Horizon Utilities' response to Interrogatory 4-CCC-31 for costs associated with the last collective agreement bargaining process.

c) Table 1 below shows the new business initiatives which will generate a reduction in costs. These savings are described in further detail in the Productivity Section of Exhibit 4, Tab 3, Schedule 4. Those initiatives that are not shown to generate productivity savings have been undertaken specifically to comply with legislated or regulatory requirements (e.g. GEA, Cost of Service Application 2015, Asset Condition Assessment, Regulatory Compliance Review, Load Forecast Model), to upgrade end of life technology and applications (GIS/ OMS and Network Core Switch) and to fulfill its duty as a Union employer (Collective Bargaining).

Table 1: New Business Requirements

New Business Requirements	Reduction in OM&A costs built into 2015 - 2019
Sustainability/ Risk Mitigation	
ERP upgrade	Annual sustained savings of $960,000, Table 4-51
Enterprise Unified Communications	Annual sustained savings of $280,000, Table 4-51
Return on Investment	
Planning and Scheduling	Annual sustained savings of $100,000, Table 4-49
e-mobile	Annual sustained savings of $1,750,000, Table 4-46
Activity Based Costing	Annual sustained savings of $200,000, Table 4-52
Cognos	Annual sustained savings of $100,000, Table 4-52

With the exception of the Corporate Website initiative, the New Business Requirements listed in Exhibit 4, Table 4-17 are undertaken with the primary aim of achieving the outcomes set out in the RRFE of Operational Effectiveness and Public Policy responsiveness. Driving operational efficiency has direct impact to the customer by yielding productivity and controlling costs, as the savings generated from these initiatives are being passed on to the customers through lower rates.

The benefits to the customer of each new business requirement are as follows:

GIS/ OMS - As described in Exhibit 2, Tab 6, Schedule 1, page 72, 73 of 74, the implementation of the Outage Management (OMS) initiative will provide a meaningful reduction in the duration of service outages, and enable multiple bi-directional communication channels to provide customers timely outage awareness and restoration information and greater transparency into system operation activities.

Corporate Website - This project involved a redesign of the Horizon Utilities website to create a more user-friendly and interactive website for customers. The benefit to the customer of this project include enhanced self-service and account management tools, the provision of outage and restoration information, and increased accessibility for customers with personal devices to Horizon Utilities' new mobile website. Further details can be found in Exhibit 1, Tab 2, Schedule 2 on page 2 and Exhibit 4, Tab 2, Schedule 2, page 4.

ERP upgrade – In 2015, the IFS ERP Upgrade will provide approximately $700,000 in staff productivity improvements/capacity in addition to the $260,000 savings generated by previous phases of this ERP upgrade, as identified in Exhibit 4, Tab 3, Schedule 4, Page 33, Line 11 in effect expanding capacity without increased staff.

In 2018, the next planned IFS ERP Upgrade is required to maintain vendor support for this business critical system as explained in Exhibit 4, Tab 3, Schedule 4, Page 33, Line 16. At this time, Horizon Utilities will realize the benefits of the 2014 IFS ERP Upgrade Phase 2 by avoiding an estimated $658,000 in capital expenditure upgrade costs on modifications, removed during Phase 2. For Horizon Utilities customers this translates to $130,000 in operating expenditure avoidance related to annual depreciation as identified in Exhibit 4, Tab 3, Schedule 4, page 33, line 23.

Collective Bargaining – Collective bargaining serves to support a more harmonious and positive labour environment, enabling a high performance workplace where labour and management jointly engage in problem solving and address key issues that may impact Horizon Utilities ability to deliver business results and superior customer service. The successful negotiation of a new collective agreement will promote workforce stability and budgetary predictability, which in turn allows for continuity in customer service.

Network Core Switch upgrade – This is a risk mitigation project to ensure continued vendor support for the network core switch and software managing data traffic across Horizon Utilities data networks. The benefit to customers is the continued ability for the staff of Horizon Utilities to work in a secure, multi-network, multi-location environment to deliver services to customers.

Enterprise Unified Communications –The benefits to Horizon Utilities customers is an increase in staff work capacity of approximately 786 days or $280,000 per year by increasing the amount of staff work time available through use of technologies that will provide the productivity improvements identified in the Enterprise Unified Communications section Exhibit 4, Tab 3, Schedule 4, page 34, line 1.

Green Energy Act – This project involves the deployment of automated switches, reclosers and fault indicators. This automation will increase service reliability and reduce the impact and frequency of service interruptions.

Cost of Service Application 2015 – A five year rate application provides rate stability to Horizon Utilities' customers for a five year period and revenue assurance for the utility to ensure investment into the infrastructure. This is a direct benefit to the customer as it provides a definitive budget and investment strategy for the utility to move forward with capital build and infrastructure renewal, the largest component of the application, without delays in rate and expenditures approvals, thereby increasing service reliability to customers.

Asset Condition Assessments – Through the detailed assessments and studies, Horizon Utilities has a better understanding of the state of its distribution assets and is able to better plan future capital investments accordingly. This information provides the basis for determining the future investment requirements in distribution system infrastructure and adequate timing for these expenditures, for the purpose of delivering sustainable service to customers at a reasonable cost.

Regulatory Compliance Review – Horizon Utilities is committed to ensuring corporate policies across the organization are reviewed and updated to incorporate recent changes to legislation requirements. A review of the Corporate Retention Policy commenced in 2013 and additional work will be completed in 2014 to assess future resource needs.

This provides a benefit to the customer knowing that Horizon Utilities updates and reviews its corporate policies to recognize new legislation and regulations.

Load Forecast Model – This project brought the Load Forecast Model in house with a new system, creating internal expertise which has resulted in rate class specific sales forecasts.

Planning and Scheduling – The implementation of the Planning and Scheduling system and process in 2012 contributed to a reduction in overtime costs of approximately $100,000 as a result of improved scheduling of projects within normal business hours. These savings are sustained through the Test Years which directly benefits the customer through rate growth containment.

Prior to the implementation of planning and scheduling process improvements and the creation of a master schedule, not all the work demand could be matched against crew capacity on a weekly or monthly basis. One of the results of this incomplete integration of demand versus capacity is that on some days, crews are not fully utilized and on other days, extension of the work day into overtime would occur in order to complete jobs. The master schedule now includes all planned capital, all planned maintenance work, planned vacation, and expected absence due to illness and training, which supports a more efficient match of work requirements against labour capacity and in doing so, Horizon Utilities is able to more effectively schedule customer service work allowing it to better meet customer requested in-service dates with fewer delays and interruptions to the schedule.

e-mobile – As of the end of the 2014 Bridge Year, e-mobile will have permanently reduced operating expenditures by $210,000 annually as compared to 2011. These savings will be sustained through the Test Years. The savings are primarily a result of the permanent elimination of two FTE positions within Customer Services, and reduction in paper and printing costs as identified in Exhibit 4, Tab 3, Schedule 4, beginning on page 8.

Customer benefits of the e-mobile initiative include the direct benefit of cost containment, timely resolution of service order requests through automation, and the redeployment of staff from clerical tasks to value-added work that is customer service oriented.

ABC – This 2015 initiative is expected to yield savings of $200,000 of more efficient business processes. These savings are sustained through the Test Years.

The provision of accurate costing of Horizon's activities will enable improved decision making by identifying activities that are inefficient or excessively resource intensive. This would lead to better cost control which benefits the customer through rate growth containment.

Cognos - The implementation of the budgeting system and process in 2013 is expected to provide labour time savings of $100,000 per year. These savings are sustained through the Test Years which directly benefits the customer through rate growth containment.

d) The cost of the Kinectrics and KPMG studies and the year in which the costs were incurred are provided in Table 2 below:

Table 2: Kinectrics and KMPG Costs

Vendor	2012	2013	2014
Kinectrics	$ 60,000	$ 85,000	$ -
KPMG	$ -	$ 27,000	$ -

e) Horizon Utilities is proposing to amortize the KPMG costs over the 2015 to 2019 Test Years. The initiation of the asset studies performed by Kinectrics were required to support Horizon Utilities' ongoing asset management activities and were independent of Horizon Utilities' Cost of Service Application and were therefore recognized as expense in the year they were incurred.

f) The following initiatives are one-time or historic costs that occurred prior to 2015, with no costs or lower costs shown for any of the test years – Corporate Website, ERP upgrade, Green Energy Act, Asset Condition Assessments, Load Forecast Model, Planning and Scheduling, e-mobile and Cognos. Horizon Utilities can confirm that this is a fair characterization of costs. As stated in the application, these projects are undertaken to: (i) manage risks and ensure sustainability of critical business operations; (ii) comply with legislated or regulatory requirements; and (iii) to provide future cost savings or enable cost avoidance which benefits ratepayers over the long term. The timing of some of these projects are driven by uncontrollable factors such as new legislation (Green Energy Act), aging distribution infrastructure (Asset Condition Assessments) and end of life technology (ERP upgrade) whilst others are undertaken pro-actively to improve capacity and operational effectiveness of the business (e.g. Planning and Scheduling, Load Forecast Model, e-mobile) and to enhance the overall customer experience (Corporate website). These investments that were initiated or completed in the historical or bridge years will stand Horizon Utilities in good stead during the test year periods, through improved business processes and productivity savings. For projects relating to new technology, ongoing software licensing and support are not reflected in Table 4-17 but are contained in core non-labour costs.

g) Table 3 below provides the January to May 2014 actual expenditures and a forecast for the remaining seven months of the Bridge Year for each 2014 new business requirement.

Table 3: New Business Requirements (2014 Actual and Forecast)

New Business Requirements	2014 Bridge Year (per Application)	2014 Jan to May Actual	2014 Jun to Dec Forecast	2014 Full Year Forecast
Sustainability/Risk Mitigation				
GIS/OMS	695,306	80,995	389,514	470,509
ERP Upgrade	104,678	74,395	-	74,395
Regulatory/Compliance				
Green Energy Act	170,000	53,779	116,221	170,000
Asset Condition Assessments	349,000	192,588	156,412	349,000
Regulatory Compliance Review	45,000	-	45,000	45,000
Total	**1,363,984**	**401,756**	**707,148**	**1,108,904**

Project Status update on 2014 projects

GIS/ OMS - The GIS and OMS implementation is proceeding as scheduled with only minor delay from the original schedule. GIS will be fully deployed by Q3 2014 followed by Phase 1 deployment of OMS in Q4 2014. Reductions were recognized related to temporary backfill positions with a reduction from 4 to 3 positions, hiring deferred from January to March and actual roles filled at lower rates than budgeted. Increases are being encountered during deployment stages but are in the form of outside service providers requiring advanced skills and experience. Maintenance software licenses were reduced based on adjustments to reflect deployment activation dates.

ERP Upgrade – The 2014 IFS ERP Upgrade Phase 2 is on track. All milestones identified to date have been met. The modifications removed to date have delivered $50,919 in sustainable annual savings related to software maintenance. Operating expenditures to date are $74,395 and there are no further planned operating expenditures in 2014.

Green Energy Act – To date, Horizon Utilities has undertaken several projects to support this initiative. These projects include website enhancement for mobile customer applications such as outage reporting; research studies on Smart Grid, Distributed Generation Integration and System Automation; and event sponsoring and competitions for programs which promote green energy usage. The remainder of the forecast expenditures is anticipated to be used on additional smart grid projects which are currently under review.

Asset Condition Assessments – This project is proceeding as scheduled with the expenditure to date on target with financial forecasts and the remaining $156,412 is planned to be spent on additional asset testing in the latter half of this year.

Regulatory Compliance review – The objective of this 2014 project is to ensure the Corporate Retention Policy has been reviewed and updated to incorporate recent changes to legislation and regulations. Activity on this project is expected to commence during Q3 2014, with the engagement of an expert consultant to assist in the organization of the project. In Q3 and Q4, the policy changes will be reviewed with the business units and a plan will be prepared for implementation in 2015.

4-Energy Probe-28

Ref: Exhibit 4, Tab 3, Schedule 3

What is the level of OM&A and capital additions included in the each of the 2014 bridge year and 2015 through 2019 test years associated with forecasted storm events?

Response:

See Table 1 below.

Table 1: OM&A and capital additions associated with forecast major storm events

	2014	2015	2016	2017	2018	2019
OM&A	1,250,000	1,290,000	1,330,000	1,370,000	1,410,000	1,450,000
Capital	900,000	1,010,000	1,021,000	1,033,000	1,044,000	1,056,000

On average, each major storm event over the past 3 years has impacted OM&A by about $400,000 and capital by about $350,000 annually. Horizon Utilities is expecting three or more major storm events on average each year over the rate plan term.

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4-Energy Probe-29

Ref: Exhibit 4, Tab 4, Schedule 2

a) Please update Table 4-53 to reflect year-to-date data for 2014, along with a forecast for the remainder of the year.

b) Please add a line to Tables 4-53 and 4-54 that shows total compensation per FTE.

c) Do the FTE's shown in Tables 4-53 and 4-54 reflect any vacancies in each of the years shown? If yes, please explain why these vacant positions have been included and for each year, please show the number of vacant FTE's.

d) If the FTE figures for 2014 through 2019 in Tables 4-53 and 4-54 include vacant positions, what dollar figures have been included in the costs associated with these vacant positions?

e) Please provide a table that shows for 2011 actual though 2019 forecast the amount of incentive pay included in the OM&A expenses. Please also provide a line that shows the total potential incentive payment for each year and a third line that shows the actual/forecast incentive cost as a percentage of the total potential incentive available.

Response:

a) Table 4-53 has been updated below with the 2014 Forecast which includes 5 months actual and 7 months forecast:

	Last Rebasing Year -2011- Board Approved	Last Rebasing Year -2011 - Actual	2012 Actuals	2013 Actuals	2014 Bridge Year	2014 Forecast
Number of Employees (FTEs including Part-Time)[1]						
Management (including executive)	67	63	66	66	77	73
Non-Management (union and non-union)	282	265	267	269	278	269
Total	349	328	333	335	355	342
Total Salary and Wages including overtime and incentive pay						
Management (including executive)	$ 8,387,295	$ 8,057,110	$ 8,572,299	$ 9,018,046	$ 9,904,725	$ 9,687,714
Non-Management (union and non-union)	$ 21,443,982	$ 20,664,274	$ 21,050,205	$ 23,116,212	$ 23,731,287	$ 22,690,314
Total	$ 29,831,277	$ 28,721,383	$ 29,622,505	$ 32,134,258	$ 33,636,011	$ 32,378,029
Total Benefits (Current + Accrued)						
Management (including executive)	$ 1,902,998	$ 1,970,084	$ 2,244,892	$ 2,490,296	$ 2,769,927	$ 2,624,708
Non-Management (union and non-union)	$ 5,918,229	$ 5,512,762	$ 6,167,404	$ 6,802,019	$ 7,139,563	$ 6,942,687
Total	$ 7,821,226	$ 7,482,845	$ 8,412,296	$ 9,292,315	$ 9,909,490	$ 9,567,395
Total Compensation (Salary, Wages, & Benefits)						
Management (including executive)	$ 10,290,293	$ 10,027,194	$ 10,817,192	$ 11,508,342	$ 12,674,651	$ 12,312,422
Non-Management (union and non-union)	$ 27,362,210	$ 26,177,035	$ 27,217,609	$ 29,918,232	$ 30,870,850	$ 29,633,002
Total	$ 37,652,503	$ 36,204,229	$ 38,034,801	$ 41,426,573	$ 43,545,501	$ 41,945,424

b) Table 4-53 and Table 4-54 have been updated below to include total compensation per FTE:

	Last Rebasing Year -2011- Board Approved	Last Rebasing Year -2011 - Actual	2012 Actuals	2013 Actuals	2014 Bridge Year	2014 Forecast
Number of Employees (FTEs including Part-Time)[1]						
Management (including executive)	67	63	66	66	77	73
Non-Management (union and non-union)	282	265	267	269	278	269
Total	349	328	333	335	355	342
Total Salary and Wages including overtime and incentive pay						
Management (including executive)	$ 8,387,295	$ 8,057,110	$ 8,572,299	$ 9,018,046	$ 9,904,725	$ 9,687,714
Non-Management (union and non-union)	$ 21,443,982	$ 20,664,274	$ 21,050,205	$ 23,116,212	$ 23,731,287	$ 22,690,314
Total	$ 29,831,277	$ 28,721,383	$ 29,622,505	$ 32,134,258	$ 33,636,011	$ 32,378,029
Total Benefits (Current + Accrued)						
Management (including executive)	$ 1,902,998	$ 1,970,084	$ 2,244,892	$ 2,490,296	$ 2,769,927	$ 2,624,708
Non-Management (union and non-union)	$ 5,918,229	$ 5,512,762	$ 6,167,404	$ 6,802,019	$ 7,139,563	$ 6,942,687
Total	$ 7,821,226	$ 7,482,845	$ 8,412,296	$ 9,292,315	$ 9,909,490	$ 9,567,395
Total Compensation (Salary, Wages, & Benefits)						
Management (including executive)	$ 10,290,293	$ 10,027,194	$ 10,817,192	$ 11,508,342	$ 12,674,651	$ 12,312,422
Non-Management (union and non-union)	$ 27,362,210	$ 26,177,035	$ 27,217,609	$ 29,918,232	$ 30,870,850	$ 29,633,002
Total	$ 37,652,503	$ 36,204,229	$ 38,034,801	$ 41,426,573	$ 43,545,501	$ 41,945,424
Total Compensation per FTE						
Management (including executive)	$ 153,586	$ 159,770	$ 163,897	$ 175,058	$ 164,606	$ 168,145
Non-Management (union and non-union)	$ 96,995	$ 98,781	$ 102,053	$ 111,274	$ 111,242	$ 110,358
Total	$ 107,856	$ 110,460	$ 114,322	$ 123,806	$ 122,833	$ 122,740

	2015 Budget	2016 Budget	2017 Budget	2018 Budget	2019 Budget
Number of Employees (FTEs including Part-Time)					
Management (including executive)	77	77	77	77	77
Non-Management (union and non-union)	271	268	267	267	267
Total	348	345	344	344	344
Total Salary and Wages including overtime and incentive pay					
Management (including executive)	$ [redacted]	$ [redacted]	$ [redacted]	$ [redacted]	$ [redacted]
Non-Management (union and non-union)	$ [redacted]	$ [redacted]	$ [redacted]	$ [redacted]	$ [redacted]
Total	$ 33,808,561	$ 34,470,180	$ 35,339,657	$ 36,322,399	$ 37,339,426
Total Benefits (Current + Accrued)					
Management (including executive)	$ [redacted]	$ [redacted]	$ [redacted]	$ [redacted]	$ [redacted]
Non-Management (union and non-union)	$ [redacted]	$ [redacted]	$ [redacted]	$ [redacted]	$ [redacted]
Total	$ 10,024,679	$ 10,252,949	$ 10,603,484	$ 10,907,691	$ 11,228,386
Total Compensation (Salary, Wages, & Benefits)					
Management (including executive)	$ [redacted]	$ [redacted]	$ [redacted]	$ [redacted]	$ [redacted]
Non-Management (union and non-union)	$ [redacted]	$ [redacted]	$ [redacted]	$ [redacted]	$ [redacted]
Total	$ 43,833,240	$ 44,723,129	$ 45,943,141	$ 47,230,090	$ 48,567,812
Total Compensation per FTE					
Management (including executive)	$ [redacted]	$ [redacted]	$ [redacted]	$ [redacted]	$ [redacted]
Non-Management (union and non-union)	$ [redacted]	$ [redacted]	$ [redacted]	$ [redacted]	$ [redacted]
Total	$ 126,045	$ 129,535	$ 133,455	$ 137,193	$ 141,079

c) The FTE in Tables 4-53 and 4-54 are calculated based on actual employee complement for 2011 to 2013. Horizon Utilities assumes that all positions are fully staffed for 2014 to 2019.

d) As stated in c) the FTE in Tables 4-53 and 4-54 are calculated based on actual employee complement for 2011 to 2013 and assumes that all positions are fully staffed for 2014 to 2019.

e) The following tables summarize 2011 to 2013 actual and 2014 to 2019 forecast OM&A expenses related to incentive pay. As detailed in Horizon Utilities response to 4-AMPCO-21 r) the range of incentive payouts is 50% (threshold) to a maximum of 150% of target for outstanding performance on the achievement of annual objectives.

	2011 Actuals	2012 Actuals	2013 Actuals	2014 budget
Total Incentive Pay	$ 906,790	$ 1,069,807	$ 1,234,387	$ 1,375,755
Total Potential Incentive Pay	$ 1,359,193	$ 1,705,632	$ 1,784,885	$ 2,063,632
Incentive Pay as Percentage of Potential	67%	63%	69%	67%

	2015 Budget	2016 Budget	2017 Budget	2018 Budget	2019 Budget
Total Incentive Pay	$ 1,414,276	$ 1,453,876	$ 1,494,584	$ 1,536,433	$ 1,579,453
Total Potential Incentive Pay	$ 2,121,414	$ 2,180,813	$ 2,241,876	$ 2,304,649	$ 2,369,179
Incentive Pay as Percentage of Potential	67%	67%	67%	67%	67%

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4-Energy Probe-30

Ref: Exhibit 4, Tab 4, Schedule 2

a) Please provide a table that shows the reduction in OM&A costs and capitalized costs if the average wage increase was reduced by one percentage point from that forecast by Horizon shown in Table 4-2 in each of 2015 through 2019 on a cumulative basis. Please include any impacts on benefits and incentives as well.

b) Please provide a separate table to that requested in part (a) above that would reflect the same effect, with the one percent reduction from that forecast in each of 2015 through 2019 applied only to management employees.

Response:

a) Please see Table 1 below for the annual and cumulative impact of reducing annual wage increases by one percentage point for all employees, in each of 2015 through 2019.

Table 1

Total Reduction	Annual Impact					Cummulative Impact				
	2015	2016	2017	2018	2019	2015	2016	2017	2018	2019
Base Salary	312,955	635,347	972,740	1,332,834	1,704,465	312,955	948,302	1,921,042	3,253,876	4,958,341
Incentive Pay	13,758	28,148	43,193	58,917	75,348	13,758	41,905	85,099	144,016	219,364
Benefits	83,579	169,903	260,063	355,045	455,112	83,579	253,482	513,545	868,590	1,323,702
Total	410,291	833,398	1,275,996	1,746,796	2,234,925	410,291	1,243,689	2,519,686	4,266,481	6,501,407

OpEx Reduction	Annual Impact					Cummulative Impact				
	2015	2016	2017	2018	2019	2015	2016	2017	2018	2019
Base Salary	232,836	477,520	733,913	1,007,875	1,290,484	232,836	710,357	1,444,270	2,452,145	3,742,629
Incentive Pay	10,236	21,157	32,591	44,553	57,049	10,236	31,393	63,984	108,537	165,585
Benefits	62,182	127,699	196,214	268,477	344,573	62,182	189,881	386,095	654,572	999,145
Total	305,254	626,377	962,718	1,320,905	1,692,105	305,254	931,631	1,894,349	3,215,254	4,907,360

CapEx Reduction	Annual Impact					Cummulative Impact				
	2015	2016	2017	2018	2019	2015	2016	2017	2018	2019
Base Salary	80,118	157,827	238,827	324,959	413,981	80,118	237,945	476,771	801,730	1,215,711
Incentive Pay	3,522	6,991	10,603	14,364	18,300	3,522	10,513	21,115	35,479	53,779
Benefits	21,397	42,204	63,849	86,568	110,539	21,397	63,601	127,450	214,018	324,557
Total	105,037	207,021	313,279	425,890	542,820	105,037	312,058	625,337	1,051,227	1,594,047

b) Please see Table 2 below for the annual and cumulative impact of reducing annual wage increases by one percentage point for management employees only, in each of 2015 through 2019.

Table 2

Total Reduction	Annual Impact					Cummulative Impact				
	2015	2016	2017	2018	2019	2015	2016	2017	2018	2019
Base Salary	88,101	180,254	276,602	377,292	482,518	88,101	268,355	544,958	922,249	1,404,767
Incentive Pay	10,946	22,396	34,367	46,878	59,952	10,946	33,343	67,710	114,588	174,540
Benefits	24,651	50,435	77,393	105,566	135,008	24,651	75,086	152,479	258,045	393,053
Total	123,698	253,086	388,363	529,736	677,478	123,698	376,784	765,147	1,294,883	1,972,361

OpEx Reduction	Annual Impact					Cummulative Impact				
	2015	2016	2017	2018	2019	2015	2016	2017	2018	2019
Base Salary	65,546	135,488	208,705	285,310	365,330	65,546	201,034	409,739	695,049	1,060,378
Incentive Pay	8,144	16,834	25,931	35,449	45,392	8,144	24,978	50,910	86,359	131,751
Benefits	18,340	37,909	58,396	79,830	102,219	18,340	56,249	114,645	194,475	296,694
Total	92,030	190,231	293,032	400,589	512,940	92,030	282,262	575,293	975,882	1,488,823

CapEx Reduction	Annual Impact					Cummulative Impact				
	2015	2016	2017	2018	2019	2015	2016	2017	2018	2019
Base Salary	22,554	44,767	67,898	91,982	117,188	22,554	67,321	135,219	227,200	344,389
Incentive Pay	2,802	5,562	8,436	11,429	14,560	2,802	8,365	16,801	28,229	42,790
Benefits	6,311	12,526	18,998	25,736	32,789	6,311	18,836	37,834	63,571	96,360
Total	31,667	62,855	95,332	129,147	164,538	31,667	94,522	189,853	319,000	483,538

4-Energy Probe-31

Ref: Exhibit 4, Tab 4, Schedule 3

a) Please add the 2014 bridge year forecast to Table 4-57.

b) Please add a line to Table 4-57 that shows the amount included in the total line that is associated with wages, salaries, benefits and incentives.

Response:

a) Please see updated Table 4-57 below that provides May 2014 year-to-date net management fees and 7 months of forecast:

Table 4-57 Updated

Charged To	Charged By	2011 Board-Approved	2013 Actual	2014 Forecast	2015 Test Year	2016 Test Year	2017 Test Year	2018 Test Year	2019 Test Year
EDO	CC	$ 6,980,650	$ 7,356,864	$ 8,024,527	$ 8,337,813	$ 8,549,854	$ 9,082,495	$ 9,013,584	$ 9,145,439
CC	EDO	$ (620,266)	$ (624,750)	$ (1,008,575)	$ (1,049,001)	$ (1,082,146)	$ (1,108,693)	$ (1,143,978)	$ (1,156,582)
EDO	HHI	$ -	$ -	$ 223,198	$ 242,509	$ 249,311	$ 256,313	$ 263,519	$ 270,611
HUC	EDO	$ (24,273)	$ (17,547)	$ (11,169)	$ (22,459)	$ (23,817)	$ (24,414)	$ (25,063)	$ (25,586)
HHSI	EDO	$ (75,170)	$ (53,060)	$ (61,704)	$ (47,314)	$ (50,169)	$ (51,428)	$ (52,796)	$ (53,902)
CDM	EDO	$ (200,000)	$ (312,120)	$ (445,016)	$ (462,825)	$ (477,163)	$ (488,807)	$ (504,475)	$ (509,690)
SSGP	EDO	$ (113,000)	$ (51,144)	$ (25,249)	$ (26,206)	$ (27,179)	$ (27,867)	$ (28,555)	$ (29,096)
HESI CDM	EDO	$ -	$ (53,401)	$ (30,232)	$ -	$ -	$ -	$ -	$ -
HESI MSP	EDO	$ -	$ (28,000)	$ (42,067)	$ (44,898)	$ (45,745)	$ (48,514)	$ (48,806)	$ (49,998)
TOTAL		**$ 5,947,941**	**$ 6,216,842**	**$ 6,623,713**	**$ 6,927,618**	**$ 7,092,946**	**$ 7,589,085**	**$ 7,473,430**	**$ 7,591,196**
Salaries, benefits and incentives		**$ 4,437,448**	**$ 4,505,023**	**$ 4,573,628**	**$ 4,799,705**	**$ 4,876,829**	**$ 4,948,761**	**$ 5,031,223**	**$ 5,127,582**

b) Please see the last line in the table above.

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4-Energy Probe-32

Ref: Exhibit 4, Tab 4, Schedule 4

Please explain the sole sourcing for the employee retirement plan, the employee benefits program and phone services. In particular, what other organizations or companies would be able to provide these services to Horizon and why has Horizon not approached them to provide these services?

Response:

The Ontario Municipal Employees Retirement System ("OMERS") is one of Canada's leading pension funds. OMERS was established in 1962 to serve local government employees across Ontario. It is a large multi-employer public sector pension plan which is administered under a well-established infrastructure, with oversight by a Board of Directors comprised of representatives from management and labour.

Horizon Utilities and its predecessor companies have been participating in OMERS for several decades as public utilities were operated as local boards under the control of the Municipality until the passage of the *Energy Competition Act* in 1998.

Contributions to the plan are shared equally between employer and employees. Horizon Utilities, and its predecessor organizations, have a longstanding relationship with OMERS like most local electricity distributors in Ontario. Member employers agree to enrol all eligible employees as a condition of membership. Horizon Utilities believes its membership in OMERS is an important consideration for potential new employees and for the retention of existing employees.

With $65.1 billion in assets under management, OMERS is able to engage in investment strategies and policies that maximize return for plan members. From the perspective of a relatively small employer like Horizon Utilities, access to the investment expertise and returns under OMERS is a significant benefit as compared with what Horizon Utilities would be able to achieve in a standalone plan. In addition, a withdrawal from the Plan would require the consent of employees and the Union. It is highly likely that the Union would seek to bargain benefit improvements on a regular basis if the plan were standalone (sponsored and administered by Horizon Utilities). Horizon Utilities currently has no plans to make changes to its membership in OMERS.

Please see Horizon Utilities' response to School Energy Coalition (4-SEC-35) regarding the sourcing of employee benefits programs.

Tables 4-69 through 4-71 incorrectly identified amounts paid to Bell Canada for phone services. The amounts listed in these tables include \$161,245, \$161,163, and \$160,943 in each of the years 2011, 2012, and 2013 respectively for joint-use pole rentals for Horizon Utilities use of Bell Canada poles. The balance of the payments are for phone and internet services. None of these services meet the materiality threshold that Horizon Utilities has used in this Application of \$300,000. Accordingly these lines have been removed from the revised Tables 4-69, 4-70 and 4-71 provided below.

Table 4-69 – 2011 Non-Affiliate Services over $300,000 Procured Without a Competitive Tender

Supplier	Nature of Product or Services	Activity	Methodology Used	2011 Expense
HYDRO ONE NETWORKS INC	Transmitter Provider	Service Provider	Sole Source	$5,251,732
CITY OF HAMILTON	Municipal Consents & Permits	Service Provider	Sole Source	$3,570,774
GREAT WEST LIFE ASSURANCE CO.	Employees Benefits Program	Service Provider	Sole Source	$2,988,417
ONTARIO MUN EMPL RETIREMENT BD	Employees Retirement Plan	Service Provider	Sole Source	$2,566,195
MEARIE GROUP, THE	Employees Benefits Program	Service Provider	Sole Source	$1,680,380
CANADA POST CORPORATION	Mail/Courier Services	Service Provider	Sole Source	$1,166,160
ONTARIO ENERGY BOARD	Provincial Regulator	Service Provider	Sole Source	$658,690
Total				**$17,882,348**

Table 4-70 – 2012 Non-Affiliate Services over $300,000 Procured Without a Competitive Tender

Supplier	Nature of Product or Services	Activity	Methodology Used	2012 Expense
HYDRO ONE NETWORKS INC	Transmitter Provider	Service Provider	Sole Source	$6,389,743
HYDRO ONE NETWORKS INC	Joint Lease Rentals	Service Provider	Sole Source	$3,388,412
ONTARIO MUN EMPL RETIREMENT BD	Employees Retirement Plan	Service Provider	Sole Source	$3,243,447
GREAT WEST LIFE ASSURANCE CO.	Employees Benefits Program	Service Provider	Sole Source	$2,801,992
MEARIE GROUP, THE	Employees Benefits Program	Service Provider	Sole Source	$1,883,784
CANADA POST CORPORATION	Mail/Courier Services	Service Provider	Sole Source	$1,512,232
CITY OF HAMILTON	Municipal Consents & Permits	Service Provider	Sole Source	$1,023,000
ONTARIO ENERGY BOARD	Provincial Regulator	Service Provider	Sole Source	$603,429
Total				**$20,846,039**

Table 4-71 – 2013 Non-Affiliate Services over $300,000 Procured Without a Competitive Tender

Supplier	Nature of Product or Services	Activity	Methodology Used	2013 Expense
HYDRO ONE NETWORKS INC	Transmitter Provider	Service Provider	Sole Source	$8,044,880
ONTARIO MUN EMPL RETIREMENT BD	Employees Retirement Plan	Service Provider	Sole Source	$3,755,809
GREAT WEST LIFE ASSURANCE CO.	Employees Benefits Program	Service Provider	Sole Source	$3,345,172
MEARIE GROUP, THE	Employees Benefits Program	Service Provider	Sole Source	$1,833,216
CANADA POST CORPORATION	Mail/Courier Services	Service Provider	Sole Source	$1,557,881
CITY OF HAMILTON	Municipal Consents & Permits	Service Provider	Sole Source	$1,037,366
ONTARIO ENERGY BOARD	Provincial Regulator	Service Provider	Sole Source	$615,489
WSIB WORKPLACE SAFETY AND INSURANCE	Workplace Insurance	Service Provider	Sole Source	$432,446
HYDRO ONE NETWORKS INC	Joint Lease Rentals	Service Provider	Sole Source	$357,150
Total				**$20,979,410**

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4-Energy Probe-33

Ref: Exhibit 4, Tab 4, Schedule 6, Table 4-72

a) Has Horizon received the 2014 OEB annual assessment? If yes, what is the 2014 amount?

b) Please explain the near doubling of costs between 2013 and 2014 associated with OEB section 30 costs (applicant originated).

c) Please explain the more than double of costs between 2013 and 2014 associated OEB section 30 costs (OEB initiated).

d) Please explain the increase in legal costs shown in line 5A between 2013 and 2014.

e) Please explain the increase of more than $130,000 in consulting costs between 2013 and 2014, and the nearly $90,000 increase in 2015 through 2019 relative to 2013.

f) What is included in the $527,726 shown for 2013 on line 10?

Response:

a) Horizon Utilities has received the 2014 OEB annual assessment of $637,068 for the period April 1, 2014 to March 31, 2015.

b) Horizon Utilities budgeted $700,000 in 2014 for all OEB costs which include: $600,000 for OEB Assessment Costs; $50,000 for Section 30 fees (applicant initiated); and $50,000 Section 30 fees (OEB initiated). The total budgeted amount of $700,000 represents an increase of $85,312 over 2013 actuals for all three categories. Horizon Utilities budgeted higher OEB assessment fees, which have been realized. The annual assessment increased from $567,694 in 2013 to $637,068 in 2014 representing a significant portion of the budgeted increase. Section 30 costs (applicant initiated) are expected to increase in 2014 and future years due to Horizon Utilities initiated applications such as Service Area Amendments and annual updates. Section 30 costs (OEB initiated) are expected to increase due to a number of initiatives currently under review by the Board and expected future initiatives.

c) Please see the response to b) above.

d) Horizon Utilities incurred legal costs in prior years to represent Horizon Utilities in on-going regulatory matters, such as adhoc applications, and Board initiated proceedings.

The level of participation in other proceedings was limited in 2013 due to efforts dedicated to prepare the 2015 Custom IR Application. The amount budgeted in 2014 and future years were based on the actual costs in 2012 of $185,918. On-going legal costs in future years are expected to be similar to 2012.

e) The budgeted amount of $170,000 for 2014 was based on the normal level of consultant use as in 2012, and an increase of $45,000 to recognize a specific project that was continued into 2014. Consulting costs for the 2013 year are lower than 2012 due to the focus of efforts to prepare the 2015 Custom IR Application. The budget for the rate term years of 2015 – 2019 has been normalized at $125,000 per year based on anticipated use of consultants in regulatory matters that require subject matter experts.

f) Costs included on line 10 in Table 4-72 are for the 2015 Custom IR Application and are one-time costs for consulting. These costs were incurred to support and provide evidence for this application; i.e. lead/lag study, cost allocation study, customer engagement, and project management.

4-Energy Probe-34

Ref: Exhibit 4, Tab 4, Appendix 4-3

Please provide a table based on the apprentice tables in the Workforce Labour Strategy and Plan that shows the total number of apprentices for the years 2011 through 2019. Please also show the number of apprentices for each year that qualify for the Ontario apprenticeship tax credit.

Response:

The following table below summarizes the number of apprentices that qualified for the Ontario Apprenticeship Training Tax Credit from 2011 to 2013 and those that are forecast to qualify from 2014 to 2019.

Table 1: Apprentices

Category	2011 Actual	2012 Actual	2013 Actual	2014 Forecast
Total Number of Apprentices	31	33	28	23
Qualify for the Ontario Apprenticeship Training Tax Credit	22	29	16	9

Category	2015 Forecast	2016 Forecast	2017 Forecast	2018 Forecast	2019 Forecast
Total Number of Apprentices	18	17	16	21	23
Qualify for the Ontario Apprenticeship Training Tax Credit	9	9	10	13	17

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4-Energy Probe-35

Ref: Exhibit 4, Tab 2, Schedule 3

a) What was the amount included in the Board Approved OM&A forecast for meter reading associated with mechanical meters that were to be replaced with smart meters?

b) What is the amount of meter reading expenses included in the actual OM&A figures shown in Table 4-20 associated with mechanical meters that have now been eliminated due to the move to smart meters?

c) Do any of the smart meter costs shown for 2011 Board Approved, 2011 actual or subsequent years include costs cleared from the smart meter deferral accounts? If yes, please quantify the amount of OM&A expenses incurred in previous years that was recorded in OM&A in a subsequent year. Please also identify the year in which these expenses were recorded for accounting purposes.

Response:

a. Horizon Utilities' 2011 Board Approved OM&A forecast for conventional meter reading was $322,000. Horizon Utilities did not break out meter reading expenditures for mechanical meters that were to be replaced with Smart Meters.

b. Horizon Utilities' actual meter reading expenditures for manual meter reading of all conventional electric meters was $167,288 in 2011 and is forecasted to be $40,000 in 2014. The elimination of approximately $127,288 in manual meter costs between 2014 and 2011 is primarily as a result of the implementation of Smart Meters.

c. Horizon Utilities confirms that there are no Smart Meters costs recorded in the 2011 Board Approved OM&A or 2011 Actuals. Horizon Utilities further provides that only current costs are recorded in the OM&A for 2012 and future years.

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4-Energy Probe-36

Ref: Exhibit 4, Tab 4, Appendix 4-6.1

Please confirm that the revenue generated by the services provided by EDO to the other entities is reflected through a reduction in OM&A costs and not by showing this revenues as Other Revenues with the costs included in OM&A.

Response:

Horizon Utilities confirms that revenue generated from services provided by EDO to the other entities is reflected as a reduction in OM&A costs, and not included in Other Revenues.

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4-Energy Probe-37

Ref: Exhibit 4, Tab 5, Schedule 2

Does the derecognition of assets as described on page 10 include the disposal of readily identifiable assets such as individual vehicles? If not, why not and how are the disposals of these vehicles treated for accounting purposes and where is any revenue associated with the sale of used vehicles accounted for?

Response:

The derecognition of assets as described on page 10 includes the disposal of readily identifiable assets such as individual vehicles.

When a used vehicle is sold, the fixed asset cost and accumulated depreciation is offset with any proceeds from the sale; the resulting gain is recorded in Account 4355 Gain on Disposition of Utility and Other Property and the resulting loss is recorded in Account 4362 Loss on Disposition of Utility and Other Property. These amounts are included as part of depreciation expense for regulatory reporting and ratemaking purposes. In summary, the revenue or proceeds from the sale of a used vehicle reduces depreciation expense.

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4-Energy Probe-38

Ref: Exhibit 4, Tab 5, Schedule 4

a) It is not clear if Horizon uses the half year rule for depreciation expense associated with forecast years. If Horizon does not use the half year rule for the forecast years, please explain how Horizon determines the month in which each individual capital addition goes into service for the purpose of calculation depreciation.

b) For each of 2011 (MIFRS) and 2012 and 2013 actuals, please provide the total depreciation calculated using the method that is used by Horizon (i.e. depreciation from the month an asset is available for use and enters service), along with the depreciation that would have been recorded if Horizon had used the half year rule for those years.

Response:

a) Horizon Utilities does not use the half-year rule for actual or forecast years. Horizon calculates depreciation from the month an asset is available for use and enters service, as noted in Exhibit 4, Tab 5, Schedule 4, Half-Year Rule.

For self - constructed distribution assets, the month in which the individual capital addition is available for use is determined as the date of energization. All other assets are individually evaluated to determine the date that the asset is in the location and condition necessary for it to be capable of operating in the manner intended by management – depending on the asset, this date may be the date the asset is received (for example, laptop computer), the date the asset is installed (for example, computer software), or the date that the asset is readied for its intended use (for example, large vehicle).

b) The depreciation calculated from the month an asset is available for use and in service (the method used by Horizon Utilities) is provided as follows: 2011 (MIFRS) $16,129,776; 2012 $18,191,399; 2013 $19,299,511.

The depreciation that would have been recorded if Horizon Utilities used the half-year rule is provided as follows: 2011 (MIFRS) $16,658,455; 2012 $17,387,004; 2013 $20,677,519.

Exhibit 4, Tab 5, Schedule 7, Tables 4-80 to 4-82 provide this comparison by component.

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4-Energy Probe-39

Ref: Exhibit 4, Tab 5, Schedule 7

a) Please confirm that Horizon is using the depreciation expense calculated in the continuity schedules (Appendix 2-BA) rather than the figures calculated in Tables 4-80 through 4-88.

b) If the above is not confirmed, please indicate why not.

Response:

a) Horizon Utilities confirms that it is using the depreciation expense calculated in the continuity schedules (Appendix 2-BA) rather than the figures calculated in Tables 4-80 through 4-88.

b) Please refer to Horizon Utilities' response to part a) above.

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4-Energy Probe-40

Ref: Exhibit 4, Tab 5, Schedule 7

Please provide a live Excel spreadsheet that shows the calculation of the depreciation expense in Tables 4-80 through 4-88 for account 1925 (computer software) for the 2011 through 2019 years based on the opening balance shown in Table 4-80 and the additions shown for each year in the tables. For example, it is not clear why the depreciation expense shown in Table 4-88 for 2019 is $1,526,047 based on the calculations or $972,973 based on the continuity schedules, whereas based on the additions shown for 2016 through 2019, the depreciation would appear to be about $892,000.

Response:

Horizon Utilities has provided an Excel workbook that supports the calculation of depreciation expense for computer software for 2011 to 2019 in the file "4-EP-40_Attch 1_Computer Software Depreciation", worksheet tab ComputerSoftwareDepreciation.

Upon review of the question concerning the difference between the $1,526,047, based on the calculations from Tables 4-80 to 4-88, and the $972,973, based on the continuity schedules, Horizon Utilities has determined that Tables 4-80 to 4-88 did not include sufficient depreciation expense from fully depreciated assets from the 2011 opening balance and Smart Meters added in 2012. This error only affects the calculated depreciation expense in tables 4-80 to 4-88. The $972,973 in the continuity schedules is correct. A revised calculation of depreciation expense for computer software for 2011 to 2019 is appended in the file "4-EP-40_Attch 1_Computer Software Depreciation", worksheet tab RevComputerSoftwareDeprec. This revised calculation estimates the computer software depreciation expense for 2019 as $992,701, which aligns more closely to the amount of $972,973 on the continuity schedule.

The depreciation expense for 2019 for computer software would appear to be approximately $892,000 by applying the half-rule for the depreciation calculation in the year of addition for additions in the last 3 years. The comparable amount of depreciation expense in the continuity schedule ($972,973) will be different from the estimate value of $892,000 due to the depreciation start period and useful life range for computer software used by Horizon Utilities. Horizon Utilities uses a range of useful lives for computer software from 3 to 8 years (refer to Exhibit 4, Tab 5, Schedule 2, Table 4-75). Depreciation expense in 2019 includes amounts from additions earlier than the prior 3 years. The variance between the estimate and continuity schedule depreciation is also attributable to the difference in depreciation between using a half-year rule for the depreciation in the year of addition and using the month in service, which is Horizon Utilities' policy as discussed on Exhibit 4, Tab 5, Schedule 4.

4-Energy Probe-41

Ref: Exhibit 4, Tab 6, Schedule 1

Please provide a revised Table 4-89 assuming that Horizon is no longer eligible for the small business deduction that reduces PILs by $35,000 per year.

Response:

Horizon Utilities has provided a revised Table 4-89 below assuming that Horizon Utilities is no longer eligible for the small business deduction that reduces PILs by $35,000 per year.

Table 4-89 – Calculation of Grossed-up PILs (2015-2019)

	2015 Test Year (MIFRS)	2016 Test Year (MIFRS)	2017 Test Year (MIFRS)	2018 Test Year (MIFRS)	2019 Test Year (MIFRS)
Deemed Utility Income	18,106,344	18,792,922	19,582,055	20,495,153	21,466,097
Tax Adjustments to Accounting Income	(9,465,237)	(6,329,306)	(6,563,773)	(8,826,055)	(9,641,214)
Taxable Income prior to adjusting revenue to PILs	**8,641,107**	**12,463,615**	**13,018,282**	**11,669,098**	**11,824,884**
Tax Rate	26.50%	26.50%	26.50%	26.50%	26.50%
Total PILs before gross up	2,289,893	3,302,858	3,449,845	3,092,311	3,133,594
Effective Tax Rate	**26.50%**	**26.50%**	**26.50%**	**26.50%**	**26.50%**
Apprentice Tax Credit	(100,511)	(103,293)	(115,079)	(140,220)	(171,207)
Total PILs before gross up after all credits	2,189,383	3,199,565	3,334,765	2,952,091	2,962,388
Grossed up PILs	**2,978,752**	**4,353,150**	**4,537,096**	**4,016,450**	**4,030,459**

The removal of the small business deduction would increase the amount of PILs to be included in the revenue requirement. Horizon Utilities would include such as a change in its annual recurring adjustments as discussed in its' response to 1-EP-5.

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4-Energy Probe-42

Ref: Exhibit 4, Tab 6, Schedule 5

a) Please explain the significant reduction in the Ontario apprenticeship tax credit between 2013 and 2014.

b) Please provide the number of positions that qualified for each of the apprenticeship job creation and Ontario apprenticeship training tax credits in each of 2011, 2012 and 2013.

Response:

a) Ontario apprenticeship tax credits per Horizon Utilities' 2013 filed Corporate Tax Return were $138,734 (refer to 4-RB-43 for a copy of the Corporate Tax Return). The eligible period for the apprenticeship tax credit extends up to 48 months from the original registration date. In 2013, 8 apprentices completed their 48 month period resulting in a reduction in eligible tax credits for 2014.

b) Horizon Utilities has provided the table below which outlines the number of positions and corresponding tax credits for the years 2011 through 2013.

Table 1: Tax Credits 2011 - 2013

	Apprenticeship Job Creation		Ontario Co-Operative Education Tax Credit		Ontario Apprenticeship Training Tax Credit		TOTAL
Year	Number of Positions	Credit Amount	Number of Employees	Credit Amount	Number of Employees	Credit Amount	
2011	21	$ 41,866	13	$ 33,085	22	$ 215,726	$ 290,677
2012	18	$ 34,232	9	$ 25,116	29	$ 274,080	$ 333,428
2013	2	$ 4,000	13	$ 39,538	16	$ 138,734	$ 182,272

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4-Energy Probe-43

Ref: Exhibit 4, Tab 6, Schedule 8

Please provide a copy of the 2013 Corporate Tax Return.

Response:

As requested, please find attached a copy of Horizon Utilities' 2013 redacted Corporate Tax Return included as 4-EP-43_Attch 1_Horizon Utilities 2013 - Corporate Tax Return. Personal information has been redacted from boxes 601 and 410 based on the Board's findings on confidentiality in Procedural Order #1 dated June 9, 2014.

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4-EP-43_Attch 1_Horizon Utilities 2013 - Corporate Tax Return

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Federal Tax Instalments

Federal tax instalments

For the taxation year ended 2014-12-31

Business number 86654 9090 RC0002

The following is a list of federal instalments payable for the current taxation year. The last column indicates the instalments payable to Revenue Canada. The instalments are due no later than on the dates indicated, otherwise non-deductible interest will be charged. A cheque or money order should be made payable to the Receiver General. Payment may be made by cheque or money order payable to the Receiver General either to an authorized financial institution or filed with **the appropriate remittance voucher to the following address**:

Canada Revenue Agency
875 Heron Road
Ottawa ON K1A 1B1

Note that you may also be able to pay by telephone or Internet banking. For more information, consult the *Corporation Instalment Guide*.

Monthly instalment workchart

Date	Monthly tax instalments	Refund transferred to instalments	Instalments paid	Cumulative difference	Instalments payable
2014-01-31	399,450				399,450
2014-02-28	399,450				399,450
2014-03-31	399,450				399,450
2014-04-30	399,450				399,450
2014-05-31	399,450				399,450
2014-06-30	399,450				399,450
2014-07-31	399,450				399,450
2014-08-31	399,450				399,450
2014-09-30	399,450				399,450
2014-10-31	399,450				399,450
2014-11-30	399,450				399,450
2014-12-31	399,445				399,445
Totals	4,793,395				4,793,395

200

Canada Revenue Agency / Agence du revenu du Canada

T2 Corporation Income Tax Return

055 **Do not use this area**

This form serves as a federal, provincial, and territorial corporation income tax return, unless the corporation is located in Quebec or Alberta. If the corporation is located in one of these provinces, you have to file a separate provincial corporation return.

All legislative references on this return are to the federal *Income Tax Act*. This return may contain changes that had not yet become law at the time of publication.

Send one completed copy of this return, including schedules and the *General Index of Financial Information* (GIFI), to your tax centre or tax services office. You have to file the return within six months after the end of the corporation's tax year.

For more information see **www.cra.gc.ca** or Guide T4012, *T2 Corporation – Income Tax Guide*.

Identification

Business number (BN) 001 86654 9090 RC0002

Corporation's name
002 Horizon Utilities Corporation

Address of head office
Has this address changed since the last time we were notified? . . . . 010 1 Yes [ ] 2 No [X]
(If **yes**, complete lines 011 to 018.)
011 55 John Street North
012

City	Province, territory, or state
015 Hamilton	016 ON
Country (other than Canada)	**Postal code/Zip code**
017 CA	018 L8N 3E4

Mailing address (if different from head office address)
Has this address changed since the last time we were notified? . . . . 020 1 Yes [ ] 2 No [X]
(If **yes**, complete lines 021 to 028.)
021 c/o
022
023

City	Province, territory, or state
025	026
Country (other than Canada)	**Postal code/Zip code**
027	028

Location of books and records
Has the location of books and records changed since the last time we were notified? . . . . 030 1 Yes [ ] 2 No [X]
(If **yes**, complete lines 031 to 038.)
031 55 John Street North
032

City	Province,territory, or state
035 Hamilton	036 ON
Country (other than Canada)	**Postal code/Zip code**
037 CA	038 L8N 3E4

040 **Type of corporation at the end of the tax year**

1 [X] Canadian-controlled private corporation (CCPC)
2 [ ] Other private corporation
3 [ ] Public corporation
4 [ ] Corporation controlled by a public corporation
5 [ ] Other corporation (specify, below)

If the type of corporation changed during the tax year, provide the effective date of the change . . . . 043 ____ YYYY MM DD

To which tax year does this return apply?

Tax year start	Tax year-end
060 2013-01-01 (YYYY MM DD)	061 2013-12-31 (YYYY MM DD)

Has there been an acquisition of control to which subsection 249(4) applies since the tax year start on line 060? . . . . 063 1 Yes [ ] 2 No [X]

If **yes**, provide the date control was acquired . . . . 065 ____ YYYY MM DD

Is the date on line 061 a deemed tax year-end in according to subsection 249(3.1)? . . . . 066 1 Yes [ ] 2 No [X]

Is the corporation a professional corporation that is a member of a partnership? . . . . 067 1 Yes [ ] 2 No [X]

Is this the first year of filing after:
Incorporation? . . . . 070 1 Yes [ ] 2 No [X]
Amalgamation? . . . . 071 1 Yes [ ] 2 No [X]
If **yes**, complete lines 030 to 038 and attach Schedule 24.

Has there been a wind-up of a subsidiary under section 88 during the current tax year? . . . . 072 1 Yes [ ] 2 No [X]
If **yes**, complete and attach Schedule 24.

Is this the final tax year before amalgamation? . . . . 076 1 Yes [ ] 2 No [X]

Is this the final return up to dissolution? . . . . 078 1 Yes [ ] 2 No [X]

If an election was made under section 261, state the functional currency used 079

Is the corporation a resident of Canada?
080 1 Yes [X] 2 No [ ] If **no**, give the country of residence on line 081 and complete and attach Schedule 97.
081

Is the non-resident corporation claiming an exemption under an income tax treaty? . . . . 082 1 Yes [ ] 2 No [X]
If **yes**, complete and attach Schedule 91.

If the corporation is exempt from tax under section 149, tick one of the following boxes:
085
1 [ ] Exempt under paragraph 149(1)(e) or (l)
2 [ ] Exempt under paragraph 149(1)(j)
3 [ ] Exempt under paragraph 149(1)(t)
4 [ ] Exempt under other paragraphs of section 149

Do not use this area
095 096

Attachments

Financial statement information: Use GIFI schedules 100, 125, and 141.
Schedules – Answer the following questions. For each **yes** response, **attach** the schedule to the T2 return, unless otherwise instructed.

		Yes	Schedule
Is the corporation related to any other corporations?	150	X	9
Is the corporation an associated CCPC?	160	X	23
Is the corporation an associated CCPC that is claiming the expenditure limit?	161		49
Does the corporation have any non-resident shareholders who own voting shares?	151		19
Has the corporation had any transactions, including section 85 transfers, with its shareholders, officers, or employees, other than transactions in the ordinary course of business? Exclude non-arm's length transactions with non-residents	162		11
If you answered **yes** to the above question, and the transaction was between corporations not dealing at arm's length, were all or substantially all of the assets of the transferor disposed of to the transferee?	163		44
Has the corporation paid any royalties, management fees, or other similar payments to residents of Canada?	164	X	14
Is the corporation claiming a deduction for payments to a type of employee benefit plan?	165	X	15
Is the corporation claiming a loss or deduction from a tax shelter?	166		T5004
Is the corporation a member of a partnership for which a partnership account number has been assigned?	167		T5013
Did the corporation, a foreign affiliate controlled by the corporation, or any other corporation or trust that did not deal at arm's length with the corporation have a beneficial interest in a non-resident discretionary trust (without reference to section 94)?	168		22
Did the corporation have any foreign affiliates during the year?	169		25
Has the corporation made any payments to non-residents of Canada under subsections 202(1) and/or 105(1) of the federal *Income Tax Regulations*?	170		29
Has the corporation had any non-arm's length transactions with a non-resident?	171		T106
For private corporations: Does the corporation have any shareholders who own 10% or more of the corporation's common and/or preferred shares?	173	X	50
Has the corporation made payments to, or received amounts from, a retirement compensation plan arrangement during the year?	172		———
Does the corporation earn income from one or more Internet webpages or websites?	180		88
Is the net income/loss shown on the financial statements different from the net income/loss for income tax purposes?	201	X	1
Has the corporation made any charitable donations; gifts to Canada, a province, or a territory; gifts of cultural or ecological property; or gifts of medicine?	202	X	2
Has the corporation received any dividends or paid any taxable dividends for purposes of the dividend refund?	203	X	3
Is the corporation claiming any type of losses?	204		4
Is the corporation claiming a provincial or territorial tax credit or does it have a permanent establishment in more than one jurisdiction?	205	X	5
Has the corporation realized any capital gains or incurred any capital losses during the tax year?	206	X	6
i) Is the corporation claiming the small business deduction and reporting income from: a) property (other than dividends deductible on line 320 of the T2 return), b) a partnership, c) a foreign business, or d) a personal services business; or ii) does the corporation have aggregate investment income at line 440?	207	X	7
Does the corporation have any property that is eligible for capital cost allowance?	208	X	8
Does the corporation have any property that is eligible capital property?	210	X	10
Does the corporation have any resource-related deductions?	212		12
Is the corporation claiming deductible reserves (other than transitional reserves under section 34.2)?	213		13
Is the corporation claiming a patronage dividend deduction?	216		16
Is the corporation a credit union claiming a deduction for allocations in proportion to borrowing or an additional deduction?	217		17
Is the corporation an investment corporation or a mutual fund corporation?	218		18
Is the corporation carrying on business in Canada as a non-resident corporation?	220		20
Is the corporation claiming any federal or provincial foreign tax credits, or any federal or provincial logging tax credits?	221		21
Does the corporation have any Canadian manufacturing and processing profits?	227		27
Is the corporation claiming an investment tax credit?	231	X	31
Is the corporation claiming any scientific research and experimental development (SR&ED) expenditures?	232		T661
Is the total taxable capital employed in Canada of the corporation and its related corporations over $10,000,000?	233	X	———
Is the total taxable capital employed in Canada of the corporation and its associated corporations over $10,000,000?	234	X	———
Is the corporation claiming a surtax credit?	237		37
Is the corporation subject to gross Part VI tax on capital of financial institutions?	238		38
Is the corporation claiming a Part I tax credit?	242		42
Is the corporation subject to Part IV.1 tax on dividends received on taxable preferred shares or Part VI.1 tax on dividends paid?	243		43
Is the corporation agreeing to a transfer of the liability for Part VI.1 tax?	244		45
Is the corporation subject to Part II - Tobacco Manufacturers' surtax?	249		46
For financial institutions: Is the corporation a member of a related group of financial institutions with one or more members subject to gross Part VI tax?	250		39
Is the corporation claiming a Canadian film or video production tax credit refund?	253		T1131
Is the corporation claiming a film or video production services tax credit refund?	254		T1177
Is the corporation subject to Part XIII.1 tax? (Show your calculations on a sheet that you identify as Schedule 92.)	255		92

Attachments – continued from page 2

		Yes	Schedule
Did the corporation have any foreign affiliates that are not controlled foreign affiliates?	256		T1134
Did the corporation have any controlled foreign affiliates?	258		T1134
Did the corporation own specified foreign property in the year with a cost amount over $100,000?	259		T1135
Did the corporation transfer or loan property to a non-resident trust?	260		T1141
Did the corporation receive a distribution from or was it indebted to a non-resident trust in the year?	261		T1142
Has the corporation entered into an agreement to allocate assistance for SR&ED carried out in Canada?	262		T1145
Has the corporation entered into an agreement to transfer qualified expenditures incurred in respect of SR&ED contracts?	263		T1146
Has the corporation entered into an agreement with other associated corporations for salary or wages of specified employees for SR&ED?	264		T1174
Did the corporation pay taxable dividends (other than capital gains dividends) in the tax year?	265	X	55
Has the corporation made an election under subsection 89(11) not to be a CCPC?	266		T2002
Has the corporation revoked any previous election made under subsection 89(11)?	267		T2002
Did the corporation (CCPC or deposit insurance corporation (DIC)) pay eligible dividends, or did its general rate income pool (GRIP) change in the tax year?	268	X	53
Did the corporation (other than a CCPC or DIC) pay eligible dividends, or did its low rate income pool (LRIP) change in the tax year?	269		54

Additional information

		1 Yes	2 No
Did the corporation use the International Financial Reporting Standards (IFRS) when it prepared its financial statements?	270	X	
Is the corporation inactive?	280		X

What is the corporation's main revenue-generating business activity? 221122 Electric Power Distribution

Specify the principal product(s) mined, manufactured, sold, constructed, or services provided, giving the approximate percentage of the total revenue that each product or service represents.

284	Electricity Distribution	285	90.212 %
286	Third Party Billing	287	3.594 %
288	Other	289	6.194 %

		1 Yes	2 No
Did the corporation immigrate to Canada during the tax year?	291		X
Did the corporation emigrate from Canada during the tax year?	292		X
Do you want to be considered as a quarterly instalment remitter if you are eligible?	293		

If the corporation was eligible to remit instalments on a quarterly basis for part of the tax year, provide the date the corporation ceased to be eligible 294 ______ YYYY MM DD

If the corporation's major business activity is construction, did you have any subcontractors during the tax year? 295 1 Yes [ ] 2 No [ ]

Taxable income

Net income or (loss) for income tax purposes from Schedule 1, financial statements, or GIFI.			300	18,969,945	A
Deduct: Charitable donations from Schedule 2	311	103,314			
Gifts to Canada, a province, or a territory from Schedule 2	312				
Cultural gifts from Schedule 2	313				
Ecological gifts from Schedule 2	314				
Gifts of medicine from Schedule 2	315				
Taxable dividends deductible under section 112 or 113, or subsection 138(6) from Schedule 3	320				
Part VI.1 tax deduction*	325				
Non-capital losses of previous tax years from Schedule 4	331				
Net capital losses of previous tax years from Schedule 4	332				
Restricted farm losses of previous tax years from Schedule 4	333				
Farm losses of previous tax years from Schedule 4	334				
Limited partnership losses of previous tax years from Schedule 4	335				
Taxable capital gains or taxable dividends allocated from a central credit union	340				
Prospector's and grubstaker's shares	350				
Subtotal		103,314 ►		103,314	B
Subtotal (amount A **minus** amount B) (if negative, enter "0")				18,866,631	C
Add: Section 110.5 additions or subparagraph 115(1)(a)(vii) additions			355		D
Taxable income (amount C **plus** amount D)			360	18,866,631	
Income exempt under paragraph 149(1)(t)			370		
Taxable income for a corporation with exempt income under paragraph 149(1)(t) (line 360 **minus** line 370)				18,866,631	Z

* This amount is equal to 3.5 times the Part VI.1 tax payable at line 724 on page 8.

Small business deduction

Canadian-controlled private corporations (CCPCs) throughout the tax year

Income from active business carried on in Canada from Schedule 7	400	18,913,969	A
Taxable income from line 360 on page 3, **minus** 100/28 3.57143 of the amount on line 632* on page 7, **minus** 1/(0.38 - X**) 4 times the amount on line 636*** on page 7, and **minus** any amount that, because of federal law, is exempt from Part I tax	405	18,866,631	B
Business limit (see notes 1 and 2 below)	410	500,000	C

Notes:

1. For CCPCs that are not associated, enter $ 500,000 on line 410. However, if the corporation's tax year is less than 51 weeks, prorate this amount by the number of days in the tax year divided by 365, and enter the result on line 410.
2. For associated CCPCs, use Schedule 23 to calculate the amount to be entered on line 410.

Business limit reduction:

Amount C 500,000 x 415 **** 1,153,070 D / 11,250 = 51,247,556 E

Reduced business limit (amount C **minus** amount E) (if negative, enter "0") 425 ______ F

Small business deduction

Amount A, B, C, or F, whichever is the least ______ x 17 % = 430 ______ G

Enter amount G on line 1 on page 7.

* Calculate the amount of foreign non-business income tax credit deductible on line 632 without reference to the refundable tax on the CCPC's investment income (line 604) and without reference to the corporate tax reductions under section 123.4.

** General rate reduction percentage for the tax year. It has to be pro-rated based on the number of days in the tax year that are in each calendar year. See page 5.

*** Calculate the amount of foreign business income tax credit deductible on line 636 without reference to the corporation tax reductions under section 123.4.

**** **Large corporations**

- If the corporation is not associated with any corporations in both the current and previous tax years, the amount to be entered on line 415 is: (total taxable capital employed in Canada for the **prior year** minus $10,000,000) x 0.225%.
- If the corporation is not associated with any corporations in the current tax year, but was associated in the previous tax year, the amount to be entered on line 415 is: (total taxable capital employed in Canada for the **current year** minus $10,000,000) x 0.225%.
- For corporations associated in the current tax year, see Schedule 23 for the special rules that apply.

General tax reduction for Canadian-controlled private corporations

Canadian-controlled private corporations throughout the tax year

Taxable income from page 3 (line 360 or amount Z, whichever applies)			18,866,631	A
Lesser of amounts V and Y (line Z1) from Part 9 of Schedule 27		B		
Amount QQ from Part 13 of Schedule 27		C		
Personal service business income **432**		D		
Amount used to calculate the credit union deduction (amount F from Schedule 17)		E		
Amount from line 400, 405, 410, or 425 on page 4, whichever is the least		F		
Aggregate investment income from line 440 on page 6*	55,976	G		
Total of amounts B to G	55,976	▶	55,976	H
Amount A **minus** amount H (if negative, enter "0")			18,810,655	I

Amount I 18,810,655 x (Number of days in the tax year after December 31, 2010, and before January 1, 2012 / Number of days in the tax year 365) x 11.5 % = J

Amount I 18,810,655 x (Number of days in the tax year after December 31, 2011 365 / Number of days in the tax year 365) x 13 % = 2,445,385 K

General tax reduction for Canadian-controlled private corporations – Amount J **plus** amount K . . . 2,445,385 L
Enter amount L on line 638 on page 7.

* Except for a corporation that is, throughout the year, a cooperative corporation (within the meaning assigned by subsection 136(2)) or a credit union.

General tax reduction

Do not complete this area if you are a Canadian-controlled private corporation, an investment corporation, a mortgage investment corporation, a mutual fund corporation, or any corporation with taxable income that is not subject to the corporation tax rate of 38%.

Taxable income from page 3 (line 360 or amount Z, whichever applies)				M
Lesser of amounts V and Y (line Z1) from Part 9 of Schedule 27		N		
Amount QQ from Part 13 of Schedule 27		O		
Personal service business income **434**		P		
Amount used to calculate the credit union deduction (amount F from Schedule 17)		Q		
Total of amounts N to Q		▶		R
Amount M **minus** amount R (if negative, enter "0")				S

Amount S x (Number of days in the tax year after December 31, 2010, and before January 1, 2012 / Number of days in the tax year 365) x 11.5 % = T

Amount S x (Number of days in the tax year after December 31, 2011 365 / Number of days in the tax year 365) x 13 % = U

General tax reduction – Amount T **plus** amount U . . . V
Enter amount V on line 639 on page 7.

Refundable portion of Part I tax

Canadian-controlled private corporations throughout the tax year

Aggregate investment income from Schedule 7	**440** 55,976 x 26 2 / 3 % =		14,927	A
Foreign non-business income tax credit from line 632 on page 7		B		
Deduct: Foreign investment income from Schedule 7	**445** x 9 1 / 3 % =	C		
(if negative, enter "0")		▶		D
Amount A **minus** amount D (if negative, enter "0")			14,927	E
Taxable income from line 360 on page 3	18,866,631	F		

Deduct:

Amount from line 400, 405, 410, or 425 on page 4, whichever is the least			G
Foreign non-business income tax credit from line 632 on page 7	x 100 / 35 =		H
Foreign business income tax credit from line 636 on page 7	x 1(0.38 – X*) / 4 =		I
Subtotal		▶	J

18,866,631		K
x 26 2 / 3 % =	5,031,102	L
Part I tax payable minus investment tax credit refund (line 700 **minus** line 780 from page 8)	2,837,004	M
Refundable portion of Part I tax – Amount E, L, or M, whichever is the least **450**	14,927	N

* General rate reduction percentage for the tax year. It has to be pro-rated based on the number of days in the tax year that are in each calendar year. See page 5.

Refundable dividend tax on hand

Refundable dividend tax on hand at the end of the previous tax year **460**	3,433			
Deduct: Dividend refund for the previous tax year **465**	3,433			
		▶		O
Add the total of:				
Refundable portion of Part I tax from line 450 above	14,927	P		
Total Part IV tax payable from Schedule 3		Q		
Net refundable dividend tax on hand transferred from a predecessor corporation on amalgamation, or from a wound-up subsidiary corporation **480**				
	14,927	▶	14,927	R
Refundable dividend tax on hand at the end of the tax year – Amount O **plus** amount R **485**			14,927	

Dividend refund

Private and subject corporations at the time taxable dividends were paid in the tax year

Taxable dividends paid in the tax year from line 460 on page 2 of Schedule 3	13,556,000 x 1 / 3 =	4,518,667	S
Refundable dividend tax on hand at the end of the tax year from line 485 above		14,927	T
Dividend refund – Amount S or T, whichever is less (enter this amount on line 784 on page 8)		14,927	

Part I tax

Base amount Part I tax – Taxable income from page 3 (line 360 or amount Z, whichever applies) **multiplied** by 38 %			550	7,169,320 A
Recapture of investment tax credit from Schedule 31			602	B

Calculation for the refundable tax on the Canadian-controlled private corporation's (CCPC) investment income
(if it was a CCPC throughout the tax year)

Aggregate investment income from line 440 on page 6		55,976	i
Taxable income from line 360 on page 3	18,866,631		
Deduct:			
Amount from line 400, 405, 410, or 425 on page 4, whichever is the least			
Net amount	18,866,631 ►	18,866,631	ii

Refundable tax on CCPC's investment income – 6 2 / 3 % of whichever is less: amount i or ii	604	3,732 C
Subtotal (**add** amounts A to C)		7,173,052 D

Deduct:

Small business deduction from line 430 on page 4			1
Federal tax abatement	608	1,886,663	
Manufacturing and processing profits deduction from Schedule 27	616		
Investment corporation deduction	620		
Taxed capital gains 624			
Additional deduction – credit unions from Schedule 17	628		
Federal foreign non-business income tax credit from Schedule 21	632		
Federal foreign business income tax credit from Schedule 21	636		
General tax reduction for CCPCs from amount L on page 5	638	2,445,385	
General tax reduction from amount V on page 5	639		
Federal logging tax credit from Schedule 21	640		
Federal qualifying environmental trust tax credit	648		
Investment tax credit from Schedule 31	652	4,000	
Subtotal		4,336,048 ►	4,336,048 E

Part I tax payable – Amount D **minus** amount E	2,837,004 F

Enter amount F on line 700 on page 8.

Summary of tax and credits

Federal tax

Part I tax payable from page 7	700	2,837,004
Part II surtax payable from Schedule 46	708	
Part III.1 tax payable from Schedule 55	710	
Part IV tax payable from Schedule 3	712	
Part IV.1 tax payable from Schedule 43	716	
Part VI tax payable from Schedule 38	720	
Part VI.1 tax payable from Schedule 43	724	
Part XIII.1 tax payable from Schedule 92	727	
Part XIV tax payable from Schedule 20	728	
Total federal tax		2,837,004

Add provincial or territorial tax:

Provincial or territorial jurisdiction . . . **750** ON
(if more than one jurisdiction, enter "multiple" and complete Schedule 5)

Net provincial or territorial tax payable (except Quebec and Alberta)	760	1,956,391	
Provincial tax on large corporations (Nova Scotia Schedule 342) (The Nova Scotia tax on large corporations is eliminated effective July 1, 2012.)	765		
Total provincial or territorial tax		1,956,391 ▶	1,956,391
Total tax payable	770		4,793,395 A

Deduct other credits:

Investment tax credit refund from Schedule 31	780	
Dividend refund from page 6	784	14,927
Federal capital gains refund from Schedule 18	788	
Federal qualifying environmental trust tax credit refund	792	
Canadian film or video production tax credit refund (Form T1131)	796	
Film or video production services tax credit refund (Form T1177)	797	
Tax withheld at source	800	
Total payments on which tax has been withheld **801**		
Provincial and territorial capital gains refund from Schedule 18	808	
Provincial and territorial refundable tax credits from Schedule 5	812	
Tax instalments paid	840	7,273,200
Total credits	890	7,288,127 ▶ 7,288,127 B

Refund code **894** 1 Overpayment 2,494,732 ◀ Balance (amount A **minus** amount B) -2,494,732

If the result is negative, you have an **overpayment**.
If the result is positive, you have a **balance unpaid**.
Enter the amount on whichever line applies.

Generally, we do not charge or refund a difference of $2 or less.

Balance unpaid . . . .

Enclosed payment **898**

Direct deposit request

To have the corporation's refund deposited directly into the corporation's bank account at a financial institution in Canada, or to change banking information you already gave us, complete the information below:

☐ Start ☐ Change information **910** Branch number

914 Institution number **918** Account number

If the corporation is a Canadian-controlled private corporation throughout the tax year, does it qualify for the one-month extension of the date the balance of tax is due? . . . **896** 1 Yes ☐ 2 No ☒

If this return was prepared by a tax preparer for a fee, provide their EFILE number . . . **920** A6698

PREPARED SOLELY FOR INCOME TAX PURPOSES WITHOUT AUDIT OR REVIEW FROM INFORMATION PROVIDED BY THE TAXPAYER.

Certification

I, **950** Basilio (Last name (print)) **951** John G. (First name (print)) **954** SVP and CFO (Position, office, or rank),

am an authorized signing officer of the corporation. I certify that I have examined this return, including accompanying schedules and statements, and that the information given on this return is, to the best of my knowledge, correct and complete. I also certify that the method of calculating income for this tax year is consistent with that of the previous tax year except as specifically disclosed in a statement attached to this return.

955 Date (yyyy/mm/dd) Signature of the authorized signing officer of the corporation **956** (905) 317-4783 Telephone number

Is the contact person the same as the authorized signing officer? If **no**, complete the information below . . . **957** 1 Yes ☒ 2 No ☐

958 Name (print) **959** Telephone number

Language of correspondence – Langue de correspondance

Indicate your language of correspondence by entering **1** for English or **2** for French.
Indiquez votre langue de correspondance en inscrivant **1** pour anglais ou **2** pour français. **990** 1

Canada Revenue Agency / Agence du revenu du Canada

Net Income (Loss) for Income Tax Purposes

SCHEDULE 1

Corporation's name	Business Number	Tax year end Year Month Day
Horizon Utilities Corporation	86654 9090 RC0002	2013-12-31

- The purpose of this schedule is to provide a reconciliation between the corporation's net income (loss) as reported on the financial statements and its net income (loss) for tax purposes. For more information, see the T2 *Corporation Income Tax Guide*.
- All legislative references are to the *Income Tax Act*.

Amount calculated on line 9999 from Schedule 125			18,736,985	A
Add:				
Provision for income taxes – current	101	6,457,765		
Interest and penalties on taxes	103	50,143		
Amortization of tangible assets	104	20,012,444		
Loss on disposal of assets	111	1,707,049		
Charitable donations and gifts from Schedule 2	112	103,314		
Taxable capital gains from Schedule 6	113	45,386		
Non-deductible meals and entertainment expenses	121	57,498		
Reserves from financial statements – balance at the end of the year	126	26,902,347		
Subtotal of additions		55,335,946 ▶	55,335,946	
Other additions:				
Capital items expensed	206	90,707		
Financing fees deducted in books	216	85,565		
Miscellaneous other additions:				
600 Pension movement in sch 13 not in P&L	290	1,763,798		
601 Regulatory Adjustment	291	6,241,067		
603				
Inducement - ITA 12(1)(x) 333,428				
Total 333,428	293	333,428		
604				
Total	294			
Subtotal of other additions	199	8,514,565 ▶	8,514,565	
Total additions	500	63,850,511 ▶	63,850,511	B
Amount A **plus** amount B			82,587,496	

Deduct:

Capital cost allowance from Schedule 8		403	30,199,969	
Cumulative eligible capital deduction from Schedule 10		405	633,607	
Reserves from financial statements – balance at the beginning of the year		414	28,563,090	
Subtotal of deductions			59,396,666 ▶	59,396,666

Other deductions:

Non-taxable/deductible other comprehensive income items		347	1,296,392	

Miscellaneous other deductions:

700 Solar Sunbelt GP Loss for Tax Purposes		390	1,873,203	
701 Depreciation previously added back to income		391	203,834	
702 Deferred Revenue - capital contributions 2013 amort		392	428,137	
703				
Deduction as per paragraph 20(1)(e) of the ITA	170,808			
Total	170,808	393	170,808	
704 Solar Sunbelt GP Accounting Income	248,511			
Total	248,511	394	248,511	
Subtotal of other deductions		499	4,220,885 ▶	4,220,885
Total deductions		510	63,617,551 ▶	63,617,551
Net income (loss) for income tax purposes – enter on line 300 of the T2 return				18,969,945

Inducement

This form is used to calculate inducements that a corporation must add to its income under paragraph 12(1)(x) of the ITA. If an amount reduces the capital cost of a property, this amount will be indicated in Part "Tax credits whose amount should reduce the capital cost of property."

If you want to transfer an amount to Schedule 1 and include it in the corporation's income for tax purposes, select the corresponding check box in column A. You can also select the option **Select this check box to add all the amounts to income calculated in Schedule 1** to transfer all the amounts to Schedule 1. In either case, the column A check box will be selected for that amount and it will therefore be updated to Schedule 1.

Tax credits whose amount should be added to income

Select this check box to add all the amounts to income calculated in Schedule 1. . . . . [X]

Federal

A		
X	Investment tax credit from apprenticeship job creation expenditures	34,232
X	Investment tax credit from child care spaces expenditures	
X	Canadian film or video production tax credit* * Please verify if the credit amount relates to depreciable property. For more information, press F1 to consult the Help.	
X	Film or video production services tax credit* * Please verify if the credit amount relates to depreciable property. For more information, press F1 to consult the Help.	
X	Investment tax credit claimed on contributions made to SR&ED farming organizations	

Ontario

A		
X	Portion of the Ontario research and development tax credit that relates to the prescribed proxy amount (PPA) and portion of the Ontario investment tax credit that relates to contributions made to SR&ED farming organizations	
X	Ontario co-operative education tax credit	25,116
X	Ontario apprenticeship training tax credit	274,080
X	Ontario computer animation and special effects tax credit* * Please verify if the credit amount relates to depreciable property. For more information, press F1 to consult the Help.	
X	Ontario film and television tax credit* * Please verify if the credit amount relates to depreciable property. For more information, press F1 to consult the Help.	
X	Ontario production services tax credit* * Please verify if the credit amount relates to depreciable property. For more information, press F1 to consult the Help.	
X	Ontario interactive digital media tax credit* * Please verify if the credit amount relates to depreciable property. For more information, press F1 to consult the Help.	
X	Ontario sound recording tax credit* * Please verify if the credit amount relates to depreciable property. For more information, press F1 to consult the Help.	
X	Ontario book publishing tax credit	
X	Portion of the Ontario innovation tax credit that relates to the prescribed proxy amount (PPA) and portion of the Ontario investment tax credit that relates to contributions made to SR&ED farming organizations	
X	Ontario business-research institute tax credit	
	Ontario public transit expense tax credit	
	Ontario tax credit for the purchase of vehicles that use natural gas as a fuel* * Please verify if the credit amount relates to depreciable property. For more information, press F1 to consult the Help.	
	Ontario tax credit for educational success	

Tax credits whose amount should reduce the capital cost of property

Canada Revenue Agency | Agence du revenu du Canada

Schedule 2

Charitable Donations and Gifts

Corporation's name	Business number	Tax year-end Year Month Day
Horizon Utilities Corporation	86654 9090 RC0002	2013-12-31

- For use by corporations to claim any of the following:
  - charitable donations to qualified donees;
  - gifts to Canada, a province, or a territory;
  - gifts of certified cultural property;
  - gifts of certified ecologically sensitive land; or
  - additional deduction for gifts of medicine.
- The donations and gifts are eligible for a five-year carryforward.
- Use this schedule to show a transfer of unused amounts from previous years following an amalgamation or the wind-up of a subsidiary as described under subsections 87(1) and 88(1) of the federal *Income Tax Act*.
- For donations and gifts made after March 22, 2004, subsection 110.1(1.2) of the federal *Income Tax Act* provides as follows:
  - Where a particular corporation has undergone an acquisition of control, for tax years that end on or after the acquisition of control, no corporation can claim a deduction for a gift made by the particular corporation to a qualified donee before the acquisition of control
  - If a particular corporation makes a gift to a qualified donee pursuant to an arrangement under which both the gift and the acquisition of control is expected, no corporation can claim a deduction for the gift unless the person acquiring control of the particular corporation is the qualified donee.
- The eligible amount of a charitable gift is the amount by which the fair market value of the gift exceeds the amount of an advantage, if any, for the gift.
- A gift of medicine made after March 18, 2007, to qualifying organizations for activities outside of Canada, may be eligible for an additional deduction if the gift is an eligible medical gift. This additional deduction is calculated in Part 6.
- File one completed copy of this schedule with your *T2 Corporation Income Tax Return*.
- For more information, see the *T2 Corporation - Income Tax Guide*.

Part 1 – Charitable donations

Charity/Recipient	Amount ($100 or more only)
Various	103,314
Subtotal	103,314
Add: Total donations of less than $100 each	
Total donations in current tax year	103,314

	Line	Federal		Québec	Alberta
Charitable donations at the end of the previous tax year			A		
Deduct: Charitable donations expired after five tax years*	239				
Charitable donations at the beginning of the tax year	240		B		
Add:					
Charitable donations transferred on an amalgamation or the wind-up of a subsidiary	250				
Total current-year charitable donations made (enter this amount on line 112 of Schedule 1)	210	103,314		103,314	103,314
Subtotal (line 250 **plus** line 210)		103,314	C	103,314	103,314
Subtotal (amount B **plus** amount C)		103,314	D	103,314	103,314
Deduct: Adjustment for an acquisition of control (for donations made after March 22, 2004)	255				
Total charitable donations available (amount D **minus** amount on line 255)		103,314	E	103,314	103,314
Deduct: Amount applied against taxable income (cannot be more than amount O in Part 2) (enter this amount on line 311 of the T2 return)	260	103,314		103,314	103,314
Charitable donations closing balance (amount E **minus** amount on line 260)	280				

* For the federal and Alberta, the gifts expire after five tax years. For Québec, gifts made in a tax year that ended before March 24, 2006, expire after five tax years and gifts made in a tax year that ended after March 23, 2006, expire after twenty tax years.

Amounts carried forward – Charitable donations

Year of origin:		Federal	Québec	Alberta
1st prior year	2012-12-31			
2nd prior year	2011-12-31			
3rd prior year	2010-12-31			
4th prior year	2009-12-31			
5th prior year	2009-12-31			
6th prior year*	2008-12-31			
7th prior year	2007-12-31			
8th prior year	2006-12-31			
9th prior year	2005-12-31			
10th prior year	2004-12-31			
11th prior year	2003-12-31			
12th prior year	2002-12-31			
13th prior year	2001-12-31			
14th prior year	2000-12-31			
15th prior year	1999-12-31			
16th prior year	1998-12-31			
17th prior year	1997-12-31			
18th prior year	1996-12-31			
19th prior year	1995-12-31			
20th prior year	1994-12-31			
21st prior year*	1993-12-31			
Total (to line A)				

* For the federal and Alberta, the 6th prior year gifts expire in the current year. For Québec, the 6th prior year gifts made in a tax year that ended before March 24, 2006, expire in the current year and the 21st prior year gifts made in a tax year that ended after March 23, 2006, expire in the current year.

Part 2 – Calculation of the maximum allowable deduction for charitable donations

Net income for tax purposes * **multiplied** by 75 % . . . . . 14,227,459 F

Taxable capital gains arising in respect of gifts of capital property included in Part 1 ** . . . . . **225** ______ G

Taxable capital gain in respect of deemed gifts of non-qualifying securities per subsection 40(1.01) . . . . . **227** ______ H

The amount of the recapture of capital cost allowance in respect of charitable gifts . . . . . **230** ______

Proceeds of disposition, less outlays and expenses ** . . . . . ______ I

Capital cost ** . . . . . ______ J

Amount I or J, whichever is less . . . . . **235** ______

Amount on line 230 or 235, whichever is less . . . . . ______ K

Subtotal (**add** amounts G, H, and K) ______ L

Amount L **multiplied** by 25 % ______ M

Subtotal (amount F **plus** amount M) 14,227,459 N

Maximum allowable deduction for charitable donations (enter amount E from Part 1, amount N, or net income for tax purposes, whichever is less) . . . . . 103,314 O

* For credit unions, this amount is before the deduction of payments pursuant to allocations in proportion to borrowing and bonus interest.

** This amount must be prorated by the following calculation: eligible amount of the gift **divided by** the proceeds of disposition of the gift.

Part 3 – Gifts to Canada, a province, or a territory

Gifts to Canada, a province, or a territory at the end of the previous tax year			A
Deduct: Gifts to Canada, a province, or a territory expired after five tax years	339		
Gifts to Canada, a province, or a territory at the beginning of the tax year	340		B
Add:			
Gifts to Canada, a province, or a territory transferred on an amalgamation or the windup of a subsidiary	350		
Total current-year gifts made to Canada, a province, or a territory *	310		
Subtotal (line 350 **plus** line 310)	►		C
Subtotal (amount B **plus** amount C)			D
Deduct:			
Adjustment for an acquisition of control (for gifts made after March 22, 2004)	355		
Amount applied against taxable income (enter this amount on line 312 of the T2 return)	360		
Subtotal (line 355 **plus** line 360)	►		E
Gifts to Canada, a province, or a territory closing balance (amount D **minus** amount E)	380		

* Not applicable for gifts made after February 18, 1997, unless a written agreement was made before this date. If no written agreement exists, enter the amount on line 210 and complete Part 2.

Part 4 – Gifts of certified cultural property

		Federal		Québec	Alberta
Gifts of certified cultural property at the end of the previous tax year			F		
Deduct: Gifts of certified cultural property expired after five tax years*	439				
Gifts of certified cultural property at the beginning of the tax year	440		G		
Add:					
Gifts of certified cultural property transferred on an amalgamation or the windup of a subsidiary	450				
Total current-year gifts of certified cultural property	410				
Subtotal (line 450 **plus** line 410)			H		
Subtotal (amount G **plus** amount H)			I		
Deduct:					
Adjustment for an acquisition of control (for gifts made after March 22, 2004)	455				
Amount applied against taxable income (enter this amount on line 313 of the T2 return)	460				
Subtotal (line 455 **plus** line 460)			J		
Gifts of certified cultural property closing balance (amount I **minus** amount J)	480				

* For the federal and Alberta, the gifts expire after five tax years. For Québec, gifts made in a tax year that ended before March 24, 2006, expire after five tax years and gifts made in a tax year that ended after March 23, 2006, expire after twenty tax years.

Amount carried forward – Gifts of certified cultural property

Year of origin:		Federal	Québec	Alberta
1st prior year	2012-12-31			
2nd prior year	2011-12-31			
3rd prior year	2010-12-31			
4th prior year	2009-12-31			
5th prior year	2009-12-31			
6th prior year*	2008-12-31			
7th prior year	2007-12-31			
8th prior year	2006-12-31			
9th prior year	2005-12-31			
10th prior year	2004-12-31			
11th prior year	2003-12-31			
12th prior year	2002-12-31			
13th prior year	2001-12-31			
14th prior year	2000-12-31			
15th prior year	1999-12-31			
16th prior year	1998-12-31			
17th prior year	1997-12-31			
18th prior year	1996-12-31			
19th prior year	1995-12-31			
20th prior year	1994-12-31			
21st prior year*	1993-12-31			
Total				

* For the federal and Alberta, the 6th prior year gifts expire in the current year. For Québec, the 6th prior year gifts made in a tax year that ended before March 24, 2006, expire in the current year and the 21st prior year gifts made in a tax year that ended after March 23, 2006, expire in the current year.

Part 5 – Gifts of certified ecologically sensitive land

		Federal		Québec	Alberta
Gifts of certified ecologically sensitive land at the end of the previous tax year			K		
Deduct: Gifts of certified ecologically sensitive land expired*	539				
Gifts of certified ecologically sensitive land at the beginning of the tax year	540		L		
Add:					
Gifts of certified ecologically sensitive land transferred on an amalgamation or the windup of a subsidiary	550				
Gifts of certified ecologically sensitive land made before February 11, 2014					
Gifts of certified ecologically sensitive land made after February 10, 2014		+			+
Total current-year gifts of certified ecologically sensitive land	510				
Subtotal (line 550 **plus** line 510)			M		
Subtotal (amount L **plus** amount M)			N		
Deduct:					
Adjustment for an acquisition of control (for gifts made after March 22, 2004)	555				
Amount applied against taxable income (enter this amount on line 314 of the T2 return)	560				
Subtotal (line 555 **plus** line 560)			O		
Gifts of certified ecologically sensitive land closing balance (amount N **minus** amount O)	580				

* For the federal and Alberta, gifts made before February 11, 2014 , expire after five tax years and gifts made after February 10, 2014, expire after ten tax years. For Québec, gifts made during a tax year that ended before March 24, 2006, expire after five tax years and gifts made during a tax year that ended after March 23, 2006 expire after twenty tax years.

Amounts carried forward – Gifts of certified ecologically sensitive land

Year of origin:		Federal	Québec	Alberta
1st prior year	2012-12-31			
2nd prior year	2011-12-31			
3rd prior year	2010-12-31			
4th prior year	2009-12-31			
5th prior year	2009-12-31			
6th prior year*	2008-12-31			
7th prior year	2007-12-31			
8th prior year	2006-12-31			
9th prior year	2005-12-31			
10th prior year	2004-12-31			
11th prior year*	2003-12-31			
12th prior year	2002-12-31			
13th prior year	2001-12-31			
14th prior year	2000-12-31			
15th prior year	1999-12-31			
16th prior year	1998-12-31			
17th prior year	1997-12-31			
18th prior year	1996-12-31			
19th prior year	1995-12-31			
20th prior year	1994-12-31			
21st prior year*	1993-12-31			
Total				

***** For the federal and Alberta, gifts made before February 11, 2014, expire after five tax years and gifts made after February 10, 2014, expire after ten tax years. The field "Amount of carried forward gifts made on or after February 11, 2014, in the tax year including this date" is used to determine the portion of the gifts made in the tax year straddling February 11, 2014, that expires after ten tax years.
For Québec, gifts made during a tax year that ended before March 24, 2006, expire after five tax years and gifts made in a tax year that ended after March 23, 2006, expire after twenty tax years.

Part 6 – Additional deduction for gifts of medicine

		Federal		Québec		Alberta	
Additional deduction for gifts of medicine at the end of the previous tax year			P				
Deduct: Additional deduction for gifts of medicine expired after five tax years	639						
Additional deduction for gifts of medicine at the beginning of the tax year	640		Q				
Add:							
Additional deduction for gifts of medicine transferred on an amalgamation or the wind-up of a subsidiary	650						
Additional deduction for gifts of medicine for the current year:							
Proceeds of disposition	602		1		1		1
Cost of gifts of medicine	601		2		2		2
Subtotal (line 1 **minus** line 2)			3		3		3
Line 3 **multiplied** by 50 %			4		4		4
Eligible amount of gifts	600		5		5		5

Federal

a ______ x (b ______ / c) = Additional deduction for gifts of medicine for the current year **610** ______

Québec

a ______ x (b ______ / c) = Additional deduction for gifts of medicine for the current year ______

Alberta

a ______ x (b ______ / c) = Additional deduction for gifts of medicine for the current year ______

where:

a is the **lesser** of line 2 and line 4

b is the eligible amount of gifts (line 600)

c is the proceeds of disposition (line 602)

		Federal		Québec		Alberta
Subtotal (line 650 **plus** line 610)			R			
Subtotal (amount Q **plus** amount R)			S			
Deduct:						
Adjustment for an acquisition of control	655					
Amount applied against taxable income (enter this amount on line 315 of the T2 return)	660					
Subtotal (line 655 **plus** line 660)			T			
Additional deduction for gifts of medicine closing balance (amount S **minus** amount T)	680					

Amounts carried forward – Additional deduction for gifts of medicine

Year of origin:		Federal	Québec	Alberta
1st prior year	2012-12-31			
2nd prior year	2011-12-31			
3rd prior year	2010-12-31			
4th prior year	2009-12-31			
5th prior year	2009-12-31			
6th prior year*	2008-12-31			
Total				

***** These donations expired in the current year.

Québec – Gifts of musical instruments

Gifts of musical instruments at the end of the previous tax year		A
Deduct: Gifts of musical instruments expired after twenty tax years		B
Gifts of musical instruments at the beginning of the tax year		C
Add:		
Gifts of musical instruments transferred on an amalgamation or the wind-up of a subsidiary		D
Total current-year gifts of musical instruments		E
Subtotal (line D **plus** line E)		F
Deduct: Adjustment for an acquisition of control		G
Total gifts of musical instruments available		H
Deduct: Amount applied against taxable income		I
Gifts of musical instruments closing balance		J

Amounts carried forward – Gifts of musical instruments

Year of origin:		Québec
1st prior year	2012-12-31	
2nd prior year	2011-12-31	
3rd prior year	2010-12-31	
4th prior year	2009-12-31	
5th prior year	2009-12-31	
6th prior year*	2008-12-31	
7th prior year	2007-12-31	
8th prior year	2006-12-31	
9th prior year	2005-12-31	
10th prior year	2004-12-31	
11th prior year	2003-12-31	
12th prior year	2002-12-31	
13th prior year	2001-12-31	
14th prior year	2000-12-31	
15th prior year	1999-12-31	
16th prior year	1998-12-31	
17th prior year	1997-12-31	
18th prior year	1996-12-31	
19th prior year	1995-12-31	
20th prior year	1994-12-31	
21st prior year*	1993-12-31	
Total		

* These gifts expired in the current year.

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DIVIDENDS RECEIVED, TAXABLE DIVIDENDS PAID, AND PART IV TAX CALCULATION

SCHEDULE 3

Name of corporation	Business Number	Tax year-end Year Month Day
Horizon Utilities Corporation	86654 9090 RC0002	2013-12-31

- This schedule is for the use of any corporation to report:
  - non-taxable dividends under section 83;
  - deductible dividends under subsection 138(6);
  - taxable dividends deductible from income under section 112, subsection 113(2) and paragraphs 113(1)(a), (b) or (d); or
  - taxable dividends paid in the tax year that qualify for a dividend refund.
- The calculations in this schedule apply only to private or subject corporations.
- Parts, sections, subsections, and paragraphs referred to on this schedule are from the federal *Income Tax Act.*
- A recipient corporation is connected with a payer corporation at any time in a tax year, if at that time the recipient corporation:
  - controls the payer corporation, other than because of a right referred to in paragraph 251(5)(b); or
  - owns more than 10% of the issued share capital (with full voting rights), and shares that have a fair market value of more than 10% of the fair market value of all shares of the payer corporation.
- File one completed copy of this schedule with your *T2 Corporation Income Tax Return*.
- Column A – Enter "X" if dividends received from a foreign source (connected corporation only).
- Column F1 – Enter the amount of dividends received reported in column 240 that are eligible.
- Column F2 – Enter the code that applies to the deductible taxable dividend.
- Column F3 – Enter if dividends have been received or not after December 20, 2012. This information is required for corporations that must complete Schedules 71 and 72. For more details with regards to this column, consult the Help.

Part 1 – Dividends received in the tax year

Do not include dividends received from foreign non-affiliates.

Name of payer corporation (from which the corporation received the dividend) 200	A	Complete if payer corporation is connected: B Enter 1 if payer corporation is connected 205	C Business Number of connected corporation 210	D Tax year-end of the payer corporation in which the sections 112/113 and subsection 138(6) dividends in column F were paid YYYY/MM/DD (See note) 220	E Non-taxable dividend under section 83 230
				Total (enter on line 402 of Schedule 1)	

Note: If your corporation's tax year-end is different than that of the connected payer corporation, your corporation could have received dividends from more than one tax year of the payer corporation. If so, use a separate line to provide the information for each tax year of the payer corporation.
For more details, consult the Help.

F Taxable dividends deductible from taxable income under section 112, subsections 113(2) and 138(6), and paragraphs 113(1)(a), (b), or (d)* 240	F1 Eligible dividends (included in column F)	F2	F3	Complete if payer corporation is connected: G Total taxable dividends paid by connected payer corporation (for tax year in column D) 250	H Dividend refund of the connected payer corporation (for tax year in column D)** 260	I Part IV tax before deductions F x 1 / 3 *** 270
						J

Total (enter the amount from column F on line 320 of the T2 return and amount J in Part 2)

* If taxable dividends are received, enter the amount in column 240, but if the corporation is not subject to Part IV tax (such as a public corporation other than a subject corporation as defined in subsection 186(3)), enter "0" in column 270. Life insurers are not subject to Part IV tax on subsection 138(6) dividends.

** If the connected payer corporation's tax year ends after the corporation's balance-due day for the tax year (two or three months, as applicable), you have to estimate the payer's dividend refund when you calculate the corporation's Part IV tax payable.

*** For dividends received from connected corporations: Part IV tax = $\frac{\text{Column F x Column H}}{\text{Column G}}$

Part 2 – Calculation of Part IV tax payable

Part IV tax before deductions (amount J in Part 1)

Deduct:

Part IV.I tax payable on dividends subject to Part IV tax . . . 320

Subtotal

Deduct:

Current-year non-capital loss claimed to reduce Part IV tax . . . 330

Non-capital losses from previous years claimed to reduce Part IV tax . . . 335

Current-year farm loss claimed to reduce Part IV tax . . . 340

Farm losses from previous years claimed to reduce Part IV tax . . . 345

Total losses applied against Part IV tax x 1 / 3 =

Part IV tax payable (enter amount on line 712 of the T2 return) . . . 360

Part 3 – Taxable dividends paid in the tax year that qualify for a dividend refund

	A	B	C	D	D1
	Name of connected recipient corporation 400	Business Number 410	Tax year end of connected recipient corporation in which the dividends in column D were received YYYY/MM/DD (See note) 420	Taxable dividends paid to connected corporations 430	Eligible dividends (included in column D)
1	Horizon Holdings Inc.	83675 1966 RC0001	2013-12-31	13,556,000	

Note

If your corporation's tax year-end is different than that of the connected recipient corporation, your corporation could have paid dividends in more than one tax year of the recipient corporation. If so, use a separate line to provide the information for each tax year of the recipient corporation. For more details, consult the Help.

Total 13,556,000

Total taxable dividends paid in the tax year to other than connected corporations . . . 450

Eligible dividends (included in line 450) . . . 450a

Total taxable dividends paid in the tax year that qualify for a dividend refund (total of column D above **plus** line 450) . . . 460 13,556,000

Part 4 – Total dividends paid in the tax year

Complete this part if the total taxable dividends paid in the tax year that qualify for a dividend refund (line 460 above) is different from the total dividends paid in the tax year.

Total taxable dividends paid in the tax year for the purposes of a dividend refund (from above) . . . 13,556,000

Other dividends paid in the tax year (total of 510 to 540) . . .

Total dividends paid in the tax year . . . 500 13,556,000

Deduct:

Dividends paid out of capital dividend account . . . 510

Capital gains dividends . . . 520

Dividends paid on shares described in subsection 129(1.2) . . . 530

Taxable dividends paid to a controlling corporation that was bankrupt at any time in the year . . . 540

Subtotal ▶

Total taxable dividends paid in the tax year that qualify for a dividend refund . . . 13,556,000

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Schedule 5

TAX CALCULATION SUPPLEMENTARY – CORPORATIONS

Corporation's name	Business Number	Tax year-end Year Month Day
Horizon Utilities Corporation	86654 9090 RC0002	2013-12-31

- Use this schedule if, during the tax year, the corporation:
  - had a permanent establishment in more than one jurisdiction (corporations that have no taxable income should only complete columns A, B and D in Part 1);
  - is claiming provincial or territorial tax credits or rebates (see Part 2); or
  - has to pay taxes, other than income tax, for Newfoundland and Labrador, or Ontario (see Part 2).
- Regulations mentioned in this schedule are from the *Income Tax Regulations.*
- For more information, see the *T2 Corporation – Income Tax Guide.*
- Enter the regulation number in field 100 of Part 1.

Part 1 – Allocation of taxable income

100 ______ Enter the Regulation that applies (402 to 413).

A Jurisdiction Tick yes if the corporation had a permanent establishment in the jurisdiction during the tax year. *		B Total salaries and wages paid in jurisdiction	C (B x taxable income**) / G	D Gross revenue	E (D x taxable income**) / H	F Allocation of taxable income (C + E) x 1/2*** (where either G or H is nil, do not multiply by 1/2)
Newfoundland and Labrador	003 1 Yes	103		143		
Newfoundland and Labrador Offshore	004 1 Yes	104		144		
Prince Edward Island	005 1 Yes	105		145		
Nova Scotia	007 1 Yes	107		147		
Nova Scotia Offshore	008 1 Yes	108		148		
New Brunswick	009 1 Yes	109		149		
Quebec	011 1 Yes	111		151		
Ontario	013 1 Yes	113		153		
Manitoba	015 1 Yes	115		155		
Saskatchewan	017 1 Yes	117		157		
Alberta	019 1 Yes	119		159		
British Columbia	021 1 Yes	121		161		
Yukon	023 1 Yes	123		163		
Northwest Territories	025 1 Yes	125		165		
Nunavut	026 1 Yes	126		166		
Outside Canada	027 1 Yes	127		167		
Total		129 G		169 H		

* "Permanent establishment" is defined in Regulation 400(2).

** If the corporation has income or loss from an international banking centre: the taxable income is the amount on line 360 or line Z of the T2 return **plus** the total amount not required to be included, or **minus** the total amount not allowed to be deducted, in calculating the corporation's income under section 33.1 of the federal *Income Tax Act*. This does not apply to tax years starting after March 20, 2013.

*** For corporations other than those described under Regulation 402, use the appropriate calculation described in the Regulations to allocate taxable income.

Notes:
1. After determining the allocation of taxable income, you have to calculate the corporation's provincial or territorial tax payable. For more information on how to calculate the tax for each province or territory, see the instructions for Schedule 5 in the *T2 Corporation – Income Tax Guide*.
2. If the corporation has provincial or territorial tax payable, complete Part 2.

Part 2 – Ontario tax payable, tax credits, and rebates

Total taxable income	Income eligible for small business deduction	Provincial or territorial allocation of taxable income	Provincial or territorial tax payable before credits
18,866,631		18,866,631	2,134,663

Ontario basic income tax (from Schedule 500)	270	2,169,663			
Deduct: Ontario small business deduction (from Schedule 500)	402	35,000			
Subtotal		2,134,663	►	2,134,663	A6
Add:					
Ontario additional tax re Crown royalties (from Schedule 504)	274				
Ontario transitional tax debits (from Schedule 506)	276				
Recapture of Ontario research and development tax credit (from Schedule 508)	277				
Subtotal			►		B6
Subtotal (amount A6 **plus** amount B6)				2,134,663	C6
Deduct:					
Ontario resource tax credit (from Schedule 504)	404				
Ontario tax credit for manufacturing and processing (from Schedule 502)	406				
Ontario foreign tax credit (from Schedule 21)	408				
Ontario credit union tax reduction (from Schedule 500)	410				
Ontario transitional tax credits (from Schedule 506)	414				
Ontario political contributions tax credit (from Schedule 525)	415				
Other Ontario non-refundable credits					
Subtotal			►		D6
Subtotal (amount C6 **minus** amount D6) (if negative, enter "0")				2,134,663	E6
Deduct: Ontario research and development tax credit (from Schedule 508)			416		
Ontario corporate income tax payable before Ontario corporate minimum tax credit (amount E6 **minus** amount on line 416) (if negative, enter "0")				2,134,663	F6
Deduct: Ontario corporate minimum tax credit (from Schedule 510)			418		
Ontario corporate income tax payable (amount F6 **minus** amount on line 418) (if negative, enter "0")				2,134,663	G6
Add:					
Ontario corporate minimum tax (from Schedule 510)	278				
Ontario special additional tax on life insurance corporations (from Schedule 512)	280				
Subtotal			►		H6
Total Ontario tax payable before refundable credits (amount G6 **plus** amount H6)				2,134,663	I6
Deduct:					
Ontario qualifying environmental trust tax credit	450				
Ontario co-operative education tax credit (from Schedule 550)	452	39,538			
Ontario apprenticeship training tax credit (from Schedule 552)	454	138,734			
Ontario computer animation and special effects tax credit (from Schedule 554)	456				
Ontario film and television tax credit (from Schedule 556)	458				
Ontario production services tax credit (from Schedule 558)	460				
Ontario interactive digital media tax credit (from Schedule 560)	462				
Ontario sound recording tax credit (from Schedule 562)	464				
Ontario book publishing tax credit (from Schedule 564)	466				
Ontario innovation tax credit (from Schedule 566)	468				
Ontario business-research institute tax credit (from Schedule 568)	470				
Subtotal		178,272	►	178,272	J6
Net Ontario tax payable or refundable credit (amount I6 **minus** amount J6) (if a credit, enter a negative amount) Include this amount on line 255.			290	1,956,391	K6

Summary

Enter the total net tax payable or refundable credits for all provinces and territories on line 255.

Net provincial and territorial tax payable or refundable credits	255	1,956,391

If the amount on line 255 is positive, enter the net provincial and territorial tax payable on line 760 of the T2 return.
If the amount on line 255 is negative, enter the net provincial and territorial refundable tax credits on line 812 of the T2 return.

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Schedule 6

Summary of Dispositions of Capital Property

Corporation's name	Business number	Tax year-end Year Month Day
Horizon Utilities Corporation	86654 9090 RC0002	2013-12-31

- Use this schedule if your corporation disposed of (actual or deemed) capital property or claimed an allowable business investment loss (ABIL), or both, in the tax year.
- Also use this schedule to make a designation under paragraph 111(4)(e) of the *Income Tax Act* if control of the corporation has been acquired by a person or a group of persons.
- For more information, see the section called "Schedule 6, Summary of Dispositions of Capital Property" in Guide T4012, *T2 Corporation – Income Tax Guide*.

Designation under paragraph 111(4)(e) of the *Income Tax Act*

Are any dispositions shown on this schedule related to deemed dispositions designated under paragraph 111(4)(e)? . . . . . . 050 1 Yes [ ] 2 No [X]

If **yes**, attach a statement specifying which properties such a designation applies to.

Part 1 – Shares

1 Number of shares 100	2 Name of corporation in which the shares are held 105	3 Class of shares 106	4 Date of Acquisition YYYY/MM/DD 110	5 Proceeds of disposition 120	6 Adjusted cost base 130	7 Outlays and expenses from disposition 140	8 Gain (or loss) (column 5 **minus** columns 6 and 7) 150	Foreign source
			Totals					

Total adjustment under subsection 112(3) of the Act to all losses identified in Part 1 . . . . 160 ________

Actual gain or loss from the disposition of shares (total of column 8 **plus** line 160) . . . . ________ A

Part 2 – Real estate (Do not include losses on depreciable property)

1 Municipal address of real estate 1 = Address 1 2 = Address 2 3 = City 4 = Province, Country, Postal Code and Zip Code or Foreign Postal Code 200	2 Date of Acquisition YYYY/MM/DD 210	3 Proceeds of disposition 220	4 Adjusted cost base 230	5 Outlays and expenses from disposition 240	6 Gain (or loss) (column 3 **minus** columns 4 and 5) 250	Foreign source
	Totals					B

Part 3 – Bonds

1 Face value of bonds 300	2 Maturity date YYYY/MM/DD 305	3 Name of bond issuer 307	4 Date of Acquisition YYYY/MM/DD 310	5 Proceeds of disposition 320	6 Adjusted cost base 330	7 Outlays and expenses from disposition 340	8 Gain (or loss) (column 5 **minus** columns 6 and 7) 350	Foreign source
			Totals					C

Part 4 – Other properties (Do not include losses on depreciable property)

	1 Description of other property 400	2 Date of Acquisition YYYY/MM/DD 410	3 Proceeds of disposition 420	4 Adjusted cost base 430	5 Outlays and expenses from disposition 440	6 Gain (or loss) (column 3 **minus** columns 4 and 5) 450	Foreign source
1	Disposal of		193,232	102,460		90,772	
		Totals	193,232	102,460		90,772	**D**

Note
Other property includes capital debts established as bad debts, as well as amounts that arise from foreign currency transactions.

Part 5 – Personal-use property (Do not include listed personal property)

1 Description of personal-use property 500	2 Date of Acquisition YYYY/MM/DD 510	3 Proceeds of disposition 520	4 Adjusted cost base 530	5 Outlays and expenses from disposition 540	6 Gain only (column 3 **minus** columns 4 and 5; if negative, enter "0") 550	Foreign source
	Totals					**E**

Note
You cannot deduct losses on dispositions of personal-use property (other than listed personal property) from your income.

Part 6 – Listed personal property

1 Description of listed personal property 600	2 Date of Acquisition YYYY/MM/DD 610	3 Proceeds of disposition 620	4 Adjusted cost base 630	5 Outlays and expenses from disposition 640	6 Gain (or loss) (column 3 **minus** columns 4 and 5) 650	Foreign source
	Totals					

Deduct: Unapplied listed personal property losses from other years **655**

Net gains (or losses) from the disposition of listed personal property (total of column 6 **minus** line 655) . . . . **F**

Note
Net listed personal property losses can only be applied against listed personal property gains.
The amount on line 655 is from line 530 in Part 5 of Schedule 4, *Corporation Loss Continuity and Application*.

Part 7 – Property qualifying for and resulting in an allowable business investment loss

1 Name of small business corporation 900	2 Shares, enter 1; debt, enter 2 905	3 Date of Acquisition YYYY/MM/DD 910	4 Proceeds of disposition 920	5 Adjusted cost base 930	6 Outlays and expenses from disposition 940	7 Loss only (column 4 **minus** columns 5 and 6) 950	Foreign source
		Totals					

Allowable business investment losses (ABILs) . . . . Total of Column 7 ______ x 50.0000 % = **G**

Enter amount G on line 406 of Schedule 1, *Net Income (Loss) for Income Tax Purposes*.

Note
Properties listed in Part 7 should not be included in any other parts of this schedule.

Part 8 – Capital gains or losses

Total of amounts A to F (do not include amount F if it is a loss)		90,772	H	
Add:				Foreign source
Capital gains dividend received in the year	875		I	☐
Capital gains reserve opening balance (from Schedule 13, *Continuity of Reserves*)	880		J	
Subtotal (total of amounts H to J)		90,772	K	
Deduct: Capital gains reserve closing balance (from Schedule 13)	885		L	
Capital gains or losses, excluding ABILs (amount K **minus** amount L)	890	90,772	M	

Part 9 – Taxable capital gains and total capital losses

Capital gains or losses, excluding ABILs (amount from line 890 in Part 8) . . . . 90,772 N

Deduct the following amounts included in amount N, that are subject to the zero inclusion rate:

Note
When a taxpayer is entitled to an advantage in respect of a donation, the zero inclusion rate is restricted to only part of the taxpayer's capital gain on disposition of the property. See section 38.2 of the Act for more information.

Gain on the donation to a qualified donee of a share, debt obligation, or right listed on a designated stock exchange and other securities under subparagraphs 38(a.1)(i) and (iii) of the Act	895		a	Foreign source ☐
Gain on the donation to a qualified donee of ecologically sensitive land under paragraph 38(a.2) of the Act*	896		b	Foreign source ☐
Exempt portion of the gain on the donation of securities arising from the exchange of a partnership interest under paragraph 38(*a.3*)			b-2	Foreign source ☐
Subtotal (amount a **plus** amount b **plus** b-2)			▶	O
Subtotal (amount N **minus** amount O)		90,772		P

Add:

Deemed capital gain from the donation of property included in a flow-through share class of property to a qualified donee under subsection 40(12) of the Act:

Exemption threshold at time of disposition	897		c	Foreign source ☐
The total of all capital gains from the disposition of the actual property	898		d	Foreign source ☐
Amount c or amount d, whichever is less				Q
Total capital gains or losses (amount P **plus** amount Q)		90,772		R

Taxable capital gains or total capital losses:

Total capital losses (from amount R, if amount R is negative; if amount R is positive, enter "0") . . . . S

Enter amount S on line 210 of Schedule 4.

Taxable capital gains (amount R, if amount R is positive, multiplied 90,772 by 50.0000 %; if amount R is negative, enter "0") . . . . 45,386 T

Enter amount T on line 113 of Schedule 1.

* Do not include gains on donations of ecologically sensitive land to a private foundation.

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Schedule 7

Aggregate Investment Income and Active Business Income

Corporation's name	Business Number	Tax year-end Year Month Day
Horizon Utilities Corporation	86654 9090 RC0002	2013-12-31

- This schedule is for the use of Canadian-controlled private corporations to calculate:
  - aggregate investment income and foreign investment income for the purpose of determining the refundable portion of Part I tax, as defined in subsection 129(4) of the *Income Tax Act;*
  - specified partnership income for members of one or more partnership(s); and
  - income from an active business carried on in Canada for the small business deduction.
- For more information, see the sections called "Small Business Deduction" and "Refundable Portion of Part I Tax" in Guide T4012, *T2 Corporation – Income Tax Guide.*

Part 1 – Aggregate investment income

The aggregate investment income is the aggregate **world** source income.

The eligible portion of taxable capital gains included in income for the year	002			45,386	A
Deduct:					
Eligible portion of allowable capital losses for the year (including allowable business investment losses)	012		a		
Net capital losses of other years claimed on line 332 on the T2 return	022		b		
Amount a **plus** amount b			▶		B
Amount A **minus** amount B (if negative, enter "0")				45,386	C
Total income from property (include income from a specified investment business carried on in Canada other than income from a source outside Canada)	032	10,590	c		
Deduct:					
Exempt income	042		1		
Amounts received from AgriInvest Fund No. 2 that were included in computing the corporation's income for the year	052		2		
Taxable dividends deductible (total of Column F on Schedule 3)	062		3		
Business income from an interest in a trust that is considered property income under paragraph 108(5)(a)	072		4		
Total of amounts 1 to 4 ▶			d		
Subtotal (amount c **minus** amount d)		10,590	▶	10,590	D
Amount C **plus** amount D				55,976	E
Total losses from property (include losses from a specified investment business carried on in Canada other than a loss from a source outside Canada)	082				F
Amount E **minus** amount F (if negative, enter "0")	092			55,976	G

Enter amount G on line 440 of the T2 return.

Part 2A – Canadian investment income calculation

	Amount		Amount	
Eligible portion of taxable capital gains included in the income for the year before taking into account the capital gains reserve (federal) of Schedule 13	45,386	1.1		
Reserve's eligible portion (addition/deduction)		1.2		
The eligible portion of taxable capital gains included in income for the year after taking into account the capital gains reserve (federal) of Schedule 13 (total of amounts 1.1 and 1.2)	45,386	▶	45,386	1a
Deduct:				
Eligible portion of allowable capital losses for the year (including allowable business investment losses)		2a		
Net capital losses of other years claimed on line 332 on the T2 return		3a		
Total of amounts 2a and 3a		▶		4a
Amount 1a **minus** amount 4a (if negative, enter "0")			45,386	5a

Part 2A – Canadian investment income calculation (continued)

Taxable dividends		6.1		
Real estate rental properties (under regulation 1100(11))	10,590	6.2		
Other property income		6.3		
Total income from property from a source **Canadian**	10,590	▶	10,590	6a
Deduct:				
Exempt income		7a		
Amounts received from AgriInvest Fund No. 2 that were included in computing the corporation's income for the year		8a		
Taxable dividends deductible (total of Column F on Schedule 3)		9a		
Business income from an interest in a trust that is considered property income under paragraph 108(5)(a)		10a		
Total of amounts 7a to 10a		▶		11a
Amount 6a **minus** amount 11a			10,590	12a
Amount 5a **plus** amount 12a			55,976	13a
Losses from rental properties (under regulation 1100(11))		14.1		
Other losses from property		14.2		
Total losses from property from a source **Canadian**		▶		14a
Amount 13a **minus** amount 14a (if negative, enter "0")			55,976	15a

Part 2 – Foreign investment income

The foreign investment income is all income from sources **outside of Canada**.

Eligible portion of taxable capital gains included in the income for the year before taking into account the capital gains reserve (federal) of Schedule 13				H1		
Reserve's eligible portion (addition/deduction)				H2		
The eligible portion of taxable capital gains included in income for the year after taking into account the capital gains reserve (federal) of Schedule 13 (total of amounts H1 and H2)				▶ 001		H
Eligible portion of allowable capital losses for the year (including allowable business investment losses)				009		I
Subtotal (amount H **minus** amount I) (if negative, enter "0")						J
Taxable dividends		e1				
Real estate rental properties (under regulation 1100(11))		e2				
Other property income		e3				
Total income from property from a source **outside Canada**		▶ 019		e		
Deduct:						
Exempt income 029		5				
Taxable dividends deductible (total of Column F on Schedule 3) 049		6				
Business income from an interest in a trust that is considered property income under paragraph 108(5)(a) 059		7				
Total of amounts 5 to 7		▶		f		
Subtotal (amount e **minus** amount f)				▶		K
Amount J **plus** amount K						L
Losses from rental properties (under regulation 1100(11))				M1		
Other losses from property				M2		
Total losses from property from a source **outside Canada**				▶ 069		M
Amount L **minus** amount M (if negative, enter "0") (enter amount N on line 445 of the T2 return)				079		N

Net taxable dividends	Canadian	Foreign	Total
Taxable dividends deducted per schedule 3			
Less: Expenses related to such dividends			
Total expenses			
Net taxable dividends			

Part 3 – Specified partnership income

	A	B	C
	Partnership name 200	Total income (loss) of partnership from an active business 300	Corporation's share of amount in column B 310
1	Solar Sunbelt GP (passive income)	-1,873,290	-1,873,290

	D	E	F	G	H	I
	Adjustments (add or deduct the prorated amounts calculated under section 34.2* and deduct expenses incurred by the corporation to earn partnership income) 315	Corporation's income (loss) of the partnership (column C **plus** column D) 320	Number of days in the partnership's fiscal period 325	Prorated business limit (column C ÷ column B) x [$500,000 x (column F ÷ 365)] (if column C is negative, enter "0")** 330	Column E **minus** column G (if negative, enter "0")	Lesser of columns E and G (if column E is negative, enter "0") 340
1		-1,873,290	365			
	Total 350	-1,873,290		Total 385		360

Corporation's losses for the year from an active business carried on in Canada (other than as a member of a partnership) – enter as a positive amount . . . . 370 ______ g

Specified partnership loss of the corporation for the year – enter as a positive amount (total of all negative amounts in column E) . . . . 380 1,873,290 h

Subtotal (amount g **plus** amount h) 1,873,290 i

Amount at line 385 or amount i, whichever is less . . . . 390 ______ O

Specified partnership income (line 360 **plus** amount O) . . . . 400 P

Enter amount P at line T in Part 4.

* In general, amounts included or deducted under subsections 34.2(2), 34.2(3), 34.2(4), 34.2(11), and 34.2(12) are deemed to have the **same character** and be in the **same proportions** as the partnership income to which they relate. For example, if a corporation receives $100,000 of partnership income for the partnership's fiscal period ending in its tax year, and that income is made up of $40,000 of active business income, $30,000 of income from property, and $30,000 as a taxable capital gain, the corporation's adjusted stub period accrual (ASPA) in respect of the partnership would be 40% active business income, 30% property income, and 30% taxable capital gains. Add or deduct **only the proportion** of the following amounts that is deemed under subsection 34.2(5) to be **active business income**:

add:

- the ASPA under subsection 34.2(2) (column 4 of Schedule 73);
- the income inclusion for a new corporate member of a partnership under subsection 34.2(3) (column 6 of Schedule 73);
- the previous-year transitional reserve under subsection 34.2(12) (column 12 of Schedule 73);

deduct:

- the previous-year ASPA under subsection 34.2(4) (column 5 of Schedule 73);
- the previous-year income inclusion for a new corporate member of a partnership under subsection 34.2(4) (column 7 of Schedule 73); and
- the current-year transitional reserve under subsection 34.2(11) (column 11 of Schedule 73).

** When a partnership carries on more than one business, one of which generates income and another of which realizes a loss, the loss is not netted against the partnership's income for the purpose of calculating the prorated business limit in column G. Enter on line h the total of all loss from column E.

Part 4 – Determination of partnership income

Corporation's share of partnership income from active businesses carried on in Canada after deducting related expenses – from line 350 in Part 3 (if the net amount is negative, enter "0" on line U)		-1,873,290	Q
Specified partnership loss (from amount h in Part 3)		1,873,290	R
Subtotal (amount Q **plus** amount R)			S
Deduct:			
Specified partnership income (from amount P in Part 3)			T
Partnership income (amount S **minus** amount T) (enter on line p in Part 5)	450		U

Part 5 – Income from active business carried on in Canada

Net income for income tax purposes from line 300 of the T2 return		18,969,945	j		
Plus:					
Allowable business investment loss from line 406 of Schedule 1			k		
Subtotal (amount j **plus** amount k)		18,969,945	▶	18,969,945	V
Deduct:					
Foreign business income after deducting related expenses*	500		l		
Taxable capital gains from line 113 of Schedule 1		45,386	m		
Net property income [amount c **minus** (amounts 1, 2, and F* in Part 1)]		10,590	n		
Personal services business income and other income after deducting related expenses*	520		o		
Total of amounts l to o		55,976	▶	55,976	W
Net amount (amount V **minus** amount W)				18,913,969	X
Deduct:					
Partnership income (amount U in Part 4)			p		
Income allocated to the corporation under subsection 96(1.1)	530		q		
Subtotal (amount p **plus** amount q)			▶		Y
Income from active business carried on in Canada (amount X **minus** amount Y) (enter amount Z on line 400 of the T2 return - if negative, enter "0")				18,913,969	Z

* If negative, enter amount in brackets, and **add** instead of **subtracting**.

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Schedule 8

Capital Cost Allowance (CCA)

Corporation's name	Business Number	Tax year end Year Month Day
Horizon Utilities Corporation	86654 9090 RC0002	2013-12-31

For more information, see the section called "Capital Cost Allowance" in the *T2 Corporation Income Tax Guide*.

Is the corporation electing under regulation 1101(5q)? **101** 1 Yes [ ] 2 No [X]

	1 Class number (See Note) 200	Description	2 Undepreciated capital cost at the beginning of the year (amount from column 12 of last year's schedule 8) 201	3 Cost of acquisitions during the year (new property must be available for use)* 203	4 Adjustments and transfers** 205	5 Proceeds of dispositions during the year (amount not to exceed the capital cost) 207	6 50% rule (1/2 of the amount, if any, by which the net cost of acquisitions exceeds column 5)*** 211	7 Reduced undepreciated capital cost	8 CCA rate % **** 212	9 Recapture of capital cost allowance***** (line 107 of Schedule 1) 213	10 Terminal loss (line 404 of Schedule 1) 215	11 Capital cost allowance (for declining balance method, column 7 **multiplied** by column 8, or a lower amount) (line 403 of Schedule 1) ****** 217	12 Undepreciated capital cost at the end of the year (column 6 **plus** column 7 **minus** column 11) 220
1.	1		181,056,299	6,399,986		0	3,199,993	184,256,292	4	0	0	7,370,252	180,086,033
2.	2		36,729,758			0		36,729,758	6	0	0	2,203,785	34,525,973
3.	6		14,467			0		14,467	10	0	0	1,447	13,020
4.	8		5,194,561	919,313		0	459,657	5,654,217	20	0	0	1,130,843	4,983,031
5.	10		4,051,075	36,365		40,962		4,046,478	30	0	0	1,213,943	2,832,535
6.	12		421,057	2,577,524		0	1,266,103	1,732,478	100	0	0	1,732,478	1,266,103
7.	17		68,626			0		68,626	8	0	0	5,490	63,136
8.	43.1		232,342			0		232,342	30	0	0	69,703	162,639
9.	45		126,256			0		126,256	45	0	0	56,815	69,441
10.	47		173,582,405	27,889,214		351,549	13,768,833	187,351,237	8	0	0	14,988,099	186,131,971
11.	50		1,912,425	1,400,066		35,412	682,327	2,594,752	55	0	0	1,427,114	1,849,965
12.	95	CIP	4,217,547	1,139,752		0	569,876	4,787,423	0	0	0		5,357,299
		Totals	407,606,818	40,362,220		427,923	19,946,789	427,594,326				30,199,969	417,341,146

Note: Class numbers followed by a letter indicate the basic rate of the class taking into account the additional deduction allowed.
Class 1a: 4% + 6% = 10% (class 1 to 10%), class 1b: 4% + 2% = 6% (class 1 to 6%).

* Include any property acquired in previous years that has now become available for use. This property would have been previously excluded from column 3. List separately any acquisitions that are not subject to the 50% rule, see Regulation 1100(2) and (2.2).

** Enter in column 4, "Adjustments and transfers", amounts that increase or reduce the undepreciated capital cost.
Items that **increase** the undepreciated capital cost:
- Amounts transferred under section 85, or transferred on amalgamation and winding-up of a subsidiary.

Items that **reduce** the undepreciated capital cost:
- Government assistance received or entitled to be received in the year, or a reduction of capital cost after the application of section 80.

See the *T2 Corporation Income Tax Guide* for other examples of adjustments and transfers to include in column 4.

*** The net cost of acquisitions is the cost of acquisitions (column 3) **plus** or **minus** certain adjustments and transfers from column 4. For exceptions to the 50% rule, see Interpretation Bulletin IT-285, *Capital Cost Allowance – General Comments*.

**** Enter a rate only if you are using the declining balance method. For any other method (for example the straight-line method, where calculations are always based on the cost of acquisitions), enter N/A. Then enter the amount you are claiming in column 11.

***** For every entry in column 9, the "Recapture of capital cost allowance" there must be a corresponding entry in column 5, "Proceeds of dispositions during the year". The recapture and terminal loss rules do not apply to passenger vehicles in Class 10.1.

****** If the tax year is shorter than 365 days, prorate the CCA claim. Some classes of property do not have to be prorated. See the *T2 Corporation Income Tax Guide* for more information.

T2 SCH 8 (13)

Canada

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SCHEDULE 9

RELATED AND ASSOCIATED CORPORATIONS

Name of corporation	Business Number	Tax year end Year Month Day
Horizon Utilities Corporation	86654 9090 RC0002	2013-12-31

- Complete this schedule if the corporation is related to or associated with at least one other corporation.
- For more information, see the *T2 Corporation Income Tax Guide*.

	Name	Country of residence (other than Canada)	Business number (see note 1)	Relationship code (see note 2)	Number of common shares you own	% of common shares you own	Number of preferred shares you own	% of preferred shares you own	Book value of capital stock
	100	200	300	400	500	550	600	650	700
1.	City of Hamilton		88932 3218 RC0001	3					
2.	HAMILTON RENEWABLE POWER IN		86639 2723 RC0001	3					6,000,010
3.	Hamilton Hydro Services Inc.		86638 6923 RC0001	3					9,190,345
4.	Hamilton Utilities Corporation		86655 5493 RC0001	3					129,897,188
5.	Horizon Solar Corp		80586 8866 RC0001	3					1,000
6.	Horizon Holdings Inc.		83675 1966 RC0001	1					123,592,854
7.	Horizon Energy Solutions Inc.		83673 1562 RC0001	3					100

Note 1: Enter "NR" if the corporation is not registered or does not have a business number.
Note 2: Enter the code number of the relationship that applies from the following order: 1 - Parent 2 - Subsidiary 3 - Associated 4 - Related but not associated

T2 SCH 9 (11)

Canada

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SCHEDULE 10

CUMULATIVE ELIGIBLE CAPITAL DEDUCTION

Name of corporation	Business Number	Tax year-end Year Month Day
Horizon Utilities Corporation	86654 9090 RC0002	2013-12-31

- For use by a corporation that has eligible capital property. For more information, see the *T2 Corporation Income Tax Guide*.
- A separate cumulative eligible capital account must be kept for each business.

Part 1 – Calculation of current year deduction and carry-forward

Cumulative eligible capital - Balance at the end of the preceding taxation year (if negative, enter "0") .... **200** 9,051,526 A

Add: Cost of eligible capital property acquired during the taxation year .... **222** ______

Other adjustments .... **226** ______

Subtotal (line 222 plus line 226) ______ x 3 / 4 = ______ B

Non-taxable portion of a non-arm's length transferor's gain realized on the transfer of an eligible capital property to the corporation after December 20, 2002 .... **228** ______ x 1 / 2 = ______ C

amount B minus amount C (if negative, enter "0") ______ ▶ ______ D

Amount transferred on amalgamation or wind-up of subsidiary .... **224** ______ E

Subtotal (add amounts A, D, and E) **230** 9,051,526 F

Deduct: Proceeds of sale (less outlays and expenses not otherwise deductible) from the disposition of all eligible capital property during the taxation year .... **242** ______ G

The gross amount of a reduction in respect of a forgiven debt obligation as provided for in subsection 80(7) .... **244** ______ H

Other adjustments .... **246** ______ I

(add amounts G,H, and I) ______ x 3 / 4 = **248** ______ J

Cumulative eligible capital balance (amount F minus amount J) .... 9,051,526 K

(if amount K is negative, enter "0" at line M and proceed to Part 2)

Cumulative eligible capital for a property no longer owned after ceasing to carry on that business **249** ______

amount K 9,051,526

less amount from line 249 ______

Current year deduction .... 9,051,526 x 7.00 % = **250** 633,607 *

(line 249 plus line 250) (enter this amount at line 405 of Schedule 1) 633,607 ▶ 633,607 L

Cumulative eligible capital – Closing balance (amount K minus amount L) (if negative, enter "0") .... **300** 8,417,919 M

* You can claim any amount up to the maximum deduction of 7%. The deduction may not exceed the maximum amount prorated by the number of days in the taxation year divided by 365.

Part 2 – Amount to be included in income arising from disposition

(complete this part only if the amount at line K is negative)

Amount from line K (show as positive amount)					N
Total of cumulative eligible capital (CEC) deductions from income for taxation years beginning after June 30, 1988			400	1	
Total of all amounts which reduced CEC in the current or prior years under subsection 80(7)			401	2	
Total of CEC deductions claimed for taxation years beginning before July 1, 1988	402	3			
Negative balances in the CEC account that were included in income for taxation years beginning before July 1, 1988	408	4			
Line 3 minus line 4 (if negative, enter "0")		►		5	
Total of lines 1, 2 and 5				6	
Amounts included in income under paragraph 14(1)(b), as that paragraph applied to taxation years ending after June 30, 1988 and before February 28, 2000, to the extent that it is for an amount described at line 400		7			
Amounts at line T from Schedule 10 of previous taxation years ending after February 27, 2000		8			
Subtotal (line 7 plus line 8)	409	►		9	
Line 6 minus line 9 (if negative, enter "0")				►	O
Line N minus line O (if negative, enter "0")					P
			Line 5	x 1 / 2 =	Q
Line P minus line Q (if negative, enter "0")					R
			Amount R	x 2 / 3 =	S
Amount N or amount O, whichever is less					T
Amount to be included in income (amount S plus amount T) (enter this amount on line 108 of Schedule 1)				410	

Continuity of financial statement reserves (not deductible)

Financial statement reserves (not deductible)

	Description	Balance at the beginning of the year	Transfer on an amalgamation or the wind-up of a subsidiary	Add	Deduct	Balance at the end of the year
1	Reserve for doubtful debts	1,900,000			150,000	1,750,000
2	Inventory reserves	450,000			100,000	350,000
3	Employee future benefits	23,858,952			1,309,452	22,549,500
4	Vested sick leave	91,151			32,842	58,309
5	Accrued vacation pay	1,882,987		111,551		1,994,538
6	Miscellaneous AR	380,000			180,000	200,000
7	Doubtful debts					
8						
	Reserves from Part 2 of Schedule 13					
	Totals	28,563,090		111,551	1,772,294	26,902,347

The total opening balance plus the total transfers should be entered on line 414 of Schedule 1 as a deduction.
The total closing balance should be entered on line 126 of Schedule 1 as an addition.

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SCHEDULE 14

MISCELLANEOUS PAYMENTS TO RESIDENTS

Name of corporation	Business Number	Tax year end Year Month Day
Horizon Utilities Corporation	86654 9090 RC0002	2013-12-31

- This schedule must be completed by all corporations who made the following payments to residents of Canada: royalties for which the corporation has not filed a T5 slip; research and development fees; management fees; technical assistance fees; and similar payments.
- Please enter the name and address of the recipient and the amount of the payment in the applicable column. If several payments of the same type (i.e., management fees) were made to the same person, enter the total amount paid. If similar types of payments have been made, but do not fit into any of the categories, enter these amounts in the column entitled "Similar payments".

	Name of recipient 100	Address of recipient 200	Royalties 300	Research and development fees 400	Management fees 500	Technical assistance fees 600	Similar payments 700
1	Horizon Holdings Inc.	55 John Street North Hamilton ON CA L8R 3M8			1,137,062		

T2 SCH 14 (99)

Canada

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Schedule 15

Deferred Income Plans

Corporation's name	Business number	Tax year end Year Month Day
Horizon Utilities Corporation	86654 9090 RC0002	2013-12-31

- Complete the information below if the corporation deducted payments from its income made to a registered pension plan (RPP), a registered supplementary unemployment benefit plan (RSUBP), a deferred profit sharing plan (DPSP), a pooled registered pension plan (PRPP), or an employee profit sharing plan (EPSP).
- If the trust that governs an employee profit sharing plan is **not resident** in Canada, please indicate if the T4PS, *Statement of Employees Profit Sharing Plan Allocations and Payments*, Supplementary slip(s) were filed for the last calendar year, and whether they were filed by the trustee or the employer.

	Type of plan (see note 1) 100	Amount of contribution $ (see note 2) 200	Registration number (RPP, RSUBP, PRPP, and DPSP only) 300	Name of EPSP trust 400	Address of EPSP trust 500	T4PS slip(s) (see note 3) 600
1	1	3,660,092	249091			

Note 1

Enter the applicable code number:

1 – RPP
2 – RSUBP
3 – DPSP
4 – EPSP
5 – PRPP

Note 2

You do not need to add to Schedule 1 any payments you made to deferred income plans.
To reconcile such payments, calculate the following amount:

Total of all amounts indicated in column 200 of this schedule . . . . 3,660,092 A

Less:

Total of all amounts for deferred income plans deducted in your financial statements . . . . . 3,660,092 B

Deductible amount for contributions to deferred income plans
(amount A **minus** amount B) (if negative, enter "0") C

Enter amount C on line 417 of Schedule 1

Note 3

T4PS slip(s) filed by: 1 – Trustee
2 – Employer
(EPSP only)

Canada Revenue Agency Agence du revenu du Canada

SCHEDULE 23

AGREEMENT AMONG ASSOCIATED CANADIAN-CONTROLLED PRIVATE CORPORATIONS TO ALLOCATE THE BUSINESS LIMIT

- For use by a Canadian-controlled private corporation (CCPC) to identify all associated corporations and to assign a percentage for each associated corporation. This percentage will be used to allocate the business limit for purposes of the small business deduction. Information from this schedule will also be used to determine the date the balance of tax is due and to calculate the reduction to the business limit.
- An associated CCPC that has more than one tax year ending in a calendar year, is required to file an agreement for each tax year ending in that calendar year.

Column 1: Enter the legal name of each of the corporations in the associated group. Include non-CCPCs and CCPCs that have filed an election under subsection 256(2) of the *Income Tax Act* (ITA) not to be associated for purposes of the small business deduction.

Column 2: Provide the Business Number for each corporation (if a corporation is not registered, enter "NR").

Column 3: Enter the association code that applies to each corporation:

1 – Associated for purposes of allocating the business limit (unless code 5 applies)
2 – CCPC that is a "third corporation" that has elected under subsection 256(2) not to be associated for purposes of the small business deduction
3 – Non-CCPC that is a "third corporation" as defined in subsection 256(2)
4 – Associated non-CCPC
5 – Associated CCPC to which code 1 does not apply because of a subsection 256(2) election made by a "third corporation"

Column 4: Enter the business limit for the year of each corporation in the associated group. The business limit is computed at line 4 on page 4 of each respective corporation's T2 return.

Column 5: Assign a percentage to allocate the business limit to each corporation that has an association code 1 in column 3. The total of all percentages in column 5 cannot exceed 100%.

Column 6: Enter the business limit allocated to each corporation by multiplying the amount in column 4 by the percentage in column 5. Add all business limits allocated in column 6 and enter the total at line A. Ensure that the total at line A falls within the range for the calendar year to which the agreement applies:

Calendar year	Acceptable range
2006	maximum $300,000
2007	$300,001 to $400,000
2008	maximum $400,000
2009	$400,001 to $500,000

If the calendar year to which this agreement applies is after 2009, ensure that the total at line A does not exceed $500,000.

Allocating the business limit

Date filed (do not use this area) . . . . . . **025** Year Month Day

Enter the calendar year to which the agreement applies . . . . . . **050** Year 2013

Is this an amended agreement for the above-noted calendar year that is intended to replace an agreement previously filed by any of the associated corporations listed below? . . . . . . **075** 1 Yes [ ] 2 No [X]

	1 Names of associated corporations **100**	2 Business Number of associated corporations **200**	3 Association code **300**	4 Business limit for the year (before the allocation) $	5 Percentage of the business limit % **350**	6 Business limit allocated* $ **400**
1	Horizon Utilities Corporation	86654 9090 RC0002	1	500,000	100.0000	500,000
2	City of Hamilton	88932 3218 RC0001	4			
3	HAMILTON RENEWABLE POWER INC.	86639 2723 RC0001	1	500,000		
4	Hamilton Hydro Services Inc.	86638 6923 RC0001	1	500,000		
5	Hamilton Utilities Corporation	86655 5493 RC0001	1	500,000		
6	Horizon Solar Corp	80586 8866 RC0001	1	500,000		
7	Horizon Holdings Inc.	83675 1966 RC0001	1	500,000		
8	Horizon Energy Solutions Inc.	83673 1562 RC0001	1	500,000		
				Total	100.0000	500,000 A

Business limit reduction under subsection 125(5.1) of the ITA

The business limit reduction is calculated in the small business deduction area of the T2 return. One of the factors used in this calculation is the "Large corporation amount" at line 415 of the T2 return. If the corporation is a member of an associated group** of corporations in the current tax year, the amount at line 415 of the T2 return is equal to 0.225% x (A - $10,000,000) where, "A" is the total of taxable capital employed in Canada*** of each corporation in the associated group for its last tax year ending in the preceding calendar year.

* Each corporation will enter on line 410 of the T2 return, the amount allocated to it in column 6. However, if the corporation's tax year is less than 51 weeks, prorate the amount in column 6 by the number of days in the tax year divided by 365, and enter the result on line 410 of the T2 return.

Special rules apply if a CCPC has more than one tax year ending in a calendar year and is associated in more than one of those years with another CCPC that has a tax year ending in the same calendar year. If the tax year straddles January 1, 2009, the business limit for the second (or subsequent) tax year(s) will be equal to the lesser of the business limit that would have been determined for the first tax year ending in the calendar year, if $500,000 was used in allocating the amounts among associated corporations and the business limit determined for the second (or subsequent) tax year(s) ending in the same calendar year. Otherwise, the business limit for the second (or subsequent) tax year(s) will be equal to the lesser of the business limit determined for the first tax year ending in the calendar year and the business limit determined for the second (or subsequent) tax year(s) ending in the same calendar year.

** The associated group includes the corporation filing this schedule and each corporation that has an "association code" of 1 or 4 in column 3.

*** "Taxable capital employed in Canada" has the meaning assigned by subsection 181.2(1) or 181.3(1) or section 181.4 of the ITA.

T2 SCH 23 (09) Canada

Canada Revenue Agency / Agence du revenu du Canada

Schedule 31

Investment Tax Credit – Corporations

General information

- Use this schedule:
  - to calculate an investment tax credit (ITC) earned during the tax year;
  - to claim a deduction against Part I tax payable;
  - to claim a refund of credit earned during the current tax year;
  - to claim a carryforward of credit from previous tax years;
  - to transfer a credit following an amalgamation or wind-up of a subsidiary, as described under subsections 87(1) and 88(1) of the federal *Income Tax Act*;
  - to request a credit carryback to one or more previous years; or
  - if you are subject to a recapture of ITC.
- The ITC is eligible for a three-year carryback (if not deductible in the year earned). It is also eligible for a twenty-year carryforward.
- All legislative references are to the federal *Income Tax Act* and *Income Tax Regulations*.
- Investments or expenditures, described in subsection 127(9) of the Act and Part XLVI of the Regulations, that earn an ITC are:
  - qualified property and qualified resource property (Parts 4 to 7 of this schedule);
  - expenditures that are part of the SR&ED qualified expenditure pool (Parts 8 to 17). File Form T661, *Scientific Research and Experimental Development (SR&ED) Expenditures Claim;*
  - pre-production mining expenditures (Parts 18 to 20);
  - apprenticeship job creation expenditures (Parts 21 to 23); and
  - child care spaces expenditures (Parts 24 to 28).
- Include a completed copy of this schedule with the *T2 Corporation Income Tax Return*. If you need more space, attach additional schedules.
- For more information on ITCs, see "Investment Tax Credit" in Guide T4012, *T2 Corporation – Income Tax Guide*, Information Circular IC 78-4, *Investment Tax Credit Rates*, and its related Special Release.
- For more information on SR&ED, see Brochure RC4472, *Overview of the Scientific Research and Experimental Development Program (SR&ED) Tax Incentive Program*; Brochure RC4467, *Support for your R&D in Canada*, and T4088, *Guide to Form T661 – Scientific Research and Experimental Development (SR&ED) Expenditures Claim*. Also see the *Eligibility of Work for SR&ED Investment Tax Credits Policy* at **www.cra.gc.ca/txcrdt/sred-rsde/clmng/lgbltywrkfrsrdnvstmnttxcrdts-eng.html**.

Detailed information

- For the purpose of this schedule, **investment** means the capital cost of the property (excluding amounts added by an election under section 21 of the Act), determined without reference to subsections 13(7.1) and 13(7.4), minus the amount of any government or non-government assistance that the corporation has received, is entitled to receive, or can reasonably be expected to receive for that property when it files the income tax return for the year in which the property was acquired.
- An ITC deducted or refunded in a tax year for a depreciable property, other than a depreciable property deductible under paragraph 37(1)(b), reduces the capital cost of that property in the next tax year. It also reduces the undepreciated capital cost of that class in the next tax year. An ITC for SR&ED deducted or refunded in a tax year will reduce the balance in the pool of deductible SR&ED expenditures and the adjusted cost base (ACB) of an interest in a partnership in the next tax year. An ITC from pre-production mining expenditures deducted in a tax year reduces the balance in the pool of deductible cumulative Canadian exploration expenses in the next tax year.
- Property acquired has to be **available for use** before a claim for an ITC can be made. See subsections 127(11.2) and 248(19) for more information.
- Expenditures for SR&ED and capital costs for a property qualifying for an ITC must be identified by the claimant on Form T661 and Schedule 31 no later than 12 months after the claimant's income tax return is due for the tax year in which it incurred the expenditures or capital costs.
- Partnership allocations – Subsection 127(8) provides for the allocation of the amount that may reasonably be considered to be a partner's share of the ITCs of the partnership at the end of the fiscal period of the partnership. An allocation of ITCs is generally considered to be the partner's reasonable share of the ITCs if it is made in the same proportion in which the partners have agreed to share any income or loss and if section 103 is not applicable for the agreement to share any income or loss. Special rules apply to specified and limited partners. For more information, see Guide T4068, *Guide for the Partnership Information Return*.
- For SR&ED expenditures, the expression **in Canada** includes the "exclusive economic zone" (as defined in the *Oceans Act* to generally consist of an area that is within 200 nautical miles from the Canadian coastline), including the airspace, seabed and subsoil for that zone.
- For the purpose of this schedule, the expression **Atlantic Canada** includes the Gaspé Peninsula and the provinces of Newfoundland and Labrador, Prince Edward Island, Nova Scotia, and New Brunswick, as well as their respective offshore regions (prescribed in Regulation 4609).
- For the purpose of this schedule, **qualified property** means property in Atlantic Canada that is used primarily for manufacturing and processing, farming or fishing, logging, storing grain, or harvesting peat. Property in Atlantic Canada that is used primarily for oil and gas, and mining activities is considered qualified property only if acquired by the taxpayer **before** March 29, 2012. Qualified property includes new buildings and new machinery and equipment (prescribed in Regulation 4600), and if acquired by the taxpayer **after** March 28, 2012, new energy generation and conservation property (prescribed in Regulation 4600). Qualified property can also be used primarily to produce or process electrical energy or steam in a prescribed area (as described in Regulation 4610). See the definition of **qualified property** in subsection 127(9) of the Act for more information.
- For the purpose of this schedule, **qualified resource property** means property in Atlantic Canada that is used primarily for oil and gas, and mining activities, if acquired by the taxpayer **after** March 28, 2012, and **before** January 1, 2016. Qualified resource property includes new buildings and new machinery and equipment (prescribed in Regulation 4600). See the definition of **qualified resource property** in subsection 127(9) of the Act for more information.

Detailed information (continued)

- For the purpose of this schedule, **pre-production mining exploration expenditures** are pre-production mining expenditures incurred **after** March 28, 2012, by the taxpayer to determine the existence, location, extent, or quality of certain mineral resources in Canada, excluding expenses incurred in the exploration of an oil or gas well. See subparagraph (a)(i) of the definition of **pre-production mining expenditure** in subsection 127(9) for more information.
- For the purpose of this schedule, **pre-production mining development expenditures** are pre-production mining expenditures incurred **after** March 28, 2012, by the taxpayer to bring a new mineral resource mine in Canada into production, excluding expenses in the development of a bituminous sands deposit or an oil shale deposit. See subparagraph (a)(ii) of the definition of **pre-production mining expenditure** in subsection 127(9) for more information.

Part 1 – Investments, expenditures, and percentages

Investments	**Specified percentage**
Qualified property acquired primarily for use in Atlantic Canada	10 %
Qualified resource property acquired primarily for use in Atlantic Canada and acquired:	
– after March 28, 2012, and before 2014	10 %
– after 2013 and before 2016	5 %
– after 2015*	0 %
Expenditures	
If you are a Canadian-controlled private corporation (CCPC), this percentage may apply to the portion that you claim of the SR&ED qualified expenditure pool that does not exceed your expenditure limit (see Part 10)	35 %
Note: If your current year's qualified expenditures are more than the corporation's expenditure limit (see Part 10), the excess is eligible for an ITC calculated at the 20 % rate**.	
If you are a corporation that is not a CCPC and have incurred qualified expenditures for SR&ED in any area in Canada:	
– before 2014**	20 %
– after 2013**	15 %
If you are a taxable Canadian corporation that incurred pre-production mining expenditures before March 29, 2012	10 %
If you are a taxable Canadian corporation that incurred pre-production mining exploration expenditures***:	
– after March 28, 2012, and before 2013	10 %
– in 2013	5 %
– after 2013***	0 %
If you are a taxable Canadian corporation that incurred pre-production mining development expenditures****:	
– after March 28, 2012, and before 2014****	10 %
– in 2014	7 %
– in 2015	4 %
– after 2015****	0 %
If you paid salary and wages to apprentices in the first 24 months of their apprenticeship contract for employment	10 %
If you incurred eligible expenditures after March 18, 2007, for the creation of licensed child care spaces for the children of your employees and, potentially, for other children	25 %

* A transitional relief rate of 10% may apply to property acquired after 2013 and before 2017, if the property is acquired under a written agreement entered into before March 29, 2012, or the property is acquired as part of a **phase** of a project where the construction or the engineering and design work for the construction started before March 29, 2012. See paragraph (a.1) of the definition of **specified percentage** in subsection 127(9) for more information.

** The reduction of the rate from 20% to 15% applies to 2014 and later tax years, except that, for 2014 tax years that start before 2014, the reduction is pro-rated based on the number of days in the tax year that are after 2013.

*** Pre-production mining exploration expenditures are described in subparagraph (a)(i) of the definition of **pre-production mining expenditure** in subsection 127(9).

**** A transitional relief rate of 10% may apply to expenditures incurred after 2013 and before 2016, if the expenditure is incurred under a written agreement entered into before March 29, 2012, or the expenditure is incurred as part of the development of a new mine where the construction or the engineering and design work for the construction of the new mine started before March 29, 2012. See subparagraph (k)(ii) of the definition of **specified percentage** in subsection 127(9) for more information. Pre-production mining development expenditures are described in subparagraph (a)(ii) of the definition of **pre-production mining expenditure** in subsection 127(9).

Corporation's name	Business number	Tax year-end Year Month Day
Horizon Utilities Corporation	86654 9090 RC0002	2013-12-31

Part 2 – Determination of a qualifying corporation

Is the corporation a qualifying corporation? . . . . **101** 1 Yes [ ] 2 No [X]

For the purpose of a refundable ITC, a **qualifying corporation** is defined under subsection 127.1(2). The corporation has to be a CCPC and its taxable income (before any loss carrybacks) for its previous tax year cannot be more than its **qualifying income limit** for the particular tax year. If the corporation is associated with any other corporations during the tax year, the total of the taxable incomes of the corporation and the associated corporations (before any loss carrybacks), for their last tax year ending in the previous calendar year, cannot be more than their qualifying income limit for the particular tax year.

Note: A CCPC calculating a refundable ITC is considered to be associated with another corporation if it meets any of the conditions in subsection 256(1), except where:

- one corporation is associated with another corporation solely because one or more persons own shares of the capital stock of both corporations; and
- one of the corporations has at least one shareholder who is not common to both corporations.

If you are a **qualifying** corporation, you will earn a **100%** refund on your share of any ITCs earned at the 35% rate on qualified **current** expenditures for SR&ED, up to the allocated expenditure limit. The 100% refund does not apply to qualified **capital** expenditures eligible for the 35% credit rate. They are only eligible for the **40%** refund*.

Some CCPCs that are **not qualifying** corporations may also earn a **100%** refund on their share of any ITCs earned at the 35% rate on qualified **current** expenditures for SR&ED, up to the allocated expenditure limit. The expenditure limit can be determined in Part 10. The 100% refund does not apply to qualified **capital** expenditures eligible for the 35% credit rate. They are only eligible for the **40% refund***.

The 100% refund will not be available to a corporation that is an **excluded corporation** as defined under subsection 127.1(2). A corporation is an excluded corporation if, at any time during the year, it is a corporation that is either controlled by (directly or indirectly, in any manner whatever) or is related to:

a) one or more persons exempt from Part I tax under section 149;

b) Her Majesty in right of a province, a Canadian municipality, or any other public authority; or

c) any combination of persons referred to in a) or b) above.

* Capital expenditures incurred after December 31, 2013, including lease payments for property that would have been a capital expenditure if purchased directly, are **not** qualified SR&ED expenditures and are **not** eligible for an ITC on SR&ED expenditures.

Part 3 – Corporations in the farming industry

Complete this area if the corporation is making SR&ED contributions.

Is the corporation claiming a contribution in the current year to an agricultural organization whose goal is to finance SR&ED work (for example, check-off dues)? . . . . **102** 1 Yes [ ] 2 No [X]

Contributions to agricultural organizations for SR&ED* **103**

If **yes**, complete Schedule 125, *Income Statement Information*, to identify the type of farming industry the corporation is involved in. For more information on Schedule 125, see Guide RC4088, *General Index of Financial Information (GIFI)*. Enter contributions on line 350 of Part 8.

* Enter only contributions not already included on Form T661. Include all of the contributions made before 2013 and 80% of the contributions made after 2012.

Qualified Property and Qualified Resource Property

Part 4 – Eligible investments for qualified property and qualified resource property from the current tax year

CCA* class number **105**	Description of investment **110**	Date available for use **115**	Location used (province or territory) **120**	Amount of investment **125**

Total of investments for qualified property and qualified resource property ______ A

* CCA: capital cost allowance

Part 5 – Current-year credit and account balances – ITC from investments in qualified property and qualified resource property

ITC at the end of the previous tax year . . . . B

Deduct:

Credit deemed as a remittance of co-op corporations **210**

Credit expired **215**

Subtotal (line 210 **plus** line 215) ▶ C

ITC at the beginning of the tax year (amount B **minus** amount C) **220**

Add:

Credit transferred on amalgamation or wind-up of subsidiary **230**

ITC from repayment of assistance **235**

Qualified property; and qualified resource property acquired after March 28, 2012, and before January 1, 2014* (applicable part of amount A from Part 4) . . . . . . x 10 % = **240**

Qualified resource property acquired after December 31, 2013, and before January 1, 2016 (applicable part of amount A from Part 4) . . . . x 5 % = **242**

Credit allocated from a partnership **250**

Subtotal (total of lines 230 to 250) ▶ D

Total credit available (line 220 **plus** amount D) . . . . E

Deduct:

Credit deducted from Part I tax (enter at amount D in Part 30) **260**

Credit carried back to the previous year(s) (amount H from Part 6) . . . . . . a

Credit transferred to offset Part VII tax liability **280**

Subtotal (total of line 260, amount a, and line 280) ▶ F

Credit balance before refund (amount E **minus** amount F) . . . . G

Deduct:

Refund of credit claimed on investments from qualified property and qualified resource property (from Part 7) **310**

ITC closing balance of investments from qualified property and qualified resource property (amount G **minus** line 310) **320**

* Include investments acquired after 2013 and before 2017 that are eligible for transitional relief.

Part 6 – Request for carryback of credit from investments in qualified property and qualified resource property

	Year	Month	Day			
1st previous tax year				Credit to be applied	**901**	
2nd previous tax year				Credit to be applied	**902**	
3rd previous tax year				Credit to be applied	**903**	

Total (enter at amount a in Part 5) H

Part 7 – Refund of ITC for qualifying corporations on investments from qualified property and qualified resource property

Current-year ITCs (total of lines 240, 242, and 250 from Part 5) I

Credit balance before refund (amount G from Part 5) . . . . J

Refund (40 % of amount I or J, whichever is less) . . . . K

Enter amount K or a lesser amount on line 310 in Part 5 (also enter it on line 780 of the T2 return if the corporation does not claim an SR&ED ITC refund).

SR&ED

Part 8 – Qualified SR&ED expenditures

Current expenditures

Current expenditures (from line 557 on Form T661)			
Add:			
Contributions to agricultural organizations for SR&ED*			
Current expenditures (line 557 on Form T661 **plus** line 103 from Part 3)*	►	350	
Capital expenditures incurred **before** 2014 (from line 558 on Form T661)**		360	
Repayments made in the year (from line 560 on Form T661)		370	
Qualified SR&ED expenditures (total of lines 350 to 370)		380	

* If you are claiming only contributions made to agricultural organizations for SR&ED, line 350 should equal line 103 in Part 3. Do not file Form T661.

** Capital expenditures incurred after December 31, 2013, are not qualified SR&ED expenditures.

Part 9 – Components of the SR&ED expenditure limit calculation

Part 9 only applies if the corporation is a CCPC.

Note: A CCPC that calculates an SR&ED expenditure limit is considered to be associated with another corporation if it meets any of the conditions in subsection 256(1), except where:

- one corporation is associated with another corporation solely because one or more persons own shares of the capital stock of the corporation; and
- one of the corporations has at least one shareholder who is not common to both corporations.

Is the corporation associated with another CCPC for the purpose of calculating the SR&ED expenditure limit? 385 1 Yes [ ] 2 No [X]

Complete lines 390 and 398 if you answered **no** to the question at line 385 above or if the corporation is not associated with any other corporations (the amounts for associated corporations will be determined on Schedule 49).

Enter your taxable income for the previous tax year* (prior to any loss carry-backs applied)		390	26,819,421
Enter your taxable capital employed in Canada for the previous tax year minus $10 million. If this amount is nil or negative, enter "0". If this amount is over $40 million, enter $40 million	463,833,011	398	40,000,000

* If either of the tax years referred to at line 390 is less than 51 weeks, **multiply** the taxable income by the following result: 365 **divided** by the number of days in these tax years.

Part 10 – SR&ED expenditure limit for a CCPC

For a stand-alone corporation:			$ 8,000,000	
Deduct:				
Taxable income for the previous tax year (line 390 from Part 9) or $500,000, whichever is more	26,819,421	x 10 =	268,194,210	A
Excess ($8,000,000 **minus** amount A; if negative, enter "0")				B
$ 40,000,000 **minus** line 398 from Part 9		a		
Amount a **divided** by $ 40,000,000				C
Expenditure limit for the stand-alone corporation (amount B **multiplied** by amount C)				D*
For an associated corporation:				
If associated, the allocation of the SR&ED expenditure limit as provided on Schedule 49		400		E*

Where the tax year of the corporation is less than 51 weeks, calculate the amount of the expenditure limit as follows:

Amount D or E ______ x $\frac{\text{Number of days in the tax year}}{365}$ 365 = ______ F

Your SR&ED expenditure limit for the year (enter the amount from line D, E, or F, whichever applies) 410 ______

* Amount D or E cannot be more than $3,000,000.

Part 11 – Investment tax credits on SR&ED expenditures

Current expenditures (line 350 from Part 8) or the expenditure limit (line 410 from Part 10), whichever is less*	420		x	35 %	=		G
Line 350 **minus** line 410 (if negative, enter "0")**	430		x	20 %	=		H
Line 410 **minus** line 350 (if negative, enter "0")			b				
Capital expenditures (line 360 from Part 8) or amount b above, whichever is less*	440		x	35 %	=		I
Line 360 **minus** amount b above (if negative, enter "0")**	450		x	20 %	=		J

Repayments (amount from line 370 in Part 8) . . . . ____________

If a corporation makes a repayment of any government or non-government assistance, or contract payments that reduced the amount of qualified expenditures for ITC purposes, the amount of the repayment is eligible for a credit at the rate that would have applied to the repaid amount. Enter the amount of the repayment on the line that corresponds to the appropriate rate.**

460		x	35 %	=		c
480		x	20 %	=		d

Subtotal (amount c **plus** amount d) ____________ ▶ ____________ K

Current-year SR&ED ITC (total of amounts G to K; enter on line 540 in Part 12) . . . . ____________ L

* For corporations that are not CCPCs, enter "0" for amounts G and I.

** For tax years that end after 2013, the general SR&ED rate is reduced from 20% to 15%, except that, for 2014 tax years that start before 2014, the reduction is pro-rated based on the number of days in the tax year that are after 2013.

Part 12 – Current-year credit and account balances – ITC from SR&ED expenditures

ITC at the end of the previous tax year				M
Deduct:				
Credit deemed as a remittance of co-op corporations	510			
Credit expired	515			
Subtotal (line 510 **plus** line 515)			▶	N
ITC at the beginning of the tax year (amount M **minus** amount N)		520		
Add:				
Credit transferred on amalgamation or wind-up of subsidiary	530			
Total current-year credit (from amount L in Part 11)	540			
Credit allocated from a partnership	550			
Subtotal (total of lines 530 to 550)			▶	O
Total credit available (line 520 **plus** amount O)				P
Deduct:				
Credit deducted from Part I tax (enter at amount E in Part 30)	560			
Credit carried back to the previous year(s) (amount S from Part 13)		e		
Credit transferred to offset Part VII tax liability	580			
Subtotal (total of line 560, amount e, and line 580)			▶	Q
Credit balance before refund (amount P **minus** amount Q)				R
Deduct:				
Refund of credit claimed on SR&ED expenditures (from Part 14 or 15, whichever applies)		610		
ITC closing balance on SR&ED (amount R **minus** line 610)		620		

Part 13 – Request for carryback of credit from SR&ED expenditures

	Year	Month	Day			
1st previous tax year				Credit to be applied	911	
2nd previous tax year				Credit to be applied	912	
3rd previous tax year				Credit to be applied	913	
				Total (enter at amount e in Part 12)		S

Part 14 – Refund of ITC for qualifying corporations – SR&ED

Complete this part only if you are a qualifying corporation as determined at line 101 in Part 2.

Is the corporation an excluded corporation as defined under subsection 127.1(2)? . . . . . 650 1 Yes [ ] 2 No [X]

Current-year ITC (lines 540 **plus** 550 from Part 12 **minus** amount K from Part 11) . . . . . ________ f

Refundable credits (amount f above or amount R from Part 12, whichever is less)* . . . . . ________ T

Deduct:

Amount T or amount G from Part 11, whichever is less . . . . . ________ U

Net amount (amount T **minus** amount U; if negative, enter "0") . . . . . ________ V

Amount V **multiplied** by 40 % . . . . . ________ W

Add:

Amount U . . . . . ________ X

Refund of ITC (amount W **plus** amount X – enter this, or a lesser amount, on line 610 in Part 12) . . . . . Y

Enter the total of lines 310 from Part 5 and 610 from Part 12 on line 780 of the T2 return.

* If you are also an excluded corporation [as defined in subsection 127.1(2)], this amount must be multiplied by 40%. Claim this, or a lesser amount, as your refund of ITC for amount Y.

Part 15 – Refund of ITC for CCPCs that are not qualifying or excluded corporations – SR&ED

Complete this box only if you are a CCPC that is not a qualifying or excluded corporation as determined at line 101 in Part 2.

Credit balance before refund (amount R from Part 12) . . . . . ________ Z

Deduct:

Amount Z or amount G from Part 11, whichever is less . . . . . ________ AA

Net amount (amount Z **minus** amount AA; if negative, enter "0") . . . . . BB

Amount BB or amount I from Part 11, whichever is less . . . . . ________ CC

Amount CC **multiplied** by 40 % . . . . . ________ DD

Add :

Amount AA . . . . . ________ EE

Refund of ITC (amount DD **plus** amount EE) . . . . . ________ FF

Enter FF, or a lesser amount, on line 610 in Part 12 and also on line 780 of the T2 return.

Recapture – SR&ED

Part 16 – Recapture of ITC for corporations and corporate partnerships – SR&ED

You will have a recapture of ITC in a year when **all** of the following conditions are met:

- you acquired a particular property in the current year or in any of the 20 previous tax years, if the credit was earned in a tax year ending after 1997 and did not expire before 2008;
- you claimed the cost of the property as a qualified expenditure for SR&ED on Form T661;
- the cost of the property was included in calculating your ITC or was the subject of an agreement made under subsection 127(13) to transfer qualified expenditures; and
- you disposed of the property or converted it to commercial use after February 23, 1998. This condition is also met if you disposed of or converted to commercial use a property that incorporates the particular property previously referred to.

Note:

The recapture **does not apply** if you disposed of the property to a non-arm's-length purchaser who intended to use it all or substantially all for SR&ED. When the non-arm's-length purchaser later sells or converts the property to commercial use, the recapture rules will apply to the purchaser based on the historical ITC rate of the original user.

You will report a recapture on the T2 return for the year in which you disposed of the property or converted it to commercial use. In the following tax year, add the amount of the ITC recapture to the SR&ED expenditure pool.

If you have more than one disposition for calculations 1 and 2, complete the columns for each disposition for which a recapture applies, using the calculation formats below.

Calculation 1 – If you meet all of the above conditions

Amount of ITC you originally calculated for the property you acquired, or the original user's ITC where you acquired the property from a non-arm's length party, as described in the note above 700	Amount calculated using ITC rate at the date of acquisition (or the original user's date of acquisition) on either the proceeds of disposition (if sold in an arm's length transaction) or the fair market value of the property (in any other case) 710	Amount from column 700 or 710, whichever is less

Subtotal (enter this amount at amount C in Part 17) ________ A

Calculation 2 – Only if you transferred all or a part of the qualified expenditure to another person under an agreement described in subsection 127(13); otherwise, enter nil in amount B in Part 16 on page 9.

A Rate that the transferee used in determining its ITC for qualified expenditures under a subsection 127(13) agreement 720	B Proceeds of disposition of the property if you dispose of it to an arm's length person; or, in any other case, enter the fair market value of the property at conversion or disposition 730	C Amount, if any, already provided for in Calculation 1 (This allows for the situation where only part of the cost of a property is transferred under a subsection 127(13) agreement.) 740

Calculation 2 (continued) – Only if you transferred all or a part of the qualified expenditure to another person under an agreement described in subsection 127(13); otherwise, enter nil in amount B below.

D Amount determined by the formula (A x B) – C	E ITC earned by the transferee for the qualified expenditures that were transferred 750	F Amount from column D or E, whichever is less

Subtotal (enter this amount at amount D in Part 17) ________ B

Calculation 3

As a member of the partnership, you will report your share of the SR&ED ITC of the partnership after the SR&ED ITC has been reduced by the amount of the recapture. If this amount is a positive amount, you will report it on line 550 in Part 12. However, if the partnership does not have enough ITC otherwise available to offset the recapture, then the amount by which reductions to ITC exceed additions (the excess) will be determined and reported on line 760 below.

Corporate partner's share of the excess of SR&ED ITC (amount to be reported at amount E in Part 17) **760** ________

Part 17 – Total recapture of SR&ED investment tax credit

Recaptured ITC for calculation 1 from amount A in Part 16		C
Recaptured ITC for calculation 2 from amount B in Part 16		D
Recaptured ITC for calculation 3 from line 760 in Part 16		E
Total recapture of SR&ED investment tax credit – total of amounts C to E		F

Enter amount F at amount A in Part 29.

Pre-Production Mining

Part 18 – Pre-production mining expenditures

Exploration information

A mineral resource that qualifies for the credit means a mineral deposit from which the principal mineral to be extracted is diamond, a base or precious metal deposit, or a mineral deposit from which the principal mineral to be extracted is an industrial mineral that, when refined, results in a base or precious metal.

In column 800, list all minerals for which pre-production mining expenditures have taken place in the tax year.

For each of the minerals reported in column 800, identify each project (in column 805), mineral title (in column 806), and mining division (in column 807) where title is registered. If there is no mineral title, identify only the project and mining division.

List of minerals 800	Project name 805

Mineral title 806	Mining division 807

Pre-production mining expenditures*

Exploration:

Pre-production mining expenditures that the corporation incurred in the tax year for the purpose of determining the existence, location, extent, or quality of a mineral resource in Canada:

Prospecting . . . . 810 ______

Geological, geophysical, or geochemical surveys . . . . 811 ______

Drilling by rotary, diamond, percussion, or other methods . . . . 812 ______

Trenching, digging test pits, and preliminary sampling . . . . 813 ______

Development:

Pre-production mining expenditures incurred in the tax year for bringing a new mine in a mineral resource in Canada into production in reasonable commercial quantities and incurred before the new mine comes into production in such quantities:

Clearing, removing overburden, and stripping . . . . 820 ______

Sinking a mine shaft, constructing an adit, or other underground entry . . . . 821 ______

Other pre-production mining expenditures incurred in the tax year:

Description 825	Amount 826

Add amounts in column 826 ______ ► A

Total pre-production mining expenditures (total of lines 810 to 821 and amount A) . . . . 830 ______

Deduct:

Total of all assistance (grants, subsidies, rebates, and forgivable loans) or reimbursements that the corporation has received or is entitled to receive in respect of the amounts referred to at line 830 above . . . . 832 ______

Excess (line 830 **minus** line 832) (if negative, enter "0") . . . . ______ B

Add:

Repayments of government and non-government assistance 835

Pre-production mining expenditures (amount B **plus** line 835) . . . . ______ C

* A pre-production mining expenditure is defined under subsection 127(9).

Part 19 – Current-year credit and account balances – ITC from pre-production mining expenditures

ITC at the end of the previous tax year . . . . ______ D

Deduct:

Credit deemed as a remittance of co-op corporations . . . . 841 ______

Credit expired . . . . 845 ______

Subtotal (line 841 **plus** line 845) ______ ► ______ E

ITC at the beginning of the tax year (amount D **minus** amount E) . . . . 850 ______

Add:

Credit transferred on amalgamation or wind-up of subsidiary . . . . 860 ______

Pre-production mining expenditures*
incurred before January 1, 2013
(applicable part of amount C from Part 18) . . 870 ______ x 10 % = ______ a

Pre-production mining exploration
expenditures incurred in 2013
(applicable part of amount C from Part 18) . . 872 ______ x 5 % = ______ b

Pre-production mining development
expenditures incurred in 2014
(applicable part of amount C from Part 18) . . 874 ______ x 7 % = ______ c

Pre-production mining development
expenditures incurred in 2015
(applicable part of amount C from Part 18) . . 876 ______ x 4 % = ______ d

Current year credit (total of amounts a to d) 880 ______ ► ______ F

Total credit available (total of lines 850, 860, and amount F) . . . . ______ G

Deduct:

Credit deducted from Part I tax (enter at amount F in Part 30) . . . . 885 ______

Credit carried back to the previous year(s) (amount I from Part 20) . . . . ______ e

Subtotal (line 885 **plus** amount e) ______ ► ______ H

ITC closing balance from pre-production mining expenditures (amount G **minus** amount H) . . . . 890 ______

* Also include pre-production mining development expenditures incurred before 2014 and pre-production mining development expenditures incurred after 2013 and before 2016 that are eligible for transitional relief.

Part 20 – Request for carryback of credit from pre-production mining expenditures

	Year	Month	Day			
1st previous tax year				. . . . Credit to be applied	921	______
2nd previous tax year				. . . . Credit to be applied	922	______
3rd previous tax year				. . . . Credit to be applied	923	______

Total (enter at amount e in Part 19) ______ I

Apprenticeship Job Creation

Part 21 – Total current-year credit – ITC from apprenticeship job creation expenditures

If you are a related person as defined under subsection 251(2), has it been agreed in writing that you are the only employer who will be claiming the apprenticeship job creation tax credit for this tax year for each apprentice whose contract number (or social insurance number or name) appears below? (If not, you cannot claim the tax credit.) . . . . 611 1 Yes ☐ 2 No ☐

For each apprentice in their first 24 months of the apprenticeship, enter the apprenticeship contract number registered with Canada, or a province or territory, under an apprenticeship program designed to certify or license individuals in the trade. For the province, the trade must be a Red Seal trade. If there is no contract number, enter the social insurance number (SIN) or the name of the eligible apprentice.

	A Contract number (SIN or name of apprentice) 601	B Name of eligible trade 602	C Eligible salary and wages* 603	D Column C x 10 % 604	E Lesser of column D or $ 2,000 605
1.	[redacted]	Powerline Technician	66,259	6,626	2,000

A Contract number (SIN or name of apprentice) 601	B Name of eligible trade 602	C Eligible salary and wages* 603	D Column C x 10 % 604	E Lesser of column D or $ 2,000 605

Total current-year credit (enter at line 640 in Part 22) 4,000 A

* Net of any other government or non-government assistance received or to be received.

Part 22 – Current-year credit and account balances – ITC from apprenticeship job creation expenditures

ITC at the end of the previous tax year			B
Deduct:			
Credit deemed as a remittance of co-op corporations	612		
Credit expired after 20 tax years	615		
Subtotal (line 612 **plus** line 615)		▶	C
ITC at the beginning of the tax year (amount B **minus** amount C)	625		
Add:			
Credit transferred on amalgamation or wind-up of subsidiary	630		
ITC from repayment of assistance	635		
Total current-year credit (amount A from Part 21)	640	4,000	
Credit allocated from a partnership	655		
Subtotal (total of lines 630 to 655)		4,000 ▶	4,000 D
Total credit available (line 625 **plus** amount D)			4,000 E
Deduct:			
Credit deducted from Part I tax (enter at amount G in Part 30)	660	4,000	
Credit carried back to the previous year(s) (amount G from Part 23)		a	
Subtotal (line 660 **plus** amount a)		4,000 ▶	4,000 F
ITC closing balance from apprenticeship job creation expenditures (amount E **minus** amount F)	690		

Part 23 – Request for carryback of credit from apprenticeship job creation expenditures

	Year	Month	Day		
1st previous tax year				Credit to be applied	931
2nd previous tax year				Credit to be applied	932
3rd previous tax year				Credit to be applied	933

Total (enter at amount a in Part 22) G

Child Care Spaces

Part 24 – Eligible child care spaces expenditures

Enter the eligible expenditures that the corporation incurred to create licensed child care spaces for the children of the employees and, potentially, for other children. The corporation cannot be carrying on a child care services business. The eligible expenditures include:

- the cost of depreciable property (other than specified property); and
- the specified child care start-up expenditures;

acquired or incurred only to create new child care spaces at a licensed child care facility.

Cost of depreciable property from the current tax year

	CCA* class number 665	Description of investment 675	Date available for use 685	Amount of investment 695
1.				

Total cost of depreciable property from the current tax year **715**

Add:

Specified child care start-up expenditures from the current tax year **705**

Total gross eligible expenditures for child care spaces (line 715 **plus** line 705) . . . . A

Deduct:

Total of all assistance (including grants, subsidies, rebates, and forgivable loans) or reimbursements that the corporation has received or is entitled to receive in respect of the amounts referred to at line A **725**

Excess (amount A **minus** line 725) (if negative, enter "0") . . . . B

Add:

Repayments by the corporation of government and non-government assistance **735**

Total eligible expenditures for child care spaces (amount B **plus** line 735) **745**

* CCA: capital cost allowance

Part 25 – Current-year credit – ITC from child care spaces expenditures

The credit is equal to 25% of eligible child care spaces expenditures incurred to a maximum of $10,000 per child care space created in a licensed child care facility.

Eligible expenditures (from line 745) . . . . ______ x 25 % = ______ C

Number of child care spaces . . . . **755** ______ x $ 10,000 = ______ D

ITC from child care spaces expenditures (amount C or D, whichever is less) . . . . E

Part 26 – Current-year credit and account balances – ITC from child care spaces expenditures

ITC at the end of the previous tax year				F
Deduct:				
Credit deemed as a remittance of co-op corporations	765			
Credit expired after 20 tax years	770			
Subtotal (line 765 **plus** line 770)		▶		G
ITC at the beginning of the tax year (amount F **minus** amount G)		775		
Add:				
Credit transferred on amalgamation or wind-up of subsidiary	777			
Total current-year credit (amount E from Part 25)	780			
Credit allocated from a partnership	782			
Subtotal (total of lines 777 to 782)		▶		H
Total credit available (line 775 **plus** amount H)				I
Deduct:				
Credit deducted from Part I tax (enter at amount H in Part 30)	785			
Credit carried back to the previous year(s) (amount K from Part 27)		a		
Subtotal (line 785 **plus** amount a)		▶		J
ITC closing balance from child care spaces expenditures (amount I **minus** amount J)		790		

Part 27 – Request for carryback of credit from child care space expenditures

	Year / Month / Day			
1st previous tax year	2012-12-31	Credit to be applied	941	
2nd previous tax year	2011-12-31	Credit to be applied	942	
3rd previous tax year	2010-12-31	Credit to be applied	943	
		Total (enter at amount a in Part 26)		K

Recapture – Child Care Spaces

Part 28 – Recapture of ITC for corporations and corporate partnerships – Child care spaces

The ITC will be recovered against the taxpayer's tax otherwise payable under Part I of the Act if, at any time within 60 months of the day on which the taxpayer acquired the property:

- the new child care space is no longer available; or
- property that was an eligible expenditure for the child care space is:
  - disposed of or leased to a lessee; or
  - converted to another use.

If the property disposed of is a child care space, the amount that can reasonably be considered to have been included in the original ITC (paragraph 127(27.12)(a)) . . . . **792** ____________

In the case of eligible expenditures (paragraph 127(27.12)(b)), the lesser of:

The amount that can reasonably be considered to have been included in the original ITC . . . . **795** ____________

25% of either the proceeds of disposition (if sold in an arm's length transaction) or the fair market value (in any other case) of the property . . . . **797** ____________

Amount from line 795 or line 797, whichever is less . . . . ____________ A

Corporate partnerships

As a member of the partnership, you will report your share of the child care spaces ITC of the partnership after the child care spaces ITC has been reduced by the amount of the recapture. If this amount is a positive amount, you will report it on line 782 in Part 26. However, if the partnership does not have enough ITC otherwise available to offset the recapture, then the amount by which reductions to ITC exceed additions (the excess) will be determined and reported on line 799 below.

Corporate partner's share of the excess of ITC **799** ____________

Total recapture of child care spaces investment tax credit (total of line 792, amount A, and line 799) . . . . ____________ B
Enter amount B at amount B in Part 29.

Summary of Investment Tax Credits

Part 29 – Total recapture of investment tax credit

Recaptured SR&ED ITC (from amount F in Part 17) . . . . ____________ A

Recaptured child care spaces ITC (from amount B in Part 28) . . . . ____________ B

Total recapture of investment tax credit (amount A **plus** amount B) . . . . ____________ C
Enter amount C on line 602 of the T2 return.

Part 30 – Total ITC deducted from Part I tax

ITC from investments in qualified property deducted from Part I tax (from line 260 in Part 5) . . . . ____________ D

ITC from SR&ED expenditures deducted from Part I tax (from line 560 in Part 12) . . . . ____________ E

ITC from pre-production mining expenditures deducted from Part I tax (from line 885 in Part 19) . . . . ____________ F

ITC from apprenticeship job creation expenditures deducted from Part I tax (from line 660 in Part 22) . . . . 4,000 G

ITC from child care space expenditures deducted from Part I tax (from line 785 in Part 26) . . . . H

Total ITC deducted from Part I tax (total of amounts D to H) . . . . 4,000 I
Enter amount I at line 652 of the T2 return.

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Summary of Investment Tax Credit Carryovers

Continuity of investment tax credit carryovers

CCA class number 97 Apprenticeship job creation ITC

Current year

Addition current year (A)	Applied current year (B)	Claimed as a refund (C)	Carried back (D)	ITC end of year (A-B-C-D)
4,000	4,000			

Prior years

Taxation year	ITC beginning of year (E)	Adjustments (F)	Applied current year (G)	ITC end of year (E-F-G)
2012-12-31				
2011-12-31				
2010-12-31				
2009-12-31				
2009-12-31				
2008-12-31				
2007-12-31				
2006-12-31				
2005-12-31				
2004-12-31				*
2003-12-31				
2002-12-31				
2001-12-31				
2000-12-31				
1999-12-31				
1998-12-31				
1997-12-31				
1996-12-31				
1995-12-31				
1994-12-31				*
Total				

B+C+D+G **Total ITC utilized** 4,000

* The **ITC end of year** includes the amount of ITC expired from the 10th preceding year if it is before January 1, 1998, or the amount of ITC expired from the 20th preceding year if it is after December 31, 1997. Note that this credit will only expire at the beginning of the subsequent fiscal period. Consequently, this amount will be posted on line 215, 515, 615, 770 or 845, as applicable, in Schedule 31 of the subsequent fiscal year.

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SCHEDULE 50

SHAREHOLDER INFORMATION

Name of corporation	Business Number	Tax year end Year Month Day
Horizon Utilities Corporation	86654 9090 RC0002	2013-12-31

All private corporations must complete this schedule for any shareholder who holds 10% or more of the corporation's common and/or preferred shares.

	Name of shareholder (after name, indicate in brackets if the shareholder is a corporation, partnership, individual, or trust) 100	Provide only one number per shareholder: Business Number (If a corporation is not registered, enter "NR") 200	Social insurance number 300	Trust number 350	Percentage common shares 400	Percentage preferred shares 500
1	Horizon Holdings Inc.	83675 1966 RC0001			100.000	
2						
3						
4						
5						
6						
7						
8						
9						
10						

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SCHEDULE 55

PART III.1 TAX ON EXCESSIVE ELIGIBLE DIVIDEND DESIGNATIONS

Name of corporation	Business Number	Tax year-end Year Month Day
Horizon Utilities Corporation	86654 9090 RC0002	2013-12-31

Do not use this area

- Every corporation resident in Canada that pays a taxable dividend (other than a capital gains dividend within the meaning assigned by subsection 130.1(4) or 131(1)) in the tax year must file this schedule.
- Canadian-controlled private corporations (CCPC) and deposit insurance corporations (DIC) must complete Part 1 of this schedule. All other corporations must complete Part 2.
- Every corporation that has paid an eligible dividend must also file Schedule 53, *General Rate Income Pool (GRIP) Calculation*, or Schedule 54, *Low Rate Income Pool (LRIP) Calculation*, whichever is applicable.
- File the completed schedules with your *T2 Corporation Income Tax Return* no later than six months from the end of the tax year.
- All legislative references on this schedule are to the federal *Income Tax Act*.
- Subsection 89(1) defines the terms eligible dividend, excessive eligible dividend designation, general rate income pool (GRIP), and low rate income pool (LRIP).
- The calculations in Part 1 and Part 2 do not apply if the excessive eligible dividend designation arises from the application of paragraph (c) of the definition of excessive eligible dividend designation in subsection 89(1). This paragraph applies when an eligible dividend is paid to artificially maintain or increase the GRIP or to artificially maintain or decrease the LRIP.

Part 1 – Canadian-controlled private corporations and deposit insurance corporations

Taxable dividends paid in the tax year **not included** in Schedule 3			
Taxable dividends paid in the tax year **included** in Schedule 3		13,556,000	
Total taxable dividends paid in the tax year	100	13,556,000	
Total eligible dividends paid in the tax year	150		A
GRIP at the end of the tax year (line 590 on Schedule 53) (if negative, enter "0")	160	124,032,130	B
Excessive eligible dividend designation (line 150 **minus** line 160)			C
Deduct:			
Excessive eligible dividend designations elected under subsection 185.1(2) to be treated as ordinary dividends*	180		D
Subtotal (amount C **minus** amount D)			E
Part III.1 tax on excessive eligible dividend designations – CCPC or DIC (amount E **multiplied** by 20 %)	190		F

Enter the amount from line 190 on line 710 of the T2 return.

Part 2 – Other corporations

Taxable dividends paid in the tax year **not included** in Schedule 3			
Taxable dividends paid in the tax year **included** in Schedule 3			
Total taxable dividends paid in the tax year	200		
Total excessive eligible dividend designations in the tax year (amount from line A of Schedule 54)			G
Deduct:			
Excessive eligible dividend designations elected under subsection 185.1(2) to be treated as ordinary dividends*	280		H
Subtotal (amount G **minus** amount H)			I
Part III.1 tax on excessive eligible dividend designations – Other corporations (amount I **multiplied** by 20 %)	290		J

Enter the amount from line 290 on line 710 of the T2 return.

* You can elect to treat all or part of your excessive eligible dividend designation as a separate taxable dividend in order to eliminate or reduce the Part III.1 tax otherwise payable. You must file the election on or before the day that is 90 days **after** the day the notice of assessment for Part III.1 tax was sent. We will accept an election before the assessment of the tax. For more information on how to make this election, go to **www.cra.gc.ca/eligibledividends**.

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Schedule 500

Ontario Corporation Tax Calculation

Corporation's name	Business number	Tax year-end Year Month Day
Horizon Utilities Corporation	86654 9090 RC0002	2013-12-31

- Use this schedule if the corporation had a permanent establishment (as defined in section 400 of the federal *Income Tax Regulations*) in Ontario at any time in the tax year and had Ontario taxable income in the year.
- All legislative references are to the federal *Income Tax Act* and *Income Tax Regulations*.
- This schedule is a worksheet only. You do not have to file it with your *T2 Corporation Income Tax Return*.

Part 1 – Calculation of Ontario basic rate of tax for the year

Number of days in the tax year before July 1, 2011 / Number of days in the tax year	/ 365	x	12.00 %	=	%	A1
Number of days in the tax year after June 30, 2011 / Number of days in the tax year	365 / 365	x	11.50 %	=	11.50000 %	A2

Ontario basic rate of tax for the year (rate A1 **plus** A2) 11.50000 ► 11.50000 % A3

Part 2 – Calculation of Ontario basic income tax

Ontario taxable income * . . . . 18,866,631 B

Ontario basic income tax: amount B **multiplied** by Ontario basic rate of tax for the year (rate A3 from Part 1) . . . . 2,169,663 C

If the corporation has a permanent establishment in more than one jurisdiction, or is claiming an Ontario tax credit in addition to Ontario basic income tax, or has Ontario corporate minimum tax or Ontario special additional tax on life insurance corporations payable, enter amount C on line 270 of Schedule 5, *Tax Calculation Supplementary – Corporations*. Otherwise, enter it on line 760 of the T2 return.

* If the corporation has a permanent establishment only in Ontario, enter the amount from line 360 or line Z, whichever applies, of the T2 return. Otherwise, enter the taxable income allocated to Ontario from column F in Part 1 of Schedule 5.

Part 3 – Ontario small business deduction (OSBD)

Complete this part if the corporation claimed the federal small business deduction under subsection 125(1) or would have claimed it if subsection 125(5.1) had not been applicable in the tax year.

Income from active business carried on in Canada (amount from line 400 of the T2 return)	18,913,969	1
Federal taxable income, less adjustment for foreign tax credit (amount from line 405 of the T2 return)	18,866,631	2
Federal business limit before the application of subsection 125(5.1) (amount from line 410 of the T2 return)	500,000	3
Enter the least of amounts 1, 2, and 3	500,000	D
Ontario domestic factor: Ontario taxable income * (18,866,631.00) / Taxable income earned in all provinces and territories ** (18,866,631) =	1.00000	E

Amount D x factor E	500,000	a
Ontario taxable income (amount B from Part 2)	18,866,631	b

Ontario small business income (lesser of amount a and amount b)	500,000	F

Number of days in the tax year before July 1, 2011 / Number of days in the tax year	/ 365	x	7.50 %	= %	G1
Number of days in the tax year after June 30, 2011 / Number of days in the tax year	365 / 365	x	7.00 %	= 7.00000 %	G2

OSBD rate for the year (rate G1 **plus** G2)	7.00000 %	G3
Ontario small business deduction: amount F **multiplied** by OSBD rate for the year (rate G3)	35,000	H

Enter amount H on line 402 of Schedule 5.

* Enter amount B from Part 2.

** Includes the offshore jurisdictions for Nova Scotia and Newfoundland and Labrador.

Part 4 – Ontario adjusted small business income

Complete this part if the corporation was a Canadian-controlled private corporation throughout the tax year and is claiming the Ontario tax credit for manufacturing and processing or the Ontario credit union tax reduction.

Ontario adjusted small business income (lesser of amount D and amount b from Part 3)	500,000	I

Enter amount I on line K in Part 5 of this schedule or on line B in Part 2 of Schedule 502, *Ontario Tax Credit for Manufacturing and Processing*, whichever applies.

Part 5 – Calculation of credit union tax reduction

Complete this part and Schedule 17, *Credit Union Deductions*, if the corporation was a credit union throughout the tax year.

Amount D from Part 3 of Schedule 17		J		
Deduct:				
Ontario adjusted small business income (amount I from Part 4)		K		
Subtotal (amount J **minus** amount K) (if negative, enter "0")		L		
OSBD rate for the year (rate G3 from Part 3)	7.00000 %			
Amount L **multiplied** by the OSBD rate for the year				M
Ontario domestic factor (factor E from Part 3)			1.00000	N
Ontario credit union tax reduction (amount M **multiplied** by factor N)				O

Enter amount O on line 410 of Schedule 5.

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Schedule 510

Ontario Corporate Minimum Tax

Corporation's name	Business number	Tax year-end Year Month Day
Horizon Utilities Corporation	86654 9090 RC0002	2013-12-31

- File this schedule if the corporation is subject to Ontario corporate minimum tax (CMT). CMT is levied under section 55 of the *Taxation Act, 2007* (Ontario), referred to as the "Ontario Act".
- Complete Part 1 to determine if the corporation is subject to CMT for the tax year.
- A corporation not subject to CMT in the tax year is still required to file this schedule if it is deducting a CMT credit, has a CMT credit carryforward, or has a CMT loss carryforward or a current year CMT loss.
- A corporation that has Ontario special additional tax on life insurance corporations (SAT) payable in the tax year must complete Part 4 of this schedule even if it is not subject to CMT for the tax year.
- A corporation is exempt from CMT if, throughout the tax year, it was one of the following:
  1) a corporation exempt from income tax under section 149 of the federal *Income Tax Act*;
  2) a mortgage investment corporation under subsection 130.1(6) of the federal Act;
  3) a deposit insurance corporation under subsection 137.1(5) of the federal Act;
  4) a congregation or business agency to which section 143 of the federal Act applies;
  5) an investment corporation as referred to in subsection 130(3) of the federal Act; or
  6) a mutual fund corporation under subsection 131(8) of the federal Act.
- File this schedule with the *T2 Corporation Income Tax Return*.

Part 1 – Determination of CMT applicability

Total assets of the corporation at the end of the tax year *	112	581,047,575
Share of total assets from partnership(s) and joint venture(s) *	114	5,736,855
Total assets of associated corporations (amount from line 450 on Schedule 511)	116	477,804,866
Total assets (total of lines 112 to 116)		1,064,589,296
Total revenue of the corporation for the tax year **	142	111,302,362
Share of total revenue from partnership(s) and joint venture(s) **	144	965,976
Total revenue of associated corporations (amount from line 550 on Schedule 511)	146	42,731,437
Total revenue (total of lines 142 to 146)		154,999,775

The corporation is subject to CMT if:
– for tax years ending before July 1, 2010, the total assets at the end of the year of the corporation or the associated group of corporations are more than $5,000,000, or the total revenue for the year of the corporation or the associated group of corporations is more than $10,000,000.
– for tax years ending after June 30, 2010, the total assets at the end of the year of the corporation or the associated group of corporations are equal to or more than $50,000,000, and the total revenue for the year of the corporation or the associated group of corporations is equal to or more than $100,000,000.

If the corporation is not subject to CMT, do not complete the remaining parts unless the corporation is deducting a CMT credit, or has a CMT credit carryforward, a CMT loss carryforward, a current year CMT loss, or SAT payable in the year.

* **Rules for total assets**
- Report total assets according to generally accepted accounting principles, adjusted so that consolidation and equity methods are not used.
- Do not include unrealized gains and losses on assets and foreign currency gains and losses on assets that are included in net income for accounting purposes but not in income for corporate income tax purposes.
- The amount on line 114 is determined at the end of the last fiscal period of the partnership or joint venture that ends in the tax year of the corporation. Add the proportionate share of the assets of the partnership(s) and joint venture(s), and deduct the recorded asset(s) for the investment in partnerships and joint ventures.
- A corporation's share in a partnership or joint venture is determined under paragraph 54(5)(b) of the Ontario Act and, if the partnership or joint venture had no income or loss, is calculated as if the partnership's or joint venture's income were $1 million. For a corporation with an indirect interest in a partnership or joint venture, determine the corporation's share according to paragraph 54(5)(c) of the Ontario Act.

** **Rules for total revenue**
- Report total revenue in accordance with generally accepted accounting principles, adjusted so that consolidation and equity methods are not used.
- If the tax year is less than 51 weeks, **multiply** the total revenue of the corporation or the partnership, whichever applies, by 365 and **divide** by the number of days in the tax year.
- The amount on line 144 is determined for the partnership or joint venture fiscal period that ends in the tax year of the corporation. If the partnership or joint venture has 2 or more fiscal periods ending in the filing corporation's tax year, **multiply** the sum of the total revenue for each of the fiscal periods by 365 and **divide** by the total number of days in all the fiscal periods.
- A corporation's share in a partnership or joint venture is determined under paragraph 54(5)(b) of the Ontario Act and, if the partnership or joint venture had no income or loss, is calculated as if the partnership's or joint venture's income were $1 million. For a corporation with an indirect interest in a partnership or joint venture, determine the corporation's share according to paragraph 54(5)(c) of the Ontario Act.

Part 2 – Adjusted net income/loss for CMT purposes

Net income/loss per financial statements *			210	18,736,985
Add (to the extent reflected in income/loss):				
Provision for current income taxes/cost of current income taxes	220	6,457,765		
Provision for deferred income taxes (debits)/cost of future income taxes	222			
Equity losses from corporations	224			
Financial statement loss from partnerships and joint ventures	226			
Dividends deducted on financial statements (subsection 57(2) of the Ontario Act), excluding dividends paid by credit unions under subsection 137(4.1) of the federal Act	230			
Other additions (see note below):				
Share of adjusted net income of partnerships and joint ventures **	228	248,511		
Total patronage dividends received, not already included in net income/loss	232			
281	282			
283	284			
Subtotal		6,706,276 ▶		6,706,276 A
Deduct (to the extent reflected in income/loss):				
Provision for recovery of current income taxes/benefit of current income taxes	320			
Provision for deferred income taxes (credits)/benefit of future income taxes	322			
Equity income from corporations	324			
Financial statement income from partnerships and joint ventures	326	248,511		
Dividends deductible under section 112, section 113, or subsection 138(6) of the federal Act	330			
Dividends not taxable under section 83 of the federal Act (from Schedule 3)	332			
Gain on donation of listed security or ecological gift	340			
Accounting gain on transfer of property to a corporation under section 85 or 85.1 of the federal Act ***	342			
Accounting gain on transfer of property to/from a partnership under section 85 or 97 of the federal Act ****	344			
Accounting gain on disposition of property under subsection 13(4), subsection 14(6), or section 44 of the federal Act *****	346			
Accounting gain on a windup under subsection 88(1) of the federal Act or an amalgamation under section 87 of the federal Act	348			
Other deductions (see note below):				
Share of adjusted net loss of partnerships and joint ventures **	328			
Tax payable on dividends under subsection 191.1(1) of the federal Act **multiplied** by 3	334			
Interest deducted/deductible under paragraph 20(1)(c) or (d) of the federal Act, not already included in net income/loss	336			
Patronage dividends paid (from Schedule 16) not already included in net income/loss	338			
381 Deduct other comprehensive income gain	382	1,296,392		
383	384			
385	386			
387	388			
389	390			
Subtotal		1,544,903 ▶		1,544,903 B
Adjusted net income/loss for CMT purposes (line 210 **plus** amount A **minus** amount B)			490	23,898,358

If the amount on line 490 is positive and the corporation is subject to CMT as determined in Part 1, enter the amount on line 515 in Part 3.

If the amount on line 490 is negative, enter the amount on line 760 in Part 7 (enter as a positive amount).

Note

In accordance with *Ontario Regulation 37/09*, when calculating net income for CMT purposes, accounting income should be adjusted to:

– exclude unrealized gains and losses due to mark-to-market changes or foreign currency changes on specified mark-to-market property (assets only);
– include realized gains and losses on the disposition of specified mark-to-market property not already included in the accounting income, if the property is not a capital property or is a capital property disposed in the year or in a previous tax year ended after March 22, 2007.

"Specified mark-to-market property" is defined in subsection 54(1) of the Ontario Act.

These rules also apply to partnerships. A corporate partner's share of a partnership's adjusted income flows through on a proportionate basis to the corporate partner.

* **Rules for net income/loss**

– Banks must report net income/loss as per the report accepted by the Superintendent of Financial Institutions under the federal *Bank Act*, adjusted so consolidation and equity methods are not used.

Part 2 – Calculation of adjusted net income/loss for CMT purposes (continued)

– Life insurance corporations must report net income/loss as per the report accepted by the federal Superintendent of Financial Institutions or equivalent provincial insurance regulator, before SAT and adjusted so consolidation and equity methods are not used. If the life insurance corporation is resident in Canada and carries on business in and outside of Canada, **multiply** the net income/loss by the ratio of the Canadian reserve liabilities **divided** by the total reserve liability. The reserve liabilities are calculated in accordance with Regulation 2405(3) of the federal Act.

– Other corporations must report net income/loss in accordance with generally accepted accounting principles, except that consolidation and equity methods must not be used. When the equity method has been used for accounting purposes, equity losses and equity income are removed from book income/loss on lines 224 and 324 respectively.

– Corporations, other than insurance corporations, should report net income from line 9999 of the GIFI (Schedule 125) on line 210.

** The share of the adjusted net income of a partnership or joint venture is calculated as if the partnership or joint venture were a corporation and the tax year of the partnership or joint venture were its fiscal period. For a corporation with an indirect interest in a partnership through one or more partnerships, determine the corporation's share according to clause 54(5)(c) of the Ontario Act.

*** A joint election will be considered made under subsection 60(1) of the Ontario Act if there is an entry on line 342, and an election has been made for transfer of property to a corporation under subsection 85(1) of the federal Act.

**** A joint election will be considered made under subsection 60(2) of the Ontario Act if there is an entry on line 344, and an election has been made under subsection 85(2) or 97(2) of the federal Act.

***** A joint election will be considered made under subsection 61(1) of the Ontario Act if there is an entry on line 346, and an election has been made under subsection 13(4) or 14(6) and/or section 44 of the federal Act.

For more information on how to complete this part, see the *T2 Corporation – Income Tax Guide*.

Part 3 – CMT payable

Adjusted net income for CMT purposes (line 490 in Part 2, if positive)		515	23,898,358	
Deduct:				
CMT loss available (amount R from Part 7)				
Minus: Adjustment for an acquisition of control *	518			
Adjusted CMT loss available				C
Net income subject to CMT calculation (if negative, enter "0")		520	23,898,358	

Amount from line 520: 23,898,358 x (Number of days in the tax year before July 1, 2010 / Number of days in the tax year: 365) x 4 % = ______ 1

Amount from line 520: 23,898,358 x (Number of days in the tax year after June 30, 2010: 365 / Number of days in the tax year: 365) x 2.7 % = 645,256 2

Subtotal (amount 1 **plus** amount 2) 645,256 3

Gross CMT: amount on line 3 above x OAF **	540	645,256	
Deduct:			
Foreign tax credit for CMT purposes ***	550		
CMT after foreign tax credit deduction (line 540 **minus** line 550) (if negative, enter "0")		645,256	D
Deduct:			
Ontario corporate income tax payable before CMT credit (amount F6 from Schedule 5)		2,134,663	
Net CMT payable (if negative, enter "0")			E

Enter amount E on line 278 of Schedule 5, *Tax Calculation Supplementary – Corporations*, and complete Part 4.

* Enter the portion of CMT loss available that exceeds the adjusted net income for the tax year from carrying on a business before the acquisition of control. See subsection 58(3) of the Ontario Act.

*** Enter "0" on line 550 for life insurance corporations as they are not eligible for this deduction. For all other corporations, enter the cumulative total of amount J for the province of Ontario from Part 9 of Schedule 21 on line 550.

** **Calculation of the Ontario allocation factor (OAF):**

If the provincial or territorial jurisdiction entered on line 750 of the T2 return is "Ontario," enter "1" on line F.

If the provincial or territorial jurisdiction entered on line 750 of the T2 return is "multiple," complete the following calculation, and enter the result on line F:

Ontario taxable income **** / Taxable income ***** = ______

Ontario allocation factor .... 1.00000 F

**** Enter the amount allocated to Ontario from column F in Part 1 of Schedule 5. If the taxable income is nil, calculate the amount in column F as if the taxable income were $1,000.

***** Enter the taxable income amount from line 360 or amount Z of the T2 return, whichever applies. If the taxable income is nil, enter "1,000".

Part 4 – Calculation of CMT credit carryforward

CMT credit carryforward at the end of the previous tax year * .... G

Deduct:

CMT credit expired * **600**

CMT credit carryforward at the beginning of the current tax year * (see note below) .... ► **620**

Add:

CMT credit carryforward balances transferred on an amalgamation or the windup of a subsidiary (see note below) **650**

CMT credit available for the tax year (amount on line 620 **plus** amount on line 650) .... H

Deduct:

CMT credit deducted in the current tax year (amount P from Part 5) I

Subtotal (amount H **minus** amount I) J

Add:

Net CMT payable (amount E from Part 3) ....

SAT payable (amount O from Part 6 of Schedule 512) ....

Subtotal ► K

CMT credit carryforward at the end of the tax year (amount J **plus** amount K) .... **670** L

* For the first harmonized T2 return filed with a tax year that includes days in 2009:
- do not enter an amount on line G or line 600;
- for line 620, enter the amount from line 2336 of Ontario CT23 Schedule 101, *Corporate Minimum Tax (CMT)*, for the last tax year that ended in 2008.

For other tax years, enter on line G the amount from line 670 of Schedule 510 from the previous tax year.

Note: If you entered an amount on line 620 or line 650, complete Part 6.

Part 5 – Calculation of CMT credit deducted from Ontario corporate income tax payable

CMT credit available for the tax year (amount H from Part 4)				M
Ontario corporate income tax payable before CMT credit (amount F6 from Schedule 5)		2,134,663	1	
For a corporation that is not a life insurance corporation:				
CMT after foreign tax credit deduction (amount D from Part 3)	645,256	2		
For a life insurance corporation:				
Gross CMT (line 540 from Part 3)		3		
Gross SAT (line 460 from Part 6 of Schedule 512)		4		
The **greater** of amounts 3 and 4		5		
Deduct: line 2 or line 5, whichever applies:		645,256	6	
Subtotal (if negative, enter "0")		1,489,407 ►	1,489,407	N
Ontario corporate income tax payable before CMT credit (amount F6 from Schedule 5)		2,134,663		
Deduct:				
Total refundable tax credits excluding Ontario qualifying environmental trust tax credit (amount J6 **minus** line 450 from Schedule 5)		178,272		
Subtotal (if negative, enter "0")		1,956,391 ►	1,956,391	O
CMT credit deducted in the current tax year (least of amounts M, N, and O)				P

Enter amount P on line 418 of Schedule 5 and on line I in Part 4 of this schedule.

Is the corporation claiming a CMT credit earned before an acquisition of control? .... **675** 1 Yes [ ] 2 No [X]

If you answered **yes** to the question at line 675, the CMT credit deducted in the current tax year may be restricted. For information on how the deduction may be restricted, see subsections 53(6) and (7) of the Ontario Act.

Part 6 – Analysis of CMT credit available for carryforward by year of origin

Complete this part if:

– the tax year includes January 1, 2009; or
– the previous tax year-end is deemed to be December 31, 2008, under subsection 249(3) of the federal Act.

Year of origin	CMT credit balance *
10th previous tax year	680
9th previous tax year	681
8th previous tax year	682
7th previous tax year	683
6th previous tax year	684
5th previous tax year	685
4th previous tax year	686
3rd previous tax year	687
2nd previous tax year	688
1st previous tax year	689
Total **	

* CMT credit that was earned (by the corporation, predecessors of the corporation, and subsidiaries wound up into the corporation) in each of the previous 10 tax years and has not been deducted.

** Must equal the total of the amounts entered on lines 620 and 650 in Part 4.

Part 7 – Calculation of CMT loss carryforward

CMT loss carryforward at the end of the previous tax year * . . . . ________ Q

Deduct:

CMT loss expired * . . . . 700 ________

CMT loss carryforward at the beginning of the tax year * (see note below) . . . . ________ ► 720 ________

Add:

CMT loss transferred on an amalgamation under section 87 of the federal Act ** (see note below) . . . . 750 ________

CMT loss available (line 720 **plus** line 750) . . . . ________ R

Deduct:

CMT loss deducted against adjusted net income for the tax year (lesser of line 490 (if positive) and line C in Part 3) . . . . ________

Subtotal (if negative, enter "0") ________ S

Add:

Adjusted net loss for CMT purposes (amount from line 490 in Part 2, if **negative**) (enter as a positive amount) . . . . 760 ________

CMT loss carryforward balance at the end of the tax year (amount S **plus** line 760) . . . . 770 ________ T

* For the first harmonized T2 return filed with a tax year that includes days in 2009:

– do not enter an amount on line Q or line 700;
– for line 720, enter the amount from line 2214 of Ontario CT23 Schedule 101, *Corporate Minimum Tax (CMT)*, for the last tax year that ended in 2008.

For other tax years, enter on line Q the amount from line 770 of Schedule 510 from the previous tax year.

** Do not include an amount from a predecessor corporation if it was controlled at any time before the amalgamation by any of the other predecessor corporations.

Note: If you entered an amount on line 720 or line 750, complete Part 8.

Part 8 – Analysis of CMT loss available for carryforward by year of origin

Complete this part if:

- the tax year includes January 1, 2009; or
- the previous tax year-end is deemed to be December 31, 2008, under subsection 249(3) of the federal Act.

Year of origin	Balance earned in a tax year ending before March 23, 2007 *	Balance earned in a tax year ending after March 22, 2007 **
10th previous tax year	810	820
9th previous tax year	811	821
8th previous tax year	812	822
7th previous tax year	813	823
6th previous tax year	814	824
5th previous tax year	815	825
4th previous tax year	816	826
3rd previous tax year	817	827
2nd previous tax year	818	828
1st previous tax year		829
Total ***		

* Adjusted net loss for CMT purposes that was earned (by the corporation, by subsidiaries wound up into or amalgamated with the corporation before March 22, 2007, and by other predecessors of the corporation) in each of the previous 10 tax years that ended before March 23, 2007, and has not been deducted.

** Adjusted net loss for CMT purposes that was earned (by the corporation and its predecessors, but not by a subsidiary predecessor) in each of the previous 20 tax years that ended after March 22, 2007, and has not been deducted.

*** The total of these two columns must equal the total of the amounts entered on lines 720 and 750.

Canada Revenue Agency / Agence du revenu du Canada

SCHEDULE 511

ONTARIO CORPORATE MINIMUM TAX – TOTAL ASSETS AND REVENUE FOR ASSOCIATED CORPORATIONS

Name of corporation	Business Number	Tax year-end Year Month Day
Horizon Utilities Corporation	86654 9090 RC0002	2013-12-31

- For use by corporations to report the total assets and total revenue of all the Canadian or foreign corporations with which the filing corporation was associated at any time during the tax year. These amounts are required to determine if the filing corporation is subject to corporate minimum tax.
- Total assets and total revenue include the associated corporation's share of any partnership(s)/joint venture(s) total assets and total revenue.
- Attach additional schedules if more space is required.
- File this schedule with the *T2 Corporation Income Tax Return.*

	Names of associated corporations 200	Business number (Canadian corporation only) (see Note 1) 300	Total assets* (see Note 2) 400	Total revenue** (see Note 2) 500
1	City of Hamilton	88932 3218 RC0001	0	0
2	HAMILTON RENEWABLE POWER INC.	86639 2723 RC0001	11,150,544	3,659,812
3	Hamilton Hydro Services Inc.	86638 6923 RC0001	13,281,000	3,254,000
4	Hamilton Utilities Corporation	86655 5493 RC0001	135,335,000	12,369,000
5	Horizon Solar Corp	80586 8866 RC0001	6,096	0
6	Horizon Holdings Inc.	83675 1966 RC0001	316,617,683	21,433,589
7	Horizon Energy Solutions Inc.	83673 1562 RC0001	1,414,543	2,015,036
		Total	450 477,804,866	550 42,731,437

Enter the total assets from line 450 on line 116 in Part 1 of Schedule 510, *Ontario Corporate Minimum Tax*.
Enter the total revenue from line 550 on line 146 in Part 1 of Schedule 510.

Note 1: Enter ¨NR¨ if a corporation is not registered.

Note 2: If the associated corporation does not have a tax year that ends in the filing corporation's current tax year but was associated with the filing corporation in the previous tax year of the filing corporation, enter the total revenue and total assets from the tax year of the associated corporation that ends in the previous tax year of the filing corporation.

*** Rules for total assets**

– Report total assets in accordance with generally accepted accounting principles, adjusted so that consolidation and equity methods are not used.
– Include the associated corporation's share of the total assets of partnership(s) and joint venture(s) but exclude the recorded asset(s) for the investment in partnerships and joint ventures.
– Exclude unrealized gains and losses on assets that are included in net income for accounting purposes but not in income for corporate income tax purposes.

**** Rules for total revenue**

– Report total revenue in accordance with generally accepted accounting principles, adjusted so that consolidation and equity methods are not used.
– If the associated corporation has 2 or more tax years ending in the filing corporation's tax year, **multiply** the sum of the total revenue for each of those tax years by 365 and **divide** by the total number of days in all of those tax years.
– If the associated corporation's tax year is less than 51 weeks and is the only tax year of the associated corporation that ends in the filing corporation's tax year, **multiply** the associated corporation's total revenue by 365 and **divide** by the number of days in the associated corporation's tax year.
– Include the associated corporation's share of the total revenue of partnerships and joint ventures.
– If the partnership or joint venture has 2 or more fiscal periods ending in the associated corporation's tax year, **multiply** the sum of the total revenue for each of the fiscal periods by 365 and **divide** by the total number of days in all the fiscal periods.

Canada Revenue Agency / Agence du revenu du Canada

SCHEDULE 546

CORPORATIONS INFORMATION ACT ANNUAL RETURN FOR ONTARIO CORPORATIONS

Name of corporation	Business Number	Tax year-end Year Month Day
Horizon Utilities Corporation	86654 9090 RC0002	2013-12-31

- This schedule should be completed by a corporation that is incorporated, continued, or amalgamated in Ontario and subject to the Ontario *Business Corporations Act* (BCA) or Ontario *Corporations Act* (CA), except for registered charities under the federal *Income Tax Act*. This completed schedule serves as a *Corporations Information Act* Annual Return under the *Ontario Corporations Information Act*.
- Complete parts 1 to 4. Complete parts 5 to 7 only to report change(s) in the information recorded on the Ontario Ministry of Government Services (MGS) public record.
- This schedule must set out the required information for the corporation as of the date of delivery of this schedule.
- A completed Ontario *Corporations Information Act* Annual Return must be delivered within six months after the end of the corporation's tax year-end. The MGS considers this return to be delivered on the date that it is filed with the Canada Revenue Agency (CRA) together with the corporation's income tax return.
- It is the corporation's responsibility to ensure that the information shown on the MGS public record is accurate and up-to-date. To review the information shown for the corporation on the public record maintained by the MGS, obtain a Corporation Profile Report. Visit **www.ServiceOntario.ca** for more information.
- This schedule contains non-tax information collected under the authority of the Ontario *Corporations Information Act*. This information will be sent to the MGS for the purposes of recording the information on the public record maintained by the MGS.

Part 1 – Identification

100 Corporation's name (exactly as shown on the MGS public record)
Horizon Utilities Corporation

Jurisdiction incorporated, continued, or amalgamated, whichever is the most recent	**110** Date of incorporation or amalgamation, whichever is the most recent (Year Month Day)	**120** Ontario Corporation No.
Ontario	2005-03-01	1421133

Part 2 – Head or registered office address (P.O. box not acceptable as stand-alone address)

200 Care of (if applicable)

210 Street number	**220** Street name/Rural route/Lot and Concession number	**230** Suite number
55	John Street North	

240 Additional address information if applicable (line 220 must be completed first)

250 Municipality (e.g., city, town)	**260** Province/state	**270** Country	**280** Postal/zip code
Hamilton	ON	CA	L8N 3E4

Part 3 – Change identifier

Have there been any changes in any of the information most recently filed for the public record maintained by the MGS for the corporation with respect to names, addresses for service, and the date elected/appointed and, if applicable, the date the election/appointment ceased of the directors and five most senior officers, or with respect to the corporation's mailing address or language of preference? To review the information shown for the corporation on the public record maintained by the MGS, obtain a Corporation Profile Report. For more information, visit **www.ServiceOntario.ca**.

300 2 If there have been no changes, enter **1** in this box and then go to "Part 4 – Certification."
If there are changes, enter **2** in this box and complete the applicable parts on the next page, and then go to "Part 4 – Certification."

Part 4 – Certification

I certify that all information given in this *Corporations Information Act* Annual Return is true, correct, and complete.

450 Basilio (Last name) **451** John G. (First name)

454 ______________________, (Middle name(s))

460 2 Please enter one of the following numbers in this box for the above-named person: **1** for director, **2** for officer, or **3** for other individual having knowledge of the affairs of the corporation. If you are a director and officer, enter **1** or **2**.

Note: Sections 13 and 14 of the Ontario *Corporations Information Act* provide penalties for making false or misleading statements or omissions.

Complete the applicable parts to report changes in the information recorded on the MGS public record.

Part 5 – Mailing address

500 Please enter one of the following numbers in this box:
1 - Show no mailing address on the MGS public record.
2 - The corporation's mailing address is the same as the head or registered office address in Part 2 of this schedule.
3 - The corporation's complete mailing address is as follows:

510 Care of (if applicable)

520 Street number	**530** Street name/Rural route/Lot and Concession number	**540** Suite number

550 Additional address information if applicable (line 530 must be completed first)

560 Municipality (e.g., city, town)	**570** Province/state	**580** Country	**590** Postal/zip code

Part 6 – Language of preference

600 Indicate your language of preference by entering **1** for English or **2** for French. This is the language of preference recorded on the MGS public record for communications with the corporation. It may be different from line 990 on the T2 return.

CRA internal form identifier 547

Part 7 – Director/Officer information

- **Director:** If the individual named in this part is a director (or must be reported ceased as a director), complete lines 700 to 797.
- **Officer:** If the individual named in this part is one of the corporation's five most senior officers (or must be reported ceased in an officer position), complete lines 700 to 790 and the applicable lines from 801 to 912.
- **Director and officer:** If the individual named in this part is a director and one of the corporation's five most senior officers (or must be reported ceased in these position(s)), complete lines 700 to 797 and the applicable lines from 801 to 912.
- The corporation is required to show information on the MGS public record for all its directors and a maximum of five of its most senior officers. If the MGS public record shows more than five officer positions, report cease dates for all except the corporation's five most senior officer positions.
- To report changes to the name of a director/officer, or changes to both the address and the date elected/appointed of a director/officer, enter the director/officer information exactly as shown incorrectly on the public record, with a cease date, and then photocopy and complete only Part 7 with the correct director/officer information.

Please photocopy this page and complete Part 7 only for each additional individual for whom director/officer information changes are being reported.

Full name and address for service (P.O. box not acceptable as stand-alone address). The name entered in lines 700 to 710 must be exactly as shown on the MGS public record.

700 Last name Hughes	**705** First name Sarah	**710** Middle name(s)
720 Street number 40	**730** Street name/Rural route/Lot and Concession number McWilliams Court	**740** Suite number

750 Additional address information if applicable (line 730 must be completed first)

760 Municipality (e.g., city, town) Cambridge	**770** Province/state ON	**780** Country CA	**790** Postal/zip code N1P 0A9

Director

Is this director a resident Canadian? . . . **795** **1** Yes ☐ **2** No ☐

(applies to directors of corporations with share capital only)

796 Date elected/appointed Year Month Day: 2005-07-05

797 Date ceased, if applicable Year Month Day: 2013-01-25

Officer information

Position	Line	Date appointed Year Month Day	Line	Date ceased, if applicable Year Month Day
President	801		802	
Secretary	806		807	
Treasurer	811		812	
General Manager	816		817	
Chair	821		822	
Chairperson	826		827	
Chairman	831		832	
Chairwoman	836		837	
Vice-Chair	841		842	
Vice-President	846	2005-07-05	847	2013-01-25
Assistant Secretary	851		852	
Assistant Treasurer	856		857	
Chief Manager	861		862	
Executive Director	866		867	
Managing Director	871		872	
Chief Executive Officer	876		877	
Chief Financial Officer	881		882	
Chief Information Officer	886		887	
Chief Operating Officer	891		892	
Chief Administrative Officer	896		897	
Comptroller	901		902	
Authorized Signing Officer	906		907	
Other (untitled)	911		912	

Once you have completed this page, complete the certification in Part 4 of this schedule.

CRA internal form identifier 547

Part 7 – Director/Officer information

- **Director:** If the individual named in this part is a director (or must be reported ceased as a director), complete lines 700 to 797.
- **Officer:** If the individual named in this part is one of the corporation's five most senior officers (or must be reported ceased in an officer position), complete lines 700 to 790 and the applicable lines from 801 to 912.
- **Director and officer:** If the individual named in this part is a director and one of the corporation's five most senior officers (or must be reported ceased in these position(s)), complete lines 700 to 797 and the applicable lines from 801 to 912.
- The corporation is required to show information on the MGS public record for all its directors and a maximum of five of its most senior officers. If the MGS public record shows more than five officer positions, report cease dates for all except the corporation's five most senior officer positions.
- To report changes to the name of a director/officer, or changes to both the address and the date elected/appointed of a director/officer, enter the director/officer information exactly as shown incorrectly on the public record, with a cease date, and then photocopy and complete only Part 7 with the correct director/officer information.

Please photocopy this page and complete Part 7 only for each additional individual for whom director/officer information changes are being reported.

Full name and address for service (P.O. box not acceptable as stand-alone address). The name entered in lines 700 to 710 must be exactly as shown on the MGS public record.

700 Last name: Diaz	705 First name: Danielle	710 Middle name(s):
720 Street number: 86	730 Street name/Rural route/Lot and Concession number: Escarpment Drive	740 Suite number:
750 Additional address information if applicable (line 730 must be completed first):		

760 Municipality (e.g., city, town)	770 Province/state	780 Country	790 Postal/zip code
Stoney Creek	ON	CA	L8E 0G4

Director

Is this director a resident Canadian? . . . 795 **1** Yes ☐ **2** No ☐

(applies to directors of corporations with share capital only)

	Date elected/appointed Year Month Day		Date ceased, if applicable Year Month Day
796	2013-08-19	797	

Officer information

		Date appointed Year Month Day		Date ceased, if applicable Year Month Day
President	801		802	
Secretary	806		807	
Treasurer	811		812	
General Manager	816		817	
Chair	821		822	
Chairperson	826		827	
Chairman	831		832	
Chairwoman	836		837	
Vice-Chair	841		842	
Vice-President	846	2013-08-19	847	
Assistant Secretary	851		852	
Assistant Treasurer	856		857	
Chief Manager	861		862	
Executive Director	866		867	
Managing Director	871		872	
Chief Executive Officer	876		877	
Chief Financial Officer	881		882	
Chief Information Officer	886		887	
Chief Operating Officer	891		892	
Chief Administrative Officer	896		897	
Comptroller	901		902	
Authorized Signing Officer	906		907	
Other (untitled)	911		912	

Once you have completed this page, complete the certification in Part 4 of this schedule.

CRA internal form identifier 547

Part 7 – Director/Officer information

- **Director:** If the individual named in this part is a director (or must be reported ceased as a director), complete lines 700 to 797.
- **Officer:** If the individual named in this part is one of the corporation's five most senior officers (or must be reported ceased in an officer position), complete lines 700 to 790 and the applicable lines from 801 to 912.
- **Director and officer:** If the individual named in this part is a director and one of the corporation's five most senior officers (or must be reported ceased in these position(s)), complete lines 700 to 797 and the applicable lines from 801 to 912.
- The corporation is required to show information on the MGS public record for all its directors and a maximum of five of its most senior officers. If the MGS public record shows more than five officer positions, report cease dates for all except the corporation's five most senior officer positions.
- To report changes to the name of a director/officer, or changes to both the address and the date elected/appointed of a director/officer, enter the director/officer information exactly as shown incorrectly on the public record, with a cease date, and then photocopy and complete only Part 7 with the correct director/officer information.

Please photocopy this page and complete Part 7 only for each additional individual for whom director/officer information changes are being reported.

Full name and address for service (P.O. box not acceptable as stand-alone address). The name entered in lines 700 to 710 must be exactly as shown on the MGS public record.

700 Last name: Spears	705 First name: Marnie	710 Middle name(s):
720 Street number: 1	730 Street name/Rural route/Lot and Concession number: Renwood Place	740 Suite number:
750 Additional address information if applicable (line 730 must be completed first):		

760 Municipality (e.g., city, town)	770 Province/state	780 Country	790 Postal/zip code
Waterdown	ON	CA	L0R 2H7

Director

Is this director a resident Canadian? . . . 795 1 Yes [X] 2 No [ ]
(applies to directors of corporations with share capital only)

	Date elected/appointed Year Month Day		Date ceased, if applicable Year Month Day
796	2012-05-29	797	2013-06-25

Officer information

		Date appointed Year Month Day		Date ceased, if applicable Year Month Day
President	801		802	
Secretary	806		807	
Treasurer	811		812	
General Manager	816		817	
Chair	821		822	
Chairperson	826		827	
Chairman	831		832	
Chairwoman	836		837	
Vice-Chair	841		842	
Vice-President	846		847	
Assistant Secretary	851		852	
Assistant Treasurer	856		857	
Chief Manager	861		862	
Executive Director	866		867	
Managing Director	871		872	
Chief Executive Officer	876		877	
Chief Financial Officer	881		882	
Chief Information Officer	886		887	
Chief Operating Officer	891		892	
Chief Administrative Officer	896		897	
Comptroller	901		902	
Authorized Signing Officer	906		907	
Other (untitled)	911		912	

Once you have completed this page, complete the certification in Part 4 of this schedule.

CRA internal form identifier 547

Part 7 – Director/Officer information

- **Director:** If the individual named in this part is a director (or must be reported ceased as a director), complete lines 700 to 797.
- **Officer:** If the individual named in this part is one of the corporation's five most senior officers (or must be reported ceased in an officer position), complete lines 700 to 790 and the applicable lines from 801 to 912.
- **Director and officer:** If the individual named in this part is a director and one of the corporation's five most senior officers (or must be reported ceased in these position(s)), complete lines 700 to 797 and the applicable lines from 801 to 912.
- The corporation is required to show information on the MGS public record for all its directors and a maximum of five of its most senior officers. If the MGS public record shows more than five officer positions, report cease dates for all except the corporation's five most senior officer positions.
- To report changes to the name of a director/officer, or changes to both the address and the date elected/appointed of a director/officer, enter the director/officer information exactly as shown incorrectly on the public record, with a cease date, and then photocopy and complete only Part 7 with the correct director/officer information.

Please photocopy this page and complete Part 7 only for each additional individual for whom director/officer information changes are being reported.

Full name and address for service (P.O. box not acceptable as stand-alone address). The name entered in lines 700 to 710 must be exactly as shown on the MGS public record.

700 Last name	705 First name	710 Middle name(s)
Rinaldo	Joseph	

720 Street number	730 Street name/Rural route/Lot and Concession number	740 Suite number
88	Sunibel Drive	

750 Additional address information if applicable (line 730 must be completed first)

760 Municipality (e.g., city, town)	770 Province/state	780 Country	790 Postal/zip code
Mount Hope	ON	CA	L0R 1W0

Director

Is this director a resident Canadian? . . . 795 **1** Yes X **2** No ☐

(applies to directors of corporations with share capital only)

796 Date elected/appointed Year Month Day: 2013-06-25

797 Date ceased, if applicable Year Month Day:

Officer information

Officer		Date appointed Year Month Day		Date ceased, if applicable Year Month Day
President	801		802	
Secretary	806		807	
Treasurer	811		812	
General Manager	816		817	
Chair	821		822	
Chairperson	826		827	
Chairman	831		832	
Chairwoman	836		837	
Vice-Chair	841		842	
Vice-President	846		847	
Assistant Secretary	851		852	
Assistant Treasurer	856		857	
Chief Manager	861		862	
Executive Director	866		867	
Managing Director	871		872	
Chief Executive Officer	876		877	
Chief Financial Officer	881		882	
Chief Information Officer	886		887	
Chief Operating Officer	891		892	
Chief Administrative Officer	896		897	
Comptroller	901		902	
Authorized Signing Officer	906		907	
Other (untitled)	911		912	

Once you have completed this page, complete the certification in Part 4 of this schedule.

Canada Revenue Agency / Agence du revenu du Canada

SCHEDULE 550

ONTARIO CO-OPERATIVE EDUCATION TAX CREDIT

Name of corporation	Business Number	Tax year-end Year Month Day
Horizon Utilities Corporation	86654 9090 RC0002	2013-12-31

- Use this schedule to claim an Ontario co-operative education tax credit (CETC) under section 88 of the *Taxation Act, 2007* (Ontario).
- The CETC is a refundable tax credit that is equal to an eligible percentage (10% to 30%) of the eligible expenditures incurred by a corporation for a qualifying work placement. The maximum credit amount is $1,000 for each qualifying work placement ending before March 27, 2009, and $3,000 for each qualifying work placement beginning after March 26, 2009. For a qualifying work placement that straddles March 26, 2009, the maximum credit amount is prorated.
- Eligible expenditures are salaries and wages (including taxable benefits) paid or payable to a student in a qualifying work placement, or fees paid or payable to an employment agency for services performed by the student in a qualifying work placement. These expenditures must be paid on account of employment or services, as applicable, at a permanent establishment of the corporation in Ontario. Expenditures for a work placement (WP) are not eligible expenditures if they are greater than the amounts that would be paid to an arm's length employee.
- A WP must meet all of the following conditions to be a qualifying work placement:
  - the student performs employment duties for a corporation under a qualifying co-operative education program (QCEP);
  - the WP has been developed or approved by an eligible educational institution as a suitable learning situation;
  - the terms of the WP require the student to engage in productive work;
  - the WP is for a period of at least 10 consecutive weeks or, in the case of an internship program, not less than 8 consecutive months and not more than 16 consecutive months;
  - the student is paid for the work performed in the WP;
  - the corporation is required to supervise and evaluate the job performance of the student in the WP;
  - the institution monitors the student's performance in the WP; and
  - the institution has certified the WP as a qualifying work placement.
- Make sure you keep a copy of the letter of certification from the Ontario eligible educational institution containing the name of the student, the employer, the institution, the term of the WP, and the name/discipline of the QCEP to support the claim. Do not submit the letter of certification with the *T2 Corporation Income Tax Return*.
- File this schedule with the *T2 Corporation Income Tax Return*.

Part 1 – Corporate information

110 Name of person to contact for more information: John G. Basilio

120 Telephone number including area code: (905) 317-4783

Is the claim filed for a CETC earned through a partnership?* . . . . . **150** 1 Yes [ ] 2 No [X]

If you answered **yes** to the question at line 150, what is the name of the partnership? . . . . . **160** ______

Enter the percentage of the partnership's CETC allocated to the corporation . . . . . **170** ______ %

* When a corporate member of a partnership is claiming an amount for eligible expenditures incurred by a partnership, complete a Schedule 550 for the partnership as if the partnership were a corporation. Each corporate partner, other than a limited partner, should file a separate Schedule 550 to claim the partner's share of the partnership's CETC. The allocated amounts can not exceed the amount of the partnership's CETC.

Part 2 – Eligibility

1. Did the corporation have a permanent establishment in Ontario in the tax year? . . . . . **200** 1 Yes [X] 2 No [ ]
2. Was the corporation exempt from tax under Part III of the *Taxation Act*, 2007 (Ontario)? . . . . . **210** 1 Yes [ ] 2 No [X]

If you answered **no** to question 1 or **yes** to question 2, then the corporation is **not eligible** for the CETC.

Part 3 – Eligible percentage for determining the eligible amount

Corporation's salaries and wages paid in the previous tax year * **300** 26,318,679

For eligible expenditures incurred before March 27, 2009:

- If line 300 is $400,000 or less, enter 15% on line 310.
- If line 300 is $600,000 or more, enter 10% on line 310.
- If line 300 is more than $400,000 and less than $600,000, enter the percentage on line 310 using the following formula:

$$\text{Eligible percentage} = 15\% - \left[5\% \times \left(\frac{\text{amount on line 300} \ \textbf{minus} \ \$400{,}000}{\$200{,}000} \right) \right]$$

Eligible percentage for determining the eligible amount . . . . **310** 10.000 %

For eligible expenditures incurred after March 26, 2009:

- If line 300 is $400,000 or less, enter 30% on line 312.
- If line 300 is $600,000 or more, enter 25% on line 312.
- If line 300 is more than $400,000 and less than $600,000, enter the percentage on line 312 using the following formula:

$$\text{Eligible percentage} = 30\% - \left[5\% \times \left(\frac{\text{amount on line 300} \ \textbf{minus} \ \$400{,}000}{\$200{,}000} \right) \right]$$

Eligible percentage for determining the eligible amount . . . . **312** 25.000 %

* If this is the first tax year of an amalgamated corporation and subsection 88(9) of the *Taxation Act, 2007* (Ontario) applies, enter the salaries and wages paid in the previous tax year by the predecessor corporations.

Part 4 – Calculation of the Ontario co-operative education tax credit

Complete a separate entry for each student for each qualifying work placement that ended in the corporation's tax year. If a qualifying work placement would otherwise exceed four consecutive months, divide the WP into periods of four consecutive months and enter each full period of four consecutive months as a separate WP. If the WP does not divide equally into four-month periods and if the period that is less than 4 months is 10 or more consecutive weeks, then enter that period as a separate WP. If that period is less than 10 consecutive weeks, then include it with the WP for the last period of 4 consecutive months. Consecutive WPs with two or more associated corporations are deemed to be with only one corporation, as designated by the corporations.

	A Name of university, college, or other eligible educational institution **400**	B Name of qualifying co-operative education program **405**
1.	Mohawk College	Information Technology Program
2.	Mohawk College	Information Technology Program
3.	Mohawk College	Information Technology Program
4.	Mohawk College	Business Accounting Program
5.	Mohawk College	Engineering Technology Program
6.	Mohawk College	Engineering Technology Program
7.	Conestoga College	Powerline Technician Program
8.	Conestoga College	Powerline Technician Program
9.	Conestoga College	Powerline Technician Program
10.	Mohawk College	Business Accounting Program
11.	McMaster University	Business Accounting Program
12.	McMaster University	Business Accounting Program
13.	Cambrian College	Powerline Technician Program
14.	Mohawk College	Business Accounting Program
15.	Cambrian College	Powerline Technician Program
16.	McMaster University	Engineering Technology Program
17.	Mohawk College	Business Accounting Program
18.	Mohawk College	Business Accounting Program
19.		

	C Name of student 410	D Start date of WP (see note 1 below) 430	E End date of WP (see note 2 below) 435
1.	[redacted]	2013-01-02	2013-04-02
2.		2013-04-03	2013-08-03
3.		2013-08-04	2013-12-31
4.		2013-01-02	2013-05-06
5.		2013-01-08	2013-04-08
6.		2013-04-09	2013-08-02
7.		2013-01-08	2013-04-26
8.		2013-01-08	2013-04-26
9.		2013-01-08	2013-04-26
10.		2013-04-30	2013-09-06
11.		2013-05-06	2013-09-06
12.		2013-09-07	2013-12-31
13.		2013-05-13	2013-08-30
14.		2013-08-26	2013-12-31
15.		2013-09-03	2013-12-20
16.		2013-09-10	2013-12-31
17.		2013-05-15	2013-09-15
18.		2013-09-16	2013-12-31
19.			

Note 1: When the WP has been divided into separate periods because it exceeds four consecutive months, enter the start date for the separate WP.

Note 2: When the WP has been divided into separate periods because it exceeds four consecutive months, enter the end date for the separate WP.

Part 4 – Calculation of the Ontario co-operative education tax credit (continued)

	F1 Eligible expenditures before March 27, 2009 (see note 1 below) 450	Eligible percentage before March 27, 2009 (from line 310 in Part 3)	F2 Eligible expenditures after March 26, 2009 (see note 1 below) 452	Eligible percentage after March 26, 2009 (from line 310a in Part 3)	X Number of consecutive weeks of the WP completed by the student before March 27, 2009 (see note 3 below)	Y Total number of consecutive weeks of the student's WP (see note 3 below)
1.		10.000 %	6,263	25.000 %		12
2.		10.000 %	6,263	25.000 %		17
3.		10.000 %	6,263	25.000 %		21
4.		10.000 %	8,805	25.000 %		17
5.		10.000 %	7,593	25.000 %		12
6.		10.000 %	7,593	25.000 %		16
7.		10.000 %	11,376	25.000 %		15
8.		10.000 %	11,376	25.000 %		15
9.		10.000 %	11,385	25.000 %		15
10.		10.000 %	9,444	25.000 %		18
11.		10.000 %	10,386	25.000 %		18
12.		10.000 %	10,386	25.000 %		16
13.		10.000 %	11,412	25.000 %		16
14.		10.000 %	8,587	25.000 %		18
15.		10.000 %	11,394	25.000 %		15
16.		10.000 %	11,165	25.000 %		15
17.		10.000 %	4,227	25.000 %		17
18.		10.000 %	4,227	25.000 %		15
19.		10.000 %		25.000 %		

	G Eligible amount (eligible expenditures **multiplied** by eligible percentage) (see note 2 below) 460	H Maximum CETC per WP (see note 3 below) 462	I CETC on eligible expenditures (column G or H, whichever is less) 470	J CETC on repayment of government assistance (see note 4 below) 480	K CETC for each WP (column I or column J) 490
1.	1,566	3,000	1,566		1,566
2.	1,566	3,000	1,566		1,566
3.	1,566	3,000	1,566		1,566
4.	2,201	3,000	2,201		2,201
5.	1,898	3,000	1,898		1,898
6.	1,898	3,000	1,898		1,898
7.	2,844	3,000	2,844		2,844
8.	2,844	3,000	2,844		2,844
9.	2,846	3,000	2,846		2,846
10.	2,361	3,000	2,361		2,361
11.	2,597	3,000	2,597		2,597
12.	2,597	3,000	2,597		2,597
13.	2,853	3,000	2,853		2,853
14.	2,147	3,000	2,147		2,147
15.	2,849	3,000	2,849		2,849
16.	2,791	3,000	2,791		2,791
17.	1,057	3,000	1,057		1,057
18.	1,057	3,000	1,057		1,057
19.					

Ontario co-operative education tax credit (total of amounts in column K) 500 39,538 L or, if the corporation answered **yes** at line 150 in Part 1, determine the partner's share of amount L:

Amount L ____________ x percentage on line 170 in Part 1 ________ % = ... ____________ **M**

Enter amount L or M, whichever applies, on line 452 of Schedule 5, *Tax Calculation Supplementary – Corporations*. If you are filing more than one Schedule 550, add the amounts from line L or M, whichever applies, on all the schedules and enter the total amount on line 452 of Schedule 5.

Note 1: Reduce eligible expenditures by all government assistance, as defined under subsection 88(21) of the *Taxation Act, 2007* (Ontario), that the corporation has received, is entitled to receive, or may reasonably expect to receive, for the eligible expenditures, on or before the filing due date of the *T2 Corporation Income Tax Return* for the tax year.

Note 2: Calculate the eligible amount (Column G) using the following formula:

Column G = (column F1 x percentage on line 310) + (column F2 x percentage on line 312)

Note 3: If the WP ends before March 27, 2009, the maximum credit amount for the WP is $1,000.
If the WP begins after March 26, 2009, the maximum credit amount for the WP is $3,000.
If the WP begins before March 27, 2009, and ends after March 26, 2009, calculate the maximum credit amount using the following formula:

($1,000 x X/Y) + [$3,000 x (Y – X)/Y]

where "X" is the number of consecutive weeks of the WP completed by the student before March 27, 2009, and "Y" is the total number of consecutive weeks of the student's WP.

Note 4: When claiming a CETC for repayment of government assistance, complete a **separate entry** for each repayment and complete columns A to E and J and K with the details for the previous year WP in which the government assistance was received. Include the amount of government assistance repaid in the tax year multiplied by the eligible percentage for the tax year in which the government assistance was received, to the extent that the government assistance reduced the CETC in that tax year.

Canada Revenue Agency / Agence du revenu du Canada

SCHEDULE 552

ONTARIO APPRENTICESHIP TRAINING TAX CREDIT

Name of corporation	Business Number	Tax year-end Year Month Day
Horizon Utilities Corporation	86654 9090 RC0002	2013-12-31

- Use this schedule to claim an Ontario apprenticeship training tax credit (ATTC) under section 89 of the *Taxation Act, 2007* (Ontario).
- The ATTC is a refundable tax credit that is equal to a specified percentage (25% to 45%) of the eligible expenditures incurred by a corporation for a qualifying apprenticeship. Before March 27, 2009, the maximum credit for each apprentice is $5,000 per year to a maximum credit of $15,000 over the first 36-month period of the qualifying apprenticeship. After March 26, 2009, the maximum credit for each apprentice is $10,000 per year to a maximum credit of $40,000 over the first 48-month period of the qualifying apprenticeship. The maximum credit amount is prorated for an employment period of an apprentice that straddles March 26, 2009.
- Eligible expenditures are salaries and wages (including taxable benefits) paid to an apprentice in a qualifying apprenticeship or fees paid to an employment agency for the provision of services performed by the apprentice in a qualifying apprenticeship. These expenditures must be:
  - paid on account of employment or services, as applicable, at a permanent establishment of the corporation in Ontario;
  - for services provided by the apprentice during the first 36 months of the apprenticeship program, if incurred before March 27, 2009; and
  - for services provided by the apprentice during the first 48 months of the apprenticeship program, if incurred after March 26, 2009.
- An expenditure is not eligible for an ATTC if:
  - the same expenditure was used, or will be used, to claim a co-operative education tax credit; or
  - it is more than an amount that would be paid to an arm's length apprentice.
- An apprenticeship must meet the following conditions to be a qualifying apprenticeship:
  - the apprenticeship is in a qualifying skilled trade approved by the Ministry of Training, Colleges and Universities (Ontario); and
  - the corporation and the apprentice must be participating in an apprenticeship program in which the training agreement has been registered under the *Ontario College of Trades and Apprenticeship Act, 2009* or the *Apprenticeship and Certification Act, 1998* or in which the contract of apprenticeship has been registered under the *Trades Qualification and Apprenticeship Act*.
- Make sure you keep a copy of the training agreement or contract of apprenticeship to support your claim. Do not submit the training agreement or contract of apprenticeship with your *T2 Corporation Income Tax Return*.
- File this schedule with your *T2 Corporation Income Tax Return*.

Part 1 – Corporate information (please print)

110 Name of person to contact for more information	120 Telephone number including area code
John G. Basilio	(905) 317-4783

Is the claim filed for an ATTC earned through a partnership? * . . . . . **150** 1 Yes [ ] 2 No [X]

If **yes** to the question at line 150, what is the name of the partnership? . . . . . **160** ______

Enter the percentage of the partnership's ATTC allocated to the corporation . . . . . **170** ______ %

* When a corporate member of a partnership is claiming an amount for eligible expenditures incurred by a partnership, complete a Schedule 552 for the partnership as if the partnership were a corporation. Each corporate partner, other than a limited partner, should file a separate Schedule 552 to claim the partner's share of the partnership's ATTC. The total of the partners' allocated amounts can never exceed the amount of the partnership's ATTC.

Part 2 – Eligibility

1. Did the corporation have a permanent establishment in Ontario in the tax year? . . . . . **200** 1 Yes [X] 2 No [ ]
2. Was the corporation exempt from tax under Part III of the *Taxation Act, 2007* (Ontario)? . . . . . **210** 1 Yes [ ] 2 No [X]

If you answered **no** to question 1 or **yes** to question 2, then you are **not eligible** for the ATTC.

Part 3 – Specified percentage

Corporation's salaries and wages paid in the previous tax year * 300 26,318,679

For eligible expenditures incurred before March 27, 2009:
– If line 300 is $400,000 or less, enter 30% on line 310.
– If line 300 is $600,000 or more, enter 25% on line 310.
– If line 300 is more than $400,000 and less than $600,000, enter the percentage on line 310 using the following formula:

$$\text{Specified percentage} = 30\,\% - \left[5\,\% \times \left(\frac{\text{amount on line 300} \textbf{ minus } 400{,}000}{200{,}000} \right) \right]$$

Specified percentage . . . . . 310 25.000 %

For eligible expenditures incurred after March 26, 2009:
– If line 300 is $400,000 or less, enter 45% on line 312.
– If line 300 is $600,000 or more, enter 35% on line 312.
– If line 300 is more than $400,000 and less than $600,000, enter the percentage on line 312 using the following formula:

$$\text{Specified percentage} = 45\,\% - \left[10\,\% \times \left(\frac{\text{amount on line 300} \textbf{ minus } 400{,}000}{200{,}000} \right) \right]$$

Specified percentage . . . . . 312 35.000 %

* If this is the first tax year of an amalgamated corporation and subsection 89(6) of the *Taxation Act, 2007* (Ontario) applies, enter salaries and wages paid in the previous tax year by the predecessor corporations.

Part 4 – Calculation of the Ontario apprenticeship training tax credit

Complete a **separate entry** for each apprentice that is in a qualifying apprenticeship with the corporation. When claiming an ATTC for repayment of government assistance, complete a **separate entry** for each repayment, and complete columns A to G and M and N with the details for the employment period in the previous tax year in which the government assistance was received.

	A Trade code 400	B Apprenticeship program/ trade name 405	C Name of apprentice 410
1.	434a	Powerline Technician	[redacted]
2.	434a	Powerline Technician	
3.	434a	Powerline Technician	
4.	434a	Powerline Technician	
5.	434a	Powerline Technician	
6.	434a	Powerline Technician	
7.	434a	Powerline Technician	
8.	434a	Powerline Technician	
9.	434a	Powerline Technician	
10.	434a	Powerline Technician	
11.	434a	Powerline Technician	
12.	434a	Powerline Technician	
13.	434a	Powerline Technician	
14.	434a	Powerline Technician	
15.	434a	Powerline Technician	
16.	434a	Powerline Technician	
17.			

	D Original contract or training agreement number 420	E Original registration date of apprenticeship contract or training agreement (see note 1 below) 425	F Start date of employment as an apprentice in the tax year (see note 2 below) 430	G End date of employment as an apprentice in the tax year (see note 3 below) 435
1.	PA 4114	2009-11-10	2013-01-01	2013-02-11
2.	PD 8270	2009-11-10	2013-01-01	2013-11-09
3.	PC 7045	2009-11-10	2013-01-01	2013-11-09

	D Original contract or training agreement number 420	E Original registration date of apprenticeship contract or training agreement (see note 1 below) 425	F Start date of employment as an apprentice in the tax year (see note 2 below) 430	G End date of employment as an apprentice in the tax year (see note 3 below) 435
4.	PC 7050	2009-11-10	2013-01-01	2013-11-09
5.	PB 8272	2009-11-10	2013-01-01	2013-11-09
6.	PC 7038	2010-10-19	2013-01-01	2013-12-23
7.	PD 8532	2010-10-19	2013-01-01	2013-12-23
8.	PD8540	2010-11-09	2013-01-01	2013-12-23
9.	PC 7035	2012-01-23	2013-01-01	2013-12-23
10.	PD 8269	2009-11-10	2013-01-01	2013-11-09
11.	PC7055	2009-11-10	2013-01-01	2013-09-12
12.	PC 7702	2012-01-23	2013-01-01	2013-12-23
13.	PD 8535	2010-10-19	2013-01-01	2013-12-23
14.	PD 8538	2010-10-19	2013-01-01	2013-12-23
15.	PD 8530	2010-11-09	2013-01-01	2013-12-23
16.	PD 8534	2010-10-19	2013-01-01	2013-12-23
17.				

Note 1: Enter the original registration date of the apprenticeship contract or training agreement in all cases, even when multiple employers employed the apprentice.

Note 2: When there are multiple employment periods as an apprentice in the tax year with the corporation, enter the date that is the first day of employment as an apprentice in the tax year with the corporation. When claiming an ATTC for repayment of government assistance, enter the start date of employment as an apprentice for the tax year in which the government assistance was received.

Note 3: When there are multiple employment periods as an apprentice in the tax year with the corporation, enter the date that is the last day of employment as an apprentice in the tax year with the corporation. When claiming an ATTC for repayment of government assistance, enter the end date of employment as an apprentice for the tax year in which the government assistance was received.

Part 4 – Calculation of the Ontario apprenticeship training tax credit (continued)

	H1 Number of days employed as an apprentice in the tax year before March 27, 2009 (see note 1 below) 441	H2 Number of days employed as an apprentice in the tax year after March 26, 2009 (see note 1 below) 442	H3 Number of days employed as an apprentice in the tax year (column H1 **plus** column H2) 440	I Maximum credit amount for the tax year (see note 2 below) 445
1.		41	41	1,123
2.		313	313	8,575
3.		313	313	8,575
4.		313	313	8,575
5.		313	313	8,575
6.		356	356	9,753
7.		356	356	9,753
8.		356	356	9,753
9.		356	356	9,753
10.		313	313	8,575
11.		254	254	6,959
12.		356	356	9,753
13.		356	356	9,753
14.		356	356	9,753
15.		356	356	9,753
16.		356	356	9,753
17.				

	J1 Eligible expenditures before March 27, 2009 (see note 3 below) 451	J2 Eligible expenditures after March 26, 2009 (see note 3 below) 452	J3 Eligible expenditures for the tax year (column J1 **plus** column J2) 450	K Eligible expenditures **multiplied** by specified percentage (see note 4 below) 460
1.		10,373	10,373	3,631
2.		73,072	73,072	25,575
3.		66,077	66,077	23,127
4.		66,094	66,094	23,133
5.		70,965	70,965	24,838
6.		78,306	78,306	27,407
7.		72,972	72,972	25,540
8.		72,237	72,237	25,283
9.		76,012	76,012	26,604
10.		71,653	71,653	25,079
11.		60,523	60,523	21,183
12.		70,866	70,866	24,803
13.		81,607	81,607	28,562
14.		87,344	87,344	30,570
15.		78,824	78,824	27,588
16.		70,203	70,203	24,571
17.				

	L ATTC on eligible expenditures (lesser of columns I and K) 470	M ATTC on repayment of government assistance (see note 5 below) 480	N ATTC for each apprentice (column L or column M, whichever applies) 490
1.	1,123		1,123
2.	8,575		8,575
3.	8,575		8,575
4.	8,575		8,575

	L ATTC on eligible expenditures (lesser of columns I and K) 470	M ATTC on repayment of government assistance (see note 5 below) 480	N ATTC for each apprentice (column L or column M, whichever applies) 490
5.	8,575		8,575
6.	9,753		9,753
7.	9,753		9,753
8.	9,753		9,753
9.	9,753		9,753
10.	8,575		8,575
11.	6,959		6,959
12.	9,753		9,753
13.	9,753		9,753
14.	9,753		9,753
15.	9,753		9,753
16.	9,753		9,753
17.			

Ontario apprenticeship training tax credit (total of amounts in column N) 500 138,734 O

or, if the corporation answered **yes** at line 150 in Part 1, determine the partner's share of amount O:

Amount O ______ x percentage on line 170 in Part 1 ______ % = ... ______ P

Enter amount O or P, whichever applies, on line 454 of Schedule 5, *Tax Calculation Supplementary – Corporations*. If you are filing more than one Schedule 552, add the amounts from line O or P, whichever applies, on all the schedules, and enter the total amount on line 454 of Schedule 5.

Note 1: When there are multiple employment periods as an apprentice in the tax year with the corporation, do not include days in which the individual was not employed as an apprentice.
For H1: The days employed as an apprentice must be within 36 months of the registration date provided in column E.
For H2: The days employed as an apprentice must be within 48 months of the registration date provided in column E.

Note 2: Maximum credit = ($5,000 x H1/365*) + ($10,000 x H2/365*)
* 366 days, if the tax year includes February 29

Note 3: Reduce eligible expenditures by all government assistance, as defined under subsection 89(19) of the *Taxation Act, 2007* (Ontario), that the corporation has received, is entitled to receive, or may reasonably expect to receive, in respect of the eligible expenditures, on or before the filing due date of the *T2 Corporation Income Tax Return* for the tax year.
For J1: Eligible expenditures before March 27, 2009, must be for services provided by the apprentice during the first 36 months of the apprenticeship program.
For J2: Eligible expenditures after March 26, 2009, must be for services provided by the apprentice during the first 48 months of the apprenticeship program.

Note 4: Calculate the amount in column K as follows:
Column K = (J1 x line 310) + (J2 x line 312)

Note 5: Include the amount of government assistance repaid in the tax year multiplied by the specified percentage for the tax year in which the government assistance was received, to the extent that the government assistance reduced the ATTC in that tax year.
Complete a **separate entry** for each repayment of government assistance.

Corporate Taxpayer Summary

Corporate information

Corporation's name . . . . Horizon Utilities Corporation

Taxation Year . . . . 2013-01-01 to 2013-12-31

Jurisdiction . . . . Ontario

BC	AB	SK	MB	ON	QC	NB	NS	NO	PE	NL	XO	YT	NT	NU	OC
				X											

Corporation is associated . . . . Y

Corporation is related . . . . Y

Number of associated corporations . . . 7

Type of corporation . . . . Canadian-Controlled Private Corporation

Total amount due (refund) federal and provincial* . . . . -2,494,732

* The amounts displayed on lines "Total amount due (refund) federal and provincial" are all listed in the help. Press F1 to consult the context-sensative help.

Summary of federal information

Net income		18,969,945
Taxable income		18,866,631
Donations		103,314
Calculation of income from an active business carried on in Canada		18,913,969
Dividends paid		13,556,000
Dividends paid – Regular	13,556,000	
Dividends paid – Eligible		
Balance of the low rate income pool at the end of the previous year		
Balance of the low rate income pool at the end of the year		
Balance of the general rate income pool at the end of the previous year		110,488,458
Balance of the general rate income pool at the end of the year		124,032,130
Part I tax (base amount)		7,169,320

Credits against part I tax		Summary of tax		Refunds/credits	
Small business deduction		Part I	2,837,004	ITC refund	
M&P deduction		Part IV		Dividends refund	14,927
Foreign tax credit		Part III.1		Instalments	7,273,200
Investment tax credits	4,000	Other*		Surtax credit	
Abatement/Other*	4,332,048	Provincial or territorial tax	1,956,391	Other*	

Balance due/refund (–) -2,494,732

* The amounts displayed on lines "Other" are all listed in the Help. Press F1 to consult the context-sensitive help.

Summary of federal carryforward/carryback information

Carryforward balances

Capital dividend amount	75,382
Cumulative eligible capital	8,417,919
Financial statement reserve	26,902,347

Summary of provincial information – provincial income tax payable

	Ontario	Québec (CO-17)	Alberta (AT1)
Net income	18,969,945		
Taxable income	18,866,631		
% Allocation	100.00		
Attributed taxable income	18,866,631		
Tax payable before deduction*	2,169,663		
Deductions and credits	35,000		
Net tax payable	2,134,663		
Attributed taxable capital	N/A		N/A
Capital tax payable**	N/A		N/A
Total tax payable***	2,134,663		
Instalments and refundable credits	178,272		
Balance due/Refund (-)	1,956,391		

Logging tax payable (COZ-1179)

	Ontario	Québec (CO-17)	Alberta (AT1)
Tax payable	N/A		N/A

* For Québec, this includes special taxes.

** For Québec, this includes compensation tax and registration fee.

*** For Ontario, this includes the corporate minimum tax, the Crown royalties' additional tax, the transitional tax debit, the recaptured research and development tax credit and the special additional tax debit on life insurance corporations. The Balance due/Refund is included in the federal Balance due/refund.

Summary – taxable capital

Federal

Corporate name	Taxable capital used to calculate the business limit reduction (T2, line 415)	Taxable capital used to calculate the SR&ED expenditure limit for a CCPC (Schedules 31 and 49)	Taxable capital used to calculate line 233 of the T2 return	Taxable capital used to calculate line 234 of the T2 return
Horizon Utilities Corporation	463,833,011	463,833,011	462,028,439	462,028,439
City of Hamilton				
HAMILTON RENEWABLE POWER INC.	10,823,171	10,823,171	10,823,171	10,823,171
Hamilton Hydro Services Inc.	12,692,861	12,692,861	12,692,861	12,692,861
Hamilton Utilities Corporation	34,337,340	34,337,340	34,337,340	34,337,340
Horizon Solar Corp				
Horizon Holdings Inc.				
Horizon Energy Solutions Inc.	789,378	789,378	946,016	946,016
Total	522,475,761	522,475,761	520,827,827	520,827,827

Québec

Corporate name	Paid-up capital used to calculate the Québec business limit reduction (CO-771 and CO-771.1.3)	Paid-up capital used to calculate the tax credit for investment (CO-1029.8.36.IN)	Paid-up capital used to calculate the 1 million deduction (CO-1137.A and CO-1137.E)
Total			

Ontario

Corporate name	Specified capital used to calculate the expenditure limit – Ontario innovation tax credit (Schedule 566)
Total	

Other provinces

Corporate name	Capital used to calculate the Newfoundland and Labrador capital deduction on financial institutions (Schedule 306)	Taxable capital used to calculate the Nova Scotia capital deduction on large corporations (Schedule 343)
Total		

Five-Year Comparative Summary

Federal information (T2)

	Current year	1st prior year	2nd prior year	3rd prior year	4th prior year
Taxation year end	2013-12-31	2012-12-31	2011-12-31	2010-12-31	2009-12-31
Net income	18,969,945	26,990,783	26,690,954	18,645,294	
Taxable income	18,866,631	26,819,421	26,534,372	18,594,480	
Active business income	18,913,969	26,977,909	26,663,127	18,613,786	
Dividends paid	13,556,000	9,918,000	7,456,000	8,113,000	
Dividends paid – Regular	13,556,000	9,918,000	7,456,000	8,113,000	
Dividends paid – Eligible					
LRIP – end of the previous year					
LRIP – end of the year					
GRIP – end of the previous year	110,488,458	91,187,744	72,633,162	59,824,711	
GRIP – end of the year	124,032,130	110,488,458	91,187,744	72,633,162	
Donations	103,314	171,362	156,582	50,814	
Balance due/refund (-)	-2,494,732	-874,683	19,019	-1,359,407	

Loss carrybacks requested in prior years

Taxation year end	2013-12-31	2012-12-31	2011-12-31	2010-12-31	2009-12-31
Taxable income before loss carrybacks	N/A	N/A	26,534,372	18,594,480	
Non-capital losses	N/A	N/A			
Net capital losses (50%)	N/A	N/A			
Restricted farm losses	N/A	N/A			
Farm losses	N/A	N/A			
Listed personal property losses (50%)	N/A	N/A			
Total loss carried back to prior years	N/A	N/A			
Adjusted taxable income after loss carrybacks	N/A	N/A	26,534,372	18,594,480	

Losses in the current year carried back to previous years (according to Schedule 4)

Taxation year end	2013-12-31	2012-12-31	2011-12-31	2010-12-31	2009-12-31
Adjusted taxable income before current year loss carrybacks*	N/A	26,819,421	26,534,372	18,594,480	N/A
Non-capital losses	N/A				N/A
Net capital losses (50%)	N/A				N/A
Restricted farm losses	N/A				N/A
Farm losses	N/A				N/A
Listed personal property losses (50%)	N/A				N/A
Total current year losses carried back to prior years	N/A				N/A
Adjusted taxable income after loss carrybacks	N/A	26,819,421	26,534,372	18,594,480	N/A

* The adjusted taxable income before current year loss carryback takes into account loss carrybacks that were made in prior taxation years.

Federal taxes

Taxation year end	2013-12-31	2012-12-31	2011-12-31	2010-12-31	2009-12-31
Part I	2,837,004	3,991,213	4,341,360	3,317,623	
Part IV					
Part III.1					
Other*					

* The amounts displayed on lines "Other" are all listed in the help. Press F1 to consult the context-sensative help.

Credits against part I tax

Taxation year end	2013-12-31	2012-12-31	2011-12-31	2010-12-31	2009-12-31
Small business deduction					
M&P deduction					
Foreign tax credit					
Political contribution					
Investment tax credit	4,000	34,232	41,866	34,635	
Abatement/other*	4,332,048	6,166,793	5,701,690	3,715,745	

* The amounts displayed on lines "Other" are all listed in the help. Press F1 to consult the context-sensative help.

Refunds/credits

Taxation year end	2013-12-31	2012-12-31	2011-12-31	2010-12-31	2009-12-31
ITC refund					
Dividend refund	14,927	3,433	7,421	8,402	
Instalments	7,273,200	7,612,500	7,147,111	7,136,245	
Surtax credit					
Other*					

* The amounts displayed on lines "Other" are all listed in the help. Press F1 to consult the context-sensative help.

Ontario

Taxation year end	2013-12-31	2012-12-31	2011-12-31	2010-12-31	2009-12-31
Net income	18,969,945	26,990,783	26,690,954	18,645,294	
Taxable income	18,866,631	26,819,421	26,534,372	18,594,480	
% Allocation	100.00	100.00	100.00	100.00	
Attributed taxable income	18,866,631	26,819,421	26,534,372	18,594,480	
Surtax				39,979	
Income tax payable before deduction	2,169,663	3,084,233	3,117,242	2,415,756	
Income tax deductions /credits	35,000	35,000	36,240	39,979	
Net income tax payable	2,134,663	3,049,233	3,081,002	2,415,756	
Taxable capital					
Capital tax payable				286,759	
Total tax payable*	2,134,663	3,049,233	3,081,002	2,702,515	
Instalments and refundable credits	178,272	299,196	248,811	234,898	
Balance due/refund**	1,956,391	2,750,037	2,832,191	2,467,617	

* For taxation years ending before January 1, 2009, this includes the corporate minimum tax and the premium tax. For taxation years ending after December 31, 2008, this includes the corporate minimum tax, the Crown royalties' additional tax, the transitional tax debit, the recaptured research and development tax credit and the special additional tax debit on life insurance corporations.

** For taxation years ending after December 31, 2008, the Balance due/Refund is included in the federal Balance due/refund.

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5-Energy Probe-44

Ref: Exhibit 5, Tab 1, Schedule 5

a) Please explain why Tables 5-5 through 5-7 shows a return on equity different from that approved by the Board for 2011 of 9.58%.

b) Please confirm that the rates charged in 2012 through 2014 had a return on equity of 9.58% embedded in the base rates set for 2011.

Response:

a) Horizon Utilities used the Board's Return on Equity rate per the yearly update to the Cost of Capital Parameters in Tables 5-5 through 5-7. Horizon Utilities has updated Tables 5-5 through 5-7 for the 2011 Cost of Service Board Approved Return on Equity rate.

Updated Table 5-5 – Chapter 2 Appendix 2OA – Capital Structure and Cost of Capital for 2012 Actual

Line No.	Particulars	Capitalization Ratio		Cost Rate	Return
		(%)	($)	(%)	($)
	Debt				
1	Long-term Debt	56.00%	$229,552,249	4.98%	$11,440,063
2	Short-term Debt	4.00% (1)	$16,396,589	2.08%	$341,049
3	**Total Debt**	60.0%	$245,948,839	4.79%	$11,781,112
	Equity				
4	Common Equity	40.00%	$163,965,892	9.58%	$15,707,932
5	Preferred Shares	0.00%	$ -		$ -
6	**Total Equity**	40.0%	$163,965,892	9.58%	$15,707,932
7	**Total**	100.0%	$409,914,731	6.71%	$27,489,044

1 **Updated Table 5-6 – Chapter 2 Appendix 2OA – Capital Structure and Cost of**
2 **Capital for 2013 Actual**

Line No.	Particulars	Capitalization Ratio			Cost Rate	Return
		(%)		($)	(%)	($)
	Debt					
1	Long-term Debt	56.00%		$250,708,766	3.47%	$8,702,893
2	Short-term Debt	4.00%	(1)	$17,907,769	2.07%	$370,691
3	**Total Debt**	60.0%		$268,616,535	3.38%	$9,073,584
	Equity					
4	Common Equity	40.00%		$179,077,690	9.58%	$17,155,643
5	Preferred Shares	0.00%		$ -		$ -
6	**Total Equity**	40.0%		$179,077,690	9.58%	$17,155,643
7	**Total**	100.0%		$447,694,225	5.86%	$26,229,227

3

4 **Updated Table 5-7 – Chapter 2 Appendix 2OA – Capital Structure and Cost of**
5 **Capital for 2014 Actual**

Line No.	Particulars	Capitalization Ratio			Cost Rate	Return
		(%)		($)	(%)	($)
	Debt					
1	Long-term Debt	56.00%		$262,771,665	3.47%	$9,121,634
2	Short-term Debt	4.00%	(1)	$18,769,405	2.11%	$396,034
3	**Total Debt**	60.0%		$281,541,069	3.38%	$9,517,669
	Equity					
4	Common Equity	40.00%		$187,694,046	9.58%	$17,981,090
5	Preferred Shares	0.00%		$ -		$ -
6	**Total Equity**	40.0%		$187,694,046	9.58%	$17,981,090
7	**Total**	100.0%		$469,235,115	5.86%	$27,498,758

6

b) Horizon Utilities confirms that the rates charged in 2012 through 2014 had a return on equity of 9.58% embedded in the base rates set for 2011.

5-Energy Probe-45

Ref: Exhibit 5, Tab 1, Schedule 3

a) Please explain fully why Horizon believes the cost of long term debt should be adjusted in future years (2016-2019) for any new debt forecast to be issued and the rates to be used, rather than using the current forecasts and rates included in this application.

b) Please provide a table that shows the calculation of the Excess Deemed Long-Term Debt as noted on page 3, for each of 2011 Board Approved and 2011 through 2019.

Response:

a) Please refer to the response to 5-EP-46 b) with respect to:

i.) The interest rate for the contemplated new debt issuance in 2018 used in Tables 5-21 and 5-22. Such rate was not intended as a forecast but a reference point relative to the submitted approach in the Application that such rate be updated to the actual rate of interest on the issuance; as, when, and in the amount of such issuance;

ii.) interest rate forecast information and related risks and assumptions;

iii.) rationale for Horizon Utilities request for adjustment, which is principally on the basis that forecasts of such term are subject to wide margins of variation and that interest rates are subject to market forces beyond the control of management.

b) Horizon Utilities has provided a table below that provides the calculation of the Excess Deemed Long-Term Debt for the 2011 Board Approved and each of the years 2011 through 2019.

Table 1: Excess Deemed Long-Term Debt

	2011 Board Approved	2011 Actual	2012 Actual	2013 Actual	2014 Bridge Year
Deemed Long-Term Debt	$ 206,669,477	$ 209,164,779	$ 229,552,249	$ 250,708,766	$ 262,771,665
Funded Debt	$ 156,000,000	$ 156,000,000	$ 168,725,578	$ 190,000,000	$ 190,000,000
Excess Deemed Long-Term Debt	$ 50,669,477	$ 53,164,779	$ 60,826,671	$ 60,708,766	$ 72,771,665
	2015 Test Year	**2016 Test Year**	**2017 Test Year**	**2018 Test Year**	**2019 Test Year**
Deemed Long-Term Debt	$ 270,821,384	$ 281,090,710	$ 292,893,985	$ 306,551,434	$ 321,074,106
Funded Debt	$ 190,000,000	$ 190,000,000	$ 190,000,000	$ 215,000,000	$ 240,000,000
Excess Deemed Long-Term Debt	$ 80,821,384	$ 91,090,710	$ 102,893,985	$ 91,551,434	$ 81,074,106

Please also refer to 5-EP-46 for context with respect to the nature of “Excess Deemed Long-Term Debt”.

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5-Energy Probe-46

Ref: Exhibit 5, Tab 1, Schedule 5

The tables show that Horizon has actual long term debt that is substantially below the deemed levels in the historical and bridge years by about $50 to $70 million. In particular, in the 2014 bridge year, actual long term debt is about $72 million lower than the deemed amount.

a) Please explain why Horizon is not proposing to narrow the long term debt shortfall now, rather than wait until 2018 and/or 2019 to obtain more long term debt.

b) Does Horizon believe that long term debt rates will be higher in 2018 and 2019 than they are today? Please provide Horizon's long term debt rate forecast for new debt obtained in future years by term of loan for terms of 10, 20 and 30 years. If the forecast is equivalent to the 4.88% used in Tables 5-21 and 5-22, please explain why the Board should consider this a forecast, since it is the current deemed long term debt rate issued by the Board.

c) What is the current rate that Horizon could obtain from Infrastructure Ontario for loans of 10, 20 and 30 years in length?

d) What is the impact on the revenue requirement in each of 2015 through 2019 if Horizon borrowed $75 million in 2014 from Infrastructure Ontario for a 10 year term rather than waiting to 2018 and 2019 using the 10 year rate requested in part (c) above?

Response:

<u>Overview</u>

Horizon Utilities submits that the nature of 5-EP-46 is to investigate whether it would be more cost effective and prudent for Horizon Utilities to borrow well in advance of any practical or immediate need for corresponding investment. Horizon Utilities has responded to each specific interrogatory in this context.

a) From a cash flow perspective, Horizon Utilities does not require any additional long-term debt at this time to finance its current and near-term forecast investments and does not forecast such need until approximately 2018 as provided for in this Application. The amount of long-term debt required by Horizon Utilities is a function of other sources of financing such as internally generated rate revenue cash flow, shareholder equity, and, in the short-term, available lines of credit. Generally speaking, the actual capital structures of Ontario electricity distributors vary from the deemed structure.

The shortfall in long-term debt relative to the deemed amount is effectively supported by a corresponding excess of shareholder equity relative to the deemed amount underlying the rate base investments of Horizon Utilities. As a consequence, shareholders are effectively accepting long-term debt returns when they should generally expect higher equity-based returns; such as the regulated allowable return on equity. This is favourable from a customer perspective since shareholders are effectively providing enhanced support of the financial strength, capacity, and flexibility of a distributor without further cost to customers beyond the deemed debt cost, which is based on the actual debt instruments issued by Horizon Utilities.

Narrowing the shortfall now, in the absence of concurrent rate base investment requirements that generate compensating regulated cash flow, results in a real cost to the utility and its customers as the difference between interest earned on cash balances and the actual cost of long-term debt; often referred to as "negative carry". This approach results in:

- needless costs that could otherwise support necessary investment for the benefit of customers;
- a weakened financial profile for the utility since it impairs the relative amount of cash flow to service debt obligations;
- lower profitability and return to shareholders.

Refer to the response in d) for further analysis.

b) Please refer to the attached 5-EP-46b_Attch 1_Exhibit 1: Horizon Holdings Interest Rate Update July 14, 2014 prepared for Horizon Holdings by CIBC World Markets ("Interest Rate Update") in support of this response.

The market view of Horizon Holdings and Horizon Utilities is informed by its expert advisors, such as CIBC World Markets. Generally speaking, the Chief Economists for the five largest Canadian banks ("Big 5 Banks") have forecast a rising trend in Government of Canada ("GoC") bond yields over the past four years. Page 3 of the Interest Rate Update provides the consensus forecasts of the Big 5 Banks for GoC yields from 2010 through 2013 against the actual GoC yield rates at the end of 2011, 2012, and 2013. The analysis demonstrates that, generally speaking, these expert forecasts have deviated materially from actual experience such that actual changes in GoC yields have been materially lower/ different than the predictions of experts.

One might ask: How can interest rate forecasts from the leading Canadian experts deviate so materially from actual results? The principal reason is that the market influencers are exceedingly complex and uncontrollable and that such expert forecasts are based on many broad assumptions including those vested in a global economic outlook.

Interest rate forecasts of the banks are generally provided for a three year period given the level of uncertainty on providing forecasts beyond such period. This notwithstanding, CIBC World Markets has provided Horizon Utilities with a six year outlook, at its request. Page 4 of the Interest Rate Update forecasts an increase in GoC yields from current levels.

Horizon Utilities would not generally issue a 20-year Bullet (and is unaware of any Bullet issuance of such duration within the utility universe). CIBC has not provided a forecast for a Bullet of a 20-year duration. Such an issuance would be less liquid than more typical 5, 10, and 30-year issuances and carry a corresponding liquidity premium.

Additionally, credit spreads are somewhat volatile, inherently difficult to forecast (refer to pages 5 and 6 of the Interest Rate Update), and are effected by both long and short term market risks.

The 10-Year and 30-Year GoC yields for 2018 are 3.75% and 3.80%. Under the credit spread assumptions on page 6 of the Interest Rate Update, the corresponding cost of a 10-Year and 30-Year Horizon Utilities issuance would be 5.05% and 5.42%, respectively before estimated issuance costs of approximately 0.06% to 0.08%.

Horizon Utilities does not believe that the Board should consider the 4.88% used in Tables 5-21 and 5-22 as a forecast. This value was expressly used as the current deemed debt rate (2014). Coincidentally, such rate is not materially different than the forecast of 5.05% Horizon Utilities might achieve in 2018 based on the forecast and other assumptions in the Interest Rate Update. Horizon Utilities specifically requested in its Application that its rates be adjusted to correspond to rates on new issuances. Horizon Utilities used this approach on the basis of its view that this balances risk and cost between the utility and ratepayers with respect to market forces effecting future interest rates that are not within the control of management and extremely difficult to predict within a reasonable degree of tolerable error.

This notwithstanding, Horizon Utilities submits the following as an interest rate forecast (year-end) for a 10-year and 30-year Bullet issuance from 2015 to 2019 on the basis of information in the Interest Rate Update:

- 10-Year Bullet: 4.55%-2015; 4.98%-2016; 5.08%-2017; 5.13%-2018; 5.13%-2019
- 30-year Bullet: 5.16%-2015; 5.40%-2016; 5.50%-2017; 5.50%-2018; 5.50%-2019

These rates represent the sum of: i) the corresponding forecast GoC yield on slide 4 of the Interest Rate Update; ii) indicative credit spreads provided on page 6 of the Interest Rate Update; and iii) 0.08% for issuance costs.

Horizon Utilities submits that these forecasts are subject to material variance with actual results given the nature of assumptions described earlier and the demonstrated difficulty in predicting such as illustrated on page 3 of the Interest Rate Update.

Horizon Utilities further submits that, given the demonstrated uncertainty regarding predicting interest rates several years in advance, the most prudent approach with respect to debt management is to issue long-term debt when there is a clear and relatively short-term need to do so. This is the most typical approach undertaken by comparable utilities.

c) The following rate table was copied from the Infrastructure Ontario web-site as of July 8, 2014:

Ontario
Infrastructure Ontario

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Projects

Loans

- Eligible Borrowers
- Lending Rates
- Loan Payment Calculator
- Strategic Partnership Program

Home > What We Do > Loans

Lending Rates: Local Distribution Companies

Indicative Lending Rates as of 08/07/2014

Term	Construction	Serial	Amortizer
1 Month	1.82%	-	-
5 Year	-	2.17%	2.27%
10 Year	-	2.99%	3.09%
15 Year	-	3.44%	3.54%
20 Year	-	3.72%	3.82%
25 Year	-	3.91%	4.01%
30 Year	-	4.02%	4.12%

The corresponding URL was:

http://www.infrastructureontario.ca/Templates/RateForm.aspx?ekfrm=2147483942&langtype=1033&sector=ldc

Infrastructure Ontario only offers Serial and Amortizer debentures.

Please refer to the response in d). Serial and Amortizer debentures are not comparable in terms of price to Bullet-based debentures (each of which is defined in d)) of corresponding terms to maturity given that the weighted average time that cash flows are received between such groups of instruments is materially different. Virtually all larger utilities that are able to issue debt directly publicly or privately (including those beyond Ontario) issue Bullet-based debentures for reasons described in d).

Horizon Utilities has effectively (through its shareholders) issued Bullet debentures since they are the most appropriate and generally used form of financing for large utilities for reasons descried in d). The current Bullet debentures issued by Horizon Utilities had an initial term to maturity of 10 years.

Consequently, it would be more relevant to compare a Serial or Amortizer debenture of a certain term to maturity to a Bullet Debenture of approximately one-half such term. The pricing of any debenture corresponds to its duration or the average life over which the bond cash flows recover its principal. For example, a 20-Year Serial debenture with a coupon as in the table above is relatively close to a 10-Year Bullet debenture in terms of price and average life (10.5 years) for a comparatively rated instrument. A 20-year Amortizer bond with a coupon as in the table above has an average life of 11.5 years. This notwithstanding, Serial and Amortizer bonds are generally less liquid issuances than Bullet bonds and, as a consequence, generally issue at a premium over Bullet bonds of an equivalent duration assuming the same bond rating.

For reasons described in b), it is difficult to accurately obtain a reference rate for a 10-year Bullet for Horizon Utilities as of the date of the above table without actually testing the market with an issuance to determine the amount of credit spread above equivalent Government of Canada bonds that investors would require under a competitive bid process. However, based on analysis of equivalent public company traded bonds (refer to Interest Rate Update), Horizon Utilities estimates that an indicative issuance coupon for a $100MM issuance as of July 8, 2014 would have been 3.56% (based on a July 8, 2014 Government of Canada bond of equivalent duration at 2.26% and a credit spread of 1.30%. The credit spread was determined as 0.026% above current credit spreads for Toronto Hydro (a public issuer that offers more liquidity to investors than a private issuer such as Horizon Utilities through Horizon Holdings). Clearly, the cost of Horizon Utilities issuing debt through Horizon Holdings under its Trust Indenture is at least as favourable, and arguably more favourable, as the instruments offered by Infrastructure Ontario with additional benefits of less restrictive terms and lower liquidity risk as described in d).

d) Horizon Utilities finds this to be a difficult question to answer as the form of the debt issuance contemplated for 2018 is different than the forms offered by Infrastructure Ontario (“IO”) and those more typical for utilities comparable to Horizon Utilities. Horizon Utilities has provided some context in support of its response.

Infrastructure Ontario (“IO”) offers “Serial” and “Amortizing” debentures. Such IO instruments effectively amortize over the term to maturity. Amortizing debentures are long-term debt obligations constructed to pay equal, regular payments with the interest component decreasing and the principal component increasing over the term (not unlike a home mortgage). Serial debentures are long-term debt obligations constructed to pay equal, semi-annual principal amounts with interest calculated on the declining balance. Such forms of financing are more appropriate for single-purpose amortizing projects, such as generation projects. These forms of financing are less well-suited to businesses requiring financing to support a permanent or growing capital structure, such as that for an electricity or gas distributor/ transmitter.

The most common and appropriate approach to financing long-term debt requirements for utility companies, including regulated Ontario gas and electric distribution companies, is through the use of debt that is (or is effectively) fixed in terms of rate, principal, and term. The most common form of issuance is a “Bullet” debenture, which is a long-term debt obligation constructed to pay only the interest during the term of the loan and the principal at the end of the loan period as one lump sum payment.

Consider that a 10-year IO debenture of $10MM has (approximately) average outstanding unamortized principal of $5MM over its term. A $10MM Bullet debenture has average outstanding principal of $10MM over its term. In other terms, the loan principal of a 10-year IO debenture has an approximate average life of approximately 5 years whereas the loan principal of a Bullet debenture has an average life of 10 years. It would be more relevant (although approximately) to compare a 20-year IO loan to a 10-year Bullet debenture for purposes of comparing interest rates and ratepayer and utility impacts. As described above, a 20-year IO Amortizer has an average life of approximately 11.5 years.

In any event, IO loans are not well-suited for financing the long-term debt requirements supporting utility investments that, generally speaking, grow over time rather than amortize. As the IO loans effectively amortize, they regularly expose a distributor to liquidity (i.e., refinancing) risk for replacement principal and related interest rate risk on such regular refinancing requirements. This unduly exposes ratepayers and shareholders to interest rate volatility and potential cost. Additionally, such regular refinancing introduces a measure of treasury inefficiency given the additional management required to regularly refinance principal payments on such loans.

Horizon Utilities submits that IO loans are more appropriately suited to project based financing requirements (i.e., that more closely align with an amortizing pool of assets such that the net fixed assets decline smoothly over the time of a limited life project, such as a generation plant) rather than financing requirements for companies such as Horizon with net fixed assets that continue to grow.

The use of long-term fixed rate and fixed principal (“Bullet-based”) debt provides a natural hedge against interest rate and liquidity risk on investments, protecting both ratepayers and shareholders from such. Consequently, Horizon Utilities uses such financial instruments to manage its liquidity and interest rate risk with respect to long-term electricity distribution investments. Additionally, Horizon Utilities seeks to issue and access debt on an unsecured basis, which provides it with a very high level of financial flexibility for continued borrowing relative to secured debt instruments.

The terms of IO debt are far more restrictive and off-market to those available to large distributors such as Horizon Utilities, Toronto Hydro, and Hydro One. Such IO terms generally include security against the assets financed, debt service coverage ratios, etc., not otherwise required in Horizon Utilities’ current financial arrangements. Such terms conflict with the existing financial instruments and arrangement of Horizon Utilities and would result in less financial flexibility with respect to future requirements for debt capital.

Lastly, advancing borrowing in the manner suggested is inherently risky as it presupposes that the issuer can predict market changes in interest rates three years forward. This is not a prudent approach from a treasury perspective. Economist predictions of future rate changes are rarely accurate and this has proven to be the case looking back over the last few years. The suggestion that the economy is likely to experience a rising rate environment may have a likelihood relative to current historically low interest rates. However, this is far from a certainty. (Refer to the response in b)).

In order to provide a proper basis of comparison, Horizon Utilities submits its analysis under an assumption that the $75MM issuance referenced in the question is fully required (in lieu of the $50MM proposed in the Application) to support ongoing incremental utility investment as of mid-2018 (which was the assumption for the timing of incremental borrowing in the Application).

Horizon Utilities provides such analysis for a 10-Year $75MM IO Amortizer Loan in Interrogatory 5-EP-46 d) Table 1:

Table 1: Impact on Revenue Requirement (5-EP-46 d)

5-EP-46 d) Table 1
Impact on Revenue Requirement
Issuance of 10-Year $75MM IO Loan in 2014 and Removal of Proposed $50MM Issuance in 2018

	2015	2016	2017	2018	2019
Rate Base (as filed)	483,609,617	501,947,697	523,024,973	547,413,274	573,346,618
Deemed Debt (60% Rate Base - as filed)	290,165,770	301,168,618	313,814,984	328,447,964	344,007,971
Deemed Debt Components					
Issued Debt (1)	190,000,000	190,000,000	190,000,000	190,000,000	190,000,000
IO Debt ($75MM unamortized) (2)	73,385,458	66,827,128	60,064,580	53,091,455	45,901,196
Incremental issuance to replenish $75MM IO loan (3)	1,614,542	8,172,872	14,935,420	21,908,545	29,098,804
Other Long-Term (unfunded)	5,821,386	16,090,710	27,893,985	41,551,433	56,074,106
Total Long-Term (56% Rate Base - as filed)	270,821,386	281,090,710	292,893,985	306,551,433	321,074,106
Short-Term (4% Rate Base - as filed)	19,344,385	20,077,908	20,920,999	21,896,531	22,933,865
Total Deemed Debt	290,165,770	301,168,618	313,814,984	328,447,964	344,007,971
Interest Rates					
Issued Debt (1)	3.47%	3.47%	3.47%	3.47%	3.47%
IO Debt ($75MM unamortized) (2)	3.09%	3.09%	3.09%	3.09%	3.09%
Incremental issuance to replenish $75MM IO loan (3)	4.88%	4.88%	4.88%	4.88%	4.88%
Re-Weighted Long-Term Debt Rate	3.37%	3.42%	3.46%	3.51%	3.56%
Short-Term Debt Rate (as filed)	2.11%	2.11%	2.11%	2.11%	2.11%
Weighted Average Debt Rate	3.29%	3.33%	3.37%	3.42%	3.46%
Impact on Revenue Requirement					
Deemed Interest Cost with $75MM IO Debt	9,545,885	10,032,379	10,587,440	11,225,515	11,913,257
Deemed Interest Cost as Filed	9,809,232	10,181,190	10,608,708	11,605,518	12,571,676
Impact on Revenue Requirement	(263,347)	(148,811)	(21,268)	(380,003)	(658,419)
Net Financing Cost to Utility (4)					
Interest cost of incremental borrowing	2,317,500	2,317,500	2,317,500	1,158,750	-
Less: Interest income on cash balances	937,500	937,500	937,500	468,750	-
Net financing cost to utility	1,380,000	1,380,000	1,380,000	690,000	-

Notes:
1. The value of issued debt and weighted average interest rate corresponds to values as filed for 2015 through 2017 and thereafter held constant for 2018 through 2019. Refer to Tables 5-18 through 5-22.
2. The analysis assumes a $75MM IO 10-year amortizong debenture issuance on December 31, 2014 at a rate of 3.09% payable semi-annually. The 3.09% rate corresponds to the indicative Lending Rates: Local Distribution Companies as of July 8, 2014.
3. As IO loans are amortizing, the amortized principal must be refinanced. Horizon Utilities has assumed the 2014 Deemed long-term debt rate for analysis purposes.
4. 50% impact assumed in 2018 since the removed proposed issuance was planned mid-year. 0% impact assumed in 2019 since utility is making full use of financing.

The impact on revenue requirement is obviously favourable as the rate on the 10-year Amortizer is lower than that on the Issued Debt provided for in the Application. Consistent with the analysis of Amortizer loans above, observe that Incremental Issuance of principal is required in each year to preserve the $75MM of initial IO loan principal.

As described in response to part a), Horizon Utilities does not require any incremental long-term debt financing until mid-2018. On this basis, it has a “negative carry” of $1.4MM in each of 2015 to 2017 and $0.7MM in 2018. Thereafter, it is assumed that the $75MM of long-term debt is fully employed. While the results of this analysis demonstrates a conceptual aggregate ratepayer benefit of $1.5MM from 2015 through 2019, advancing borrowing unnecessarily has a real corresponding cost to the utility aggregating $4.8MM across this same period. Under this approach Horizon Utilities would need to seek an additional $4.8MM to finance the operating and capital programs provided for in this Application.

Additionally, the ratepayer benefit is entirely predicated on the notion that the IO rate will be lower than the 3.47% rate on Issued Debt at the time of issuance. This is far from a certainty and is subject to market conditions outside of Horizon Utilities control. However, the cost to the utility is a virtual certainty and will increase if and as the cost of the IO debt instrument increases prior to the end of 2014 (as is the conclusion that would be drawn based on the Interest Rate Update).

Furthermore, this approach weakens the financial profile of Horizon Utilities; particularly in 2015 through 2017 while it is holding a material portion of its overall assets (Rate Base plus cash assets) (13.4%) in cash assets that are generating investment losses. The lenders and rating agency of Horizon Utilities would very clearly view this as an imprudent management and use of debt capital i.e., borrowing for no practical purpose.

A more comparative illustration of this approach is provided by analysis of the use of a 20-Year $75MM IO Amortizer loan; which, by its nature, is more comparable to the 10-Year Bullet instrument Horizon Utilities would propose to issue. Recall that the average life of principal and related determination of interest cost is more comparable on this basis. Additionally, Horizon Utilities would not issue debt that has an average principal life of five years to support its investments. Most utilities typically issue 10-year or 30-year Bullet based debt.

5-EP-46 d) Table 2 provides the same analysis as the previous table but substituting the 10-Year IO Amortizer for a 20-Year instrument.

Table 2: Impact on Revenue Requirement (5-EP-46 d)

5-EP-46 d) Table 2
Impact on Revenue Requirement
Issuance of 10-Year $75MM IO Loan in 2014 and Removal of Proposed $50MM Issuance in 2018

	2015	2016	2017	2018	2019
Rate Base (as filed)	483,609,617	501,947,697	523,024,973	547,413,274	573,346,618
Deemed Debt (60% Rate Base - as filed)	290,165,770	301,168,618	313,814,984	328,447,964	344,007,971
Deemed Debt Components					
Issued Debt (1)	190,000,000	190,000,000	190,000,000	190,000,000	190,000,000
IO Debt ($75MM unamortized) (2)	74,366,954	71,786,176	69,105,870	66,322,199	63,431,176
Incremental issuance to replenish $75MM IO loan (3)	633,046	3,213,824	5,894,130	8,677,801	11,568,824
Other Long-Term (unfunded)	5,821,386	16,090,710	27,893,985	41,551,433	56,074,106
Total Long-Term (56% Rate Base - as filed)	270,821,386	281,090,710	292,893,985	306,551,433	321,074,106
Short-Term (4% Rate Base - as filed)	19,344,385	20,077,908	20,920,999	21,896,531	22,933,865
Total Deemed Debt	290,165,770	301,168,618	313,814,984	328,447,964	344,007,971
Interest Rates					
Issued Debt (1)	3.47%	3.47%	3.47%	3.47%	3.47%
IO Debt ($75MM unamortized) (2)	3.82%	3.82%	3.82%	3.82%	3.82%
Incremental issuance to replenish $75MM IO loan (3)	4.88%	4.88%	4.88%	4.88%	4.88%
Re-Weighted Long-Term Debt Rate	3.57%	3.58%	3.59%	3.60%	3.62%
Short-Term Debt Rate (as filed)	2.11%	2.11%	2.11%	2.11%	2.11%
Weighted Average Debt Rate	3.47%	3.48%	3.49%	3.50%	3.52%
Impact on Revenue Requirement					
Deemed Interest Cost with $75MM IO Debt	10,082,734	10,494,081	10,966,139	11,511,617	12,094,101
Deemed Interest Cost as Filed	9,809,232	10,181,190	10,608,708	11,605,518	12,571,676
Impact on Revenue Requirement	273,502	312,891	357,431	(93,901)	(477,575)
Net Financing Cost to Utility (4)					
Interest cost of incremental borrowing	2,865,000	2,865,000	2,865,000	1,432,500	-
Less: Interest income on cash balances	937,500	937,500	937,500	468,750	-
Net financing cost to utility	1,927,500	1,927,500	1,927,500	963,750	-

Notes:
1. The value of issued debt and weighted average interest rate corresponds to values as filed for 2015 through 2017 and thereafter held constant for 2018 through 2019. Refer to Tables 5-18 through 5-22.
2. The analysis assumes a $75MM IO 10-year amortizong debenture issuance on December 31, 2014 at a rate of 3.82% payable semi-annually. The 3.82% rate corresponds to the indicative Lending Rates: Local Distribution Companies as of July 8, 2014.
3. As IO loans are amortizing, the amortized principal must be refinanced. Horizon Utilities has assumed the 2014 Deemed long-term debt rate for analysis purposes.
4. 50% impact assumed in 2018 since the removed proposed issuance was planned mid-year. 0% impact assumed in 2019 since utility is making full use of financing.

In this more relevant analysis (which uses a more comparable and relevant IO debt instrument – i.e., 20-Year amortizer), ratepayers are largely indifferent with a relatively immaterial cumulative impact on revenue requirement of $0.4MM. However, the utility suffers material net financing costs aggregating $6.7MM from advancing $75MM of financing by 3.5 years. For this reason and those articulated above, Horizon Utilities submits that this approach is not in the interests of ratepayers or the financial viability of a utility.

5-EP-46b_Attch 1_Exhibit 1: Horizon Holdings Interest Rate Update July 14, 2014 prepared for Horizon Holdings by CIBC World Markets (“Interest Rate Update”)

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Horizon Holdings

Interest Rate Update

July 14, 2014

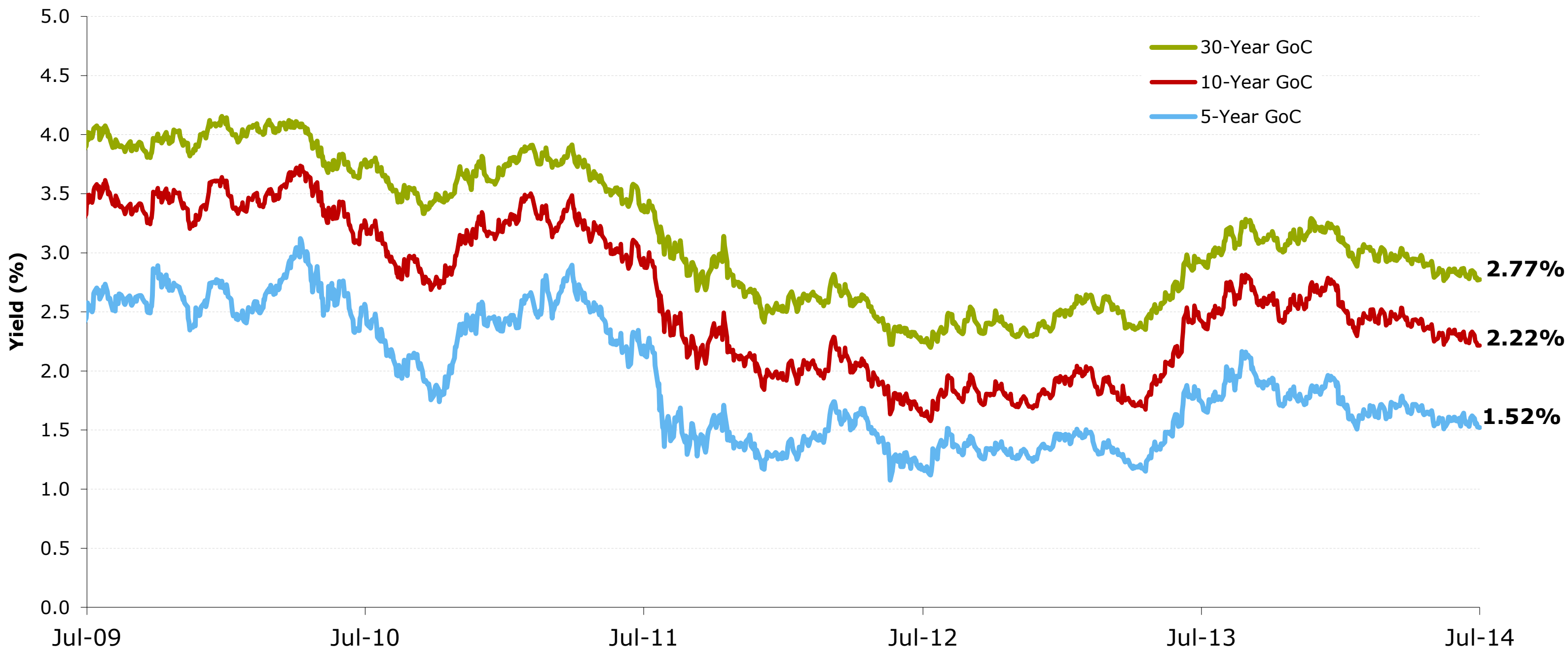
Historical Underlying GoC Yields

- Record low and current yields for GoC bonds are as follows:

Maturity	Low GoC Yield	Date of Low	Current GoC Yield[1]
5-Year	1.08%	June 1, 2012	1.52%
10-Year	1.58%	July 24, 2012	2.22%
30-Year	2.20%	July 24, 2012	2.77%

- From one year ago, underlying yields have decreased by 23 bps (5-year), 22 bps (10-year) and 15 bps (30-year)

Historical GoC Yields (Last 5 Years)[1]



[1] As at July 14, 2014.

Historical GoC Forecasts

- Over the past few years, actual observed GoC yields have generally been lower than economists at the five major Canadian banks have forecasted

Historical GoC Yields (Forecast vs. Actual)[1,2]			
2011 Rates (End of Year)			
	5-year	**10-year**	**30-year**
Average End of Year Forecast (Beginning of 2010)	3.88%	4.39%	4.73%
Average End of Year Forecast (Beginning of 2011)	3.20%	3.70%	4.10%
Actual Rates at End of 2011	**1.28%**	**1.94%**	**2.49%**
2012 Rates (End of Year)			
	5-year	**10-year**	**30-year**
Average End of Year Forecast (Beginning of 2011)	2.38%	3.14%	3.64%
Average End of Year Forecast (Beginning of 2012)	2.28%	2.76%	3.38%
Actual Rates at End of 2012	**1.36%**	**1.77%**	**2.34%**
2013 Rates (End of Year)			
	5-year	**10-year**	**30-year**
Average End of Year Forecast (Beginning of 2012)	2.60%	3.18%	3.71%
Average End of Year Forecast (Beginning of 2013)	1.93%	2.64%	3.10%
Actual Rates at End of 2013	**1.96%**	**2.78%**	**3.24%**

CIBC

[1] Forecasts are based on the average forecasted end of year GoC yields from BMO, CIBC, RBC, SC, and TD.
[2] Actual rates are the observed GoC yields as of the last trading day of the year for each respective year.

Current GoC Forecasts

- The table below illustrates CIBC's forecast for GoC yields going out to 2020
  - Forecasts for 2015 and beyond are average yields for the year
- Yields are generally forecast to increase over time

Forecast GoC Yields[1]

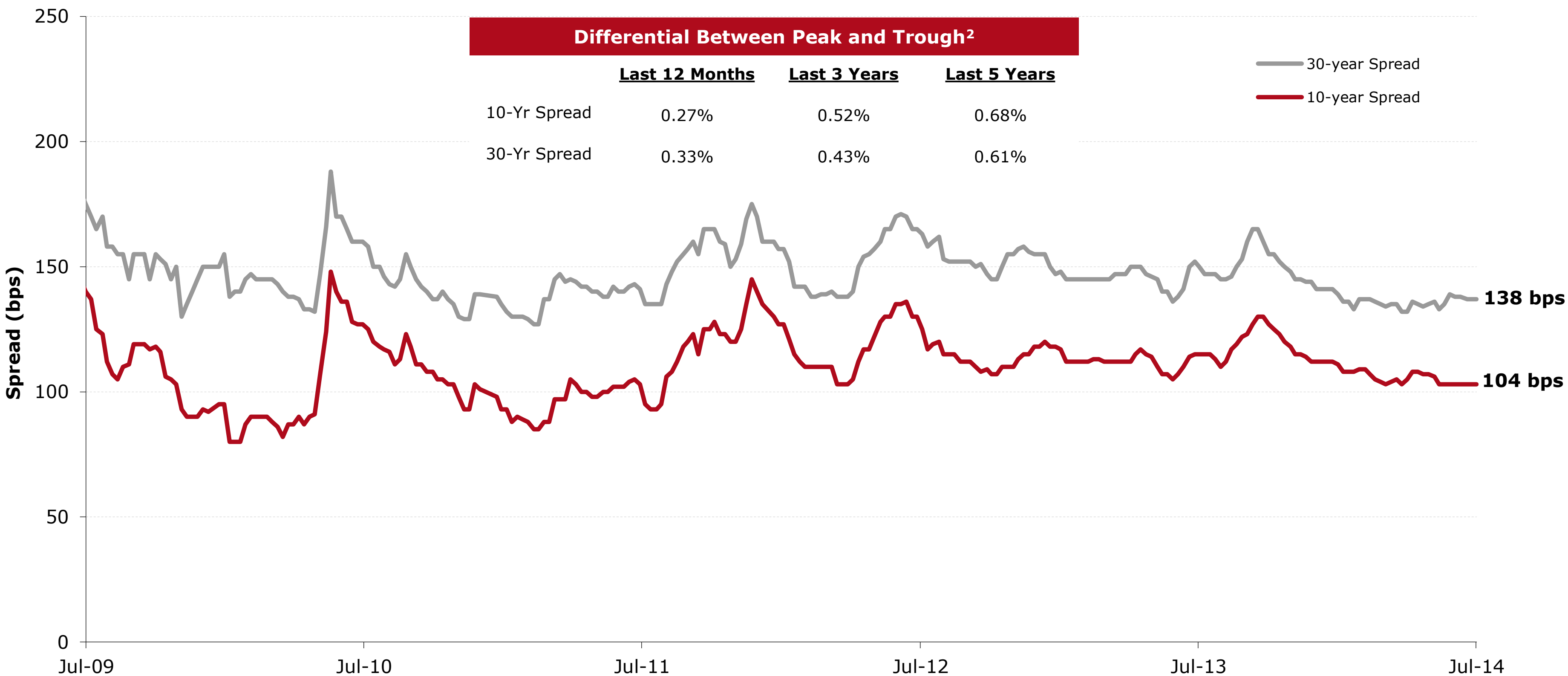
	Current[2]	Q4 2014	2015	2016	2017	2018	2019	2020
5-Year Bond Yield	1.52%	2.30%	2.38%	3.15%	3.55%	3.60%	3.60%	3.60%
10-Year Bond Yield	2.22%	2.80%	3.17%	3.60%	3.70%	3.75%	3.75%	3.75%
30-Year Bond Yield	2.77%	3.20%	3.46%	3.70%	3.80%	3.80%	3.80%	3.80%

[1] Source: CIBC Economics.
[2] As at July 14, 2014.

Historical Credit Spreads

- Toronto Hydro is one of the more liquid LDC issuers in Canada and acts as a reasonable proxy for spread movements for other LDCs
  - Over the past five years, the absolute peak-to-trough spread change was 68 bps (10-year) and 61 bps (30-year)
  - Over the past year, the absolute peak-to-trough spread change was 27 bps (10-year) and 33 bps (30-year)

Toronto Hydro – Historical New Issue Spreads (Last 5 Years)[1]



Differential Between Peak and Trough[2]

	Last 12 Months	Last 3 Years	Last 5 Years
10-Yr Spread	0.27%	0.52%	0.68%
30-Yr Spread	0.33%	0.43%	0.61%

[1] As at July 14, 2014.
[2] Data range: Last 12 months (Jul 2013 – Jul 2014); Last 3 years (Jul 2011 – Jul 2014); Last 5 years (Jul 2009 – Jul 2014).

Indicative New Issue Credit Spreads

- Credit spreads are subject to change throughout any given day and over time
- The tables below provide indicative new issue spreads and coupons for Toronto Hydro and Horizon Holdings
  - Figures are based on an offering size of $100MM and over; smaller transactions will require a liquidity premium

Indicative New Issue Credit Spreads[1]

	Current Credit Ratings				
Issuer	**DBRS**	**S&P**	**Moody's**	**10-Year Bullet**	**30-Year Bullet**
				(bps)	*(bps)*
Toronto Hydro Corporation	A(h)	A	--	104	138
Horizon Holdings Inc.	--	A	--	130	162

Indicative New Issue Coupons[1]

	Current Credit Ratings				
Issuer	**DBRS**	**S&P**	**Moody's**	**10-Year Bullet**	**30-Year Bullet**
				(%)	*(%)*
Toronto Hydro Corporation	A(h)	A	--	3.30	4.17
Horizon Holdings Inc.	--	A	--	3.56	4.41

[1] As at July 8, 2014.

6-Energy Probe-47

Ref: Exhibit 6, Tab 2, Schedule 1

a) Please provide all details such as amount, length of construction, interest rate, capitalized interest, etc., that Horizon has or expects to capitalize interest on qualifying projects for 2013 and 2014.

b) Does Horizon expect to have any capitalized interest in projects in 2015 through 2019? If yes please provide full details and calculations of the amounts.

Response:

a) Horizon Utilities capitalized $73,969 of interest in 2013 for 17 projects (total project cost of $4,458,000). The length of construction on these projects varied from 15 to 25 months. The forecast of capitalized interest in 2014 is $63,250 for 11 projects, with estimated costs totaling $6,593,000. The estimated length of construction on these projects varies from 13 to 27 months. Horizon Utilities' interest rate for 2013 and 2014 is 3.42%.

b) Horizon Utilities does not expect to capitalize any interest in 2015 through 2019. The vast majority of projects span less than 12 months, and hence are not eligible for capitalized borrowing costs as discussed in Exhibit 2, Tab 6, Schedule 4, page 3.

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7-Energy Probe-48

Ref: Exhibit 7, Tab 1, Schedule 1

a) For each year shown in Table 7-1 please show the re-allocation of the revenue difference to the other rate classes. For example, in 2015, the proposed LU (2) class reduces the allocation of costs to these customers by $3,605,389, so these costs are re-allocated to other rate classes. Please show this re-allocation.

b) Did Horizon consider phasing in the reduction to the Large Use (2) revenue to cost ratio over a number of years, given the significant increase in cost allocated to other rate classes? If not, why not?

c) Are there other customers that are served directly off of the primary system, but are included in rate classes that are also allocated secondary system costs? If yes, please explain why Horizon is not proposing a separate rate class for those customers.

Response:

a) Horizon Utilities provides the reallocation of the revenue impact of the introduction of the LU (2) class in Tables 1 – 5 below. Column C in each of the tables below provides the reallocation of costs as a result of the introduction of the LU (2) class.

Table 1: 2015 Reallocation of Distribution Revenue

	Distribution Revenue (Per Application)	Distribution Revenue (No LU (2) Class)	Impact of LU (2) Rate Class on Distribution Revenues
	A	B	C = A-B
Residential	$ 69,461,355	$ 69,459,466	$ 1,889
GS < 50 kW	$ 15,412,682	$ 13,613,607	$ 1,799,075
GS >50 to 4999 kW	$ 21,400,734	$ 19,049,999	$ 2,350,735
Standby	$ 739,292	$ 667,851	$ 71,441
Large Use (1)	$ 2,157,451	$ 3,104,537	$ (947,085)
Large Use (2)	$ 480,086	$ 4,085,475	$ (3,605,389)
Sentinel Lights	$ 46,725	$ 41,271	$ 5,454
Street Lighting	$ 2,740,679	$ 2,420,768	$ 319,911
Unmetered and Scattered	$ 517,021	$ 513,052	$ 3,969
Total	$ 112,956,026	$ 112,956,026	$ 0

Table 2: 2016 Reallocation of Distribution Revenue

	Distribution Revenue (Per Application)	Distribution Revenue (No LU (2) Class)	Impact of LU (2) Rate Class on Distribution Revenues
	A	B	C = A-B
Residential	$ 72,903,466	$ 72,909,930	$ (6,464)
GS < 50 kW	$ 16,160,545	$ 14,301,876	$ 1,858,669
GS >50 to 4999 kW	$ 22,482,464	$ 20,006,611	$ 2,475,853
Standby	$ 794,058	$ 716,552	$ 77,507
Large Use (1)	$ 2,269,990	$ 3,267,203.70	$ (997,214)
Large Use (2)	$ 580,573	$ 4,332,153	$ (3,751,579)
Sentinel Lights	$ 47,588	$ 42,024	$ 5,565
Street Lighting	$ 2,867,294	$ 2,532,025	$ 335,269
Unmetered and Scattered	$ 522,521	$ 520,127	$ 2,394
Total	$ 118,628,501	$ 118,628,501	$ (0)

Table 3: 2017 Reallocation of Distribution Revenue

	Distribution Revenue (Per Application)	Distribution Revenue (No LU (2) Class)	Impact of LU (2) Rate Class on Distribution Revenues
	A	B	C = A-B
Residential	$ 74,595,365	$ 74,793,631	$ (198,266)
GS < 50 kW	$ 16,549,987	$ 14,620,477	$ 1,929,510
GS >50 to 4999 kW	$ 23,137,026	$ 20,555,299	$ 2,581,728
Standby	$ 836,832	$ 753,560	$ 83,272
Large Use (1)	$ 2,331,533	$ 3,364,652	$ (1,033,118)
Large Use (2)	$ 782,837	$ 4,496,349	$ (3,713,512)
Sentinel Lights	$ 47,446	$ 41,892	$ 5,554
Street Lighting	$ 2,933,368	$ 2,590,010	$ 343,359
Unmetered and Scattered	$ 529,049	$ 527,574	$ 1,474
Total	$ 121,743,444	$ 121,743,444	$ 0

Table 4: 2018 Reallocation of Distribution Revenue

	Distribution Revenue (Per Application)	Distribution Revenue (No LU (2) Class)	Impact of LU (2) Rate Class on Distribution Revenues
	A	B	C = A-B
Residential	$ 75,944,135	$ 76,171,481	$ (227,346)
GS < 50 kW	$ 16,829,093	$ 14,821,535	$ 2,007,558
GS >50 to 4999 kW	$ 23,538,584	$ 20,902,040	$ 2,636,544
Standby	$ 872,552	$ 785,169	$ 87,383
Large Use (1)	$ 2,378,306	$ 3,429,970	$ (1,051,663)
Large Use (2)	$ 804,863	$ 4,616,370	$ (3,811,507)
Sentinel Lights	$ 46,828	$ 41,293	$ 5,535
Street Lighting	$ 2,975,756	$ 2,624,069	$ 351,687
Unmetered and Scattered	$ 530,200	$ 528,389	$ 1,810
Total	$ 123,920,317	$ 123,920,317	$ (0)

Table 5: 2019 Reallocation of Distribution Revenue

	Distribution Revenue (Per Application)	Distribution Revenue (No LU (2) Class)	Impact of LU (2) Rate Class on Distribution Revenues
	A	B	C = A-B
Residential	$ 78,365,794	$ 78,606,271	$ (240,476)
GS < 50 kW	$ 17,351,714	$ 15,240,423	$ 2,111,291
GS >50 to 4999 kW	$ 24,297,713	$ 21,572,114	$ 2,725,599
Standby	$ 920,444	$ 828,051	$ 92,393
Large Use (1)	$ 2,460,571	$ 3,548,214	$ (1,087,643)
Large Use (2)	$ 838,452	$ 4,808,926	$ (3,970,474)
Sentinel Lights	$ 46,806	$ 41,269	$ 5,537
Street Lighting	$ 3,059,543	$ 2,697,671	$ 361,872
Unmetered and Scattered	$ 540,863	$ 538,962	$ 1,901
Total	$ 127,881,899	$ 127,881,899	$ 0

b) When evaluating the need for rate mitigation strategies, Horizon Utilities has considered the rate increases on a total bill basis, consistent with the Chapter 2 Filing Requirements section 2.11.12.2. Horizon Utilities has been mindful of customer bill impacts and has applied for total bill impacts for each customer class that are below the 10% threshold set out by the Board in the Chapter 2 Filing requirements.

c) All customers in both the existing Large Use class (i.e., all LU(1) and LU(2) customers) are served directly off of the primary distribution system. Therefore they are not allocated a portion of the costs associated with secondary distribution assets.

There are also some General Service > 50 kW customers that are served directly off of the primary distribution system. Those customers own their own transformation and are provided a transformation allowance based on their monthly kW billed demand as compensation for the reduced cost of service. Nevertheless, since some customers in the General Service > 50 kW class are served off of the secondary system, the class is allocated a share of the secondary system costs.

7-Energy Probe-49

Ref: Exhibit 7, Tab 1, Schedule 2

a) Please explain why the proposed ratios for 2015 in Table 7-5 for the GS<50, GS>50, street lighting and sentinel lighting all have increases in their ratios that are different and result in different proposed ratios.

b) Please provide a version of Table 7-5 where the above noted ratios for the four classes are set equal to one another at a ratio that results in the recovery of the total costs. The proposed ratios for the residential, large use classes, USL and standby should be maintained as proposed.

Response:

a) As stated at Exhibit 7, Tab 1, Schedule 2, Page 1, "*Horizon Utilities is proposing to re-align its revenue-to-cost ratios for those Rate Classes that are outside of the Board's Policy Range to the upper or lower end of the range as applicable, and allocating the associated revenue shortfall to the remaining Rate Classes*". Horizon Utilities has allocated the revenue shortfall by increasing the distribution revenues to be collected from the rate classes with a revenue-to-cost ratio of less than 100% by an equal percentage. This approach is similar to the manner in which the Board's Cost Allocation Model allocates the Revenue Deficiency to each rate class by uniformly increasing the distribution revenues for each rate class by the percentage required to keep the utility revenue neutral.

b) Horizon Utilities provides Table 2, which shows the revenue-to-cost ratios which result from setting the GS < 50 kW, GS > 50 kW, Sentinel, and Street Lighting class equal to one another at a ratio that results in the recovery of the total costs for the 2015 Test Year.

Table 2: 2015 Revenue to Cost Ratios

Class	Previously Approved Ratios	Status Quo Ratios	Ratios per EP-49	Policy Range
	Most Recent Year: 2011	(7C + 7E) / (7A)	(7D + 7E) / (7A)	
	%	%	%	%
Residential	111.76%	103.23	103.23	85 - 115
GS < 50 kW	104.52%	88.27	**95.31**	80 - 120
GS > 50 kW	85.35%	83.56	**95.31**	80 - 120
Large Use (1)	93.73%	162.49	115.00	85 - 115
Large Use (2)	45.74%	949.12	115.00	85 - 115
Street Lighting	75.01%	74.41	**95.31**	70 - 120
Sentinel Lighting	61.98%	83.71	**95.31**	80 - 120
Unmetered Scattered Load (USL)	131.61%	129.30	120.00	80 - 120
Standby	79.83%	59.68	54.44	Undefined
0				

7-Energy Probe-50

Ref: Exhibit 7, Tab 1, Schedule 2

With respect to the status quo ratios found in the tables for 2016 through 2019, do they represent revenues at proposed rates for the previous year? For example, does the 74.86% shown for Large Use (2) for 2016 (Table 7-9) reflect revenues at the proposed 2015 rates? If not, please explain how the status quo ratios have been calculated.

Response:

Horizon Utilities confirms that in order to determine the status quo revenue to cost ratios for the 2016 – 2019 years, the proposed rates for the prior year were used.

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7-Energy Probe-51

Ref: Exhibit 7, Tab 1, Schedule 2

The proposed ratios in Table 7-5 for 2015 and the status quo ratios found in Tables 7-9, 7-13, 7-17 and 7-21 for 2016 through 2019, respectively are all relatively stable with the following exceptions:

i) GS>50 drops to 90.11% in 2018 compared to 93% to 94% in all other years; and
ii) the Large Use (2) ratio drops from 115% in 2015 to 74.86% in 2016, to 65.85% in 2017, and then increases to 91.33% in 2018 and 96.86% in 2019.

For each of the changes noted above, please explain the drivers that are affecting the significant changes in the ratios.

Response:

i) The relative importance of the various cost drivers (e.g., primary distribution assets, secondary distribution assets, connections, etc.) is different in each rate class. For example, the primary driver of costs in the LU(1) and LU(2) classes is primary assets since they are allocated none of the costs of secondary distribution assets and the number of connections per kW is very low. Also, the LU(2) R/C ratio will be particularly affected by investment in the dedicated assets that are directly allocated to that class. On the other hand, GS>50kW is allocated (because they cause) a comparatively higher share of both primary and secondary distribution assets, but the importance of the connection count in cost allocation is relatively low compared to the Residential and Streetlight classes.

Since the relative weight of the various cost drivers differs across classes, the pattern of capital investment planned by Horizon Utilities will have an unequal impact on the various classes in any particular year. There will be a tendency for the impacts to balance off in the longer run. Consequently, higher than average investment in replacing aging secondary distribution assets in 2017 and 2019 will result in a relatively large increase in the costs allocated to the GS>50 kW class which will result in a corresponding decline in the R/C ratio.

Similarly, Horizon Utilities' planned investment in the dedicated facilities used to serve the LU(2) class will result in the expected decline in the R/C ratio of that class. As these assets are amortized and there is comparatively little capital investment in those dedicated assets, the share of rate base declines which results in an increase in the R/C ratio.

The relative shifts in R/C ratios are also attributable in part to differences in the proposed rate increases for the various classes from year to year due to certain R/C ratios being outside the OEB-approved ranges.

ii) This fluctuation in revenue to cost ratios is the result of capital work to be done on a transformer station that is part of the pool of assets that are directly allocated to the LU (2) class as discussed in Horizon Utilities' response to Interrogatory 8-Staff-33.

7-Energy Probe-52

Ref: Exhibit 7, Tab 1, Schedule 2

With respect to Table 7-18 please explain why many of the rate classes have proposed revenue to cost ratios in 2016 that are further from unity than the proposed ratios for 2015.

Response:

The revenue-to-cost ratios for some of the rate classes move slightly away from unity as the result of small differences in the makeup of the 2015 Revenue Requirement vs the 2016 Revenue Requirement, as well as an increase in the amount of directly allocated assets (from $33,167 in 2015 to $243,045 in 2016) as discussed in Horizon Utilities' response to Interrogatory 8-Staff-33 b).

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7-Energy Probe-53

Ref: Exhibit 7, Tab 1, Schedule 1

a) For each of the weighting factors noted on page 7 that have changed, please provide a table that shows the weighting factors used in the last cost of service allocation and those proposed in the current allocation.

b) For each of the new weightings, please provide all data and calculations used to arrive at the new weightings.

Response:

a) Table 1 below shows the weighting factors from the 2011 CoS Application (EB-2010-0131) as well as the weighting factors from this Application.

Table 1: Weighting Factors

	Residential	GS <50	GS>50-Regular	Large User	Large Use (1)	Large Use (2)	Street Light	Sentinel	Unmetered Scattered Load	Back-up/Standby Power
2015 Weighting Factor for Services	1.000	1.440	1.880				0.0			
2011 Weighting Factor for Services	1.000	2.000	10.000	30.0			1.0	1.0	1.0	1.0
2015 Weighting Factor for Billing and Collecting	1.000	1.060	4.280		96.4	168.7	1.7	0.5	0.5	1.0
2011 Weighting Factor for Billing and Collecting	1.000	2.000	7.000	15.0			1.0	0.1	1.0	1.0

b) Tables 2 and 3 provide the calculation of the Billing and Collecting and the Services Weighting factors respectively

Table 2: Calculation of Billing and Collecting Weighting Factor

Rate Class	Number of Bills	% of Total Number of Bills	Adjusted % of Number of Bills *	Proportion of Billing and Collecting Costs based on Adjusted % of Bills	Billing and Collecting & per Number of Bills	Weighting Factor of Billing and Collecting & per Number of Bills	Calculation of Weighting Factor
Residential	1,349,302	87.07%	83.31%	$8,077,974	$ 5.99	1	5.99/5.99
GS < 50 kW	132,563	8.55%	8.65%	$838,729	$ 6.33	1.06	6.33/5.99
GS > 50 kW	26,488	1.71%	7.00%	$678,740	$ 25.62	4.28	25.62/5.99
LU (1)	84	0.01%	0.50%	$48,481	$ 577.16	96.4	577.16/5.99
LU (2)	48	0.00%	0.50%	$48,481	$1,010.03	168.7	1,010.03/5.99
USL	36,172	2.33%	0.01%	$970	$ 0.03	0.0**	0.03/5.99
Sentinel	4,920	0.32%	0.01%	$970	$ 0.20	0.0**	0.2/5.99
Street Lighting	48	0.00%	0.01%	$485	$ 10.10	1.7	10.10/5.99
Standby	84	0.01%	0.01%	$970	$ 11.54	1.9	11.54/5.99
Total	1,549,709			$9,695,799			

Billing and Collection Costs:	$ 9,696,284

* % number of bills was adjusted so that: Connection based customer classes represented the same % to portray the comperable levelr of effort involved in preparing their bills, Large Use customer were increased to 0.5% to capture the manual calculation efforts involved in prepring their monthly bills, GS > 50 kW classes were imcreased tp account for interval metered nills which require manual intervention, Residential and GS < 50kW classes were adjusted to maintain the total allocation of billing costs at 100%

** Rate classes with a weighting factor of 0 were adjusted up to 0.5 so they would be allocated some of the Billing and Collecting dollars

Table 3: Calculation of Services Weighting Factor:

Rate Class	Average Price of Installation	Weighting Factor	Calculation of Weighting Factor
Residential	$ 1,270	1.00	1,270/1,270
GS < 50 kW	$ 1,830	1.44	1,830/1,270
GS > 50 kW	$ 2,390	1.88	2,390/1,270

8-Energy Probe-54

**Ref: Exhibit 7, Tab 1, Appendix 7-1 &
Exhibit 8, Tab 1, Schedule 2**

Please explain why the existing rates shown in Table 14 of the Elenchus report found in Exhibit 7, Tab 1, Appendix 7-1 do not match the existing rates found in Table 8-12 in Exhibit 8, Tab 1, Schedule 2. Which is the correct set of existing monthly fixed charges?

Response:

Horizon Utilities has reviewed Table 14 of the Appendix 7-1 and Table 8-12 and confirms that Table 14 is incorrect. Table 8-12 includes the correct existing rates.

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8-Energy Probe-55

Ref: Exhibit 8, Tab 1, Schedule 7

Has Horizon reflected any cost reductions for bad debt, disconnect, collection costs etc. associated with customers using the Paymentus system? If yes, please quantify the savings that have been built into each of 2015 through 2019.

Response:

Horizon Utilities does not anticipate any reductions in bad debt or costs related to customer disconnections or collections through the provision of the Paymentus credit card option.

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8-Energy Probe-56

Ref: Exhibit 8, Tab 4, Schedule 1

Please provide a version of Tables 8-40 through 8-43 that shows the impacts of the revenue to cost ratios requested above in 7-Energy Probe-49, part (b).

Response:

In 7-Energy Probe-49, Energy Probe requested a version of Table 7-5 where the ratios for the the GS < 50 kW, GS > 50 kW, Sentinel, and Street Lighting class are set equal to one another at a ratio that results in the recovery of the total costs for the 2015 Test Year. Horizon Utilities has prepared Table 1 for the 2015 Test Year which provides the resulting Distribution Bill $ Impact, Distribution Bill % Impact, Total Bill $ Impact, and Total Bill % Impact.

Table 1: Bill Impacts Using R:C Ratios from 7-Energy Probe-49

Rate Class	kWh	kW	Distribution $ (2015 vs 2014)	Distribution % (2015 vs 2014)	Total Bill $ (2015 vs 2014)	Total Bill % (2015 vs 2014)
Residential (on TOU)	100		$1.60	9.76%	$0.42	1.39%
Residential (on TOU)	200		$1.74	9.74%	$0.89	2.04%
Residential (on TOU)	500		$2.16	9.70%	$2.28	2.76%
Residential (on TOU)	800		$2.58	9.67%	$3.67	3.02%
Residential (on TOU)	1,000		$2.86	9.66%	$4.60	3.12%
Residential (on TOU)	1,500		$3.56	9.63%	$6.92	3.25%
Residential (on TOU)	2,000		$4.26	9.61%	$9.24	3.33%
GS < 50 kW (On TOU)	1,000		$7.91	18.92%	$9.39	5.85%
GS < 50 kW (On TOU)	2,000		$9.51	18.87%	$13.83	4.89%
GS < 50 kW (On TOU)	5,000		$14.31	18.78%	$27.14	4.17%
GS < 50 kW (On TOU)	10,000		$22.31	18.71%	$49.33	3.91%
GS < 50 kW (On TOU)	15,000		$30.31	18.69%	$71.52	3.81%
GS > 50 kW (On RPP)	44,000	100	$126.10	24.59%	$261.53	4.50%
GS > 50 kW (On RPP)	110,000	250	$196.63	23.75%	$543.37	3.86%
GS > 50 kW (On RPP)	154,000	350	$243.65	23.48%	$731.27	3.74%
GS > 50 kW (On RPP)	880,000	2,000	$1,019.48	22.64%	$3,831.51	3.47%
GS > 50 kW (On RPP)	1,760,000	4,000	$1,959.88	22.52%	$7,589.38	3.44%
Large Use (1) (On RPP)	3,321,500	6,500	($7,665.19)	(23.70%)	($804.34)	(0.19%)
Large Use (1) (On RPP)	3,832,500	7,500	($7,992.09)	(23.70%)	($75.71)	(0.02%)
Large Use (1) (On RPP)	5,110,000	10,000	($8,809.34)	(23.70%)	$1,745.84	0.27%
Large Use (1) (On RPP)	6,387,500	12,500	($9,626.59)	(23.70%)	$3,567.40	0.45%
Large Use (2) (On RPP)	7,665,000	15,000	($38,379.82)	(87.10%)	($22,346.03)	(2.34%)
Large Use (2) (On RPP)	10,220,000	20,000	($44,386.32)	(87.10%)	($25,161.92)	(1.99%)
USL (On RPP)	250		$0.19	1.49%	$0.91	2.25%
USL (On RPP)	500		$0.24	1.46%	$1.71	2.41%
Sentinel (721 Connections)	97,008	216	$1,552.96	25.87%	$1,792.56	10.09%
Street Lighting (36,000 Devices)	2,400,000	6,800	$54,782.52	42.37%	$61,632.51	14.82%

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9-Energy Probe-57

Ref: Exhibit 9, Tab 6, Schedule 2

Account 1555 is listed under accounts not proposed for disposition. However, the evidence states that Horizon is seeking approval for final disposition of its smart meter implementation costs. Please reconcile.

Response:

Horizon Utilities confirms that it is seeking approval for final disposition of its Smart Meter implementation costs as identified in Lines 9 through 12 of Exhibit 9, Tab 6, Schedule 2, page 1. The title for Schedule 2 in Tab 6 of Exhibit 9 “Accounts not Proposed for Disposition” is incorrect. The title should read “Accounts not Proposed for Disposition via a Rate Rider”. Horizon Utilities is not proposing disposition of Account 1555 via a Rate Rider since the costs accumulated in account 1555 are included in the opening balance of fixed assets in 2015 as identified in Exhibit 9, Tab 6, Schedule 2.

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