

SEC-59

Reference: Submission, p. 3

With respect to the proposed change to the method of calculating the impact of the change in capitalization policy:

- a) Please file the order or other communication from the Board authorizing the Applicant to cease to record the impact of the change in capitalization policy after 2018.**
- b) In the event that the Board has not authorized the cessation of record-keeping on this issue, please advise the basis on which the Applicant determined that it could cease keeping those records, consistent with the Board's past deferrals of consideration of this issue.**
- c) Please provide a detailed estimate for each rate zone, with all relevant calculations, of the difference between the new methodology proposed by the Applicant, and the actual differences in rate base and revenue requirement estimated to arise over the period 2017-2026 based on the Applicant's capital plans.**
- d) Please provide all internal documents, reports, calculations, spreadsheets and other materials relating to the future estimates of the impact of the capitalization policy. If the Applicant wishes to claim confidentiality or privilege with respect to any of those materials, please identify the date and type of document, and the nature of the information in the document relevant to the impact of the capitalization policy change.**

Response:

- 1 a) Alectra Utilities has established the capitalization policy deferral accounts as directed by the
- 2 OEB.
- 3
- 4 b) Please see Alectra Utilities' response to part a).
- 5
- 6 c) Please see Alectra Utilities' response to G-Staff-3.
- 7
- 8 d) The full calculation of the impact of the capitalization policy change over the rebasing
- 9 deferral period is provided in response to G-Staff-3. Please also refer to the Capitalization

- 1 Policy Memo filed in response to undertaking JT.2.32, on December 15, 2017, in Alectra
- 2 Utilities' 2018 EDR Application (EB-2017-0024).

SEC-60

Reference: Exhibit 2, Tab 1, Schedule 5, p. 7

Please provide all supporting calculations behind Table 20.

Response:

- 1 Please see Alectra Utilities' response to G-Staff-3.

SEC-61

Reference: Exhibit 2, Tab 1, Schedule 5, p. 8

Please prepare the Board's form 2-EB for each of the rate zones, and for the entire period from the time the capitalization policy changed, to the end of the deferred rebasing period (2017-2026), and in that form treat "former CGAAP" as the accounting rules used in that rate zone prior to 2017, and "revised CGAAP" as the new accounting rules used in the rate zone from 2017 to 2026. Please ensure that forecast capital additions and depreciation is used for all years, and do not make any changes to reflect the proposed changes in Table 22. If the Applicant wishes, it can also file the same 2-EB for each rate zone, on the same basis, but adding the changes in Table 22.

Response:

- 1 In response to G-Staff-3, Alectra Utilities has filed a complete calculation of the impact of the
- 2 capitalization policy change (Capitalization Policy Impact Model). This model includes all items
- 3 for inclusion in the capitalization policy deferral accounts and provides a comprehensive view of
- 4 the impact of the capitalization policy change. Alectra Utilities' Model includes detailed
- 5 calculations of the revenue requirement impact of the change in the capitalization policy. It also
- 6 provides the OEB with the complete calculation which cannot be fully inputted into the OEB's
- 7 Appendix 2-EB Form. Please see the Capitalization Policy Impact Model filed in Alectra Utilities'
- 8 response to G-Staff-3.

SEC-62

Reference: Exhibit 2, Tab 1, Schedule 5, p. 8

Please provide a complete rate base continuity table from 2017 to 2026 for each rate zone, on a forecast basis, using the capitalization policies actually expected to be in effect during that period.

Response:

- 1 Please see Alectra Utilities' response to G-Staff-3.

SEC-63

Reference: Exhibit 2, Tab 1, Schedule 5, p. 9

Please provide the full calculations, in Excel format, supporting Table 22. Please provide a similar table, with full supporting calculations, for each of the years 2018-2026.

Response:

- 1 Please see Alectra Utilities' response to G-Staff-3.

SEC-64

Reference: Exhibit 3, Tab 1, Schedule 2, p. 2-10

Please provide the full calculations, in Excel format, supporting Tables 24-31.

Response:

- 1 The full calculations supporting Tables 24-31 is provided as SEC-64_Attach 1_HRZ 2017 ESM
- 2 Model. Please note that this model is representative of the original filing and excludes the
- 3 adjustments made in HRZ-Staff-2.

SEC-64

ATTACH 1 – HRZ 2017 ESM MODEL

Summary ESM Calculation

| 2017 Regulatory ROE for ESM | 2017 Actuals ESM | Annual Filing EB- 2016-0077 | Variance |
|--|---------------------|--------------------------------|----------------|
| Adjusted Regulatory net income | \$ 20,113,167 | \$ 18,281,100 | \$ 1,832,067 |
| Deemed equity | \$ 207,057,276 | \$ 208,212,985 | (\$ 1,155,709) |
| ROE | 9.714% | 8.780% | 0.934% |
| % Return in excess of approved in rates | | 0.934% | |
| \$ Return in excess of approved in rates | | \$1,933,538 | |
| Amount payable to rate payers | | \$966,769 | |

ESM Rate Riders Table

| Rate Class | Total \$ | Fixed Rate Rider | Variable Rate | |
|---------------------------------|---------------------|------------------|---------------|----------------|
| | | | Rider | Variable Units |
| RESIDENTIAL | (\$ 593,731) | (\$ 0.22) | \$ 0.0000 | \$/kWh |
| GENERAL SERVICE LESS THAN 50 KW | (\$ 129,527) | (\$ 0.34) | (\$ 0.0001) | \$/kWh |
| GENERAL SERVICE > 50 KW | (\$ 195,681) | (\$ 3.16) | (\$ 0.0213) | \$/kW |
| LARGE USE 1 | (\$ 20,857) | (\$ 197.51) | (\$ 0.0117) | \$/kW |
| LARGE USE 2 | (\$ 8,693) | (\$ 46.71) | (\$ 0.0028) | \$/kW |
| UNMETERED SCATTERED LOAD | (\$ 2,710) | (\$ 0.07) | (\$ 0.0001) | \$/kWh |
| SENTINEL LIGHTING | (\$ 265) | (\$ 0.05) | (\$ 0.1253) | \$/kW |
| STREET LIGHTING | (\$ 15,305) | (\$ 0.02) | (\$ 0.0443) | \$/kW |
| Total | (\$ 966,769) | | | |

Regulatory Net Income

| 2017 Regulatory ROE | 2017 Actuals | | | Annual Filing EB- 2017-0024 |
|--|---------------------|----------------------|----------------------|--------------------------------|
| | HUC | Alectra | Total | |
| Regulated net income (loss) per RRR 2.1 | \$ 1,325,637 | \$ 77,029,538 | \$ 78,355,174 | \$ 22,974,211 |
| Remove CDM Net income | \$ 0 | (\$ 949,339) | (\$ 949,339) | |
| Remove renewable generation (income) | \$ 0 | \$ 12,468,382 | \$ 12,468,382 | |
| Remove merger costs | \$ 482,892 | \$ 2,032,671 | \$ 2,515,563 | |
| Add actual interest cost | \$ 642,098 | \$ 51,910,112 | \$ 52,552,210 | |
| Deduct income tax expense | \$ 423,562 | \$ 10,501,164 | \$ 10,924,726 | |
| Remove share of Joint venture net income | \$ 0 | (\$ 559,101) | (\$ 559,101) | |
| Deduct other rate zones regulatory net income before interest and taxes | \$ 0 | (\$ 121,676,434) | (\$ 121,676,434) | |
| Horizon Rate Zone regulatory net income before interest and taxes | \$ 2,874,189 | \$ 30,756,993 | \$ 33,631,181 | \$ 22,974,211 |
| Deemed interest expense - short term | | | (\$ 364,421) | \$ 0 |
| Deemed interest expense - long term | | | (\$ 10,062,656) | \$ 0 |
| Regulatory Net Income before Tax | | | \$ 23,204,104 | \$ 22,974,211 |
| Income taxes/PILs - current | | | (\$ 2,772,559) | (\$ 4,693,111) |
| Horizon Rate Zone regulatory net income before ESM adjustments | | | \$ 20,431,545 | \$ 18,281,100 |

HRZ - Regulatory Net Income

| Adjusted Net Income for ESM | 2017 Actuals ESM |
|--|----------------------|
| Regulatory Net income | \$ 20,431,545 |
| Add back taxes | \$ 2,772,559 |
| Add back 2017 ESM accrual | \$ 985,377 |
| Add non-allowable donations (non-LEAP) | \$ 3,919 |
| Adjustments for DVAs to get to RRR | \$ 0 |
| Remove DVA interest (income) expense | \$ 43,834 |
| Adjustment for 2016 ESM actual vs. accrued | \$ 33,508 |
| Deduct ROE on Stranded meters | (\$ 84,000) |
| Deduct 1/5th of Application costs | (\$ 495,385) |
| Adjusted NIBT for ESM | \$ 23,691,358 |
| PILS | \$ 3,578,190 |
| Adjusted Net Income for ESM | \$ 20,113,167 |

Current Taxes - HRZ

| Adjustments | Income before Tax | Current Tax Impact | Tax Rate |
|--|----------------------|-----------------------|---------------|
| Regulatory Net income | \$ 23,204,104 | \$ 2,772,559 | 11.95% |
| Add back 2017 ESM accrual | \$ 985,377 | \$ 261,125 | 26.50% |
| Add non-allowable donations (non-LEAF) | \$ 3,919 | \$ 1,039 | 26.50% |
| Adjustments for DVAs to get to RRR | \$ 0 | \$ 0 | |
| Adjustments for DVA interest (income) expense | \$ 43,834 | \$ 11,616 | |
| Adjustment for 2016 ESM actual vs. accrued | \$ 33,508 | \$ 8,880 | 26.50% |
| Deduct ROE on Stranded meters | (\$ 84,000) | (\$ 22,260) | 26.50% |
| Record Tax on Stranded Meter Rate Rider as per Custom IR Application | | \$ 676,509 | |
| Deduct 1/5th of Application costs | (\$ 495,385) | (\$ 131,277) | 26.50% |
| Adjusted NIBT for ESM | \$ 23,691,358 | \$ 3,578,190 | 15.10% |

HRZ Deemed Debt & Equity

| Deemed Debt and Equity | % | Annual Filing EB- | | |
|------------------------|----------------|-----------------------|-----------------------|-----------------------|
| | | 2017 Actuals ESM | 2016-0077 | Variance |
| Deemed ST Debt | 4.00% | \$ 20,705,728 | \$ 20,821,299 | (\$ 115,571) |
| Deemed LT Debt | 56.00% | \$ 289,880,187 | \$ 291,498,179 | (\$ 1,617,993) |
| Deemed Equity | 40.00% | \$ 207,057,276 | \$ 208,212,985 | (\$ 1,155,709) |
| Total Rate Base | 100.00% | \$ 517,643,190 | \$ 520,532,463 | (\$ 2,889,273) |

HRZ Rate Base

| Rate Base | 2017 Actuals ESM | Annual Filing EB- 2016-0077 | Variance |
|----------------------------------|-----------------------|--------------------------------|------------------------|
| Average Net Fixed Assets | \$ 449,067,999 | \$ 432,973,917 | \$ 16,094,082 |
| Working Capital Allowance: | | | |
| Cost of Power | \$ 510,177,988 | \$ 667,926,057 | (\$ 157,748,069) |
| Controllable expenses | \$ 61,281,938 | \$ 61,728,494 | (\$ 446,556) |
| Working Capital Base | \$ 571,459,926 | \$ 729,654,551 | (\$ 158,194,625) |
| Working Capital Allowance | \$ 68,575,191 | \$ 87,558,546 | (\$ 18,983,355) |
| Rate Base | \$ 517,643,190 | \$ 520,532,463 | (\$ 2,889,273) |

HRZ Net Fixed Assets

| Description | January 1, 2017 | December 31, 2017 | Average |
|---------------------|-----------------------|-----------------------|-----------------------|
| Distribution Assets | \$ 393,011,067 | \$ 422,396,256 | \$ 407,703,662 |
| General Plant | \$ 43,380,554 | \$ 39,348,121 | \$ 41,364,337 |
| Total | \$ 436,391,621 | \$ 461,744,377 | \$ 449,067,999 |

HRZ Regulatory Net Income (by period)

| Regulatory Net Income | 2017 Actual | | |
|---|-----------------------------|-------------------------------|-----------------------|
| | 1 Month ending Jan 31/17 | 11 Months ending Dec 31/17 | Total |
| Distribution revenue | \$ 9,593,782 | \$ 103,901,260 | \$ 113,495,042 |
| Other revenue | \$ 508,612 | \$ 4,791,551 | \$ 5,300,164 |
| Revenue | \$ 10,102,394 | \$ 108,692,811 | \$ 118,795,206 |
| OM&A | \$ 5,266,751 | \$ 56,015,186 | \$ 61,281,938 |
| Depreciation | \$ 1,961,455 | \$ 21,920,632 | \$ 23,882,087 |
| Net Income before interest and tax | \$ 2,874,188 | \$ 30,756,993 | \$ 33,631,181 |
| Deemed interest on ST Debt | \$ 30,951 | \$ 333,470 | \$ 364,421 |
| Deemed interest on LT Debt | \$ 854,637 | \$ 9,208,020 | \$ 10,062,656 |
| Regulatory Net Income before Tax | \$ 1,988,601 | \$ 21,215,504 | \$ 23,204,104 |
| PILS | \$ 423,562 | \$ 2,348,997 | \$ 2,772,559 |
| Regulatory Net income | \$ 1,565,039 | \$ 18,866,506 | \$ 20,431,545 |

**Horizon Rate Zone (HRZ) 2017 ESM Calculation
Summary**

| A. 2017 Regulatory ROE for ESM | 2017 Actuals ESM | Annual Filing EB-2016-0077 | Variance |
|--|-----------------------------|---------------------------------------|-----------------|
| Adjusted Regulatory net income | \$ 20,113,167 | \$ 18,281,100 | \$ 1,832,067 |
| Deemed equity | \$ 207,057,276 | \$ 208,212,985 | (\$ 1,155,709) |
| ROE | 9.714% | 8.780% | 0.934% |
| % Return in excess of approved in rates | | 0.934% | |
| \$ Return in excess of approved in rates | | \$1,933,538 | |
| Amount payable to rate payers | | \$966,769 | |

| B. Adjusted Net Income for ESM | 2017 Actuals ESM | Notes |
|--|-----------------------------|--------------|
| Regulatory Net income | \$ 20,431,545 | 1 |
| Add back taxes | \$ 2,772,559 | |
| Add back 2017 ESM accrual | \$ 985,377 | 2 |
| Add non-allowable donations (non-LEAP) | \$ 3,919 | |
| Adjustments for DVAs to get to RRR | \$ 0 | 3 |
| Remove DVA interest (income) expense | \$ 43,834 | 4 |
| Adjustment for 2016 ESM actual vs. accrued | \$ 33,508 | |
| Deduct ROE on Stranded meters | (\$ 84,000) | |
| Deduct 1/5th of Application costs | (\$ 495,385) | 5 |
| Adjusted NIBT for ESM | \$ 23,691,358 | |
| PILS | \$ 3,578,190 | |
| Adjusted Net Income for ESM | \$ 20,113,167 | |

Notes:

1. All amounts on this sheet are for the HRZ. See supporting schedules for allocation to HRZ.
2. ESM accrual included RRR filing and adjusted accordingly in distribution revenue
3. The starting point for 2017 is on a RRR basis so no adjustment required to record deferral and variance (DVA) balances on an RRR basis.
4. Horizon - month ending Jan 31, 2017 \$ 11,259
 HRZ 11 months ending Dec 31, 2017 \$ 32,575
 Total \$ 43,834
5. This is the same amount for all years as total cost is amortized over the 5 years.

| 2017 Regulatory ROE for ESM | 2017 Actuals ESM | Annual Filing EB-2016-0077 | Variance |
|--|-----------------------------|---------------------------------------|-----------------|
| Adjusted Regulatory net income | \$ 19,807,963 | \$ 18,281,100 | \$ 1,526,863 |
| Deemed equity | \$ 207,042,402 | \$ 208,212,985 | (\$ 1,170,584) |
| ROE | 9.567% | 8.780% | 0.787% |
| % Return in excess of approved in rates | | 0.787% | |
| \$ Return in excess of approved in rates | | \$1,629,640 | |
| Amount payable to rate payers | | \$814,820 | |

Alectra Utilities Corporation

Horizon Utilities Corporation (HUC) / Horizon Rate Zone (HRZ) 2017 ESM Calculation

| 2017 Regulatory ROE | 2017 Actuals | | | Annual Filing EB- 2017-0024 |
|--|---------------------|----------------------|----------------------|--------------------------------|
| | HUC | Alectra | Total | |
| Regulated net income (loss) per RRR 2.1.7 | \$ 1,325,637 | \$ 77,029,538 | \$ 78,355,174 | \$ 22,974,211 |
| Remove CDM Net income | \$ 0 | (\$ 949,339) | (\$ 949,339) | |
| Remove renewable generation (income) loss | \$ 0 | \$ 12,468,382 | \$ 12,468,382 | |
| Remove merger costs | \$ 482,892 | \$ 2,032,671 | \$ 2,515,563 | |
| Add actual interest cost | \$ 642,098 | \$ 51,910,112 | \$ 52,552,210 | |
| Deduct income tax expense | \$ 423,562 | \$ 10,501,164 | \$ 10,924,726 | |
| Remove share of Joint venture net income | | (\$ 559,101) | (\$ 559,101) | |
| Deduct other rate zones regulatory net income before interest and taxes | | (\$ 121,676,434) | (\$ 121,676,434) | |
| Horizon Rate Zone regulatory net income before interest and taxes | \$ 2,874,189 | \$ 30,756,993 | \$ 33,631,181 | \$ 22,974,211 |
| Deemed interest expense - short term | | | (\$ 364,421) | |
| Deemed interest expense - long term | | | (\$ 10,062,656) | |
| Regulatory Net Income before Tax | | | \$ 23,204,104 | \$ 22,974,211 |
| Income taxes/PILs - current | | | (\$ 2,772,559) | (\$ 4,693,111) |
| Horizon Rate Zone regulatory net income before ESM adjustments | | | \$ 20,431,545 | \$ 18,281,100 |

NOTES

HUC = Horizon Utilities Corporation for the month ending January 31, 2017 (final fiscal period)

HRZ = Alectric Utilities Corporation - Horizon Rate Zone portion for the 11 months ending December 31, 2017

Horizon 2017 ESM Estimate

Calculation of Current Taxes - Horizon Rate Zone

| A. Adjustments | Income before Tax | Current Tax Impact | Tax Rate | Notes |
|--|----------------------|---------------------|---------------|-------|
| Regulatory Net income | \$ 23,204,104 | \$ 2,772,559 | 11.95% | |
| Add back 2017 ESM accrual | \$ 985,377 | \$ 261,125 | 26.50% | |
| Add non-allowable donations (non-LEAP) | \$ 3,919 | \$ 1,039 | 26.50% | |
| Adjustments for DVAs to get to RRR | \$ 0 | \$ 0 | | |
| Adjustments for DVA interest (income) expense | \$ 43,834 | \$ 11,616 | | |
| Adjustment for 2016 ESM actual vs. accrued | \$ 33,508 | \$ 8,880 | 26.50% | |
| Deduct ROE on Stranded meters | (\$ 84,000) | (\$ 22,260) | 26.50% | |
| Record Tax on Stranded Meter Rate Rider as per Custom IR Application | | \$ 676,509 | | |
| Deduct 1/5th of Application costs | (\$ 495,385) | (\$ 131,277) | 26.50% | |
| Adjusted NIBT for ESM | \$ 23,691,358 | \$ 3,578,190 | 15.10% | |

| B. Horizon Rate Zone - Alectra period | Actual | EB-2016-0077 | |
|---------------------------------------|-----------------|----------------|---|
| Regulatory net income before tax | \$ 21,215,504 | \$ 18,281,100 | 1 |
| Net additions (deductions) for tax | (\$ 12,152,295) | (\$ 4,675,679) | 2 |
| Taxable income | \$ 9,063,209 | \$ 13,605,421 | |
| Tax Rate | 26.50% | 26.50% | 3 |
| Income taxes | \$ 2,401,750 | \$ 3,605,437 | |
| tax credits | (\$ 52,753) | (\$ 156,000) | |
| Current taxes payable | \$ 2,348,997 | \$ 3,449,437 | |
| PILs Gross-up | \$ 0 | \$ 1,243,674 | |
| Income taxes | \$ 2,348,997 | \$ 4,693,111 | |

Notes

1. Regulatory net income before tax from "Net Income" sheet
2. Net Additions (deductions) for tax from Alectra tax provision worksheet (Attachment 9)
3. This is the legislated tax rate that applies to HRZ taxable income for 2017.

Horizon 2017 ESM
Net Income

| A. Regulatory Net Income | Annual Filing EB- | | |
|---|-----------------------|-----------------------|-----------------------|
| | 2017 Actual | 2016-0077 | Variance |
| Distribution revenue | \$ 113,495,042 | \$ 114,704,196 | (\$ 1,209,154) |
| Other revenue | \$ 5,300,164 | \$ 5,755,938 | (\$ 455,774) |
| Revenue | \$ 118,795,206 | \$ 120,460,134 | (\$ 1,664,928) |
| OM&A | \$ 61,281,938 | \$ 61,728,494 | (\$ 446,556) |
| Depreciation | \$ 23,882,087 | \$ 25,272,152 | (\$ 1,390,065) |
| Deemed interest on ST Debt | \$ 364,421 | \$ 366,455 | (\$ 2,034) |
| Deemed interest on LT Debt | \$ 10,062,656 | \$ 10,118,822 | (\$ 56,166) |
| Total expenses | \$ 95,591,101 | \$ 97,485,923 | (\$ 1,894,821) |
| Regulatory Net Income before Tax | \$ 23,204,104 | \$ 22,974,211 | \$ 229,893 |
| PILS | \$ 2,772,559 | \$ 4,693,111 | (\$ 1,920,552) |
| Regulatory Net income | \$ 20,431,545 | \$ 18,281,100 | \$ 2,150,445 |

| B. Regulatory Net Income | 2017 Actual | | |
|---|-----------------------------|-------------------------------|-----------------------|
| | 1 Month ending Jan 31/17 | 11 Months ending Dec 31/17 | Total |
| Distribution revenue | \$ 9,593,782 | \$ 103,901,260 | \$ 113,495,042 |
| Other revenue | \$ 508,612 | \$ 4,791,551 | \$ 5,300,164 |
| Revenue | \$ 10,102,394 | \$ 108,692,811 | \$ 118,795,206 |
| OM&A | \$ 5,266,751 | \$ 56,015,186 | \$ 61,281,938 |
| Depreciation | \$ 1,961,455 | \$ 21,920,632 | \$ 23,882,087 |
| Net Income before interest and tax | \$ 2,874,188 | \$ 30,756,993 | \$ 33,631,181 |
| Deemed interest on ST Debt | \$ 30,951 | \$ 333,470 | \$ 364,421 |
| Deemed interest on LT Debt | \$ 854,637 | \$ 9,208,020 | \$ 10,062,656 |
| Regulatory Net Income before Tax | \$ 1,988,601 | \$ 21,215,504 | \$ 23,204,104 |
| PILS | \$ 423,562 | \$ 2,348,997 | \$ 2,772,559 |
| Regulatory Net income | \$ 1,565,039 | \$ 18,866,506 | \$ 20,431,545 |

C. Deemed Debt and Equity

| | | | |
|-----------------|------|----------------|---------------|
| Deemed ST Debt | 4% | \$ 20,705,728 | \$ 364,421 |
| Deemed LT Debt | 56% | \$ 289,880,187 | \$ 10,062,656 |
| Deemed Equity | 40% | \$ 207,057,276 | |
| Total Rate Base | 100% | \$ 517,643,190 | |

D. 2017 DRO Approved by OEB (EB-2016-0077)

| | | |
|-----------|--|----------------|
| Rate Base | | \$ 520,532,463 |
|-----------|--|----------------|

Revenue Requirement

| | | |
|------------------------------------|-------|-----------------------|
| Deemed interest on ST Debt | 1.76% | \$ 366,455 |
| Deemed interest on LT Debt | 3.47% | \$ 10,118,822 |
| Return on Equity | 8.78% | \$ 18,281,100 |
| Total Return on Rate Base | | \$ 28,766,377 |
| Depreciation | | \$ 25,272,152 |
| OM&A | | \$ 61,419,231 |
| Property Tax | | \$ 309,263 |
| PILS | | \$ 4,693,111 |
| Service Revenue Requirement | | \$ 120,460,134 |
| Revenue Offsets | | \$ 5,755,938 |
| Base Revenue Requirement | | \$ 114,704,196 |

Notes

1. Net income before interest and tax reconciled to RRR 2.1.7 trial balance regulatory net income.

Horizon 2017 ESM
Rate Base

| Rate Base and Deemed Equity | Ref. | 2017 Total | Annual Filing EB-2016-0077 | Variance | |
|----------------------------------|----------------|-----------------------|-------------------------------|------------------------|----------------|
| Average Net Fixed Assets | NFA | \$ 449,067,999 | \$ 432,973,917 | \$ 16,094,082 | 3.7% |
| Working Capital Allowance: | | | | | |
| Cost of Power | COP | \$ 510,177,988 | \$ 667,926,057 | (\$ 157,748,069) | (23.6%) |
| Controllable expenses | OM&A | \$ 61,281,938 | \$ 61,728,494 | (\$ 446,556) | (0.7%) |
| Working Capital Base | | \$ 571,459,926 | \$ 729,654,551 | (\$ 158,194,625) | (21.7%) |
| Working Capital Allowance | 12.00% | \$ 68,575,191 | \$ 87,558,546 | (\$ 18,983,355) | (21.7%) |
| Rate Base | | \$ 517,643,190 | \$ 520,532,463 | (\$ 2,889,273) | (0.6%) |
| | | | | | |
| Deemed ST Debt | 4.00% | \$ 20,705,728 | \$ 20,821,299 | (\$ 115,571) | (0.6%) |
| Deemed LT Debt | 56.00% | \$ 289,880,187 | \$ 291,498,179 | (\$ 1,617,993) | (0.6%) |
| Deemed Equity | 40.00% | \$ 207,057,276 | \$ 208,212,985 | (\$ 1,155,709) | (0.6%) |
| Total Rate Base | 100.00% | \$ 517,643,190 | \$ 520,532,463 | (\$ 2,889,273) | (0.6%) |

| Rate Base | 2017 Actuals ESM | Annual Filing EB- 2016-0077 | Variance |
|----------------------------------|-----------------------|--------------------------------|-------------------------|
| Average Net Fixed Assets | \$ 449,067,999 | \$ 432,973,917 | \$ 16,094,082 |
| Working Capital Allowance: | | | |
| Cost of Power | \$ 510,177,988 | \$ 667,926,057 | (\$ 157,748,069) |
| Controllable expenses | \$ 61,281,938 | \$ 61,728,494 | (\$ 446,556) |
| Working Capital Base | \$ 571,459,926 | \$ 729,654,551 | (\$ 158,194,625) |
| Working Capital Allowance | \$ 68,575,191 | \$ 87,558,546 | (\$ 18,983,355) |
| Rate Base | \$ 517,643,190 | \$ 520,532,463 | (\$ 2,889,273) |
| | | | |

| Deemed Debt and Equity | % | 2017 Actuals ESM | Annual Filing EB-2016-0077 | Variance |
|------------------------|----------------|-----------------------|-------------------------------|-----------------------|
| Deemed ST Debt | 4.00% | \$ 20,705,728 | \$ 20,821,299 | (\$ 115,571) |
| Deemed LT Debt | 56.00% | \$ 289,880,187 | \$ 291,498,179 | (\$ 1,617,993) |
| Deemed Equity | 40.00% | \$ 207,057,276 | \$ 208,212,985 | (\$ 1,155,709) |
| Total Rate Base | 100.00% | \$ 517,643,190 | \$ 520,532,463 | (\$ 2,889,273) |

Horizon 2017 ESM**Rate Base - Net Fixed Assets (NBV)**

| Description | Jan 1/17 | Dec 31/17 | Average | Notes |
|---------------------|-----------------------|-----------------------|-----------------------|---------------|
| Distribution Assets | \$ 393,011,067 | \$ 422,396,256 | \$ 407,703,662 | See (A) below |
| General Plant | \$ 43,380,554 | \$ 39,348,121 | \$ 41,364,337 | |
| Total | \$ 436,391,621 | \$ 461,744,377 | \$ 449,067,999 | |

(A) Allocation of General Plant:

| General Plant | | | Allocation | | Notes |
|----------------------|-----------------------|-----------------------|-------------------|-----------------------|------------------|
| Rate Zone | Dec 31/16 | Dec 31/17 | Percentage | Dec 31/17 | |
| Horizon | \$ 43,380,554 | | 16.83% | \$ 39,348,121 | 1. See (B) below |
| Enersource | \$ 59,143,324 | | 22.95% | \$ 53,645,665 | |
| Brampton | \$ 17,994,921 | | 6.98% | \$ 16,322,206 | |
| PowerStream | \$ 137,170,089 | | 53.23% | \$ 124,419,463 | |
| Alectra | | \$ 233,735,455 | | | |
| Total | \$ 257,688,889 | \$ 233,735,455 | 100% | \$ 233,735,455 | |

(B) Calculation of Total General Plant to Allocate:

| General Plant | | |
|----------------------|-----------------------|-----------------------|
| Rate Zone | Dec 31/16 | Dec 31/17 |
| Horizon | \$ 43,380,554 | \$ 39,362,028 |
| Enersource | \$ 59,143,324 | \$ 49,248,420 |
| Brampton | \$ 17,994,921 | \$ 12,025,161 |
| PowerStream | \$ 137,170,089 | \$ 115,925,734 |
| Merger Adj | \$ 0 | \$ 17,174,112 |
| Total | \$ 257,688,889 | \$ 233,735,455 |

NOTES

1. Alectra total General Plant at Dec 31/17 allocated based on Dec 31/16 NBV of General Plant

Horizon 2017 ESM
Cost of Power (COP)

| | Jan | Feb-Dec | Total | Notes |
|------------------------------------|---------------|----------------|----------------|-------|
| Cost of Power per MIFRS statements | \$ 47,644,000 | \$ 462,533,988 | \$ 510,177,988 | |
| Total Cost of Power for ESM | \$ 47,644,000 | \$ 462,533,988 | \$ 510,177,988 | 1 |

Notes

1. Tracked by rate zone - COP calculated based on OEB definition of lower of revenue and cost of power

Horizon 2017 ESM
Distribution Revenue

| | Jan | Feb-Dec | Total | Notes |
|---------------------------------|--------------|----------------|----------------|-------|
| Distribution Revenue | \$ 9,593,782 | \$ 103,901,260 | \$ 113,495,042 | 1 |
| Less stranded meter rate riders | \$ 0 | \$ 0 | \$ 0 | 2 |
| Distribution Revenue for ESM | \$ 9,593,782 | \$ 103,901,260 | \$ 113,495,042 | |

| Alectra Distribution Revenue | Total | HRZ | BRZ | ERZ | PRZ |
|------------------------------|----------------|----------------|---------------|----------------|----------------|
| 11 months ending Dec 31/17 | \$ 473,227,872 | \$ 104,886,637 | \$ 61,547,020 | \$ 122,135,627 | \$ 184,658,587 |
| HRZ ESM, DVA adjustments | (\$ 1,021,165) | (\$ 985,377) | \$ 1,211,711 | (\$ 1,247,499) | \$ 0 |
| Total | \$ 472,206,706 | \$ 103,901,260 | \$ 62,758,731 | \$ 120,888,128 | \$ 184,658,587 |

- Notes**
1. Tracked by rate zone - directly attributable
 2. The above revenue amounts are MIFRS and exclude the stranded meter rate riders but include allowed return. Adjustment for return portion made on "ESM Calc" sheet.

Horizon 2017 ESM
Other Revenue

A) Directly attributable basis

| LDC/Rate Zone | 2017 Stub | | Total | Note |
|---------------|------------|---------------|--------------|------|
| | period | HRZ - Alectra | | |
| Horizon | \$ 508,612 | \$ 4,791,551 | \$ 5,300,164 | 1 |
| Total | \$ 508,612 | \$ 4,791,551 | \$ 5,300,164 | |

Notes

1 Other revenues are rate zone specific to the legacy GL.

Reconciliation Other Revenue

| | |
|--|---------------------|
| From Horizon Jan 2017 EDO trial balance | \$ 627,632 |
| Less recoveries transferred to OM&A | (\$ 136,030) |
| add gain(loss) on sale of assets excluding derecognition | \$ 17,011 |
| Total HRZ Stub period | <u>\$ 508,612</u> |
| | |
| Other Revenue from the Alectra Trial Balance - HRZ | \$ 4,422,807 |
| add gain(loss) on sale of assets excluding derecognition | \$ 368,744 |
| Total HRZ (Alectra) period | <u>\$ 4,791,551</u> |

Horizon 2017 ESM
OM&A for 2017 ESM

HRZ 2017 OM&A for ESM calculation

| | | |
|--|---------------------|---|
| Horizon Utilities Corporation - 1 month ending Jan 31/17 | \$5,266,751 | 1 |
| HRZ share of Alectra OM&A - 11 months ending Dec 31/17 | \$ 56,015,186 | 2 |
| Total for 2017 | <u>\$61,281,938</u> | |

Notes

| | |
|---|--------------------|
| 1. Horizon stub period OM&A from EDO Trial Balance | \$5,885,674 |
| Reduce by management fees recoveries from Other Revenue | (\$136,030) |
| Remove merger costs | (\$482,892) |
| Adjusted total | <u>\$5,266,751</u> |

2. Allocation of Alectra OM&A to HRZ:

| Description | Amount |
|---|-----------------------|
| Alectra Utilities | \$ 233,507,349 |
| Less net merger OM&A costs | (\$ 2,032,671) |
| Adjusted Alectra OM&A for allocation to rate zones | \$ 231,474,678 |
| Remove Waubashene - specific to PRZ | (\$ 2,403,000) |
| Remove environmental - specific to ERZ | (\$ 1,153,000) |
| Total for allocation | \$ 227,918,678 |

Allocation to Rate Zones:

| LDC/Rate Zone | Alectra 2017 | Allocation % | Allocated Amount | Rate Zone Specific | OM&A by Rate Zone |
|---------------|-----------------------|----------------|-----------------------|---------------------|-----------------------|
| Brampton | | 12.53% | \$ 28,561,177 | | \$ 28,561,177 |
| Enersource | | 24.24% | \$ 55,254,500 | \$ 1,153,000 | \$ 56,407,500 |
| Horizon | | 24.58% | \$ 56,015,186 | | \$ 56,015,186 |
| PowerStream | | 38.65% | \$ 88,087,814 | \$ 2,403,000 | \$ 90,490,814 |
| Alectra | \$ 227,918,678 | | | | \$ - |
| Total | \$ 227,918,678 | 100.00% | \$ 227,918,678 | \$ 3,556,000 | \$ 231,474,678 |

See "Allocations" sheet for details regarding the allocation % used.

HRZ share of Alectra OM&A - 11 months ending Dec 31/17:

| | |
|---|----------------------|
| OM&A allocated to HRZ as above | \$ 56,015,186 |
| Horizon share of Alectra OM&A based on previous capitalization policy | <u>\$ 56,015,186</u> |

Horizon 2017 ESM
Depreciation Expense

| Horizon Rate Zone | Jan 31/17 (1 month) | Dec 31/17 (11 months) | 2017 Total |
|-----------------------|------------------------|--------------------------|--------------|
| Distribution Assets | \$1,306,460 | \$13,924,861 | \$15,231,321 |
| General Plant | \$589,825 | \$6,431,099 | \$7,020,923 |
| subtotal | \$1,896,285 | \$20,355,959 | \$22,252,244 |
| Derecognition expense | \$65,171 | \$1,564,672 | \$1,629,843 |
| Total | \$1,961,455 | \$21,920,632 | \$23,882,087 |

Notes

1

2

Allocation of General Plant:
Alectra General Plant depreciation is allocated based on Dec 31/16 General Plant depreciation by rate zone.

| | 2016 Depreciation Expense | 2017 Depreciation Expense |
|---------------|---------------------------------|---------------------------------|
| General Plant | | |
| Rate Zone | Dec 31/16 | Alectra ³ |
| Horizon | \$7,006,612 | \$ 6,431,099 |
| Enersource | \$7,487,110 | \$ 6,872,129 |
| Brampton | \$2,184,969 | \$ 2,005,499 |
| PowerStream | \$15,019,619 | \$ 13,785,928 |
| Total | \$31,698,310 | \$29,094,654 |

| General Plant Rate Zone | 2016 Dec 31/16 | Allocation Percentage | 2017 Depreciation Amount |
|----------------------------|-------------------|--------------------------|-----------------------------|
| Horizon | \$7,006,612 | 22.10% | \$ 6,431,099 |
| Enersource | \$7,487,110 | 23.62% | \$ 6,872,129 |
| Brampton | \$2,184,969 | 6.89% | \$ 2,005,499 |
| PowerStream | \$15,019,619 | 47.38% | \$ 13,785,928 |
| Total | \$31,698,310 | 100.00% | \$ 29,094,654 |

Notes

NOTES

1. Merger capital adjustments - calculate impact on depreciation expense:

| GP effective Average Rate | At Cost | | | | | |
|---|---------------|---------------|-----------------|-------------------|---------------|--------------|
| General Plant | Open Feb 1/17 | Net Additions | Close Dec 31/17 | adjust re 1/2 yr. | Adjusted Cost | Depreciation |
| Horizon | \$84,352,175 | (\$3,469,414) | \$80,882,761 | \$1,734,707 | \$82,617,468 | \$6,112,255 |
| Enersource | \$93,300,044 | (\$278,586) | \$93,021,458 | \$139,293 | \$93,160,751 | \$7,336,316 |
| Brampton | \$19,574,860 | (\$91,924) | \$19,482,936 | \$45,962 | \$19,528,898 | \$1,919,631 |
| PowerStream | \$196,996,489 | (\$111,764) | \$196,884,725 | \$55,882 | \$196,940,607 | \$13,692,292 |
| Total | \$394,223,568 | (\$3,951,688) | \$390,271,880 | \$1,975,844 | \$392,247,724 | \$29,060,493 |
| Effective average full year rate - Useful life in years and % | | | | | | 7.41% |

Alectra General plant - net merger capital costs adjustment \$ 17,174,112
Depreciation expense average rate 7.41% \$ 1,272,380 half year basis \$ 583,174

Alectra General Plant depreciation allocated based on Dec 31/16 General Plant depreciation by rate zone

| General Plant | 2016 Depreciation | Allocation Alectra | 2017 Depreciation Expense |
|---------------|-------------------|--------------------|------------------------------|
| Rate Zone | Dec 31/16 | Percentage | Alectra GLs |
| Horizon | \$7,006,612 | 22.10% | \$ 5,917,653 |
| Enersource | \$7,487,110 | 23.62% | \$ 7,147,293 |
| Brampton | \$2,184,969 | 6.89% | \$ 1,924,055 |
| PowerStream | \$15,019,619 | 47.38% | \$ 13,522,480 |
| Merger Adj | | | \$ 583,174.17 |
| Total | \$31,698,310 | 100.00% | \$ 29,094,654 |

2. Derecognition is rate zone specific as it relates to distribution plant located in the rate zone.

| | | | | | |
|-------------------------------|--------|-----------|---------|--------------|---------------|
| Gain/(Loss) on sale of assets | HU-545 | HU-832001 | HU-5085 | (\$ 218) | Gain on Sale |
| Gain/(Loss) on sale of assets | HU-900 | HU-830000 | HU-4355 | (\$ 66,169) | |
| Gain/(Loss) on sale of assets | HU-900 | HU-830000 | HU-NA | \$ 0 | |
| Gain/(Loss) on sale of assets | HU-900 | HU-832000 | HU-4355 | (\$ 119,338) | |
| Gain/(Loss) on sale of assets | HU-900 | HU-832000 | HU-4362 | (\$ 183,019) | (\$ 368,744) |
| Gain/(Loss) on sale of assets | HU-900 | HU-832000 | HU-NA | \$ 0 | Derecognition |
| Gain/(Loss) on sale of assets | HU-900 | HU-832001 | HU-4355 | \$ 1,564,672 | \$ 1,564,672 |
| Gain/(Loss) on sale of assets | HU-900 | HU-832001 | HU-NA | \$ 0 | |
| Total | | | | \$ 1,195,928 | \$ 1,195,928 |

Other revenue

Total

| From MIFRS Fixed Asset Continuity Schedules | | | | | |
|---|---------------|---------------|---------------|---------------|----------------|
| Description | BRZ | ERZ | HRZ | PRZ | Total |
| Distribution Plant | \$ 11,475,950 | \$ 22,518,190 | \$ 13,924,861 | \$ 30,377,860 | \$ 78,296,861 |
| General Plant | \$ 1,924,055 | \$ 7,147,293 | \$ 5,917,653 | \$ 13,522,480 | \$ 28,511,480 |
| Subtotal | \$ 13,400,004 | \$ 29,665,483 | \$ 19,842,513 | \$ 43,900,340 | \$ 106,808,341 |
| Other non-distribution | \$ 0 | \$ 86,813 | \$ 2,228,055 | \$ 567,459 | \$ 2,882,328 |
| Total | \$ 13,400,004 | \$ 29,752,296 | \$ 22,070,568 | \$ 44,467,800 | \$ 109,690,668 |

Horizon 2017 ESM Estimate

Alectra OM&A by Rate Zone - 3 Year Average

| | Enersource | Horizon | Brampton | PowerStream | Total Alectra | Notes |
|---|---------------------|---------------------|---------------------|---------------------|----------------------|-------|
| 2014-2016 RRR Average | \$56,300,996 | \$60,901,688 | \$28,658,213 | \$86,722,101 | \$232,582,998 | 1 |
| Adjust to Alectra Overhead capitalization | (\$2,035,681) | (\$5,889,304) | \$2,196,638 | (\$211,265) | (\$5,939,613) | 2 |
| Revised OM&A | \$54,265,315 | \$55,012,383 | \$30,854,852 | \$86,510,836 | \$226,643,385 | |
| % of total | 23.94% | 24.27% | 13.61% | 38.17% | 100.00% | |
| Prorate for 2017 part year: | | | | | | |
| Months | 11 | 11 | 10 | 11 | | |
| Prorated (Alectra Overhead basis) | \$ 49,743,205 | \$ 50,428,018 | \$ 25,712,376 | \$ 79,301,599 | \$205,185,199 | |
| % of total | 24.24% | 24.58% | 12.53% | 38.65% | 100.0% | |

Alectra OM&A by Rate Zone: 2014-2016 Actual

| | Enersource | Horizon | Brampton | PowerStream | Total Alectra |
|------------------------|---------------|---------------|--------------|---------------|---------------|
| 2016 RRR | \$60,161,765 | \$59,354,514 | \$31,370,268 | \$86,664,223 | \$237,550,770 |
| 2015 RRR | \$56,310,038 | \$63,032,792 | \$27,850,320 | \$87,683,717 | \$234,876,867 |
| 2014 RRR | \$52,431,185 | \$60,317,757 | \$26,754,051 | \$85,818,363 | \$225,321,356 |
| 2014-2016 RRR Total | \$168,902,988 | \$182,705,063 | \$85,974,640 | \$260,166,303 | \$697,748,993 |
| 2014-2016 RRR Average, | \$56,300,996 | \$60,901,688 | \$28,658,213 | \$86,722,101 | \$232,582,998 |

HRZ-STAFF-2.a Revised 3 Year Average

| | | | | | | |
|---------------------------------|--------------|--------------|--------------|--------------|---------------|---|
| 2014-2016 (3 Year) OM&A Average | \$56,496,098 | \$59,571,548 | \$27,912,160 | \$86,715,846 | \$230,695,651 | 3 |
|---------------------------------|--------------|--------------|--------------|--------------|---------------|---|

- Notes:
- 1. RRR data taken from OEB Annual Yearbook of Distributors less merger transaction costs
 - 2. Actual capitalization policy change grossed-up to 12 months by rate zone
 - 3. HRZ-Staff-2 Revised 3 Year Average (when applied - must also adjust net tax deductions based on OM&A allocation)

Horizon 2017 ESM
 Merger Costs and Savings

| | Dec 31/17 | Notes |
|--|-----------------------|-------|
| OM&A: | | |
| OM&A Transition Costs | \$18,161,012 | |
| OM&A Savings | (\$24,243,160) | |
| Net merger OM&A cost (savings) subtotal | (\$6,082,148) | |
| Remove financing savings | \$8,114,819 | 1 |
| Net merger OM&A expense to remove from OM&A | \$2,032,671 | |
| Capital: | | |
| Capital Transition Costs | \$22,794,043 | |
| Capital Savings | (\$17,890,669) | |
| Net merger capital costs (savings) subtotal | \$4,903,374 | |
| Adjust for merger capital costs in WIP | (\$22,077,486) | |
| Net merger capital costs (savings) to remove (add) to capital | (\$17,174,112) | 2 |

- Notes
- Financing cost savings are not part of OM&A and need to be removed.
 - Net merger capital costs (savings) to remove (add) to capital

Alectra Utilities Corporation (AUC) - MIFRS Income Statement 11 months ending December 31, 2017
Attribution and or Allocation of Net Income to Horizon Rate Zone (HRZ) for 2017 ESM Calculation

| Revenue | AUC 2.1.7 Details | Horizon Rate Zone | Brampton Rate Zone | Enersource Rate Zone | PowerStream Rate Zone | Pooled/ Non-distribution | Total | Notes |
|---|------------------------|----------------------|----------------------|----------------------|------------------------|--------------------------|------------------------|-------|
| Distribution Revenue | \$472,206,706 | \$103,901,260 | \$62,758,731 | \$120,888,128 | \$184,658,587 | \$0 | \$472,206,706 | |
| Electricity Sales | \$2,489,690,900 | \$462,533,988 | \$390,244,234 | \$720,777,563 | \$916,135,118 | \$0 | \$2,489,690,903 | |
| Other Revenue | \$12,695,852 | \$4,791,551 | \$2,238,252 | \$3,254,650 | \$13,930,439 | (\$11,519,043) | \$12,695,850 | 1 |
| Total Revenue | \$2,974,593,458 | \$571,226,799 | \$455,241,218 | \$844,920,341 | \$1,114,724,144 | (\$11,519,043) | \$2,974,593,459 | |
| Expenses | | | | | | | | |
| Cost of Power | \$2,489,690,903 | \$462,533,988 | \$390,244,234 | \$720,777,563 | \$916,135,118 | \$0 | \$2,489,690,903 | |
| Operating expenses | \$233,507,349 | \$56,015,186 | \$28,561,177 | \$56,407,500 | \$90,490,814 | \$ 2,032,671 | \$233,507,349 | 2 |
| Depreciation & amortization | \$107,391,515 | \$20,355,959 | \$13,481,449 | \$29,390,319 | \$44,163,788 | \$0 | \$107,391,515 | |
| Total expenses | \$2,830,589,766 | \$538,905,134 | \$432,286,860 | \$806,575,381 | \$1,050,789,720 | \$2,032,671 | \$2,830,589,766 | |
| Income from operating activities | \$144,003,692 | \$32,321,666 | \$22,954,358 | \$38,344,960 | \$63,934,424 | (\$13,551,714) | \$144,003,693 | |
| Loss on PP&E derecognition | \$5,121,979 | \$1,564,672 | \$669,462 | \$1,563,803 | \$1,324,043 | \$0 | \$5,121,980 | |
| Share of net income from JV | (\$559,101) | | | | | (\$559,101) | (\$559,101) | 3 |
| Interest Income | (\$2,422,890) | | | | | (\$2,422,890) | (\$2,422,890) | |
| Interest expense | \$54,333,002 | | | | | \$54,333,002 | \$54,333,002 | |
| Income before income taxes | \$87,530,702 | \$30,756,993 | \$22,284,896 | \$36,781,157 | \$62,610,381 | (\$64,902,725) | \$87,530,702 | |
| Income tax expense | \$10,501,164 | | | | | \$10,501,164 | \$10,501,164 | |
| Net income | \$77,029,538 | \$30,756,993 | \$22,284,896 | \$36,781,157 | \$62,610,381 | (\$75,403,890) | \$77,029,538 | |
| Other Comprehensive income (loss) | | | | | | | | |
| Remeasurement of defined benefit obligation | (\$2,263,000) | | | | | (\$2,263,000) | (\$2,263,000) | |
| Future income tax recovery | \$534,000 | | | | | \$534,000 | \$534,000 | |
| Total comprehensive net income | \$75,300,538 | \$30,756,993 | \$22,284,896 | \$36,781,157 | \$62,610,381 | (\$77,132,890) | \$75,300,538 | |
| | | | | \$121,676,434 | | | | |

NOTES

These amounts are directly attributable/tracked by the rate zone.

These amount are not directly attributable/tracked by rate zone and involve some allocation

These amounts are replaced by deemed amounts / calculations and do not need to be split.

| | | |
|---|-----------------------------------|------------------------|
| 1. Pooled/Non-Distribution consists of: | | CR (DR) |
| CDM net income | as per RRR ROE 2.1.5.6 Appendix 1 | \$949,339 |
| Renewable generation net revenue (loss) | as per RRR ROE 2.1.5.6 Appendix 1 | (\$ 12,468,382) |
| | | <u>(\$ 11,519,043)</u> |
| 2. Pooled/Non-Distribution consists of: | | |
| merger costs | | <u>\$2,032,671</u> |
| 3. Joint venture income from 50% interest in Collus PowerStream is investment income and not distribution income. | | |

Alectra Utilities Corporation
Horizon Utilities Corporation (HUC) / Horizon Rate Zone (HRZ) 2017 ESM Calculation

ESM Rate Riders Table

| Rate Class | Total \$ | Fixed Rate Rider | Variable Rate Rider | Variable Units |
|---------------------------------|--------------|---------------------|------------------------|----------------|
| RESIDENTIAL | (\$ 593,731) | (\$ 0.22) | \$ 0.0000 | \$/kWh |
| GENERAL SERVICE LESS THAN 50 KW | (\$ 129,527) | (\$ 0.34) | (\$ 0.0001) | \$/kWh |
| GENERAL SERVICE > 50 KW | (\$ 195,681) | (\$ 3.16) | (\$ 0.0213) | \$/kW |
| LARGE USE 1 | (\$ 20,857) | (\$ 197.51) | (\$ 0.0117) | \$/kW |
| LARGE USE 2 | (\$ 8,693) | (\$ 46.71) | (\$ 0.0028) | \$/kW |
| UNMETERED SCATTERED LOAD | (\$ 2,710) | (\$ 0.07) | (\$ 0.0001) | \$/kWh |
| SENTINEL LIGHTING | (\$ 265) | (\$ 0.05) | (\$ 0.1253) | \$/kW |
| STREET LIGHTING | (\$ 15,305) | (\$ 0.02) | (\$ 0.0443) | \$/kW |
| Total | (\$ 966,769) | | | |

NOTES

| Rate Class | Board-Approved Base Rates (2018) | | | Per Settlement Agreement Approved Billing Determinants (2019) | | | Current Base Service Charge Revenue | Current Base Distribution Volumetric Rate kWh Revenue | Current Base Distribution Volumetric Rate kW Revenue | Total Current Base Revenue | Service Charge % Total Revenue | Distribution Volumetric Rate % Total Revenue | Distribution Volumetric Rate % Total Revenue | Total % Revenue |
|---------------------------------|----------------------------------|----------------------------------|---------------------------------|---|---------------|--------------|-------------------------------------|---|--|----------------------------|--------------------------------|--|--|-----------------|
| | Monthly Service Charge | Distribution Volumetric Rate kWh | Distribution Volumetric Rate kW | Billed Customers or Connections | Billed kWh | Billed kW | | | | | | | | |
| | A | B | C | D | E | F | | | | | | | | |
| RESIDENTIAL | 23.67 | 0.004 | | 227,762 | 1,652,719,193 | | 64,693,518 | 6,610,877 | 0 | 71,304,395 | 55.72% | 5.69% | 0.00% | 61.4% |
| GENERAL SERVICE LESS THAN 50 KW | 41.22 | 0.0106 | | 18,709 | 594,472,785 | | 9,254,220 | 6,301,412 | 0 | 15,555,631 | 7.97% | 5.43% | 0.00% | 13.4% |
| GENERAL SERVICE > 50 KW | 379.54 | | 2.5565 | 2,316 | 1,840,510,488 | 5,066,406 | 10,548,176 | 0 | 12,952,267 | 23,500,443 | 9.09% | 0.00% | 11.16% | 20.2% |
| LARGE USE 1 | 23,720.06 | | 1.3995 | 6 | 242,051,739 | 569,520 | 1,707,844 | 0 | 797,043 | 2,504,888 | 1.47% | 0.00% | 0.69% | 2.2% |
| LARGE USE 2 | 5,610.14 | | 0.3310 | 5 | 403,775,839 | 2,136,952 | 336,608 | 0 | 707,331 | 1,043,940 | 0.29% | 0.00% | 0.61% | 0.9% |
| UNMETERED SCATTERED LOAD | 8.43 | 0.0131 | | 1,857 | 10,504,342 | | 187,854 | 137,607 | 0 | 325,461 | 0.16% | 0.12% | 0.00% | 0.3% |
| SENTINEL LIGHTING | 5.49 | | 15.0507 | 248 | 363,731 | 1,030 | 16,338 | 0 | 15,502 | 31,840 | 0.01% | 0.00% | 0.01% | 0.0% |
| STREET LIGHTING | 2.00 | | 5.3153 | 52,273 | 39,610,413 | 109,773 | 1,254,552 | 0 | 583,476 | 1,838,028 | 1.08% | 0.00% | 0.50% | 1.6% |
| Total | | | | | 4,784,008,530 | 7,883,681.00 | 87,999,111 | 13,049,895 | 15,055,620 | 116,104,626 | | | | 100.0% |



Ontario Energy Board

Capital Module

Applicable to ACM and ICM

EB-2019-0018 Attachment 10

Calculation of incremental rate rider. Choose one of the

| Rate Class | Service Charge % Revenue | Distribution Volumetric Rate % Revenue kWh | Distribution Volumetric Rate % Revenue kW | Service Charge Revenue | Distribution Volumetric Rate Revenue kWh | Distribution Volumetric Rate Revenue kW | Total Revenue by Rate Class | Board Approved Customers or Connections | Board Approved kWh | Board Approved kW | Service Charge Rate Rider | Distribution Volumetric Rate kWh Rate Rider | Distribution Volumetric Rate kW Rate Rider |
|---------------------------------|-----------------------------|--|---|--------------------------------|--|---|-----------------------------------|--|-----------------------|----------------------|---------------------------------|---|---|
| | <i>From Sheet 1</i> | <i>From Sheet 1</i> | <i>From Sheet 1</i> | Col C * Col I _{total} | Col D* Col I _{total} | Col E* Col I _{total} | | <i>From Sheet 1</i> | <i>From Sheet 1</i> | <i>From Sheet 1</i> | Col F / Col K / 12 | Col G / Col L | Col H / Col M |
| RESIDENTIAL | 55.72% | 5.69% | 0.00% | -538,684 | -55,047 | 0 | -593,731 | 227,762 | 1,652,719,193 | | (\$0.22) | \$ - | |
| GENERAL SERVICE LESS THAN 50 KW | 7.97% | 5.43% | 0.00% | -77,057 | -52,470 | 0 | -129,527 | 18,709 | 594,472,785 | | (\$0.34) | (\$0.0001) | |
| GENERAL SERVICE > 50 KW | 9.09% | 0.00% | 11.16% | -87,832 | 0 | -107,850 | -195,681 | 2,316 | 1,840,510,488 | 5,066,406 | (\$3.16) | \$ - | (\$0.0213) |
| LARGE USE 1 | 1.47% | 0.00% | 0.69% | -14,221 | 0 | -6,637 | -20,857 | 6 | 242,051,739 | 569,520 | (\$197.51) | \$ - | (\$0.0117) |
| LARGE USE 2 | 0.29% | 0.00% | 0.61% | -2,803 | 0 | -5,890 | -8,693 | 5 | 403,775,839 | 2,136,952 | (\$46.71) | \$ - | (\$0.0028) |
| UNMETERED SCATTERED LOAD | 0.16% | 0.12% | 0.00% | -1,564 | -1,146 | 0 | -2,710 | 1,857 | 10,504,342 | | (\$0.07) | (\$0.0001) | |
| SENTINEL LIGHTING | 0.01% | 0.00% | 0.01% | -136 | 0 | -129 | -265 | 248 | 363,731 | 1,030 | (\$0.05) | \$ - | (\$0.1253) |
| STREET LIGHTING | 1.08% | 0.00% | 0.50% | -10,446 | 0 | -4,858 | -15,305 | 52,273 | 39,610,413 | 109,773 | (\$0.02) | \$ - | (\$0.0443) |
| Total | 75.79% | 11.24% | 12.97% | -732,743 | -108,663 | -125,364 | -966,769 | 303,176 | 4,784,008,530 | | | | |
| | | | | | | | -966,769 | | | | | | |

Note: As per the OEB's letter issued July 16, 2015 (EB-2012-0410), Residential Rates will be applied on a fixed basis only.

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Reference: Exhibit 3, Tab 1, Schedule 2, p. 2-10

Please provide Tables 24-31 on the assumption that the pre-2017 capitalization policy for each of the rate zones remains in place. Please provide the full calculations, in Excel format, supporting those revised Tables.

Response:

- 1 The full calculations supporting Tables 24-31 based on the pre-2017 capitalization policies is
- 2 provided as SEC-65_Attach 1_HRZ 2017 ESM Model Excluding Capitalization. Please note that
- 3 this model is representative of the original filing and excludes the adjustments made in HRZ-
- 4 Staff-2. The resulting ROE for purposes of the HRZ ESM is 7.89% as compared to the original
- 5 filed ROE of 9.71%.

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ATTACH 1 – HRZ 2017 ESM MODEL EXCLUDING CAPITALIZATION

Summary ESM Calculation

| 2017 Regulatory ROE for ESM | 2017 Actuals ESM | Annual Filing EB- 2016-0077 | Variance |
|--|---------------------|--------------------------------|----------------|
| Adjusted Regulatory net income | \$ 16,274,719 | \$ 18,281,100 | (\$ 2,006,381) |
| Deemed equity | \$ 206,263,692 | \$ 208,212,985 | (\$ 1,949,293) |
| ROE | 7.890% | 8.780% | -0.890% |
| % Return in excess of approved in rates | | -0.890% | |
| \$ Return in excess of approved in rates | | \$0 | |
| Amount payable to rate payers | | \$0 | |

ESM Rate Riders Table

| Rate Class | Total \$ | Fixed Rate Rider | Variable Rate | |
|---------------------------------|-------------|------------------|---------------|----------------|
| | | | Rider | Variable Units |
| RESIDENTIAL | \$ 0 | \$ 0.00 | \$ 0.0000 | \$/kWh |
| GENERAL SERVICE LESS THAN 50 KW | \$ 0 | \$ 0.00 | \$ 0.0000 | \$/kWh |
| GENERAL SERVICE > 50 KW | \$ 0 | \$ 0.00 | \$ 0.0000 | \$/kW |
| LARGE USE 1 | \$ 0 | \$ 0.00 | \$ 0.0000 | \$/kW |
| LARGE USE 2 | \$ 0 | \$ 0.00 | \$ 0.0000 | \$/kW |
| UNMETERED SCATTERED LOAD | \$ 0 | \$ 0.00 | \$ 0.0000 | \$/kWh |
| SENTINEL LIGHTING | \$ 0 | \$ 0.00 | \$ 0.0000 | \$/kW |
| STREET LIGHTING | \$ 0 | \$ 0.00 | \$ 0.0000 | \$/kW |
| Total | \$ 0 | | | |

Regulatory Net Income

| 2017 Regulatory ROE | 2017 Actuals | | | Annual Filing EB- 2017-0024 |
|--|---------------------|----------------------|----------------------|--------------------------------|
| | HUC | Alectra | Total | |
| Regulated net income (loss) per RRR 2.1 | \$ 1,325,637 | \$ 77,029,538 | \$ 78,355,174 | \$ 22,974,211 |
| Remove CDM Net income | \$ 0 | (\$ 949,339) | (\$ 949,339) | |
| Remove renewable generation (income) | \$ 0 | \$ 12,468,382 | \$ 12,468,382 | |
| Remove merger costs | \$ 482,892 | \$ 2,032,671 | \$ 2,515,563 | |
| Add actual interest cost | \$ 642,098 | \$ 51,910,112 | \$ 52,552,210 | |
| Deduct income tax expense | \$ 423,562 | \$ 10,501,164 | \$ 10,924,726 | |
| Remove share of Joint venture net income | \$ 0 | (\$ 559,101) | (\$ 559,101) | |
| Deduct other rate zones regulatory net income before interest and taxes | \$ 0 | (\$ 121,676,434) | (\$ 121,676,434) | |
| Horizon Rate Zone regulatory net income before interest and taxes | \$ 2,874,189 | \$ 30,756,993 | \$ 33,631,181 | \$ 22,974,211 |
| Deemed interest expense - short term | | | (\$ 363,024) | \$ 0 |
| Deemed interest expense - long term | | | (\$ 10,024,089) | \$ 0 |
| Regulatory Net Income before Tax | | | \$ 23,244,068 | \$ 22,974,211 |
| Income taxes/PILs - current | | | (\$ 1,387,405) | (\$ 4,693,111) |
| Horizon Rate Zone regulatory net income before ESM adjustments | | | \$ 21,856,663 | \$ 18,281,100 |

HRZ - Regulatory Net Income

| Adjusted Net Income for ESM | 2017 Actuals ESM |
|--|----------------------|
| Regulatory Net income | \$ 16,593,097 |
| Add back taxes | \$ 1,387,405 |
| Add back 2017 ESM accrual | \$ 985,377 |
| Add non-allowable donations (non-LEAP) | \$ 3,919 |
| Adjustments for DVAs to get to RRR | \$ 0 |
| Remove DVA interest (income) expense | \$ 43,834 |
| Adjustment for 2016 ESM actual vs. accrued | \$ 33,508 |
| Deduct ROE on Stranded meters | (\$ 84,000) |
| Deduct 1/5th of Application costs | (\$ 495,385) |
| Adjusted NIBT for ESM | \$ 18,467,755 |
| PILS | \$ 2,193,036 |
| Adjusted Net Income for ESM | \$ 16,274,719 |

Current Taxes - HRZ

| Adjustments | Income before Tax | Current Tax Impact | Tax Rate |
|--|----------------------|-----------------------|---------------|
| Regulatory Net income | \$ 17,980,502 | \$ 1,387,405 | 7.72% |
| Add back 2017 ESM accrual | \$ 985,377 | \$ 261,125 | 26.50% |
| Add non-allowable donations (non-LEAF) | \$ 3,919 | \$ 1,039 | 26.50% |
| Adjustments for DVAs to get to RRR | \$ 0 | \$ 0 | |
| Adjustments for DVA interest (income) expense | \$ 43,834 | \$ 11,616 | |
| Adjustment for 2016 ESM actual vs. accrued | \$ 33,508 | \$ 8,880 | 26.50% |
| Deduct ROE on Stranded meters | (\$ 84,000) | (\$ 22,260) | 26.50% |
| Record Tax on Stranded Meter Rate Rider as per Custom IR Application | | \$ 676,509 | |
| Deduct 1/5th of Application costs | (\$ 495,385) | (\$ 131,277) | 26.50% |
| Adjusted NIBT for ESM | \$ 18,467,755 | \$ 2,193,036 | 11.87% |

HRZ Deemed Debt & Equity

| Deemed Debt and Equity | % | 2017 Actuals ESM | Annual Filing EB- 2016-0077 | Variance |
|------------------------|----------------|-----------------------|--------------------------------|-----------------------|
| Deemed ST Debt | 4.00% | \$ 20,626,369 | \$ 20,821,299 | (\$ 194,929) |
| Deemed LT Debt | 56.00% | \$ 288,769,169 | \$ 291,498,179 | (\$ 2,729,010) |
| Deemed Equity | 40.00% | \$ 206,263,692 | \$ 208,212,985 | (\$ 1,949,293) |
| Total Rate Base | 100.00% | \$ 515,659,231 | \$ 520,532,463 | (\$ 4,873,232) |

HRZ Rate Base

| Rate Base | 2017 Actuals ESM | Annual Filing EB- 2016-0077 | Variance |
|----------------------------------|-----------------------|--------------------------------|------------------------|
| Average Net Fixed Assets | \$ 446,436,216 | \$ 432,973,917 | \$ 13,462,299 |
| Working Capital Allowance: | | | |
| Cost of Power | \$ 510,177,988 | \$ 667,926,057 | (\$ 157,748,069) |
| Controllable expenses | \$ 66,680,467 | \$ 61,728,494 | \$ 4,951,973 |
| Working Capital Base | \$ 576,858,455 | \$ 729,654,551 | (\$ 152,796,096) |
| Working Capital Allowance | \$ 69,223,015 | \$ 87,558,546 | (\$ 18,335,532) |
| Rate Base | \$ 515,659,231 | \$ 520,532,463 | (\$ 4,873,232) |

HRZ Net Fixed Assets

| Description | January 1, 2017 | December 31, 2017 | Average |
|-----------------------------|-----------------------|-----------------------|-----------------------|
| Distribution Assets | \$ 393,011,067 | \$ 422,396,256 | \$ 407,703,662 |
| Adjust Overhead Capitalized | \$ 0 | (\$ 5,263,566) | (\$ 2,631,783) |
| General Plant | \$ 43,380,554 | \$ 39,348,121 | \$ 41,364,337 |
| Total | \$ 436,391,621 | \$ 456,480,811 | \$ 446,436,216 |

HRZ Regulatory Net Income (by period)

| Regulatory Net Income | 2017 Actual | | |
|---|-----------------------------|-------------------------------|-----------------------|
| | 1 Month ending Jan 31/17 | 11 Months ending Dec 31/17 | Total |
| Distribution revenue | \$ 9,593,782 | \$ 103,901,260 | \$ 113,495,042 |
| Other revenue | \$ 508,612 | \$ 4,791,551 | \$ 5,300,164 |
| Revenue | \$ 10,102,394 | \$ 108,692,811 | \$ 118,795,206 |
| | | | |
| OM&A | \$ 5,266,751 | \$ 61,413,715 | \$ 66,680,467 |
| Depreciation | \$ 1,961,455 | \$ 21,785,668 | \$ 23,747,124 |
| Net Income before interest and tax | \$ 2,874,188 | \$ 25,493,427 | \$ 28,367,615 |
| Deemed interest on ST Debt | \$ 30,832 | \$ 332,192 | \$ 363,024 |
| Deemed interest on LT Debt | \$ 851,361 | \$ 9,172,728 | \$ 10,024,089 |
| Regulatory Net Income before Tax | \$ 1,991,995 | \$ 15,988,507 | \$ 17,980,502 |
| PILS | \$ 423,562 | \$ 963,843 | \$ 1,387,405 |
| Regulatory Net income | \$ 1,568,433 | \$ 15,024,664 | \$ 16,593,097 |

Horizon Rate Zone (HRZ) 2017 ESM Calculation (Excludes Capitalization Change Impact)

Summary

| A. 2017 Regulatory ROE for ESM | 2017 Actuals ESM | Annual Filing EB-2016-0077 | Variance |
|--|---------------------|-------------------------------|----------------|
| Adjusted Regulatory net income | \$ 16,274,719 | \$ 18,281,100 | (\$ 2,006,381) |
| Deemed equity | \$ 206,263,692 | \$ 208,212,985 | (\$ 1,949,293) |
| ROE | 7.890% | 8.780% | -0.890% |
| % Return in excess of approved in rates | | -0.890% | |
| \$ Return in excess of approved in rates | | \$0 | |
| Amount payable to rate payers | | \$0 | |

| B. Adjusted Net Income for ESM | 2017 Actuals ESM | Notes |
|--|----------------------|-------|
| Regulatory Net income | \$ 16,593,097 | 1 |
| Add back taxes | \$ 1,387,405 | |
| Add back 2017 ESM accrual | \$ 985,377 | 2 |
| Add non-allowable donations (non-LEAP) | \$ 3,919 | |
| Adjustments for DVAs to get to RRR | \$ 0 | 3 |
| Remove DVA interest (income) expense | \$ 43,834 | 4 |
| Adjustment for 2016 ESM actual vs. accrued | \$ 33,508 | |
| Deduct ROE on Stranded meters | (\$ 84,000) | |
| Deduct 1/5th of Application costs | (\$ 495,385) | 5 |
| Adjusted NIBT for ESM | \$ 18,467,755 | |
| PILS | \$ 2,193,036 | |
| Adjusted Net Income for ESM | \$ 16,274,719 | |

Notes:

- All amounts on this sheet are for the HRZ. See supporting schedules for allocation to HRZ.
- ESM accrual included RRR filing and adjusted accordingly in distribution revenue
- The starting point for 2017 is on a RRR basis so no adjustment required to record deferral and variance (DVA) balances on an RRR basis.
- | | |
|-------------------------------------|-----------|
| Horizon - month ending Jan 31, 2017 | \$ 11,259 |
| HRZ 11 months ending Dec 31, 2017 | \$ 32,575 |
| Total | \$ 43,834 |
- This is the same amount for all years as total cost is amortized over the 5 years.

| 2017 Regulatory ROE for ESM | 2017 Actuals ESM | Annual Filing EB-2016-0077 | Variance |
|--|---------------------|-------------------------------|----------------|
| Adjusted Regulatory net income | \$ 19,807,963 | \$ 18,281,100 | \$ 1,526,863 |
| Deemed equity | \$ 207,042,402 | \$ 208,212,985 | (\$ 1,170,584) |
| ROE | 9.567% | 8.780% | 0.787% |
| % Return in excess of approved in rates | | 0.787% | |
| \$ Return in excess of approved in rates | | \$1,629,640 | |
| Amount payable to rate payers | | \$814,820 | |
| | | | |

Alectra Utilities Corporation

Horizon Utilities Corporation (HUC) / Horizon Rate Zone (HRZ) 2017 ESM Calculation

| 2017 Regulatory ROE | 2017 Actuals | | | Annual Filing EB- 2017-0024 |
|--|---------------------|----------------------|----------------------|--------------------------------|
| | HUC | Alectra | Total | |
| Regulated net income (loss) per RRR 2.1.7 | \$ 1,325,637 | \$ 77,029,538 | \$ 78,355,174 | \$ 22,974,211 |
| Remove CDM Net income | \$ 0 | (\$ 949,339) | (\$ 949,339) | |
| Remove renewable generation (income) loss | \$ 0 | \$ 12,468,382 | \$ 12,468,382 | |
| Remove merger costs | \$ 482,892 | \$ 2,032,671 | \$ 2,515,563 | |
| Add actual interest cost | \$ 642,098 | \$ 51,910,112 | \$ 52,552,210 | |
| Deduct income tax expense | \$ 423,562 | \$ 10,501,164 | \$ 10,924,726 | |
| Remove share of Joint venture net income | | (\$ 559,101) | (\$ 559,101) | |
| Deduct other rate zones regulatory net income before interest and taxes | | (\$ 121,676,434) | (\$ 121,676,434) | |
| Horizon Rate Zone regulatory net income before interest and taxes | \$ 2,874,189 | \$ 30,756,993 | \$ 33,631,181 | \$ 22,974,211 |
| Deemed interest expense - short term | | | (\$ 363,024) | |
| Deemed interest expense - long term | | | (\$ 10,024,089) | |
| Regulatory Net Income before Tax | | | \$ 23,244,068 | \$ 22,974,211 |
| Income taxes/PILs - current | | | (\$ 1,387,405) | (\$ 4,693,111) |
| Horizon Rate Zone regulatory net income before ESM adjustments | | | \$ 21,856,663 | \$ 18,281,100 |

NOTES

HUC = Horizon Utilities Corporation for the month ending January 31, 2017 (final fiscal period)

HRZ = Alectric Utilities Corporation - Horizon Rate Zone portion for the 11 months ending December 31, 2017

Horizon 2017 ESM Estimate

Calculation of Current Taxes - Horizon Rate Zone

| A. | Adjustments | Income before Tax | Current Tax Impact | Tax Rate | Notes |
|----|--|----------------------|-----------------------|---------------|-------|
| | Regulatory Net income | \$ 17,980,502 | \$ 1,387,405 | 7.72% | |
| | Add back 2017 ESM accrual | \$ 985,377 | \$ 261,125 | 26.50% | |
| | Add non-allowable donations (non-LEAP) | \$ 3,919 | \$ 1,039 | 26.50% | |
| | Adjustments for DVAs to get to RRR | \$ 0 | \$ 0 | | |
| | Adjustments for DVA interest (income) expense | \$ 43,834 | \$ 11,616 | | |
| | Adjustment for 2016 ESM actual vs. accrued | \$ 33,508 | \$ 8,880 | 26.50% | |
| | Deduct ROE on Stranded meters | (\$ 84,000) | (\$ 22,260) | 26.50% | |
| | Record Tax on Stranded Meter Rate Rider as per Custom IR Application | | \$ 676,509 | | |
| | Deduct 1/5th of Application costs | (\$ 495,385) | (\$ 131,277) | 26.50% | |
| | Adjusted NIBT for ESM | \$ 18,467,755 | \$ 2,193,036 | 11.87% | |

| B. | Horizon Rate Zone - Alectra period | Actual | EB-2016-0077 | |
|----|------------------------------------|-----------------|----------------|---|
| | Regulatory net income before tax | \$ 15,988,507 | \$ 18,281,100 | 1 |
| | Net additions (deductions) for tax | (\$ 12,152,295) | (\$ 4,675,679) | 2 |
| | Taxable income | \$ 3,836,212 | \$ 13,605,421 | |
| | Tax Rate | 26.50% | 26.50% | 3 |
| | Income taxes | \$ 1,016,596 | \$ 3,605,437 | |
| | tax credits | (\$ 52,753) | (\$ 156,000) | |
| | Current taxes payable | \$ 963,843 | \$ 3,449,437 | |
| | PILs Gross-up | \$ 0 | \$ 1,243,674 | |
| | Income taxes | \$ 963,843 | \$ 4,693,111 | |

Notes

1. Regulatory net income before tax from "Net Income" sheet
2. Net Additions (deductions) for tax from Alectra tax provision worksheet (Attachment 9)
3. This is the legislated tax rate that applies to HRZ taxable income for 2017.

Horizon 2017 ESM

Net Income

| A. Regulatory Net Income | Annual Filing EB- | | |
|---|-----------------------|-----------------------|-----------------------|
| | 2017 Actual | 2016-0077 | Variance |
| Distribution revenue | \$ 113,495,042 | \$ 114,704,196 | (\$ 1,209,154) |
| Other revenue | \$ 5,300,164 | \$ 5,755,938 | (\$ 455,774) |
| Revenue | \$ 118,795,206 | \$ 120,460,134 | (\$ 1,664,928) |
| OM&A | \$ 66,680,467 | \$ 61,728,494 | \$ 4,951,973 |
| Depreciation | \$ 23,747,124 | \$ 25,272,152 | (\$ 1,525,028) |
| Deemed interest on ST Debt | \$ 363,024 | \$ 366,455 | (\$ 3,431) |
| Deemed interest on LT Debt | \$ 10,024,089 | \$ 10,118,822 | (\$ 94,733) |
| Total expenses | \$ 100,814,704 | \$ 97,485,923 | \$ 3,328,781 |
| Regulatory Net Income before Tax | \$ 17,980,502 | \$ 22,974,211 | (\$ 4,993,709) |
| PILS | \$ 1,387,405 | \$ 4,693,111 | (\$ 3,305,706) |
| Regulatory Net income | \$ 16,593,097 | \$ 18,281,100 | (\$ 1,688,003) |

| B. Regulatory Net Income | 2017 Actual | | |
|---|-----------------------------|-------------------------------|-----------------------|
| | 1 Month ending Jan 31/17 | 11 Months ending Dec 31/17 | Total |
| Distribution revenue | \$ 9,593,782 | \$ 103,901,260 | \$ 113,495,042 |
| Other revenue | \$ 508,612 | \$ 4,791,551 | \$ 5,300,164 |
| Revenue | \$ 10,102,394 | \$ 108,692,811 | \$ 118,795,206 |
| OM&A | \$ 5,266,751 | \$ 61,413,715 | \$ 66,680,467 |
| Depreciation | \$ 1,961,455 | \$ 21,785,668 | \$ 23,747,124 |
| Net Income before interest and tax | \$ 2,874,188 | \$ 25,493,427 | \$ 28,367,615 |
| Deemed interest on ST Debt | \$ 30,832 | \$ 332,192 | \$ 363,024 |
| Deemed interest on LT Debt | \$ 851,361 | \$ 9,172,728 | \$ 10,024,089 |
| Regulatory Net Income before Tax | \$ 1,991,995 | \$ 15,988,507 | \$ 17,980,502 |
| PILS | \$ 423,562 | \$ 963,843 | \$ 1,387,405 |
| Regulatory Net income | \$ 1,568,433 | \$ 15,024,664 | \$ 16,593,097 |

1

C. Deemed Debt and Equity

| | | | |
|-----------------|------|----------------|---------------|
| Deemed ST Debt | 4% | \$ 20,626,369 | \$ 363,024 |
| Deemed LT Debt | 56% | \$ 288,769,169 | \$ 10,024,089 |
| Deemed Equity | 40% | \$ 206,263,692 | |
| Total Rate Base | 100% | \$ 515,659,231 | |

D. 2017 DRO Approved by OEB (EB-2016-0077)

| | | |
|-----------|--|----------------|
| Rate Base | | \$ 520,532,463 |
|-----------|--|----------------|

Revenue Requirement

| | | |
|------------------------------------|-------|-----------------------|
| Deemed interest on ST Debt | 1.76% | \$ 366,455 |
| Deemed interest on LT Debt | 3.47% | \$ 10,118,822 |
| Return on Equity | 8.78% | \$ 18,281,100 |
| Total Return on Rate Base | | \$ 28,766,377 |
| Depreciation | | \$ 25,272,152 |
| OM&A | | \$ 61,419,231 |
| Property Tax | | \$ 309,263 |
| PILS | | \$ 4,693,111 |
| Service Revenue Requirement | | \$ 120,460,134 |
| Revenue Offsets | | \$ 5,755,938 |
| Base Revenue Requirement | | \$ 114,704,196 |

Notes

1. Net income before interest and tax reconciled to RRR 2.1.7 trial balance regulatory net income.

Horizon 2017 ESM

Rate Base

| Rate Base and Deemed Equity | Ref. | 2017 Total | Annual Filing EB 2016-0077 | Variance | |
|----------------------------------|----------------|-----------------------|-------------------------------|------------------------|----------------|
| Average Net Fixed Assets | NFA | \$ 446,436,216 | \$ 432,973,917 | \$ 13,462,299 | 3.1% |
| Working Capital Allowance: | | | | | |
| Cost of Power | COP | \$ 510,177,988 | \$ 667,926,057 | (\$ 157,748,069) | (23.6%) |
| Controllable expenses | OM&A | \$ 66,680,467 | \$ 61,728,494 | \$ 4,951,973 | 8.0% |
| Working Capital Base | | \$ 576,858,455 | \$ 729,654,551 | (\$ 152,796,096) | (20.9%) |
| Working Capital Allowance | 12.00% | \$ 69,223,015 | \$ 87,558,546 | (\$ 18,335,532) | (20.9%) |
| Rate Base | | \$ 515,659,231 | \$ 520,532,463 | (\$ 4,873,232) | (0.9%) |
| | | | | | |
| Deemed ST Debt | 4.00% | \$ 20,626,369 | \$ 20,821,299 | (\$ 194,929) | (0.9%) |
| Deemed LT Debt | 56.00% | \$ 288,769,169 | \$ 291,498,179 | (\$ 2,729,010) | (0.9%) |
| Deemed Equity | 40.00% | \$ 206,263,692 | \$ 208,212,985 | (\$ 1,949,293) | (0.9%) |
| Total Rate Base | 100.00% | \$ 515,659,231 | \$ 520,532,463 | (\$ 4,873,232) | (0.9%) |

| Rate Base | 2017 Actuals ESM | Annual Filing EB- 2016-0077 | Variance |
|----------------------------------|-----------------------|--------------------------------|------------------------|
| Average Net Fixed Assets | \$ 446,436,216 | \$ 432,973,917 | \$ 13,462,299 |
| Working Capital Allowance: | | | |
| Cost of Power | \$ 510,177,988 | \$ 667,926,057 | (\$ 157,748,069) |
| Controllable expenses | \$ 66,680,467 | \$ 61,728,494 | \$ 4,951,973 |
| Working Capital Base | \$ 576,858,455 | \$ 729,654,551 | (\$ 152,796,096) |
| Working Capital Allowance | \$ 69,223,015 | \$ 87,558,546 | (\$ 18,335,532) |
| Rate Base | \$ 515,659,231 | \$ 520,532,463 | (\$ 4,873,232) |
| | | | |

| Deemed Debt and Equity | % | 2017 Actuals ESM | Annual Filing EB- 2016-0077 | Variance |
|------------------------|----------------|-----------------------|--------------------------------|-----------------------|
| Deemed ST Debt | 4.00% | \$ 20,626,369 | \$ 20,821,299 | (\$ 194,929) |
| Deemed LT Debt | 56.00% | \$ 288,769,169 | \$ 291,498,179 | (\$ 2,729,010) |
| Deemed Equity | 40.00% | \$ 206,263,692 | \$ 208,212,985 | (\$ 1,949,293) |
| Total Rate Base | 100.00% | \$ 515,659,231 | \$ 520,532,463 | (\$ 4,873,232) |

Horizon 2017 ESM
Rate Base - Net Fixed Assets (NBV)

| Description | Jan 1/17 | Dec 31/17 | Average | Notes |
|----------------------------------|-----------------------|-----------------------|-----------------------|---------------|
| Distribution Assets | \$ 393,011,067 | \$ 422,396,256 | \$ 407,703,662 | |
| Adjust for capitalization impact | \$ 0 | (\$ 5,263,566) | (\$ 2,631,783) | 1 |
| General Plant | \$ 43,380,554 | \$ 39,348,121 | \$ 41,364,337 | See (A) below |
| Total | \$ 436,391,621 | \$ 456,480,811 | \$ 446,436,216 | |

(A) Allocation of General Plant:

| General Plant | | | Allocation | | Notes |
|---------------|-----------------------|-----------------------|-------------|-----------------------|---------------|
| Rate Zone | Dec 31/16 | Dec 31/17 | Percentage | Dec 31/17 | |
| Horizon | \$ 43,380,554 | | 16.83% | \$ 39,348,121 | |
| Enersource | \$ 59,143,324 | | 22.95% | \$ 53,645,665 | |
| Brampton | \$ 17,994,921 | | 6.98% | \$ 16,322,206 | |
| PowerStream | \$ 137,170,089 | | 53.23% | \$ 124,419,463 | |
| Alectra | | \$ 233,735,455 | | | See (B) below |
| Total | \$ 257,688,889 | \$ 233,735,455 | 100% | \$ 233,735,455 | |

(B) Calculation of Total General Plant to Allocate:

| General Plant | | |
|---------------|-----------------------|-----------------------|
| Rate Zone | Dec 31/16 | Dec 31/17 |
| Horizon | \$ 43,380,554 | \$ 39,362,028 |
| Enersource | \$ 59,143,324 | \$ 49,248,420 |
| Brampton | \$ 17,994,921 | \$ 12,025,161 |
| PowerStream | \$ 137,170,089 | \$ 115,925,734 |
| Merger Adj | \$ 0 | \$ 17,174,112 |
| Total | \$ 257,688,889 | \$ 233,735,455 |

NOTES

1. Revised per SEC-65. HRZ PP&E adjusted to exclude impact of capitalization policy change.
2. Alectra total General Plant at Dec 31/17 allocated based on Dec 31/16 NBV of General Plant

Horizon 2017 ESM
Cost of Power (COP)

| | Jan | Feb-Dec | Total | Notes |
|------------------------------------|---------------|----------------|----------------|-------|
| Cost of Power per MIFRS statements | \$ 47,644,000 | \$ 462,533,988 | \$ 510,177,988 | |
| Total Cost of Power for ESM | \$ 47,644,000 | \$ 462,533,988 | \$ 510,177,988 | 1 |

Notes

1. Tracked by rate zone - COP calculated based on OEB definition of lower of revenue and cost of power

Horizon 2017 ESM
Distribution Revenue

| | Jan | Feb-Dec | Total | Notes |
|---------------------------------|--------------|----------------|----------------|-------|
| Distribution Revenue | \$ 9,593,782 | \$ 103,901,260 | \$ 113,495,042 | 1 |
| Less stranded meter rate riders | \$ 0 | \$ 0 | \$ 0 | 2 |
| Distribution Revenue for ESM | \$ 9,593,782 | \$ 103,901,260 | \$ 113,495,042 | |

| Alectra Distribution Revenue | Total | HRZ | BRZ | ERZ | PRZ |
|-------------------------------------|----------------|----------------|---------------|----------------|----------------|
| 11 months ending Dec 31/17 | \$ 473,227,872 | \$ 104,886,637 | \$ 61,547,020 | \$ 122,135,627 | \$ 184,658,587 |
| HRZ ESM, DVA adjustments | (\$ 1,021,165) | (\$ 985,377) | \$ 1,211,711 | (\$ 1,247,499) | \$ 0 |
| Total | \$ 472,206,706 | \$ 103,901,260 | \$ 62,758,731 | \$ 120,888,128 | \$ 184,658,587 |

Notes

1. Tracked by rate zone - directly attributable
2. The above revenue amounts are MIFRS and exclude the stranded meter rate riders but include allowed return. Adjustment for return portion made on "ESM Calc" sheet.

Horizon 2017 ESM
Other Revenue

A) Directly attributable basis

| LDC/Rate Zone | 2017 Stub | | Total | Note |
|---------------|-------------------|---------------------|---------------------|------|
| | period | HRZ - Alectra | | |
| Horizon | \$ 508,612 | \$ 4,791,551 | \$ 5,300,164 | 1 |
| Total | \$ 508,612 | \$ 4,791,551 | \$ 5,300,164 | |

Notes

1 Other revenues are rate zone specific to the legacy GL.

Reconciliation Other Revenue

| | |
|--|-------------------|
| From Horizon Jan 2017 EDO trial balance | \$ 627,632 |
| Less recoveries transferred to OM&A | (\$ 136,030) |
| add gain(loss) on sale of assets excluding derecognition | \$ 17,011 |
| Total HRZ Stub period | <u>\$ 508,612</u> |

| | |
|--|---------------------|
| Other Revenue from the Alectra Trial Balance - HRZ | \$ 4,422,807 |
| add gain(loss) on sale of assets excluding derecognition | \$ 368,744 |
| Total HRZ (Alectra) period | <u>\$ 4,791,551</u> |

Horizon 2017 ESM
OM&A for 2017 ESM

HRZ 2017 OM&A for ESM calculation

| | | |
|--|---------------------|---|
| Horizon Utilities Corporation - 1 month ending Jan 31/17 | \$5,266,751 | 1 |
| HRZ share of Alectra OM&A - 11 months ending Dec 31/17 | \$ 61,413,715 | 2 |
| Total for 2017 | <u>\$66,680,467</u> | |

Notes

| | |
|---|--------------------|
| 1. Horizon stub period OM&A from EDO Trial Balance | \$5,885,674 |
| Reduce by management fees recoveries from Other Revenue | (\$136,030) |
| Remove merger costs | (\$482,892) |
| Adjusted total | <u>\$5,266,751</u> |

2. Allocation of Alectra OM&A to HRZ:

| Description | Amount |
|---|-----------------------|
| Alectra Utilities | \$ 233,507,349 |
| Less net merger OM&A costs | (\$ 2,032,671) |
| Adjusted Alectra OM&A for allocation to rate zones | \$ 231,474,678 |
| Remove Waubashene - specific to PRZ | (\$ 2,403,000) |
| Remove environmental - specific to ERZ | (\$ 1,153,000) |
| Total for allocation | \$ 227,918,678 |

Allocation to Rate Zones:

| LDC/Rate Zone | Alectra 2017 | Allocation % | Allocated Amount | Rate Zone Specific | OM&A by Rate Zone |
|---------------|-----------------------|----------------|-----------------------|---------------------|-----------------------|
| Brampton | | 12.53% | \$ 28,561,177 | | \$ 28,561,177 |
| Enersource | | 24.24% | \$ 55,254,500 | \$ 1,153,000 | \$ 56,407,500 |
| Horizon | | 24.58% | \$ 56,015,186 | | \$ 56,015,186 |
| PowerStream | | 38.65% | \$ 88,087,814 | \$ 2,403,000 | \$ 90,490,814 |
| Alectra | \$ 227,918,678 | | | | \$ - |
| Total | \$ 227,918,678 | 100.00% | \$ 227,918,678 | \$ 3,556,000 | \$ 231,474,678 |

See "Allocations" sheet for details regarding the allocation % used.

HRZ share of Alectra OM&A - 11 months ending Dec 31/17:

| | |
|---|----------------------|
| OM&A allocated to HRZ as above | \$ 56,015,186 |
| OM&A adjustment to exclude impact of capitalization change | <u>5,398,529</u> |
| Horizon share of Alectra OM&A based on previous capitalization policy | <u>\$ 61,413,715</u> |

Notes

- Revised per SEC-65. HRZ OM&A adjusted to exclude impact of capitalization policy change.

Horizon 2017 ESM
Depreciation Expense

| Horizon Rate Zone | Jan 31/17 (1 month) | Dec 31/17 (11 months) | 2017 Total | Notes |
|----------------------------------|------------------------|--------------------------|---------------------|-------|
| Distribution Assets | \$1,306,460 | \$13,924,861 | \$15,231,321 | |
| Adjust for capitalization impact | | (\$134,963) | (\$134,963) | 1 |
| General Plant | \$589,825 | \$6,431,099 | \$7,020,923 | 2 |
| subtotal | \$1,896,285 | \$20,220,996 | \$22,117,281 | |
| Derecognition expense | \$65,171 | \$1,564,672 | \$1,629,843 | 3 |
| Total | \$1,961,455 | \$21,785,668 | \$23,747,124 | |

NOTES

1. Revised per SEC-65. HRZ depreciation adjusted to exclude impact of capitalization policy change.

Allocation of General Plant:

Alectra General Plant depreciation is allocated based on Dec 31/16 General Plant depreciation by rate zone.

| | 2016 Depreciation Expense | 2017 Depreciation Expense |
|----------------------|---------------------------------|---------------------------------|
| General Plant | | |
| Rate Zone | Dec 31/16 | Alectra³ |
| Horizon | \$7,006,612 | \$ 6,431,099 |
| Enersource | \$7,487,110 | \$ 6,872,129 |
| Brampton | \$2,184,969 | \$ 2,005,499 |
| PowerStream | \$15,019,619 | \$ 13,785,928 |
| Total | \$31,698,310 | \$29,094,654 |

| General Plant Rate Zone | 2016 Dec 31/16 | Allocation Percentage | 2017 Amount | Notes |
|----------------------------|---------------------|--------------------------|----------------------|-------|
| Horizon | \$7,006,612 | 22.10% | \$ 6,431,099 | |
| Enersource | \$7,487,110 | 23.62% | \$ 6,872,129 | |
| Brampton | \$2,184,969 | 6.89% | \$ 2,005,499 | |
| PowerStream | \$15,019,619 | 47.38% | \$ 13,785,928 | |
| Total | \$31,698,310 | 100.00% | \$ 29,094,654 | |

NOTES

2. Merger capital adjustments - calculate impact on depreciation expense:

| GP effective Average Rate | At Cost | | | | | |
|--|----------------------|----------------------|----------------------|--------------------|----------------------|---------------------|
| General Plant | Open Feb 1/17 | Net Additions | Close Dec 31/17 | adjust re 1/2 yr. | Adjusted Cost | Depreciation |
| Horizon | \$84,352,175 | (\$3,469,414) | \$80,882,761 | \$1,734,707 | \$82,617,468 | \$6,112,255 |
| Enersource | \$93,300,044 | (\$278,586) | \$93,021,458 | \$139,293 | \$93,160,751 | \$7,336,316 |
| Brampton | \$19,574,860 | (\$91,924) | \$19,482,936 | \$45,962 | \$19,528,898 | \$1,919,631 |
| PowerStream | \$196,996,489 | (\$111,764) | \$196,884,725 | \$55,882 | \$196,940,607 | \$13,692,292 |
| Total | \$394,223,568 | (\$3,951,688) | \$390,271,880 | \$1,975,844 | \$392,247,724 | \$29,060,493 |
| Effective average full year rate - Useful life in years and % | | | | | | 7.41% |

Alectra General plant - net merger capital costs adjustment \$ 17,174,112
Depreciation expense average rate 7.41% \$ 1,272,380 half year basis \$ 583,174

Alectra General Plant depreciation allocated based on Dec 31/16 General Plant depreciation by rate zone

| General Plant | 2016 Depreciation | Allocation Alectra | 2017 Depreciation Expense |
|---------------|---------------------|--------------------|---------------------------|
| Rate Zone | Dec 31/16 | Percentage | Alectra GLs |
| Horizon | \$7,006,612 | 22.10% | \$ 5,917,653 |
| Enersource | \$7,487,110 | 23.62% | \$ 7,147,293 |
| Brampton | \$2,184,969 | 6.89% | \$ 1,924,055 |
| PowerStream | \$15,019,619 | 47.38% | \$ 13,522,480 |
| Merger Adj | | | \$ 583,174.17 |
| Total | \$31,698,310 | 100.00% | \$ 29,094,654 |

3. Derecognition is rate zone specific as it relates to distribution plant located in the rate zone.

| | | | | | | |
|-------------------------------|--------|-----------|---------|---------------------|----------------------|---------------|
| Gain/(Loss) on sale of assets | HU-545 | HU-832001 | HU-5085 | (\$ 218) | Gain on Sale | Other revenue |
| Gain/(Loss) on sale of assets | HU-900 | HU-830000 | HU-4355 | (\$ 66,169) | | |
| Gain/(Loss) on sale of assets | HU-900 | HU-830000 | HU-NA | \$ 0 | | |
| Gain/(Loss) on sale of assets | HU-900 | HU-832000 | HU-4355 | (\$ 119,338) | | |
| Gain/(Loss) on sale of assets | HU-900 | HU-832000 | HU-4362 | (\$ 183,019) | (\$ 368,744) | Total |
| Gain/(Loss) on sale of assets | HU-900 | HU-832000 | HU-NA | \$ 0 | <i>Derecognition</i> | |
| Gain/(Loss) on sale of assets | HU-900 | HU-832001 | HU-4355 | \$ 1,564,672 | \$ 1,564,672 | |
| Gain/(Loss) on sale of assets | HU-900 | HU-832001 | HU-NA | \$ 0 | | |
| Total | | | | \$ 1,195,928 | \$ 1,195,928 | |

From MIFRS Fixed Asset Continuity Schedules

| Description | BRZ | ERZ | HRZ | PRZ | Total |
|------------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|
| Distribution Plant | \$ 11,475,950 | \$ 22,518,190 | \$ 13,924,861 | \$ 30,377,860 | \$ 78,296,861 |
| General Plant | \$ 1,924,055 | \$ 7,147,293 | \$ 5,917,653 | \$ 13,522,480 | \$ 28,511,480 |
| Subtotal | \$ 13,400,004 | \$ 29,665,483 | \$ 19,842,513 | \$ 43,900,340 | \$ 106,808,341 |
| Other non-distribution | \$ 0 | \$ 86,813 | \$ 2,228,055 | \$ 567,459 | \$ 2,882,328 |
| Total | \$ 13,400,004 | \$ 29,752,296 | \$ 22,070,568 | \$ 44,467,800 | \$ 109,690,668 |

Horizon 2017 ESM Estimate

Alectra OM&A by Rate Zone - 3 Year Average

| | Enersource | Horizon | Brampton | PowerStream | Total Alectra | Notes |
|---|---------------------|---------------------|---------------------|---------------------|----------------------|-------|
| 2014-2016 RRR Average | \$56,300,996 | \$60,901,688 | \$28,658,213 | \$86,722,101 | \$232,582,998 | 1 |
| Adjust to Alectra Overhead capitalization | (\$2,035,681) | (\$5,889,304) | \$2,196,638 | (\$211,265) | (\$5,939,613) | 2 |
| Revised OM&A | \$54,265,315 | \$55,012,383 | \$30,854,852 | \$86,510,836 | \$226,643,385 | |
| % of total | 23.94% | 24.27% | 13.61% | 38.17% | 100.00% | |
| Prorate for 2017 part year: | | | | | | |
| Months | 11 | 11 | 10 | 11 | | |
| Prorated (Alectra Overhead basis) | \$ 49,743,205 | \$ 50,428,018 | \$ 25,712,376 | \$ 79,301,599 | \$205,185,199 | |
| % of total | 24.24% | 24.58% | 12.53% | 38.65% | 100.0% | |

Alectra OM&A by Rate Zone: 2014-2016 Actual

| | Enersource | Horizon | Brampton | PowerStream | Total Alectra |
|------------------------|---------------|---------------|--------------|---------------|---------------|
| 2016 RRR | \$60,161,765 | \$59,354,514 | \$31,370,268 | \$86,664,223 | \$237,550,770 |
| 2015 RRR | \$56,310,038 | \$63,032,792 | \$27,850,320 | \$87,683,717 | \$234,876,867 |
| 2014 RRR | \$52,431,185 | \$60,317,757 | \$26,754,051 | \$85,818,363 | \$225,321,356 |
| 2014-2016 RRR Total | \$168,902,988 | \$182,705,063 | \$85,974,640 | \$260,166,303 | \$697,748,993 |
| 2014-2016 RRR Average, | \$56,300,996 | \$60,901,688 | \$28,658,213 | \$86,722,101 | \$232,582,998 |

HRZ-STAFF-2.a Revised 3 Year Average

| | | | | | | |
|---------------------------------|--------------|--------------|--------------|--------------|---------------|---|
| 2014-2016 (3 Year) OM&A Average | \$56,496,098 | \$59,571,548 | \$27,912,160 | \$86,715,846 | \$230,695,651 | 3 |
|---------------------------------|--------------|--------------|--------------|--------------|---------------|---|

Notes:

1. RRR data taken from OEB Annual Yearbook of Distributors less merger transaction costs
2. Actual capitalization policy change grossed-up to 12 months by rate zone
3. HRZ-Staff-2 Revised 3 Year Average (when applied - must also adjust net tax deductions based on OM&A allocation)

Horizon 2017 ESM

Merger Costs and Savings

| | Dec 31/17 | Notes |
|--|-----------------------|-------|
| OM&A: | | |
| OM&A Transition Costs | \$18,161,012 | |
| OM&A Savings | (\$24,243,160) | |
| Net merger OM&A cost (savings) subtotal | (\$6,082,148) | |
| Remove financing savings | \$8,114,819 | 1 |
| Net merger OM&A expense to remove from OM&A | \$2,032,671 | |
| Capital: | | |
| Capital Transition Costs | \$22,794,043 | |
| Capital Savings | (\$17,890,669) | |
| Net merger capital costs (savings) subtotal | \$4,903,374 | |
| Adjust for merger capital costs in WIP | (\$22,077,486) | |
| Net merger capital costs (savings) to remove (add) to capital | (\$17,174,112) | 2 |

Notes

1. Financing cost savings are not part of OM&A and need to be removed.
2. Net merger capital costs (savings) to remove (add) to capital

Alectra Utilities Corporation (AUC) - MIFRS Income Statement 11 months ending December 31, 2017
Attribution and or Allocation of Net Income to Horizon Rate Zone (HRZ) for 2017 ESM Calculation

| Revenue | AUC 2.1.7 Details | Horizon Rate Zone | Brampton Rate Zone | Enersource Rate Zone | PowerStream Rate Zone | Pooled/ Non-distribution | Total | Notes |
|---|-------------------|-------------------|--------------------|----------------------|-----------------------|--------------------------|-----------------|-------|
| Distribution Revenue | \$472,206,706 | \$103,901,260 | \$62,758,731 | \$120,888,128 | \$184,658,587 | \$0 | \$472,206,706 | 1 |
| Electricity Sales | \$2,489,690,900 | \$462,533,988 | \$390,244,234 | \$720,777,563 | \$916,135,118 | \$0 | \$2,489,690,903 | |
| Other Revenue | \$12,695,852 | \$4,791,551 | \$2,238,252 | \$3,254,650 | \$13,930,439 | (\$11,519,043) | \$12,695,850 | |
| Total Revenue | \$2,974,593,458 | \$571,226,799 | \$455,241,218 | \$844,920,341 | \$1,114,724,144 | (\$11,519,043) | \$2,974,593,459 | |
| Expenses | | | | | | | | |
| Cost of Power | \$2,489,690,903 | \$462,533,988 | \$390,244,234 | \$720,777,563 | \$916,135,118 | \$0 | \$2,489,690,903 | 2 |
| Operating expenses | \$233,507,349 | \$56,015,186 | \$28,561,177 | \$56,407,500 | \$90,490,814 | \$ 2,032,671 | \$233,507,349 | |
| Depreciation & amortization | \$107,391,515 | \$20,355,959 | \$13,481,449 | \$29,390,319 | \$44,163,788 | \$0 | \$107,391,515 | |
| Total expenses | \$2,830,589,766 | \$538,905,134 | \$432,286,860 | \$806,575,381 | \$1,050,789,720 | \$2,032,671 | \$2,830,589,766 | |
| Income from operating activities | \$144,003,692 | \$32,321,666 | \$22,954,358 | \$38,344,960 | \$63,934,424 | (\$13,551,714) | \$144,003,693 | 3 |
| Loss on PP&E derecognition | \$5,121,979 | \$1,564,672 | \$669,462 | \$1,563,803 | \$1,324,043 | \$0 | \$5,121,980 | |
| Share of net income from JV | (\$559,101) | | | | | (\$559,101) | (\$559,101) | |
| Interest Income | (\$2,422,890) | | | | | (\$2,422,890) | (\$2,422,890) | |
| Interest expense | \$54,333,002 | | | | | \$54,333,002 | \$54,333,002 | |
| Income before income taxes | \$87,530,702 | \$30,756,993 | \$22,284,896 | \$36,781,157 | \$62,610,381 | (\$64,902,725) | \$87,530,702 | |
| Income tax expense | \$10,501,164 | | | | | \$10,501,164 | \$10,501,164 | |
| Net income | \$77,029,538 | \$30,756,993 | \$22,284,896 | \$36,781,157 | \$62,610,381 | (\$75,403,890) | \$77,029,538 | |
| Other Comprehensive income (loss) | | | | | | | | |
| Remeasurement of defined benefit obligation | (\$2,263,000) | | | | | (\$2,263,000) | (\$2,263,000) | |
| Future income tax recovery | \$534,000 | | | | | \$534,000 | \$534,000 | |
| Total comprehensive net income | \$75,300,538 | \$30,756,993 | \$22,284,896 | \$36,781,157 | \$62,610,381 | (\$77,132,890) | \$75,300,538 | |
| | | | \$121,676,434 | | | | | |

NOTES

These amounts are directly attributable/tracked by the rate zone.

These amount are not directly attributable/tracked by rate zone and involve some allocation

These amounts are replaced by deemed amounts / calculations and do not need to be split.

- | | | |
|---|-----------------------------------|------------------------|
| 1. Pooled/Non-Distribution consists of: | | CR (DR) |
| CDM net income | as per RRR ROE 2.1.5.6 Appendix 1 | \$949,339 |
| Renewable generation net revenue (loss) | as per RRR ROE 2.1.5.6 Appendix 1 | (\$ 12,468,382) |
| | | <u>(\$ 11,519,043)</u> |
| 2. Pooled/Non-Distribution consists of: | | |
| merger costs | | <u>\$2,032,671</u> |
| 3. Joint venture income from 50% interest in Collus PowerStream is investment income and not distribution income. | | |

Alectra Utilities Corporation**Horizon Utilities Corporation (HUC) / Horizon Rate Zone (HRZ) 2017 ESM Calculation****ESM Rate Riders Table**

| Rate Class | Total \$ | Fixed Rate | Variable Rate | Variable Units |
|---------------------------------|-------------|------------|---------------|----------------|
| | | Rider | Rider | |
| RESIDENTIAL | \$ 0 | \$ 0.00 | \$ 0.0000 | \$/kWh |
| GENERAL SERVICE LESS THAN 50 KW | \$ 0 | \$ 0.00 | \$ 0.0000 | \$/kWh |
| GENERAL SERVICE > 50 KW | \$ 0 | \$ 0.00 | \$ 0.0000 | \$/kW |
| LARGE USE 1 | \$ 0 | \$ 0.00 | \$ 0.0000 | \$/kW |
| LARGE USE 2 | \$ 0 | \$ 0.00 | \$ 0.0000 | \$/kW |
| UNMETERED SCATTERED LOAD | \$ 0 | \$ 0.00 | \$ 0.0000 | \$/kWh |
| SENTINEL LIGHTING | \$ 0 | \$ 0.00 | \$ 0.0000 | \$/kW |
| STREET LIGHTING | \$ 0 | \$ 0.00 | \$ 0.0000 | \$/kW |
| Total | \$ 0 | | | |

NOTES

| Rate Class | Board-Approved Base Rates (2018) | | | Per Settlement Agreement Approved Billing Determinants (2019) | | | Current Base Service Charge Revenue | Current Base Distribution Volumetric Rate kWh Revenue | Current Base Distribution Volumetric Rate kW Revenue | Total Current Base Revenue | Service Charge % Total Revenue | Distribution Volumetric Rate % Total Revenue | Distribution Volumetric Rate % Total Revenue | Total % Revenue |
|---------------------------------|----------------------------------|----------------------------------|---------------------------------|---|----------------------|---------------------|-------------------------------------|---|--|----------------------------|--------------------------------|--|--|-----------------|
| | Monthly Service Charge | Distribution Volumetric Rate kWh | Distribution Volumetric Rate kW | Billed Customers or Connections | Billed kWh | Billed kW | | | | | | | | |
| | A | B | C | D | E | F | | | | | | | | |
| RESIDENTIAL | 23.67 | 0.004 | | 227,762 | 1,652,719,193 | | 64,693,518 | 6,610,877 | 0 | 71,304,395 | 55.72% | 5.69% | 0.00% | 61.4% |
| GENERAL SERVICE LESS THAN 50 KW | 41.22 | 0.0106 | | 18,709 | 594,472,785 | | 9,254,220 | 6,301,412 | 0 | 15,555,631 | 7.97% | 5.43% | 0.00% | 13.4% |
| GENERAL SERVICE > 50 KW | 379.54 | | 2.5565 | 2,316 | 1,840,510,488 | 5,066,406 | 10,548,176 | 0 | 12,952,267 | 23,500,443 | 9.09% | 0.00% | 11.16% | 20.2% |
| LARGE USE 1 | 23,720.06 | | 1.3995 | 6 | 242,051,739 | 569,520 | 1,707,844 | 0 | 797,043 | 2,504,888 | 1.47% | 0.00% | 0.69% | 2.2% |
| LARGE USE 2 | 5,610.14 | | 0.3310 | 5 | 403,775,839 | 2,136,952 | 336,608 | 0 | 707,331 | 1,043,940 | 0.29% | 0.00% | 0.61% | 0.9% |
| UNMETERED SCATTERED LOAD | 8.43 | 0.0131 | | 1,857 | 10,504,342 | | 187,854 | 137,607 | 0 | 325,461 | 0.16% | 0.12% | 0.00% | 0.3% |
| SENTINEL LIGHTING | 5.49 | | 15.0507 | 248 | 363,731 | 1,030 | 16,338 | 0 | 15,502 | 31,840 | 0.01% | 0.00% | 0.01% | 0.0% |
| STREET LIGHTING | 2.00 | | 5.3153 | 52,273 | 39,610,413 | 109,773 | 1,254,552 | 0 | 583,476 | 1,838,028 | 1.08% | 0.00% | 0.50% | 1.6% |
| Total | | | | | 4,784,008,530 | 7,883,681.00 | 87,999,111 | 13,049,895 | 15,055,620 | 116,104,626 | | | | 100.0% |



Ontario Energy Board

Capital Module

Applicable to ACM and ICM

EB-2019-0018 Attachment 10

Calculation of incremental rate rider. Choose one of the

| Rate Class | Service Charge % Revenue | Distribution Volumetric Rate % Revenue kWh | Distribution Volumetric Rate % Revenue kW | Service Charge Revenue | Distribution Volumetric Rate Revenue kWh | Distribution Volumetric Rate Revenue kW | Total Revenue by Rate Class | Board Approved Customers or Connections | Board Approved kWh | Board Approved kW | Service Charge Rate Rider | Distribution Volumetric Rate kWh Rate Rider | Distribution Volumetric Rate kW Rate Rider |
|---------------------------------|-----------------------------|--|---|--------------------------------|--|---|-----------------------------------|--|-----------------------|----------------------|---------------------------------|---|---|
| | <i>From Sheet 1</i> | <i>From Sheet 1</i> | <i>From Sheet 1</i> | Col C * Col I _{total} | Col D * Col I _{total} | Col E * Col I _{total} | | <i>From Sheet 1</i> | <i>From Sheet 1</i> | <i>From Sheet 1</i> | Col F / Col K / 12 | Col G / Col L | Col H / Col M |
| RESIDENTIAL | 55.72% | 5.69% | 0.00% | 0 | 0 | 0 | 0 | 227,762 | 1,652,719,193 | | \$0.00 | \$ | - |
| GENERAL SERVICE LESS THAN 50 KW | 7.97% | 5.43% | 0.00% | 0 | 0 | 0 | 0 | 18,709 | 594,472,785 | | \$0.00 | \$ | \$0.00 |
| GENERAL SERVICE > 50 KW | 9.09% | 0.00% | 11.16% | 0 | 0 | 0 | 0 | 2,316 | 1,840,510,488 | 5,066,406 | \$0.00 | \$ | - \$0.00 |
| LARGE USE 1 | 1.47% | 0.00% | 0.69% | 0 | 0 | 0 | 0 | 6 | 242,051,739 | 569,520 | \$0.00 | \$ | - \$0.00 |
| LARGE USE 2 | 0.29% | 0.00% | 0.61% | 0 | 0 | 0 | 0 | 5 | 403,775,839 | 2,136,952 | \$0.00 | \$ | - \$0.00 |
| UNMETERED SCATTERED LOAD | 0.16% | 0.12% | 0.00% | 0 | 0 | 0 | 0 | 1,857 | 10,504,342 | | \$0.00 | \$ | \$0.00 |
| SENTINEL LIGHTING | 0.01% | 0.00% | 0.01% | 0 | 0 | 0 | 0 | 248 | 363,731 | 1,030 | \$0.00 | \$ | - \$0.00 |
| STREET LIGHTING | 1.08% | 0.00% | 0.50% | 0 | 0 | 0 | 0 | 52,273 | 39,610,413 | 109,773 | \$0.00 | \$ | - \$0.00 |
| Total | 75.79% | 11.24% | 12.97% | 0 | 0 | 0 | 0 | 303,176 | 4,784,008,530 | | | | |

Note: As per the OEB's letter issued July 16, 2015 (EB-2012-0410), Residential Rates will be applied on a fixed basis only.

SEC-66

Reference: Exhibit 3, Tab 1, Schedule 2, p. 2-10

Please provide Tables 24-31 for the twelve months ended December 31, 2019, in two versions: a) using the capitalization assumptions as filed, and b) on the assumption that the pre-2017 capitalization policy for each of the rate zones remains in place. Please provide the full calculations, in Excel format, supporting those Tables.

Response:

- 1 The full calculations supporting Tables 24-31 under the above two scenarios are provided as
- 2 SEC-66_Attach 1_HRZ 2018 ESM Model and SEC-66_Attach 2_HRZ 2018 ESM Model
- 3 Excluding Capitalization. Alectra Utilities also assumes that SEC meant December 31, 2018 and
- 4 not December 31, 2019 as the ESM calculations for 2017 and 2018 only are provided in this
- 5 Application. Please note that these models are representative of the original filing and excludes
- 6 the adjustments made in HRZ-Staff-2. The resulting ROE for purposes of the HRZ ESM, based
- 7 on Attachment 2, is 6.76% as compared to the original filed ROE of 8.32%.

SEC-66

ATTACH 1 – HRZ 2018 ESM MODEL

Summary ESM Calculation

| 2018 Regulatory ROE for ESM | 2018 Actuals ESM | Annual Filing EB-2017-0024 | Variance |
|--|------------------|----------------------------|----------------|
| Adjusted Regulatory net income | \$ 17,887,010 | \$ 19,051,629 | (\$ 1,164,619) |
| Deemed equity | \$ 214,920,389 | \$ 211,684,768 | \$ 3,235,621 |
| ROE | 8.323% | 9.000% | -0.677% |
| % Return in excess of approved in rates | | -0.677% | |
| \$ Return in excess of approved in rates | | \$0 | |
| Amount payable to rate payers | | \$0 | |

Regulatory Net Income

| 2018 Regulatory ROE | Alectra | Total | Annual Filing EB-2017-0024 |
|--|-----------------------|-----------------------|----------------------------|
| Regulated net income (loss) per RRR 2.1.7 | \$ 135,928,739 | \$ 135,928,739 | |
| Remove CDM net income | (\$ 13,646,000) | (\$ 13,646,000) | |
| Remove renewable generation, water & Collus g | (\$ 4,785,165) | (\$ 4,785,165) | |
| Add back net merger savings | (\$ 25,225,862) | (\$ 25,225,862) | |
| Add actual interest cost | \$ 61,804,399 | \$ 61,804,399 | |
| Deduct income tax expense | \$ 20,251,616 | \$ 20,251,616 | |
| | \$ 0 | \$ 0 | |
| Deduct other rate zones regulatory net income before interest and taxes | (\$ 143,054,276) | (\$ 143,054,276) | |
| Horizon Rate Zone regulatory net income before interest and taxes | \$ 31,273,451 | \$ 31,273,451 | |
| Deemed interest expense - short term | | (\$ 492,168) | |
| Deemed interest expense - long term | | (\$ 10,899,162) | |
| Regulatory Net Income before Tax | | \$ 19,882,121 | \$ 22,217,925 |
| Income taxes/PILs - current | | \$ 1,953,181 | \$ 3,166,296 |
| Horizon Rate Zone regulatory net income before ESM adjustments | | \$ 17,928,940 | \$ 19,051,629 |

HRZ - Regulatory Net Income

| Adjusted Net Income for ESM | 2018 Actuals ESM |
|--|----------------------|
| Regulatory Net income | \$ 17,928,940 |
| Add back taxes | \$ 1,953,181 |
| Add back 2018 ESM accrual | \$ 0 |
| Add non-allowable donations (non-LEAP) | \$ 0 |
| Adjust DVA interest (income) expense | \$ 438,337 |
| Deduct 1/5th of Application costs | (\$ 495,385) |
| Adjusted NIBT for ESM | \$ 19,825,073 |
| PILS | \$ 1,938,063 |
| Adjusted Net Income for ESM | \$ 17,887,010 |

Current Taxes - HRZ

| Adjustments | Income before Tax | Current Tax Impact | Tax Rate |
|---|----------------------|---------------------|--------------|
| Regulatory Net income | \$ 19,882,121 | \$ 1,953,181 | 9.82% |
| Add back 2018 ESM accrual | \$ 0 | \$ 0 | |
| Add non-allowable donations (non-LEAP) | \$ 0 | \$ 0 | |
| Adjustments for DVA interest (income) expense | \$ 438,337 | \$ 116,159 | |
| Adjustment for 2017 ESM actual vs. accrued | \$ 0 | \$ 0 | |
| Deduct 1/5th of Application costs | (\$ 495,385) | (\$ 131,277) | 26.50% |
| Adjusted NIBT for ESM | \$ 19,825,073 | \$ 1,938,063 | 9.78% |

HRZ Deemed Debt & Equity

| Deemed Debt and Equity | % | 2018 Actuals ESM | Annual Filing EB-2017-0024 | Variance |
|------------------------|----------------|-----------------------|-------------------------------|---------------------|
| Deemed ST Debt | 4.00% | \$ 21,492,039 | \$ 21,168,477 | \$ 323,562 |
| Deemed LT Debt | 56.00% | \$ 300,888,545 | \$ 296,358,675 | \$ 4,529,870 |
| Deemed Equity | 40.00% | \$ 214,920,389 | \$ 211,684,768 | \$ 3,235,621 |
| Total Rate Base | 100.00% | \$ 537,300,973 | \$ 529,211,920 | \$ 8,089,053 |

HRZ Rate Base

| Rate Base | 2018 Actuals ESM | Annual Filing EB- 2017-0024 | Variance |
|----------------------------------|-----------------------|--------------------------------|-----------------------|
| Average Net Fixed Assets | \$ 470,376,680 | \$ 453,910,872 | \$ 16,465,808 |
| Working Capital Allowance: | | | |
| Cost of Power | \$ 494,866,319 | \$ 564,872,280 | (\$ 70,005,961) |
| Controllable expenses | \$ 62,836,129 | \$ 62,636,457 | \$ 199,672 |
| Working Capital Base | \$ 557,702,448 | \$ 627,508,737 | (\$ 69,806,289) |
| Working Capital Allowance | \$ 66,924,294 | \$ 75,301,048 | (\$ 8,376,755) |
| Rate Base | \$ 537,300,973 | \$ 529,211,920 | \$ 8,089,053 |

HRZ Net Fixed Assets

| Description | Jan 1/18 | Dec 31/18 | Average |
|---------------------|-----------------------|-----------------------|-----------------------|
| Distribution Assets | \$ 422,396,256 | \$ 435,596,371 | \$ 428,996,313 |
| General Plant | \$ 39,348,121 | \$ 43,412,612 | \$ 41,380,366 |
| Total | \$ 461,744,377 | \$ 479,008,982 | \$ 470,376,680 |

HRZ Regulatory Net Income

| Regulatory Net Income | 2018 Actual |
|---|-----------------------|
| Distribution revenue | \$ 114,566,462 |
| Other revenue | \$ 4,908,678 |
| Revenue | \$ 119,475,140 |
| OM&A | \$ 62,836,129 |
| Depreciation | \$ 25,365,560 |
| Deemed interest on ST Debt | \$ 492,168 |
| Deemed interest on LT Debt | \$ 10,899,162 |
| Total expenses | \$ 99,593,019 |
| Regulatory Net Income before Tax | \$ 19,882,121 |
| PILS | \$ 1,953,181 |
| Regulatory Net income | \$ 17,928,940 |

**Horizon Rate Zone (HRZ) 2018 ESM Calculation
Summary**

| A. 2018 Regulatory ROE for ESM | | 2018 Actuals ESM | Annual Filing EB-2017-0024 | Variance |
|--|--|-----------------------------|---------------------------------------|-----------------|
| Adjusted Regulatory net income | | \$ 17,887,010 | \$ 19,051,629 | (\$ 1,164,619) |
| Deemed equity | | \$ 214,920,389 | \$ 211,684,768 | \$ 3,235,621 |
| ROE | | 8.323% | 9.000% | -0.677% |
| % Return in excess of approved in rates | | | -0.677% | |
| \$ Return in excess of approved in rates | | | \$0 | |
| Amount payable to rate payers | | | \$0 | |

| B. Adjusted Net Income for ESM | | 2018 Actuals ESM | Notes |
|--|--|-----------------------------|--------------|
| Regulatory Net income | | \$ 17,928,940 | 1 |
| Add back taxes | | \$ 1,953,181 | |
| Add back 2018 ESM accrual | | \$ 0 | 2 |
| Add non-allowable donations (non-LEAP) | | \$ 0 | |
| Adjust DVA interest (income) expense | | \$ 438,337 | |
| Deduct 1/5th of Application costs | | (\$ 495,385) | 3 |
| Adjusted NIBT for ESM | | \$ 19,825,073 | |
| PILS | | \$ 1,938,063 | |
| Adjusted Net Income for ESM | | \$ 17,887,010 | |

Notes:

1. All amounts on this sheet are for the HRZ. See supporting schedules for allocation to HRZ.
2. No ESM accrual related to 2018 and no adjustment to distribution revenue
3. This is the same amount for all years as total cost is amortized over the 5 years.

**Horizon Rate Zone (HRZ) 2018 ESM Calculation
Summary**

| 2018 Regulatory ROE | | | Annual Filing EB- 2017-0024 |
|--|-----------------------|-----------------------|--------------------------------|
| | Alectra | Total | |
| Regulated net income (loss) per RRR 2.1.7 | \$ 135,928,739 | \$ 135,928,739 | |
| Remove CDM net income | (\$ 13,646,000) | (\$ 13,646,000) | |
| Remove renewable generation, water & Collus gain on sale net income | (\$ 4,785,165) | (\$ 4,785,165) | |
| Add back net merger savings | (\$ 25,225,862) | (\$ 25,225,862) | |
| Add actual interest cost | \$ 61,804,399 | \$ 61,804,399 | |
| Deduct income tax expense | \$ 20,251,616 | \$ 20,251,616 | |
| Deduct other rate zones regulatory net income before interest and taxes | (\$ 143,054,276) | (\$ 143,054,276) | |
| Horizon Rate Zone regulatory net income before interest and taxes | \$ 31,273,451 | \$ 31,273,451 | |
| Deemed interest expense - short term | | (\$ 492,168) | |
| Deemed interest expense - long term | | (\$ 10,899,162) | |
| Regulatory Net Income before Tax | | \$ 19,882,121 | \$ 22,217,925 |
| Income taxes/PILs - current | | \$ 1,953,181 | \$ 3,166,296 |
| Horizon Rate Zone regulatory net income before ESM adjustments | | \$ 17,928,940 | \$ 19,051,629 |

Horizon 2018 ESM Estimate
Calculation of Current Taxes - Horizon Rate Zone

| A. | Adjustments | Income before Tax | Current Tax Impact | Tax Rate | Notes |
|----|---|----------------------|-----------------------|--------------|-------|
| | Regulatory Net income | \$ 19,882,121 | \$ 1,953,181 | 9.82% | |
| | Add back 2018 ESM accrual | \$ 0 | \$ 0 | | |
| | Add non-allowable donations (non-LEAP) | \$ 0 | \$ 0 | | |
| | Adjustments for DVA interest (income) expense | \$ 438,337 | \$ 116,159 | | |
| | Adjustment for 2017 ESM actual vs. accrued | \$ 0 | \$ 0 | | |
| | Deduct 1/5th of Application costs | (\$ 495,385) | (\$ 131,277) | 26.50% | |
| | Adjusted NIBT for ESM | \$ 19,825,073 | \$ 1,938,063 | 9.78% | |

| B. | Horizon Rate Zone - Alectra period | Actual | Annual Filing EB-2017-0024 | |
|----|------------------------------------|-----------------|-------------------------------|---|
| | Regulatory net income before tax | \$ 19,882,121 | \$ 19,051,629 | 1 |
| | Net additions (deductions) for tax | (\$ 11,849,511) | (\$ 9,552,657) | 2 |
| | Taxable income | \$ 8,032,610 | \$ 9,498,972 | |
| | Rate rate | 26.50% | 26.50% | 3 |
| | Income taxes | \$ 2,128,642 | \$ 2,517,228 | |
| | tax credits | (\$ 175,461) | (\$ 190,000) | |
| | Current taxes payable | \$ 1,953,181 | \$ 2,327,228 | |
| | PILs Gross-up | \$ 0 | \$ 839,068 | |
| | Income taxes | \$ 1,953,181 | \$ 3,166,296 | |

Notes

1. Regulatory net income before tax from "Net Income" sheet
2. Net Additions (deductions) for tax from Alectra tax provision worksheet (Attachment 11).
Update required per HRZ-Staff 2.e net deductions of \$11.8MM revised to \$9.5MM
3. This is the legislated tax rate that applies to HRZ taxable income for 2018.

Horizon 2018 ESM
Net Income

| A. Regulatory Net Income | 2018 Actual | Annual Filing EB-2017-0024 | Variance |
|---|-----------------------|----------------------------|-----------------------|
| Distribution revenue | \$ 114,566,462 | \$ 114,875,474 | (\$ 309,012) |
| Other revenue | \$ 4,908,678 | \$ 5,866,199 | (\$ 957,521) |
| Revenue | \$ 119,475,140 | \$ 120,741,673 | (\$ 1,266,533) |
| OM&A | \$ 62,836,129 | \$ 62,636,457 | \$ 199,672 |
| Depreciation | \$ 25,365,560 | \$ 24,667,457 | \$ 698,103 |
| Deemed interest on ST Debt | \$ 492,168 | \$ 484,758 | \$ 7,410 |
| Deemed interest on LT Debt | \$ 10,899,162 | \$ 10,735,076 | \$ 164,087 |
| Total expenses | \$ 99,593,019 | \$ 98,523,748 | \$ 1,069,271 |
| Regulatory Net Income before Tax | \$ 19,882,121 | \$ 22,217,925 | (\$ 2,335,804) |
| PILS | \$ 1,953,181 | \$ 3,166,296 | (\$ 1,213,115) |
| Regulatory Net income | \$ 17,928,940 | \$ 19,051,629 | (\$ 1,122,689) |

| B. Regulatory Net Income | N/A | 2018 Actual | Total |
|---|-------------|-----------------------|-----------------------|
| Distribution revenue | \$ 0 | \$ 114,566,462 | \$ 114,566,462 |
| Other revenue | \$ 0 | \$ 4,908,678 | \$ 4,908,678 |
| Revenue | \$ 0 | \$ 119,475,140 | \$ 119,475,140 |
| OM&A | \$ 0 | \$ 62,836,129 | \$ 62,836,129 |
| Depreciation | \$ 0 | \$ 25,365,560 | \$ 25,365,560 |
| Net Income before interest and tax | \$ 0 | \$ 31,273,451 | \$ 31,273,451 |
| Deemed interest on ST Debt | \$ 0 | \$ 492,168 | \$ 492,168 |
| Deemed interest on LT Debt | \$ 0 | \$ 10,899,162 | \$ 10,899,162 |
| Regulatory Net Income before Tax | \$ 0 | \$ 19,882,121 | \$ 19,882,121 |
| PILS | \$ 0 | \$ 1,953,181 | \$ 1,953,181 |
| Regulatory Net income | \$ 0 | \$ 17,928,940 | \$ 17,928,940 |

1

C. Deemed Debt and Equity

| | | | |
|-----------------|------|----------------|---------------|
| Deemed ST Debt | 4% | \$ 21,492,039 | \$ 492,168 |
| Deemed LT Debt | 56% | \$ 300,888,545 | \$ 10,899,162 |
| Deemed Equity | 40% | \$ 214,920,389 | |
| Total Rate Base | 100% | \$ 537,300,973 | |

D. 2018 DRO Approved by OEB (EB-2017-0024)

| | | |
|-----------|--|----------------|
| Rate Base | | \$ 529,211,920 |
|-----------|--|----------------|

Revenue Requirement

| | | |
|------------------------------------|----------|-----------------------|
| Deemed interest on ST Debt | 2.29000% | \$ 484,758 |
| Deemed interest on LT Debt | 3.62233% | \$ 10,735,076 |
| Return on Equity | 9.00% | \$ 19,051,629 |
| Total Return on Rate Base | | \$ 30,271,463 |
| Depreciation | | \$ 24,667,457 |
| OM&A | | \$ 62,322,555 |
| Property Tax | | \$ 313,902 |
| PILS | | \$ 3,166,296 |
| Service Revenue Requirement | | \$ 120,741,673 |
| Revenue Offsets | | \$ 5,866,199 |
| Base Revenue Requirement | | \$ 114,875,474 |

Notes

1. Net income before interest and tax reconciled to RRR 2.1.7 trial balance regulatory net income.

Horizon 2018 ESM
Rate Base

| Rate Base and Deemed Equity | Ref. | 2018 Total | Annual Filing EB- 2017-0024 | Variance | |
|----------------------------------|----------------|-----------------------|--------------------------------|-----------------------|----------------|
| Average Net Fixed Assets | NFA | \$ 470,376,680 | \$ 453,910,872 | \$ 16,465,808 | 3.6% |
| Working Capital Allowance: | | | | | |
| Cost of Power | COP | \$ 494,866,319 | \$ 564,872,280 | (\$ 70,005,961) | (12.4%) |
| Controllable expenses | OM&A | \$ 62,836,129 | \$ 62,636,457 | \$ 199,672 | 0.3% |
| Working Capital Base | | \$ 557,702,448 | \$ 627,508,737 | (\$ 69,806,289) | (11.1%) |
| Working Capital Allowance | 12.00% | \$ 66,924,294 | \$ 75,301,048 | (\$ 8,376,755) | (11.1%) |
| Rate Base | | \$ 537,300,973 | \$ 529,211,920 | \$ 8,089,053 | 1.5% |
| Deemed ST Debt | 4.00% | \$ 21,492,039 | \$ 21,168,477 | \$ 323,562 | 1.5% |
| Deemed LT Debt | 56.00% | \$ 300,888,545 | \$ 296,358,675 | \$ 4,529,870 | 1.5% |
| Deemed Equity | 40.00% | \$ 214,920,389 | \$ 211,684,768 | \$ 3,235,621 | 1.5% |
| Total Rate Base | 100.00% | \$ 537,300,973 | \$ 529,211,920 | \$ 8,089,053 | 1.5% |

| Rate Base | | 2018 Actuals ESM | Annual Filing EB- 2017-0024 | Variance |
|----------------------------------|----------------|-----------------------|--------------------------------|-----------------------|
| Average Net Fixed Assets | | \$ 470,376,680 | \$ 453,910,872 | \$ 16,465,808 |
| Working Capital Allowance: | | | | |
| Cost of Power | | \$ 494,866,319 | \$ 564,872,280 | (\$ 70,005,961) |
| Controllable expenses | | \$ 62,836,129 | \$ 62,636,457 | \$ 199,672 |
| Working Capital Base | | \$ 557,702,448 | \$ 627,508,737 | (\$ 69,806,289) |
| Working Capital Allowance | | \$ 66,924,294 | \$ 75,301,048 | (\$ 8,376,755) |
| Rate Base | | \$ 537,300,973 | \$ 529,211,920 | \$ 8,089,053 |
| | | | | |
| Deemed Debt and Equity | % | 2018 Actuals ESM | Annual Filing EB- 2017-0024 | Variance |
| Deemed ST Debt | 4.00% | \$ 21,492,039 | \$ 21,168,477 | \$ 323,562 |
| Deemed LT Debt | 56.00% | \$ 300,888,545 | \$ 296,358,675 | \$ 4,529,870 |
| Deemed Equity | 40.00% | \$ 214,920,389 | \$ 211,684,768 | \$ 3,235,621 |
| Total Rate Base | 100.00% | \$ 537,300,973 | \$ 529,211,920 | \$ 8,089,053 |

Horizon 2018 ESM
Rate Base - Net Fixed Assets (NBV)

| Description | Jan 1/18 | Dec 31/18 | Average | Notes |
|---------------------|-----------------------|-----------------------|-----------------------|---------------|
| Distribution Assets | \$ 422,396,256 | \$ 435,596,371 | \$ 428,996,313 | See (A) below |
| General Plant | \$ 39,348,121 | \$ 43,412,612 | \$ 41,380,366 | |
| Total | \$ 461,744,377 | \$ 479,008,982 | \$ 470,376,680 | |

(A) Allocation of General Plant:

| General Plant | | | Allocation | | Notes |
|---------------|-----------------------|-----------------------|----------------|-----------------------|---------------|
| Rate Zone | Dec 31/16 | Dec 31/18 | Percentage | Dec 31/17 | |
| Horizon | \$ 43,380,554 | | 16.83% | \$ 43,412,612 | See (B) below |
| Enersource | \$ 59,143,324 | | 22.95% | \$ 59,187,030 | |
| Brampton | \$ 17,994,921 | | 6.98% | \$ 18,008,219 | |
| PowerStream | \$ 137,170,089 | | 53.23% | \$ 137,271,456 | |
| Alectra | | \$ 257,879,317 | | | |
| Total | \$ 257,688,889 | \$ 257,879,317 | 100.00% | \$ 257,879,317 | |

(B) Calculation of Total General Plant to Allocate:

| General Plant | | |
|---------------|-----------------------|-----------------------|
| Rate Zone | Dec 31/16 | Dec 31/18 |
| Horizon | \$ 43,380,554 | \$ 39,785,102 |
| Enersource | \$ 59,143,324 | \$ 58,424,841 |
| Brampton | \$ 17,994,921 | \$ 15,766,492 |
| PowerStream | \$ 137,170,089 | \$ 138,669,870 |
| Merger Adj | \$ 0 | \$ 5,233,012 |
| Total | \$ 257,688,889 | \$ 257,879,317 |

NOTES

1. Alectra total General Plant at Dec 31/18 allocated based on Dec 31/16 NBV of General Plant

Horizon 2018 ESM
Cost of Power (COP)

| | | Jan-Dec | Total | Notes |
|------------------------------------|--|----------------|----------------|-------|
| Cost of Power per MIFRS statements | | \$ 494,866,319 | \$ 494,866,319 | |
| Cost of Power for ESM | | \$ 494,866,319 | \$ 494,866,319 | 1 |

Notes

1. Tracked by rate zone - COP calculated based on OEB definition of lower of revenue and cost of power

Horizon 2018 ESM
Distribution Revenue

| | | Jan-Dec | Total | Notes |
|---------------------------------|--|----------------|----------------|-------|
| Distribution Revenue | | \$ 114,566,462 | \$ 114,566,462 | 1 |
| Less stranded meter rate riders | | \$ 0 | \$ 0 | 2 |
| Distribution Revenue for ESM | | \$ 114,566,462 | \$ 114,566,462 | |

| 2018 Alectra Distribution Revenue | Total | HRZ | BRZ | ERZ | PRZ |
|-----------------------------------|----------------|----------------|---------------|----------------|----------------|
| 12 months ending Dec 31/18 | \$ 535,447,023 | \$ 114,566,462 | \$ 78,166,703 | \$ 134,161,789 | \$ 208,552,069 |
| Total | \$ 535,447,023 | \$ 114,566,462 | \$ 78,166,703 | \$ 134,161,789 | \$ 208,552,069 |

Notes

1. Tracked by rate zone - directly attributable
2. Recovery of rate riders on stranded meters ended December 31, 2017.

Horizon 2018 ESM
Other Revenue

A) Directly attributable basis

| LDC/Rate Zone | Horizon 2018 Other | | | Note |
|---------------|--------------------|---------------------|---------------------|------|
| | N/A | Revenue | Total | |
| Horizon | \$ - | \$ 4,908,678 | \$ 4,908,678 | 1 |
| Total | \$ - | \$ 4,908,678 | \$ 4,908,678 | |

Notes

1 Other revenues are HRZ specific.

Total Other Revenue

Other Revenue from the Alectra Trial Balance - HRZ
add gain (loss) on sale of assets excluding derecognition

\$ 4,511,853
\$ 396,825

\$ 4,908,678

Horizon 2018 ESM
OM&A for 2018 ESM

HRZ 2018 OM&A for ESM calculation

Notes

| | | |
|--|----------------------|---|
| HRZ share of Alectra OM&A - 12 months ending Dec 31/18 | \$ 62,836,129 | 1 |
| Total for 2018 | \$ 62,836,129 | |

Notes

1. Allocation of Alectra OM&A to HRZ:

| Description | Amount |
|---|-----------------------|
| Alectra Utilities | \$ 232,057,952 |
| Plus net merger OM&A savings | \$ 24,020,161 |
| Adjusted Alectra OM&A for allocation to rate zones | \$ 256,078,113 |
| Total for allocation | \$ 256,078,113 |

Allocation to Rate Zones:

| LDC/Rate Zone | Alectra 2018 | Allocation % | Allocated Amount | OM&A by Rate Zone |
|---------------|-----------------------|----------------|-----------------------|-----------------------|
| Brampton | | 13.34394633% | \$ 34,170,926 | \$ 34,170,926 |
| Enersource | | 24.06638663% | \$ 61,628,749 | \$ 61,628,749 |
| Horizon | | 24.53787570% | \$ 62,836,129 | \$ 62,836,129 |
| PowerStream | | 38.05179134% | \$ 97,442,309 | \$ 97,442,309 |
| Alectra | \$ 256,078,113 | | | \$ - |
| Total | \$ 256,078,113 | 100.00% | \$ 256,078,113 | \$ 256,078,113 |

See "Allocations" sheet for details regarding the allocation % used.

HRZ share of Alectra OM&A - 12 months ending Dec 31/18:

| | |
|---|----------------------|
| OM&A allocated to HRZ as above | \$ 62,836,129 |
| Horizon share of Alectra OM&A based on previous capitalization policy | <u>\$ 62,836,129</u> |

Horizon 2018 ESM
Depreciation Expense

| Horizon Rate Zone | Dec. 31/2018 | 2018 Total |
|-----------------------|---------------------|---------------------|
| Distribution Assets | \$16,034,721 | \$16,034,721 |
| General Plant | \$6,935,435 | \$6,935,435 |
| subtotal | \$22,970,156 | \$22,970,156 |
| Derecognition expense | \$2,395,404 | \$2,395,404 |
| Total | \$25,365,560 | \$25,365,560 |

Notes

1

2

Allocation of General Plant:

Alectra General Plant depreciation is allocated based on Dec 31/16 General Plant depreciation by rate zone.

| General Plant | 2016 Depreciation Expense | 2018 Depreciation Expense | 2018 Depreciation Expense |
|---------------|---------------------------|---------------------------|---------------------------|
| Rate Zone | Dec 31/16 | Alectra ³ | Alectra |
| Horizon | \$7,006,612 | \$ 6,935,435 | \$ 6,935,435 |
| Enersource | \$7,487,110 | \$ 7,411,051 | \$ 7,411,051 |
| Brampton | \$2,184,969 | \$ 2,162,773 | \$ 2,162,773 |
| PowerStream | \$15,019,619 | \$ 14,867,041 | \$ 14,867,041 |
| Total | \$31,698,310 | \$31,376,300 | \$31,376,300 |

| General Plant Rate Zone | 2016 Depreciation Amount | Allocation Alectra Percentage | 2018 Depreciation Amount |
|-------------------------|--------------------------|-------------------------------|--------------------------|
| Horizon | \$7,006,612 | 22.10% | \$ 6,935,435 |
| Enersource | \$7,487,110 | 23.62% | \$ 7,411,051 |
| Brampton | \$2,184,969 | 6.89% | \$ 2,162,773 |
| PowerStream | \$15,019,619 | 47.38% | \$ 14,867,041 |
| Total | \$31,698,310 | 100.00% | \$ 31,376,300 |

NOTES

1. Merger capital adjustments - calculate impact on depreciation expense:

| GP effective Average Rate | At Cost | | | | | |
|--|----------------------|---------------------|----------------------|-----------------------|----------------------|---------------------|
| General Plant | Open Jan 1/18 | Net Additions | Close Dec 31/18 | adjust re 1/2 yr. | Adjusted Cost | Depreciation |
| Horizon | \$80,882,761 | \$3,283,847 | \$84,166,608 | (\$1,641,924) | \$82,524,684 | \$5,464,567 |
| Enersource | \$93,021,458 | \$1,200,344 | \$94,221,802 | (\$600,172) | \$93,621,630 | \$7,610,214 |
| Brampton | \$19,482,936 | \$2,287,850 | \$21,770,786 | (\$1,143,925) | \$20,626,861 | \$1,922,851 |
| PowerStream | \$196,884,725 | \$37,607,659 | \$234,492,384 | (\$18,803,829) | \$215,688,555 | \$15,172,967 |
| Total | \$390,271,880 | \$44,379,700 | \$434,651,580 | (\$22,189,850) | \$412,461,730 | \$30,170,599 |
| Effective average full year rate - Useful life in years and % | | | | | | 7.3% |

Alectra General plant - net merger capital costs adjustment

\$ 5,233,012

Depreciation expense average rate

7.3%

\$ 84,610 half year basis

\$

42,305

Full prior year

\$ 1,163,396 \$ 1,205,701

Alectra General Plant depreciation allocated based on Dec 31/16 General Plant depreciation by rate zone

| General Plant | 2016 Depreciation Expense | Allocation Alectra Dep | 2018 Depreciation Expense |
|---------------|---------------------------|------------------------|---------------------------|
| Rate Zone | Dec 31/16 | Percentage | Alectra GLs |
| Horizon | \$7,006,612 | 22.10% | \$ 5,464,567 |
| Enersource | \$7,487,110 | 23.62% | \$ 7,610,214 |
| Brampton | \$2,184,969 | 6.89% | \$ 1,922,851 |
| PowerStream | \$15,019,619 | 47.38% | \$ 15,172,967 |
| Merger Adj | | | \$ 1,205,701 |
| Total | \$31,698,310 | 100.00% | \$ 31,376,300 |

2. Derecognition is rate zone specific as it relates to distribution plant located in the rate zone.

Horizon 2018 ESM

Alectra OM&A by Rate Zone - 3 Year Average

| | Enersource | Horizon | Brampton | PowerStream | Total Alectra | Notes |
|---|---------------|---------------|---------------|---------------|---------------|-------|
| 2014-2016 RRR Average | \$56,300,996 | \$60,901,688 | \$28,658,213 | \$86,722,101 | \$232,582,998 | 1 |
| Adjust to Alectra Overhead capitalization | (\$1,711,518) | (\$5,242,737) | \$1,609,690 | (\$409,708) | (\$5,754,273) | |
| Revised OM&A | \$54,589,478 | \$55,658,951 | \$30,267,903 | \$86,312,393 | \$226,828,725 | |
| % of total | 24.07% | 24.54% | 13.34% | 38.05% | 100.00% | |
| Proration not required | | | | | | |
| Months | 12 | 12 | 12 | 12 | | |
| Prorated (Alectra Overhead basis) | \$ 54,589,478 | \$ 55,658,951 | \$ 30,267,903 | \$ 86,312,393 | \$226,828,725 | |
| % of total | 24.07% | 24.54% | 13.34% | 38.05% | 100.0% | |

Alectra OM&A by Rate Zone: 2014-2016 Actual per OEB RRR

| | Enersource | Horizon | Brampton | PowerStream | Total Alectra |
|------------------------|---------------|---------------|--------------|---------------|---------------|
| 2016 RRR | \$60,161,765 | \$59,354,514 | \$31,370,268 | \$86,664,223 | \$237,550,770 |
| 2015 RRR | \$56,310,038 | \$63,032,792 | \$27,850,320 | \$87,683,717 | \$234,876,867 |
| 2014 RRR | \$52,431,185 | \$60,317,757 | \$26,754,051 | \$85,818,363 | \$225,321,356 |
| 2014-2016 RRR Total | \$168,902,988 | \$182,705,063 | \$85,974,640 | \$260,166,303 | \$697,748,993 |
| 2014-2016 RRR Average, | \$56,300,996 | \$60,901,688 | \$28,658,213 | \$86,722,101 | \$232,582,998 |

HRZ-STAFF-2.a Revised 3 Year Average

| | | | | | |
|---------------------------------|--------------|--------------|--------------|--------------|---------------|
| 2014-2016 (3 Year) OM&A Average | \$56,496,098 | \$59,571,548 | \$27,912,160 | \$86,715,846 | \$230,695,651 |
|---------------------------------|--------------|--------------|--------------|--------------|---------------|

2

Notes

1. RRR data taken from OEB Annual Yearbook of Distributors less merger transaction costs
2. HRZ-Staff-2 Revised 3 Year Average (when applied - must also adjust net tax deductions based on OM&A allocation)

Horizon 2018 ESM
Merger Costs and Savings

| | Dec 31/18 | Notes |
|--|-----------------------|--------------|
| OM&A: | | |
| OM&A Transition Costs | \$3,573,289 | |
| OM&A Savings | (\$36,048,450) | |
| Net merger OM&A cost (savings) subtotal | (\$32,475,161) | |
| Remove financing savings | \$8,455,000 | 1 |
| Net merger OM&A expense to remove from OM&A | (\$24,020,161) | |
| Capital: | | |
| Capital Transition Costs Energized in 2018 | \$36,997,826 | |
| Capital Savings | (\$42,230,838) | |
| Net merger capital costs (savings) subtotal | (\$5,233,012) | |
| Net merger capital costs (savings) to remove (add) to capital | (\$5,233,012) | 2 |

Notes

1. Financing cost savings are not part of OM&A and need to be removed.
2. Net merger capital costs (savings) to remove (add) to capital

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ATTACH 2 – HRZ 2018 ESM MODEL EXCLUDING CAPITALIZATION

Summary ESM Calculation

| 2018 Regulatory ROE for ESM | 2018 Actuals ESM | Annual Filing EB-2017-0024 | Variance |
|--|------------------|----------------------------|----------------|
| Adjusted Regulatory net income | \$ 14,340,124 | \$ 19,051,629 | (\$ 4,711,505) |
| Deemed equity | \$ 212,071,273 | \$ 211,684,768 | \$ 386,505 |
| ROE | 6.762% | 9.000% | -2.238% |
| % Return in excess of approved in rates | | -2.238% | |
| \$ Return in excess of approved in rates | | \$0 | |
| Amount payable to rate payers | | \$0 | |

Regulatory Net Income

| 2018 Regulatory ROE | Alectra | Total | Annual Filing EB-2017-0024 |
|--|-----------------------|-----------------------|----------------------------|
| Regulated net income (loss) per RRR 2.1.7 | \$ 135,928,739 | \$ 135,928,739 | |
| Remove CDM net income | (\$ 13,646,000) | (\$ 13,646,000) | |
| Remove renewable generation, water & Collus g | (\$ 4,785,165) | (\$ 4,785,165) | |
| Add back net merger savings | (\$ 25,225,862) | (\$ 25,225,862) | |
| Add actual interest cost | \$ 61,804,399 | \$ 61,804,399 | |
| Deduct income tax expense | \$ 20,251,616 | \$ 20,251,616 | |
| | \$ 0 | \$ 0 | |
| Deduct other rate zones regulatory net income before interest and taxes | (\$ 143,054,276) | (\$ 143,054,276) | |
| Horizon Rate Zone regulatory net income before interest and taxes | \$ 31,273,451 | \$ 31,273,451 | |
| Deemed interest expense - short term | | (\$ 485,643) | |
| Deemed interest expense - long term | | (\$ 10,754,677) | |
| Regulatory Net Income before Tax | | \$ 20,033,131 | \$ 22,217,925 |
| Income taxes/PILs - current | | \$ 674,371 | \$ 3,166,296 |
| Horizon Rate Zone regulatory net income before ESM adjustments | | \$ 19,358,760 | \$ 19,051,629 |

HRZ - Regulatory Net Income

| Adjusted Net Income for ESM | 2018 Actuals ESM |
|--|----------------------|
| Regulatory Net income | \$ 14,382,054 |
| Add back taxes | \$ 674,371 |
| Add back 2018 ESM accrual | \$ 0 |
| Add non-allowable donations (non-LEAP) | \$ 0 |
| Adjust DVA interest (income) expense | \$ 438,337 |
| Deduct 1/5th of Application costs | (\$ 495,385) |
| Adjusted NIBT for ESM | \$ 14,999,378 |
| PILS | \$ 659,254 |
| Adjusted Net Income for ESM | \$ 14,340,124 |

Current Taxes - HRZ

| Adjustments | Income before Tax | Current Tax Impact | Tax Rate |
|---|----------------------|--------------------|--------------|
| Regulatory Net income | \$ 15,056,426 | \$ 674,371 | 4.48% |
| Add back 2018 ESM accrual | \$ 0 | \$ 0 | |
| Add non-allowable donations (non-LEAP) | \$ 0 | \$ 0 | |
| Adjustments for DVA interest (income) expense | \$ 438,337 | \$ 116,159 | |
| Adjustment for 2017 ESM actual vs. accrued | \$ 0 | \$ 0 | |
| Deduct 1/5th of Application costs | (\$ 495,385) | (\$ 131,277) | 26.50% |
| Adjusted NIBT for ESM | \$ 14,999,378 | \$ 659,254 | 4.40% |

HRZ Deemed Debt & Equity

| Deemed Debt and Equity | % | 2018 Actuals ESM | Annual Filing EB-2017-0024 | Variance |
|------------------------|----------------|-----------------------|-------------------------------|-------------------|
| Deemed ST Debt | 4.00% | \$ 21,207,127 | \$ 21,168,477 | \$ 38,651 |
| Deemed LT Debt | 56.00% | \$ 296,899,783 | \$ 296,358,675 | \$ 541,107 |
| Deemed Equity | 40.00% | \$ 212,071,273 | \$ 211,684,768 | \$ 386,505 |
| Total Rate Base | 100.00% | \$ 530,178,183 | \$ 529,211,920 | \$ 966,263 |

HRZ Rate Base

| Rate Base | 2018 Actuals ESM | Annual Filing EB- 2017-0024 | Variance |
|----------------------------------|-----------------------|--------------------------------|-----------------------|
| Average Net Fixed Assets | \$ 462,624,761 | \$ 453,910,872 | \$ 8,713,889 |
| Working Capital Allowance: | | | |
| Cost of Power | \$ 494,866,319 | \$ 564,872,280 | (\$ 70,005,961) |
| Controllable expenses | \$ 68,078,866 | \$ 62,636,457 | \$ 5,442,409 |
| Working Capital Base | \$ 562,945,185 | \$ 627,508,737 | (\$ 64,563,552) |
| Working Capital Allowance | \$ 67,553,422 | \$ 75,301,048 | (\$ 7,747,626) |
| Rate Base | \$ 530,178,183 | \$ 529,211,920 | \$ 966,263 |

HRZ Net Fixed Assets

| Description | Jan 1/18 | Dec 31/18 | Average |
|-----------------------------|-----------------------|-----------------------|-----------------------|
| Distribution Assets | \$ 422,396,256 | \$ 435,596,371 | \$ 428,996,313 |
| Adjust Overhead Capitalized | (\$ 5,263,566) | (\$ 10,240,272) | (\$ 7,751,919) |
| General Plant | \$ 39,348,121 | \$ 43,412,612 | \$ 41,380,366 |
| Total | \$ 456,480,811 | \$ 468,768,711 | \$ 462,624,761 |

HRZ Regulatory Net Income

| Regulatory Net Income | 2018 Actual |
|---|-----------------------|
| Distribution revenue | \$ 114,566,462 |
| Other revenue | \$ 4,908,678 |
| Revenue | \$ 119,475,140 |
| OM&A | \$ 68,078,866 |
| Depreciation | \$ 25,099,528 |
| Deemed interest on ST Debt | \$ 485,643 |
| Deemed interest on LT Debt | \$ 10,754,677 |
| Total expenses | \$ 104,418,714 |
| Regulatory Net Income before Tax | \$ 15,056,426 |
| PILS | \$ 674,371 |
| Regulatory Net income | \$ 14,382,054 |

Horizon Rate Zone (HRZ) 2018 ESM Calculation (Excludes Capitalization Change Impact)

Summary

| A. 2018 Regulatory ROE for ESM | 2018 Actuals | Annual Filing | Variance |
|--|----------------|----------------|----------------|
| | ESM | EB-2017-0024 | |
| Adjusted Regulatory net income | \$ 14,340,124 | \$ 19,051,629 | (\$ 4,711,505) |
| Deemed equity | \$ 212,071,273 | \$ 211,684,768 | \$ 386,505 |
| ROE | 6.762% | 9.000% | -2.238% |
| % Return in excess of approved in rates | | -2.238% | |
| \$ Return in excess of approved in rates | | \$0 | |
| Amount payable to rate payers | | \$0 | |

| B. Adjusted Net Income for ESM | 2018 Actuals | Notes |
|--|----------------------|-------|
| | ESM | |
| Regulatory Net income | \$ 14,382,054 | 1 |
| Add back taxes | \$ 674,371 | |
| Add back 2018 ESM accrual | \$ 0 | 2 |
| Add non-allowable donations (non-LEAP) | \$ 0 | |
| Adjust DVA interest (income) expense | \$ 438,337 | |
| Deduct 1/5th of Application costs | (\$ 495,385) | 3 |
| Adjusted NIBT for ESM | \$ 14,999,378 | |
| PILS | \$ 659,254 | |
| Adjusted Net Income for ESM | \$ 14,340,124 | |

Notes:

1. All amounts on this sheet are for the HRZ. See supporting schedules for allocation to HRZ.
2. No ESM accrual related to 2018 and no adjustment to distribution revenue
3. This is the same amount for all years as total cost is amortized over the 5 years.

**Horizon Rate Zone (HRZ) 2018 ESM Calculation
Summary**

| 2018 Regulatory ROE | | | Annual Filing EB- 2017-0024 |
|--|-----------------------|-----------------------|--------------------------------|
| | Alectra | Total | |
| Regulated net income (loss) per RRR 2.1.7 | \$ 135,928,739 | \$ 135,928,739 | |
| Remove CDM net income | (\$ 13,646,000) | (\$ 13,646,000) | |
| Remove renewable generation, water & Collus gain on sale net income | (\$ 4,785,165) | (\$ 4,785,165) | |
| Add back net merger savings | (\$ 25,225,862) | (\$ 25,225,862) | |
| Add actual interest cost | \$ 61,804,399 | \$ 61,804,399 | |
| Deduct income tax expense | \$ 20,251,616 | \$ 20,251,616 | |
| Deduct other rate zones regulatory net income before interest and taxes | (\$ 143,054,276) | (\$ 143,054,276) | |
| Horizon Rate Zone regulatory net income before interest and taxes | \$ 31,273,451 | \$ 31,273,451 | |
| Deemed interest expense - short term | | (\$ 485,643) | |
| Deemed interest expense - long term | | (\$ 10,754,677) | |
| Regulatory Net Income before Tax | | \$ 20,033,131 | \$ 22,217,925 |
| Income taxes/PILs - current | | \$ 674,371 | \$ 3,166,296 |
| Horizon Rate Zone regulatory net income before ESM adjustments | | \$ 19,358,760 | \$ 19,051,629 |

Horizon 2018 ESM Estimate

Calculation of Current Taxes - Horizon Rate Zone

| A. | Adjustments | Income before Tax | Current Tax Impact | Tax Rate | Notes |
|----|---|----------------------|-----------------------|--------------|-------|
| | Regulatory Net income | \$ 15,056,426 | \$ 674,371 | 4.48% | |
| | Add back 2018 ESM accrual | \$ 0 | \$ 0 | | |
| | Add non-allowable donations (non-LEAP) | \$ 0 | \$ 0 | | |
| | Adjustments for DVA interest (income) expense | \$ 438,337 | \$ 116,159 | | |
| | Adjustment for 2017 ESM actual vs. accrued | \$ 0 | \$ 0 | | |
| | Deduct 1/5th of Application costs | (\$ 495,385) | (\$ 131,277) | 26.50% | |
| | Adjusted NIBT for ESM | \$ 14,999,378 | \$ 659,254 | 4.40% | |

| B. | Horizon Rate Zone - Alectra period | Actual | Annual Filing EB-2017-0024 | |
|----|------------------------------------|-----------------|-------------------------------|---|
| | Regulatory net income before tax | \$ 15,056,426 | \$ 19,051,629 | 1 |
| | Net additions (deductions) for tax | (\$ 11,849,511) | (\$ 9,552,657) | 2 |
| | Taxable income | \$ 3,206,915 | \$ 9,498,972 | |
| | Rate rate | 26.50% | 26.50% | 3 |
| | Income taxes | \$ 849,832 | \$ 2,517,228 | |
| | tax credits | (\$ 175,461) | (\$ 190,000) | |
| | Current taxes payable | \$ 674,371 | \$ 2,327,228 | |
| | PILs Gross-up | \$ 0 | \$ 839,068 | |
| | Income taxes | \$ 674,371 | \$ 3,166,296 | |

Notes

1. Regulatory net income before tax from "Net Income" sheet
2. Net Additions (deductions) for tax from Alectra tax provision worksheet (Attachment 11).
Update required per HRZ-Staff 2.e net deductions of \$11.8MM revised to \$9.5MM
3. This is the legislated tax rate that applies to HRZ taxable income for 2018.

Horizon 2018 ESM

Net Income

| | | Annual Filing EB- | |
|---|-----------------------|-----------------------|-----------------------|
| A. Regulatory Net Income | 2018 Actual | 2017-0024 | Variance |
| Distribution revenue | \$ 114,566,462 | \$ 114,875,474 | (\$ 309,012) |
| Other revenue | \$ 4,908,678 | \$ 5,866,199 | (\$ 957,521) |
| Revenue | \$ 119,475,140 | \$ 120,741,673 | (\$ 1,266,533) |
| OM&A | \$ 68,078,866 | \$ 62,636,457 | \$ 5,442,409 |
| Depreciation | \$ 25,099,528 | \$ 24,667,457 | \$ 432,071 |
| Deemed interest on ST Debt | \$ 485,643 | \$ 484,758 | \$ 885 |
| Deemed interest on LT Debt | \$ 10,754,677 | \$ 10,735,076 | \$ 19,601 |
| Total expenses | \$ 104,418,714 | \$ 98,523,748 | \$ 5,894,966 |
| Regulatory Net Income before Tax | \$ 15,056,426 | \$ 22,217,925 | (\$ 7,161,499) |
| PILS | \$ 674,371 | \$ 3,166,296 | (\$ 2,491,925) |
| Regulatory Net income | \$ 14,382,054 | \$ 19,051,629 | (\$ 4,669,575) |

| B. Regulatory Net Income | N/A | 2018 Actual | Total |
|---|-------------|-----------------------|-----------------------|
| Distribution revenue | \$ 0 | \$ 114,566,462 | \$ 114,566,462 |
| Other revenue | \$ 0 | \$ 4,908,678 | \$ 4,908,678 |
| Revenue | \$ 0 | \$ 119,475,140 | \$ 119,475,140 |
| OM&A | \$ 0 | \$ 68,078,866 | \$ 68,078,866 |
| Depreciation | \$ 0 | \$ 25,099,528 | \$ 25,099,528 |
| Net Income before interest and tax | \$ 0 | \$ 26,296,746 | \$ 26,296,746 |
| Deemed interest on ST Debt | \$ 0 | \$ 485,643 | \$ 485,643 |
| Deemed interest on LT Debt | \$ 0 | \$ 10,754,677 | \$ 10,754,677 |
| Regulatory Net Income before Tax | \$ 0 | \$ 15,056,426 | \$ 15,056,426 |
| PILS | \$ 0 | \$ 674,371 | \$ 674,371 |
| Regulatory Net income | \$ 0 | \$ 14,382,054 | \$ 14,382,054 |

1

C. Deemed Debt and Equity

| | | | |
|-----------------|------|----------------|---------------|
| Deemed ST Debt | 4% | \$ 21,207,127 | \$ 485,643 |
| Deemed LT Debt | 56% | \$ 296,899,783 | \$ 10,754,677 |
| Deemed Equity | 40% | \$ 212,071,273 | |
| Total Rate Base | 100% | \$ 530,178,183 | |

D. 2018 DRO Approved by OEB (EB-2017-0024)

| | | |
|-----------|--|----------------|
| Rate Base | | \$ 529,211,920 |
|-----------|--|----------------|

| Revenue Requirement | | |
|------------------------------------|----------|-----------------------|
| Deemed interest on ST Debt | 2.29000% | \$ 484,758 |
| Deemed interest on LT Debt | 3.62233% | \$ 10,735,076 |
| Return on Equity | 9.00% | \$ 19,051,629 |
| Total Return on Rate Base | | \$ 30,271,463 |
| Depreciation | | \$ 24,667,457 |
| OM&A | | \$ 62,322,555 |
| Property Tax | | \$ 313,902 |
| PILS | | \$ 3,166,296 |
| Service Revenue Requirement | | \$ 120,741,673 |
| Revenue Offsets | | \$ 5,866,199 |
| Base Revenue Requirement | | \$ 114,875,474 |

Notes

- Net income before interest and tax reconciled to RRR 2.1.7 trial balance regulatory net income.

Horizon 2018 ESM

Rate Base

| Rate Base and Deemed Equity | Ref. | 2018 Total | Annual Filing EB- 2017-0024 | Variance | |
|----------------------------------|----------------|-----------------------|--------------------------------|-----------------------|----------------|
| Average Net Fixed Assets | NFA | \$ 462,624,761 | \$ 453,910,872 | \$ 8,713,889 | 1.9% |
| Working Capital Allowance: | | | | | |
| Cost of Power | COP | \$ 494,866,319 | \$ 564,872,280 | (\$ 70,005,961) | (12.4%) |
| Controllable expenses | OM&A | \$ 68,078,866 | \$ 62,636,457 | \$ 5,442,409 | 8.7% |
| Working Capital Base | | \$ 562,945,185 | \$ 627,508,737 | (\$ 64,563,552) | (10.3%) |
| Working Capital Allowance | 12.00% | \$ 67,553,422 | \$ 75,301,048 | (\$ 7,747,626) | (10.3%) |
| Rate Base | | \$ 530,178,183 | \$ 529,211,920 | \$ 966,263 | 0.2% |
| Deemed ST Debt | 4.00% | \$ 21,207,127 | \$ 21,168,477 | \$ 38,651 | 0.2% |
| Deemed LT Debt | 56.00% | \$ 296,899,783 | \$ 296,358,675 | \$ 541,107 | 0.2% |
| Deemed Equity | 40.00% | \$ 212,071,273 | \$ 211,684,768 | \$ 386,505 | 0.2% |
| Total Rate Base | 100.00% | \$ 530,178,183 | \$ 529,211,920 | \$ 966,263 | 0.2% |

| Rate Base | | 2018 Actuals ESM | Annual Filing EB- 2017-0024 | Variance |
|----------------------------------|--|-----------------------|--------------------------------|-----------------------|
| Average Net Fixed Assets | | \$ 462,624,761 | \$ 453,910,872 | \$ 8,713,889 |
| Working Capital Allowance: | | | | |
| Cost of Power | | \$ 494,866,319 | \$ 564,872,280 | (\$ 70,005,961) |
| Controllable expenses | | \$ 68,078,866 | \$ 62,636,457 | \$ 5,442,409 |
| Working Capital Base | | \$ 562,945,185 | \$ 627,508,737 | (\$ 64,563,552) |
| Working Capital Allowance | | \$ 67,553,422 | \$ 75,301,048 | (\$ 7,747,626) |
| Rate Base | | \$ 530,178,183 | \$ 529,211,920 | \$ 966,263 |

| Deemed Debt and Equity | % | 2018 Actuals ESM | Annual Filing EB- 2017-0024 | Variance |
|------------------------|----------------|-----------------------|--------------------------------|-------------------|
| Deemed ST Debt | 4.00% | \$ 21,207,127 | \$ 21,168,477 | \$ 38,651 |
| Deemed LT Debt | 56.00% | \$ 296,899,783 | \$ 296,358,675 | \$ 541,107 |
| Deemed Equity | 40.00% | \$ 212,071,273 | \$ 211,684,768 | \$ 386,505 |
| Total Rate Base | 100.00% | \$ 530,178,183 | \$ 529,211,920 | \$ 966,263 |

Horizon 2018 ESM
Rate Base - Net Fixed Assets (NBV)

| Description | Jan 1/18 | Dec 31/18 | Average | Notes |
|----------------------------------|-----------------------|-----------------------|-----------------------|---------------|
| Distribution Assets | \$ 422,396,256 | \$ 435,596,371 | \$ 428,996,313 | |
| Adjust for capitalization impact | (\$ 5,263,566) | (\$ 10,240,272) | (\$ 7,751,919) | 1 |
| General Plant | \$ 39,348,121 | \$ 43,412,612 | \$ 41,380,366 | See (A) below |
| Total | \$ 456,480,811 | \$ 468,768,711 | \$ 462,624,761 | |

(A) Allocation of General Plant:

| General Plant | | | Allocation | | Notes |
|---------------|-----------------------|-----------------------|----------------|-----------------------|---------------|
| Rate Zone | Dec 31/16 | Dec 31/18 | Percentage | Dec 31/17 | |
| Horizon | \$ 43,380,554 | | 16.83% | \$ 43,412,612 | |
| Enersource | \$ 59,143,324 | | 22.95% | \$ 59,187,030 | |
| Brampton | \$ 17,994,921 | | 6.98% | \$ 18,008,219 | |
| PowerStream | \$ 137,170,089 | | 53.23% | \$ 137,271,456 | |
| Alectra | | \$ 257,879,317 | | | See (B) below |
| Total | \$ 257,688,889 | \$ 257,879,317 | 100.00% | \$ 257,879,317 | |

(B) Calculation of Total General Plant to Allocate:

| General Plant | | |
|---------------|-----------------------|-----------------------|
| Rate Zone | Dec 31/16 | Dec 31/18 |
| Horizon | \$ 43,380,554 | \$ 39,785,102 |
| Enersource | \$ 59,143,324 | \$ 58,424,841 |
| Brampton | \$ 17,994,921 | \$ 15,766,492 |
| PowerStream | \$ 137,170,089 | \$ 138,669,870 |
| Merger Adj | \$ 0 | \$ 5,233,012 |
| Total | \$ 257,688,889 | \$ 257,879,317 |

NOTES

1. Revised per SEC-66b. HRZ PP&E adjusted to exclude impact of capitalization policy change.
2. Alectra total General Plant at Dec 31/18 allocated based on Dec 31/16 NBV of General Plant

Horizon 2018 ESM
Cost of Power (COP)

| | | Jan-Dec | Total |
|------------------------------------|--|----------------|----------------|
| Cost of Power per MIFRS statements | | \$ 494,866,319 | \$ 494,866,319 |
| Cost of Power for ESM | | \$ 494,866,319 | \$ 494,866,319 |

Notes

1

Notes

1. Tracked by rate zone - COP calculated based on OEB definition of lower of revenue and cost of power

Horizon 2018 ESM
Distribution Revenue

| | Jan-Dec | Total | Notes |
|---------------------------------|----------------|----------------|-------|
| Distribution Revenue | \$ 114,566,462 | \$ 114,566,462 | 1 |
| Less stranded meter rate riders | \$ 0 | \$ 0 | 2 |
| Distribution Revenue for ESM | \$ 114,566,462 | \$ 114,566,462 | |

| 2018 Alectra Distribution Revenue | Total | HRZ | BRZ | ERZ | PRZ |
|-----------------------------------|----------------|----------------|---------------|----------------|----------------|
| 12 months ending Dec 31/18 | \$ 535,447,023 | \$ 114,566,462 | \$ 78,166,703 | \$ 134,161,789 | \$ 208,552,069 |
| Total | \$ 535,447,023 | \$ 114,566,462 | \$ 78,166,703 | \$ 134,161,789 | \$ 208,552,069 |

Notes

1. Tracked by rate zone - directly attributable
2. Recovery of rate riders on stranded meters ended December 31, 2017.

Horizon 2018 ESM
Other Revenue

A) Directly attributable basis

| LDC/Rate Zone | Horizon 2018 Other | | | Note |
|---------------|--------------------|---------------------|---------------------|------|
| | N/A | Revenue | Total | |
| Horizon | \$ - | \$ 4,908,678 | \$ 4,908,678 | 1 |
| Total | \$ - | \$ 4,908,678 | \$ 4,908,678 | |

Notes

1 Other revenues are HRZ specific.

Total Other Revenue

Other Revenue from the Alectra Trial Balance - HRZ
add gain (loss) on sale of assets excluding derecognition

\$ 4,511,853

\$ 396,825

\$ 4,908,678

**Horizon 2018 ESM
OM&A for 2018 ESM**

HRZ 2018 OM&A for ESM calculation

| | | | |
|--|-----------|-------------------|---------|
| HRZ share of Alectra OM&A - 12 months ending Dec 31/18 | \$ | 68,078,866 | Notes |
| Total for 2018 | \$ | 68,078,866 | See (A) |

A. Allocation of Alectra OM&A to HRZ:

| Description | Amount |
|---|-----------------------|
| Alectra Utilities | \$ 232,057,952 |
| Plus net merger OM&A savings | \$ 24,020,161 |
| Adjusted Alectra OM&A for allocation to rate zones | \$ 256,078,113 |
| Total for allocation with Capitalization Policy | \$ 256,078,113 |

Allocation to Rate Zones:

| LDC/Rate Zone | Alectra 2018 | Allocation % | Allocated Amount | OM&A by Rate Zone |
|---------------|-----------------------|----------------|-----------------------|-----------------------|
| Brampton | | 13.34394633% | \$ 34,170,926 | \$ 34,170,926 |
| Enersource | | 24.06638663% | \$ 61,628,749 | \$ 61,628,749 |
| Horizon | | 24.53787570% | \$ 62,836,129 | \$ 62,836,129 |
| PowerStream | | 38.05179134% | \$ 97,442,309 | \$ 97,442,309 |
| Alectra | \$ 256,078,113 | | | \$ - |
| Total | \$ 256,078,113 | 100.00% | \$ 256,078,113 | \$ 256,078,113 |

See "Allocations" sheet for details regarding the allocation % used.

HRZ share of Alectra OM&A - 12 months ending Dec 31/18:

| | | | |
|--|-----------|-------------------|-------|
| OM&A allocated to HRZ as above | \$ | 62,836,129 | Notes |
| OM&A adjustment to exclude impact of capitalization change | | 5,242,737 | 1 |
| Horizon share of Alectra OM&A based without capitalization policy change | \$ | 68,078,866 | |

Notes

1. Revised per SEC-66b. HRZ OM&A adjusted to exclude impact of capitalization policy change.

Horizon 2018 ESM
Depreciation Expense

| Horizon Rate Zone | Dec. 31/2018 | 2018 Total | Notes |
|----------------------------------|--------------|--------------|-------|
| Distribution Assets | \$16,034,721 | \$16,034,721 | |
| Adjust for capitalization impact | (\$266,032) | (\$266,032) | 1 |
| General Plant | \$6,935,435 | \$6,935,435 | 2 |
| subtotal | \$22,704,124 | \$22,704,124 | |
| Derecognition expense | \$2,395,404 | \$2,395,404 | 3 |
| Total | \$25,099,528 | \$25,099,528 | |

NOTES

1. Revised per SEC-66b. HRZ depreciation adjusted to exclude impact of capitalization policy change.

Allocation of General Plant:

Alectra General Plant depreciation is allocated based on Dec 31/16 General Plant depreciation by rate zone.

| General Plant | 2016 Depreciation Expense | 2018 Depreciation Expense | 2018 Depreciation Expense |
|---------------|---------------------------|---------------------------|---------------------------|
| Rate Zone | Dec 31/16 | Alectra ³ | Alectra |
| Horizon | \$7,006,612 | \$ 6,935,435 | \$ 6,935,435 |
| Enersource | \$7,487,110 | \$ 7,411,051 | \$ 7,411,051 |
| Brampton | \$2,184,969 | \$ 2,162,773 | \$ 2,162,773 |
| PowerStream | \$15,019,619 | \$ 14,867,041 | \$ 14,867,041 |
| Total | \$31,698,310 | \$31,376,300 | \$31,376,300 |

| General Plant Rate Zone | 2016 Depreciation Amount | Allocation Alectra Percentage | 2018 Depreciation Amount |
|-------------------------|--------------------------|-------------------------------|--------------------------|
| Horizon | \$7,006,612 | 22.10% | \$ 6,935,435 |
| Enersource | \$7,487,110 | 23.62% | \$ 7,411,051 |
| Brampton | \$2,184,969 | 6.89% | \$ 2,162,773 |
| PowerStream | \$15,019,619 | 47.38% | \$ 14,867,041 |
| Total | \$31,698,310 | 100.00% | \$ 31,376,300 |

2. Merger capital adjustments - calculate impact on depreciation expense:

| GP effective Average Rate | At Cost | | | | | |
|---|---------------|---------------|-----------------|-------------------|---------------|--------------|
| General Plant | Open Jan 1/18 | Net Additions | Close Dec 31/18 | adjust re 1/2 yr. | Adjusted Cost | Depreciation |
| Horizon | \$80,882,761 | \$3,283,847 | \$84,166,608 | (\$1,641,924) | \$82,524,684 | \$5,464,567 |
| Enersource | \$93,021,458 | \$1,200,344 | \$94,221,802 | (\$600,172) | \$93,621,630 | \$7,610,214 |
| Brampton | \$19,482,936 | \$2,287,850 | \$21,770,786 | (\$1,143,925) | \$20,626,861 | \$1,922,851 |
| PowerStream | \$196,884,725 | \$37,607,659 | \$234,492,384 | (\$18,803,829) | \$215,688,555 | \$15,172,967 |
| Total | \$390,271,880 | \$44,379,700 | \$434,651,580 | (\$22,189,850) | \$412,461,730 | \$30,170,599 |
| Effective average full year rate - Useful life in years and % | | | | | | 7.3% |

| | | | | | | |
|---|--------------|--------------|-----------|-----------------|--------------|-----------------|
| Alectra General plant - net merger capital costs adjustment | | \$ 5,233,012 | | | | |
| Depreciation expense | average rate | 7.3% | \$ 84,610 | half year basis | \$ 42,305 | Full prior year |
| | | | | | \$ 1,163,396 | \$ 1,205,701 |

Alectra General Plant depreciation allocated based on Dec 31/16 General Plant depreciation by rate zone

| | | | |
|---------------|---------------------------|------------------------|---------------------------|
| General Plant | 2016 Depreciation Expense | Allocation Alectra Dep | 2018 Depreciation Expense |
| Rate Zone | Dec 31/16 | Percentage | Alectra GLs |
| Horizon | \$7,006,612 | 22.10% | \$ 5,464,567 |
| Enersource | \$7,487,110 | 23.62% | \$ 7,610,214 |
| Brampton | \$2,184,969 | 6.89% | \$ 1,922,851 |
| PowerStream | \$15,019,619 | 47.38% | \$ 15,172,967 |
| Merger Adj | | | \$ 1,205,701 |
| Total | \$31,698,310 | 100.00% | \$ 31,376,300 |

3. Derecognition is rate zone specific as it relates to distribution plant located in the rate zone.

Horizon 2018 ESM

Alectra OM&A by Rate Zone - 3 Year Average

| | Enersource | Horizon | Brampton | PowerStream | Total Alectra | Notes |
|---|---------------|---------------|---------------|---------------|---------------|-------|
| 2014-2016 RRR Average | \$56,300,996 | \$60,901,688 | \$28,658,213 | \$86,722,101 | \$232,582,998 | 1 |
| Adjust to Alectra Overhead capitalization | (\$1,711,518) | (\$5,242,737) | \$1,609,690 | (\$409,708) | (\$5,754,273) | |
| Revised OM&A | \$54,589,478 | \$55,658,951 | \$30,267,903 | \$86,312,393 | \$226,828,725 | |
| % of total | 24.07% | 24.54% | 13.34% | 38.05% | 100.00% | |
| Proration not required | | | | | | |
| Months | 12 | 12 | 12 | 12 | | |
| Prorated (Alectra Overhead basis) | \$ 54,589,478 | \$ 55,658,951 | \$ 30,267,903 | \$ 86,312,393 | \$226,828,725 | |
| % of total | 24.07% | 24.54% | 13.34% | 38.05% | 100.0% | |

Alectra OM&A by Rate Zone: 2014-2016 Actual per OEB RRR

| | Enersource | Horizon | Brampton | PowerStream | Total Alectra |
|------------------------|---------------|---------------|--------------|---------------|---------------|
| 2016 RRR | \$60,161,765 | \$59,354,514 | \$31,370,268 | \$86,664,223 | \$237,550,770 |
| 2015 RRR | \$56,310,038 | \$63,032,792 | \$27,850,320 | \$87,683,717 | \$234,876,867 |
| 2014 RRR | \$52,431,185 | \$60,317,757 | \$26,754,051 | \$85,818,363 | \$225,321,356 |
| 2014-2016 RRR Total | \$168,902,988 | \$182,705,063 | \$85,974,640 | \$260,166,303 | \$697,748,993 |
| 2014-2016 RRR Average, | \$56,300,996 | \$60,901,688 | \$28,658,213 | \$86,722,101 | \$232,582,998 |

HRZ-STAFF-2.a Revised 3 Year Average

| | | | | | | |
|---------------------------------|--------------|--------------|--------------|--------------|---------------|---|
| 2014-2016 (3 Year) OM&A Average | \$56,496,098 | \$59,571,548 | \$27,912,160 | \$86,715,846 | \$230,695,651 | 2 |
|---------------------------------|--------------|--------------|--------------|--------------|---------------|---|

Notes

1. RRR data taken from OEB Annual Yearbook of Distributors less merger transaction costs
2. HRZ-Staff-2 Revised 3 Year Average (when applied - must also adjust net tax deductions based on OM&A allocation)

Horizon 2018 ESM
Merger Costs and Savings

| | Dec 31/18 | Notes |
|--|-----------------------|--------------|
| OM&A: | | |
| OM&A Transition Costs | \$3,573,289 | |
| OM&A Savings | (\$36,048,450) | |
| Net merger OM&A cost (savings) subtotal | (\$32,475,161) | |
| Remove financing savings | \$8,455,000 | 1 |
| Net merger OM&A expense to remove from OM&A | (\$24,020,161) | |
| Capital: | | |
| Capital Transition Costs Energized in 2018 | \$36,997,826 | |
| Capital Savings | (\$42,230,838) | |
| Net merger capital costs (savings) subtotal | (\$5,233,012) | |
| Net merger capital costs (savings) to remove (add) to capital | (\$5,233,012) | 2 |

Notes

1. Financing cost savings are not part of OM&A and need to be removed.
2. Net merger capital costs (savings) to remove (add) to capital

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Reference: Exhibit 3, Tab 1, Schedule 3, p. 2

Please add a column to Table 51 showing the impact in each year of the change in capitalization policy in the Horizon rate zone.

Response:

- 1 Alectra Utilities has included a column in Table 51 to show the impact in each year of the
- 2 change in capitalization policy in the Horizon Utilities Rate Zone. The table below also includes
- 3 the revision made to Table 51 in response to HRZ-Staff-6 a).

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5 Table 1 – 2015-2018 Capital Additions (Table 51 Revised)

| Capital Additions | Actual | Actuals with Change in Capitalization Impact | Custom IR Application (EB- 2014-0002) | Actual Variance | Actual with Capitalization Variance |
|-------------------|---------------|---|---|--------------------|---|
| 2015 | \$46,643,216 | \$46,643,216 | \$38,314,524 | \$8,328,692 | \$8,328,692 |
| 2016 | \$44,295,265 | \$44,295,265 | \$41,147,533 | \$3,147,732 | \$3,147,732 |
| 2017 | \$52,393,539 | \$46,995,010 | \$45,626,114 | \$6,767,425 | \$1,368,896 |
| 2018 | \$49,373,848 | \$44,131,111 | \$47,142,504 | \$2,231,344 | (\$3,011,393) |
| Cumulative Total | \$192,705,868 | \$182,064,602 | \$172,230,675 | \$20,475,193 | \$9,833,927 |

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