

# **ATTACHMENT AE**

**2005 REVISED SIMPIL MODEL HALTON HILLS VERSION**

	A	B	C	D	E
1	<b>PILs TAXES</b>				<b>Version 2009.1</b>
2	<b>REGULATORY INFORMATION (REGINFO)</b>				
3	Utility Name: London Hydro Inc.			Colour Code	
4	Reporting period: 2005			Input Cell	
5				Formula in Cell	
6	Days in reporting period:	365	days		
7	Total days in the calendar year:	365	days		
8					
9	<b>BACKGROUND</b>				
10	Has the utility reviewed section 149(1) ITA to				
11	confirm that it is not subject to regular corporate				
12	tax (and therefore subject to PILs)?		Y/N	Y	
13					
14	Was the utility recently acquired by Hydro One				
15	and now subject to s.89 & 90 PILs?		Y/N	N	
16					
17	Is the utility a non-profit corporation?		Y/N	N	
18	(If it is a non-profit corporation, please contact the Rates Manager at the OEB)				
19	Are the Ontario Capital Tax & Large Corporations Tax Exemptions	OCT	Y/N	N	
20	shared among the corporate group?	LCT	Y/N	N	
21	Please identify the % used to allocate the OCT and LCT exemptions in	OCT		100%	
22	Cells C65 & C74 in the TAXCALC spreadsheet.	LCT		100%	
23					
24	Accounting Year End		Date	12-31-2005	
25					
26	<b>MARR NO TAX CALCULATIONS</b>				<b>Regulatory</b>
27	<b>SHEET #7 FINAL RUD MODEL DATA</b>				<b>Income</b>
28	<b>(FROM 1999 FINANCIAL STATEMENTS)</b>				
29	<b>USE BOARD-APPROVED AMOUNTS</b>				
30					
31	Rate Base (wires-only)			174,041,606	
32					
33	Common Equity Ratio (CER)			45.00%	
34					
35	1-CER			55.00%	
36					
37	Target Return On Equity			9.88%	
38					
39	Debt rate			7.00%	
40					
41	Market Adjusted Revenue Requirement			14,438,492	
42					
43	1999 return from RUD Sheet #7			5,928,118	5,928,118
44					
45	Total Incremental revenue			8,510,374	
46	Input: Board-approved dollar amounts phased-in				
47	Amount allowed in 2001			2,836,791	2,836,791
48	Amount allowed in 2002			2,836,791	2,836,791
49	Amount allowed in 2003 and 2004 (will be zero due to Bill 210				0
50	unless authorized by the Minister and the Board)				0
51	Amount allowed in 2005 - Third tranche of MARR re: CDM			2,836,791	2,836,791
52	Other Board-approved changes to MARR or incremental revenue				0
53					0
54	<b>Total Regulatory Income</b>				<b>14,438,491</b>
55					
56	Equity			78,318,723	
57					
58	Return at target ROE			7,737,890	
59					
60	Debt			95,722,883	
61					
62	Deemed interest amount in 100% of MARR			6,700,602	
63					
64	Phase-in of interest - Year 1 (2001)			4,067,611	
65	((D43+D47)/D41)*D61				
66	Phase-in of interest - Year 2 (2002)			5,384,106	
67	((D43+D47+D48)/D41)*D61				
68	Phase-in of interest - Year 3 (2003) and forward			5,384,106	
69	((D43+D47+D48)/D41)*D61 (due to Bill 210)				
70	Phase-in of interest - 2005			6,700,602	
71					
72					

A	B	C	D	E	F	G	H
1	ITEM	Initial Estimate		M of F Filing Variance K-C	M of F Filing Variance Explanation	Tax Returns	
2	PILs DEFERRAL AND VARIANCE ACCOUNTS						
3	TAX CALCULATIONS (TAXCALC)						
4	("Wires-only" business - see Tab TAXREC)						
5	0						Version 2009.1
6	Utility Name: London Hydro Inc.						
7	Reporting period: 2005						
8							Column Brought From
9	Days in reporting period:	365 days					TAXREC
10	Total days in the calendar year:	365 days					\$
11							\$
12							\$
13							
14	II CORPORATE INCOME TAXES						
15							
16	Regulatory Net Income REGINFO E53	1	14,438,491		-2,858,491		11,580,000
17							
18	BOOK TO TAX ADJUSTMENTS						
19	Additions:						
20	Depreciation & Amortization	2	10,687,477		2,160,523		12,848,000
21	Employee Benefit Plans - Accrued, Not Paid	3	0		0		0
22	Tax reserves - beginning of year	4	0		0		0
23	Reserves from financial statements - end of year	4	0		0		0
24	Regulatory Adjustments - increase in income	5	0		0		0
25	Other Additions (See Tab entitled "TAXREC")						
26	"Material" Items from "TAXREC" worksheet	6	0		600,000		600,000
27	Other Additions (not "Material") "TAXREC"	6	0		0		0
28	"Material" Items from "TAXREC 2" worksheet	6	0		0		0
29	Other Additions (not "Material") "TAXREC 2"	6	0		0		0
30	Items on which true-up does not apply "TAXREC 3"				3,554,863		3,554,863
31							
32	Deductions: Input positive numbers						
33	Capital Cost Allowance and CEC	7	7,980,951		4,146,611		12,127,562
34	Employee Benefit Plans - Paid Amounts	8	0		0		0
35	Items Capitalized for Regulatory Purposes	9	0		0		0
36	Regulatory Adjustments - deduction for tax purposes in Item 5	10	0		0		0
37	Interest Expense Deemed/ Incurred	11	6,700,602		-2,204,602		
38	Tax reserves - end of year	4	0		0		0
39	Reserves from financial statements - beginning of year	4	0		0		0
40	Contributions to deferred income plans	3	0		0		0
41	Contributions to pension plans	3	0		0		0
42	Interest capitalized for accounting but deducted for tax	11	0		0		0
43	Other Deductions (See Tab entitled "TAXREC")						
44	CDM 2005 Incremental O&M&A expenses per 2005 PILs model	12	1,660,750		-1,660,750		0
45	"Material" Items from "TAXREC" worksheet	12	0		872,756		872,756
46	Other Deductions (not "Material") "TAXREC"	12	0		44,432		44,432
47	Material Items from "TAXREC 2" worksheet	12	0		0		0
48	Other Deductions (not "Material") "TAXREC 2"	12	0		0		0
49	Items on which true-up does not apply "TAXREC 3"				0		0
50							
51	TAXABLE INCOME/ (LOSS)		8,783,665		2,758,448	Before loss C/F	11,042,113
52							
53	BLENDED INCOME TAX RATE						
54	Tab Tax Rates - Regulatory from Table 1; Actual from Table 3	13	36.12%		0.0000%		36.12%
55							
56	REGULATORY INCOME TAX		3,172,660		815,752	Actual	3,988,412
57							
58							
59	Miscellaneous Tax Credits	14	0		0	Actual	0
60							
61	Total Regulatory Income Tax		3,172,660		815,752	Actual	3,988,412
62							
63							
64	III CAPITAL TAXES						
65							
66	Ontario						
67	Base	15	174,041,606		52,370,394		226,412,000
68	Less: Exemption - Tax Rates - Regulatory, Table 1; Actual, Table 3	16	7,500,000		0		7,500,000
69	Taxable Capital		166,541,606		52,370,394		218,912,000
70							
71	Rate - Tax Rates - Regulatory, Table 1; Actual, Table 3	17	0.3000%		0.0000%		0.3000%
72							
73	Ontario Capital Tax		499,625		157,111		656,736
74							
75	Federal Large Corporations Tax						
76	Base	18	174,041,606		39,387,394		213,429,000
77	Loss: Exemption - Tax Rates - Regulatory, Table 1; Actual, Table 3	19	50,000,000		0		50,000,000
78	Taxable Capital		124,041,606		39,387,394		163,429,000
79							
80	Rate - Tax Rates - Regulatory, Table 1; Actual, Table 3	20	0.1750%		0.0000%		0.1750%
81							
82	Gross Amount of LCT before surtax offset (Taxable Capital x Rate)		217,073		68,928		286,001
83	Less: Federal Surtax 1.12% x Taxable Income	21	98,377		25,295		123,672
84							
85	Net LCT		118,696		43,633		162,329
86							
87	III INCLUSION IN RATES						
88							
89	Income Tax Rate used for gross-up (exclude surtax)		36.12%				
90							
91	Income Tax (proxy tax is grossed-up)	22	4,966,593			Actual 2005	3,988,412
92	LCT (proxy tax is grossed-up)	23	185,811			Actual 2005	162,329
93	Ontario Capital Tax (no gross-up since it is deductible)	24	499,625			Actual 2005	656,736
94							
95							
96	Total PILs for Rate Adjustment - MUST AGREE WITH 2005	25	5,852,029			Actual 2005	4,807,477
97							
98	RAM DECISION						
99							
100	IV FUTURE TRUE-UPS						
101	(V a) Calculation of the True-up Variance				DR/(CR)		
102	In Additions:						
103	Employee Benefit Plans - Accrued, Not Paid	3	0		0		0
104	Tax reserves deducted in prior year	4	0		0		0
105	Reserves from financial statements-end of year	4	0		0		0
106	Regulatory Adjustments	5	0		0		0
107	Other additions "Material" Items TAXREC	6	0		600,000		600,000
108	Other additions "Material" Items TAXREC 2	6	0		0		0
109	In Deductions - positive numbers						
110	Employee Benefit Plans - Paid Amounts	8	0		0		0
111	Items Capitalized for Regulatory Purposes	9	0		0		0
112	Regulatory Adjustments	10	0		0		0
113	Interest Adjustment for tax purposes (See Below - cell I206)	11	0		0		0
114	Tax reserves claimed in current year	4	0		0		0
115	Reserves from F/S beginning of year	4	0		0		0
116	Contributions to deferred income plans	3	0		0		0
117	Contributions to pension plans	3	0		0		0
118	Other deductions "Material" Items TAXREC	12	0		872,756		872,756
119	Other deductions "Material" Items TAXREC 2	12	0		0		0
120							
121	Total TRUE-UPS before tax effect	26			-272,756		
122							

	A	B	C	D	E	F	G	H
		ITEM	Initial		M of F	M of F	Tax	
			Estimate		Filing	Filing	Returns	
					Variance	Variance		
					K-C	Explanation		
1	PILs TAXES							
2	PILs DEFERRAL AND VARIANCE ACCOUNTS							
3	TAX CALCULATIONS (TAXCALC)							
4	("Wires-only" business - see Tab TAXREC)							
5		0					Version 2009.1	
6	Utility Name: London Hydro Inc.							
7	Reporting period: 2005							
8								
9	Days in reporting period:	365	days				Column	
10	Total days in the calendar year:	365	days				Brought	
11							From	
12			\$		\$		TAXREC	
13							\$	
123	Income Tax Rate (excluding surtax) from 2005 Utility's tax return			x	36.12%			
124								
125	Income Tax Effect on True-up adjustments			=	-98,519			
126								
127	Less: Miscellaneous Tax Credits	14		=	0			
128								
129	Total Income Tax on True-ups			=	-98,519			
130								
131	Income Tax Rate used for gross-up (exclude surtax)			=	35.00%			
132								
133	TRUE-UP VARIANCE ADJUSTMENT			=	(151,568)			
134								
135	(IV b) Calculation of the Deferral Account Variance caused by changes in legislation							
136								
137	REGULATORY TAXABLE INCOME /(LOSSES) (as reported in the initial estimate column)			=	8,783,665			
138								
139	REVISED CORPORATE INCOME TAX RATE			x	36.12%			
140								
141	REVISED REGULATORY INCOME TAX			=	3,172,660			
142								
143	Less: Revised Miscellaneous Tax Credits			=	0			
144								
145	Total Revised Regulatory Income Tax			=	3,172,660			
146								
147	Less: Regulatory Income Tax reported in the Initial Estimate Column (Cell C56)			=	3,172,660			
148								
149	Regulatory Income Tax Variance			=	0			
150								
151	Ontario Capital Tax							
152	Base			=	174,041,606			
153	Less: Exemption from tab Tax Rates, Table 2, cell C39			=	7,500,000			
154	Revised deemed taxable capital			=	166,541,606			
155								
156	Rate - Tab Tax Rates cell C54			x	0.3000%			
157								
158	Revised Ontario Capital Tax			=	499,825			
159	Less: Ontario Capital Tax reported in the initial estimate column (Cell C70)			=	499,825			
160	Regulatory Ontario Capital Tax Variance			=	0			
161								
162	Federal LCT							
163	Base			=	174,041,606			
164	Less: Exemption from tab Tax Rates, Table 2, cell C40			=	50,000,000			
165	Revised Federal LCT			=	124,041,606			
166								
167	Rate (as a result of legislative changes) tab 'Tax Rates' cell C51			=	0.1750%			
168								
169	Gross Amount			=	217,073			
170	Less: Federal surtax			=	38,377			
171	Revised Net LCT			=	118,696			
172								
173	Less: Federal LCT reported in the initial estimate column (Cell C62)			=	118,696			
174	Regulatory Federal LCT Variance			=	0			
175								
176	Actual Income Tax Rate used for gross-up (exclude surtax)			=	35.00%			
177								
178	Income Tax (grossed-up)			+	0			
179	LCT (grossed-up)			+	0			
180	Ontario Capital Tax			+	0			
181								
182	DEFERRAL ACCOUNT VARIANCE ADJUSTMENT			=	0			
183								
184	TRUE-UP VARIANCE (from cell I132)			+	(151,568)			
185								
186	Total Deferral Account Entry (Positive Entry = Debit)			=	(151,568)			
187	(Deferral Account Variance + True-up Variance)							
188								
189								
190								
191	(V) INTEREST PORTION OF TRUE-UP							
192	Variance Caused By Phase-In of Deemed Debt							
193								
194	Total deemed interest (REGINFO)			=	6,700,602			
195	Interest phased-in (Cell C36)			=	5,384,106			
196								
197	Variance due to phase-in of debt component of MARR in rates according to the Board's decision			=	1,316,496			
198								
199								
200	Other Interest Variances (i.e. Borrowing Levels Above Deemed Debt per Rate Handbook)							
201	Interest deducted on MoF filing (Cell K36+K41)			=	4,496,000			
202	Actual Interest Paid			=	0			
203								
204	Variance caused by excess debt			=	0			
205								
206	Interest Adjustment for Tax Purposes (carry forward to Cell I112)			=	0			
207								
208	Total Interest Variance			=	1,316,496			
209								
210								
211								
212								

A	B	C	D	E	F	G
1	PILs TAXES	LINE	M of F	Non-wires	Wires-only	
2	TAX RETURN RECONCILIATION (TAXREC)		Corporate	Eliminations	Tax	
3	(for "wires-only" business - see s. 72 OEB Act)		Tax		Return	
4		0	Return			
5					Version 2009.1	
6	<b>Section A: Identification:</b>					
7	Utility Name: London Hydro Inc.					
8	Reporting period: 2005					
9	Taxation Year's start date:					
10	Taxation Year's end date:					
11	Number of days in taxation year: 365 days					
12						
13	Please enter the Materiality Level : 195,797 < - enter materiality level					
14	(0.25% x Rate Base x CER)	Y/N	Y			
15	(0.25% x Net Assets)	Y/N	N			
16	Or other measure (please provide the basis of the amount)	Y/N	N			
17	Does the utility carry on non-wires related operation?	Y/N	N			
18	(Please complete the questionnaire in the Background questionnaire worksheet.)					
19						
20	Note: Carry forward Wires-only Data to Tab "TAXCALC" Column K					
21						
22	<b>Section B: Financial statements data:</b>					
23	Input unconsolidated financial statement data submitted with Tax returns.					
24	The actual categories of the income statements should be used.					
25	If required please change the descriptions except for amortization, interest expense and provision for income tax					
26						
27	Please enter the non-wire operation's amount as a positive number, the program automatically treats all amounts					
28	in the "non-wires elimination column" as negative values in TAXREC and TAXREC2.					
29						
30	<b>Income:</b>					
31	Energy Sales	+	0		0	
32	Distribution Revenue	+	42,262,000		42,262,000	
33	Interest and Other Revenue	+	5,277,000	0	5,277,000	
34	Operating Costs Recovered	+	3,259,000		3,259,000	
35		+			0	
36	Revenue should be entered above this line					
37						
38	<b>Costs and Expenses:</b>					
39	Cost of energy purchased	-	0		0	
40	General and Administrative	-	17,774,000		17,774,000	
41	Customer billing and collecting	-			0	
42	Plant Operating and Maintenance	-	8,596,000		8,596,000	
43	Amortization	-	12,848,000	0	12,848,000	
44	Ontario Capital Tax	-	0		0	
45	Capitalized	-	0		0	
46	Recovery of Regulatory Assets	-	0		0	
47		-			0	
48		-			0	
49						
50	Net Income Before Interest & Income Taxes EBIT	=	11,580,000	0	11,580,000	
51	Less: Interest expense for accounting purposes	-	4,496,000		4,496,000	
52	Provision for payments in lieu of income taxes	-	1,909,000		1,909,000	
53	Net Income (loss)	=	5,175,000	0	5,175,000	
54	(The Net Income (loss) on the MoF column should equal to the net income (loss) per financial statements on Schedule 1 of the tax return. )					
55						
56	<b>Section C: Reconciliation of accounting income to taxable income</b>					
57	<b>From T2 Schedule 1</b>					
58	<b>BOOK TO TAX ADDITIONS:</b>					
59	Provision for income tax	+	1,909,000	0	1,909,000	
60	Federal large corporation tax	+	0		0	
61	Depreciation & Amortization	+	12,848,000	0	12,848,000	
62	Employee benefit plans-accrued, not paid	+	0	0	0	
63	Tax reserves - beginning of year	+	0	0	0	
64	Reserves from financial statements- end of year	+	0	0	0	
65	Regulatory adjustments on which true-up may apply (see A66)	+			0	
66	Items on which true-up does not apply "TAXREC 3"		3,554,863	0	3,554,863	
67	Material addition items from TAXREC 2	+	0	0	0	
68	Other addition items (not Material) from TAXREC 2	+	0	0	0	
69						
70	Subtotal		18,311,863	0	18,311,863	
71						
72	Other Additions: (Please explain the nature of the additions)					
73	Recapture of CCA	+			0	
74	Non-deductible meals and entertainment expense	+			0	
75	Capital items expensed	+			0	
76	Capital tax accrued in the income statement	+	600,000		600,000	
77		+			0	
78		+			0	
79		+			0	
80	Total Other Additions	=	600,000	0	600,000	
81						
82	Total Additions	=	18,911,863	0	18,911,863	
83						
84	<b>Recap Material Additions:</b>					
85			0	0	0	
86			0	0	0	
87			0	0	0	

	A	B	C	D	E	F	G
1	PILs TAXES	LINE	M of F	Non-wires	Wires-only		
2	TAX RETURN RECONCILIATION (TAXREC)		Corporate	Eliminations	Tax		
3	(for "wires-only" business - see s. 72 OEB Act)		Tax		Return		
4		0	Return				
5					Version 2009.1		
88	Capital tax accrued in the income statement		600,000	0	600,000		
89			0	0	0		
90			0	0	0		
91			0	0	0		
92	Total Other additions >materiality level		600,000	0	600,000		
93	Other additions (less than materiality level)		0	0	0		
94	Total Other Additions		600,000	0	600,000		
95							
96	BOOK TO TAX DEDUCTIONS:						
97	Capital cost allowance	-	12,127,562		12,127,562		
98	Cumulative eligible capital deduction	-	0		0		
99	Employee benefit plans-paid amounts	-	0		0		
100	Items capitalized for regulatory purposes	-			0		
101	Regulatory adjustments :	-			0		
102	CCA	-			0		
103	other deductions	-			0		
104	Tax reserves - end of year	-	0	0	0		
105	Reserves from financial statements- beginning of year	-	0	0	0		
106	Contributions to deferred income plans	-			0		
107	Contributions to pension plans	-			0		
108	Items on which true-up does not apply "TAXREC 3"		0	0	0		
109	Interest capitalized for accounting deducted for tax	-			0		
110	Material deduction items from TAXREC 2	-	0	0	0		
111	Other deduction items (not Material) from TAXREC 2	-	0	0	0		
112							
113	Subtotal	=	12,127,562	0	12,127,562		
114	Other deductions (Please explain the nature of the deductions)						
115	Charitable donations - tax basis	-			0		
116	Gain on disposal of assets	-	44,432		44,432		
117	PST tax assessments paid and not deducted for accounting purposes	-	216,000		216,000		
118	Capital Tax per CT23	-	656,756		656,756		
119		-			0		
120	Total Other Deductions	=	917,188	0	917,188		
121							
122	Total Deductions	=	13,044,750	0	13,044,750		
123							
124	Recap Material Deductions:						
125			0	0	0		
126			0	0	0		
127	PST tax assessments paid and not deducted for accounting purposes		216,000	0	216,000		
128	Capital Tax per CT23		656,756	0	656,756		
129			0	0	0		
130	Total Other Deductions exceed materiality level		872,756	0	872,756		
131	Other Deductions less than materiality level		44,432	0	44,432		
132	Total Other Deductions		917,188	0	917,188		
133							
134	TAXABLE INCOME	=	11,042,113	0	11,042,113		
135	DEDUCT:						
136	Non-capital loss applied positive number	-	0		0		
137	Net capital loss applied positive number	-			0		
138					0		
139	NET TAXABLE INCOME	=	11,042,113	0	11,042,113		
140							
141	FROM ACTUAL TAX RETURNS						
142	Net Federal Income Tax (Must agree with tax return)	+	2,442,516	0	2,442,516		
143	Net Ontario Income Tax (Must agree with tax return)	+	1,545,896	0	1,545,896		
144	Subtotal	=	3,988,412	0	3,988,412		
145	Less: Miscellaneous tax credits (Must agree with tax returns)	-	0		0		
146	Total Income Tax	=	3,988,412	0	3,988,412		
147							
148	FROM ACTUAL TAX RETURNS						
149	Net Federal Income Tax Rate (Must agree with tax return)		22.12%		22.12%		Divide federal income tax by the taxable
150	Net Ontario Income Tax Rate (Must agree with tax return)		14.00%		14.00%		Divide Ontario income tax by the taxable
151	Blended Income Tax Rate		36.12%		36.12%		
152							
153	Section F: Income and Capital Taxes						
154							
155	RECAP						
156	Total Income Taxes	+	3,988,412	0	3,988,412		
157	Ontario Capital Tax	+	656,736		656,736		
158	Federal Large Corporations Tax	+	162,329		162,329		
159							
160	Total income and capital taxes	=	4,807,477	0	4,807,477		
161							

	A	B	C	D	E	F
1	<b>PILs TAXES</b>	LINE	M of F	Non-wires	Wires-only	
2	<b>Tax and Accounting Reserves</b>		Corporate	Eliminations	Tax	
3	For MoF Column of TAXCALC		Tax		Return	
4	(for "wires-only" business - see s. 72 OEB Act)		Return			
5		0			Version 2009.1	
6						
7	Utility Name: London Hydro Inc.					
8	Reporting period: 2005					
9						
10	<b>TAX RESERVES</b>					
11						
12	<b>Beginning of Year:</b>					
13						0
14	Reserve for doubtful accounts ss. 20(1)(l)		0			0
15	Reserve for goods & services ss.20(1)(m)					0
16	Reserve for unpaid amounts ss.20(1)(n)					0
17	Debt and share issue expenses ss.20(1)(e)					0
18	Other - Please describe					0
19	Other - Please describe					0
20						0
21						0
22	<b>Total (carry forward to the TAXREC worksheet)</b>		0	0		0
23						
24	<b>End of Year:</b>					
25						0
26	Reserve for doubtful accounts ss. 20(1)(l)		0			0
27	Reserve for goods & services ss.20(1)(m)					0
28	Reserve for unpaid amounts ss.20(1)(n)					0
29	Debt and share issue expenses ss.20(1)(e)					0
30	Other - Please describe					0
31	Other - Please describe					0
32						0
33						0
34	Insert line above this line					
35	<b>Total (carry forward to the TAXREC worksheet)</b>		0	0		0
36						
37						
38	<b>FINANCIAL STATEMENT RESERVES</b>					
39						
40	<b>Beginning of Year:</b>					
41						0
42						0
43	Environmental					0
44	Allowance for doubtful accounts		0			0
45	Inventory obsolescence					0
46	Property taxes					0
47	Other - Please describe					0
48	Other - Please describe					0
49						0
50	<b>Total (carry forward to the TAXREC worksheet)</b>		0	0		0
51						
52	<b>End of Year:</b>					
53						0
54						0
55	Environmental					0
56	Allowance for doubtful accounts		0			0
57	Inventory obsolescence					0
58	Property taxes					0
59	Other - Please describe					0
60	Other - Please describe					0
61						0
62	Insert line above this line					
63	<b>Total (carry forward to the TAXREC worksheet)</b>		0	0		0
64						

	A	B	C	D	E	F
1						
2	<b>PILs TAXES</b>	<b>LINE</b>	<b>M of F</b>	<b>Non-wires</b>	<b>Wires-only</b>	
3	<b>TAX RETURN RECONCILIATION (TAXREC 2)</b>		<b>Corporate</b>	<b>Eliminations</b>	<b>Tax</b>	
4	(for "wires-only" business - see s. 72 OEB Act)		<b>Tax</b>		<b>Return</b>	
5	<b>RATEPAYERS ONLY</b>		<b>Return</b>			
6	Shareholder-only items should be shown on TAXREC 3				<b>Version 2009.1</b>	
7						
8	Utility Name: London Hydro Inc.					
9	Reporting period: 2005					
10	Number of days in taxation year:		365			
11	Materiality Level:		195,797			
12						
13						
14						
15	<b>Section C: Reconciliation of accounting income to taxable income</b>					
16	<b>Add:</b>					
17		+			0	
18	Gain on sale of eligible capital property	+			0	
19	Loss on disposal of assets	+			0	
20	Charitable donations (Only if it benefits ratepayers)	+			0	
21	Taxable capital gains	+			0	
22		+			0	
23	Scientific research expenditures deducted	+			0	
24	per financial statements	+			0	
25	Capitalized interest	+			0	
26	Soft costs on construction and renovation of buildings	+			0	
27	Capital items expensed	+			0	
28	Debt issue expense	+			0	
29	Financing fees deducted in books	+			0	
30	Gain on settlement of debt	+			0	
31	Interest paid on income debentures	+			0	
32	Recapture of SR&ED expenditures	+			0	
33	Share issue expense	+			0	
34	Write down of capital property	+			0	
35	Amounts received in respect of qualifying environment trust	+			0	
36	Provision for bad debts	+			0	
37		+			0	
38		+			0	
39		+			0	
40	Other Additions: (please explain in detail the nature of the item)	+			0	
41		+			0	
42		+			0	
43		+			0	
44		+			0	
45		+			0	
46	Total Additions	=	0	0	0	
47						
48	Recap of Material Additions:					
49			0	0	0	
50			0	0	0	
51			0	0	0	
52			0	0	0	
53			0	0	0	
54			0	0	0	
55			0	0	0	
56			0	0	0	
57			0	0	0	
58			0	0	0	
59			0	0	0	
60			0	0	0	
61			0	0	0	
62			0	0	0	
63			0	0	0	
64			0	0	0	
65			0	0	0	
66			0	0	0	
67			0	0	0	
68			0	0	0	
69			0	0	0	
70			0	0	0	
71			0	0	0	
72			0	0	0	
73			0	0	0	
74			0	0	0	



	A	B	C	D	E	F
1						
2	<b>PILs TAXES</b>	LINE	M of F	Non-wires	Wires-only	
3	<b>TAX RETURN RECONCILIATION (TAXREC 2)</b>		Corporate	Eliminations	Tax	
4	(for "wires-only" business - see s. 72 OEB Act)		Tax		Return	
5	<b>RATEPAYERS ONLY</b>		Return			
6	Shareholder-only items should be shown on TAXREC 3				Version 2009.1	
7						
8	Utility Name: London Hydro Inc.					
9	Reporting period: 2005					
10	Number of days in taxation year:		365			
11	Materiality Level:		195,797			
12						
13						
75			0	0	0	
76			0	0	0	
77	Total Material additions		0	0	0	
78	Other additions less than materiality level		0	0	0	
79	Total Additions		0	0	0	
80						
81	Deduct:					
82	Gain on disposal of assets per f/s	-			0	
83	Dividends not taxable under section 83	-			0	
84	Terminal loss from Schedule 8	-			0	
85	Depreciation in inventory, end of prior year	-			0	
86	Scientific research expenses claimed in year from Form T661	-			0	
87	Bad debts	-	0		0	
88	Book income of joint venture or partnership	-			0	
89	Equity in income from subsidiary or affiliates	-			0	
90	Contributions to a qualifying environment trust	-			0	
91	Other income from financial statements	-			0	
92		-				
93		-			0	
94		-			0	
95	Other deductions: (Please explain in detail the nature of the item)	-			0	
96	Non-taxable load transfers	-	0		0	
97		-			0	
98		-			0	
99	Total Deductions	=	0	0	0	
100						
101	Recap of Material Deductions:					
102			0	0	0	
103			0	0	0	
104			0	0	0	
105			0	0	0	
106			0	0	0	
107			0	0	0	
108			0	0	0	
109			0	0	0	
110			0	0	0	
111			0	0	0	
112			0	0	0	
113			0	0	0	
114			0	0	0	
115			0	0	0	
116			0	0	0	
117			0	0	0	
118			0	0	0	
119	Total Deductions exceed materiality level		0	0	0	
120	Other deductions less than materiality level		0	0	0	
121	Total Deductions		0	0	0	
122						

	A	B	C	D	E	F
1						
2	<b>PILs TAXES</b>					
3	<b>TAX RETURN RECONCILIATION (TAXREC 3)</b>					
4	<b>Shareholder-only Items should be shown on TAXREC 3</b>	LINE	M of F	Non-wires	Wires-only	
5	<b>ITEMS ON WHICH TRUE-UP DOES NOT APPLY</b>		Corporate	Eliminations	Tax	
6	(for "wires-only" business - see s. 72 OEB Act)		Tax		Return	
7		0	Return			
8	Utility Name: London Hydro Inc.				Version 2009.1	
9						
10						
11	Reporting period: 2005					
12	Number of days in taxation year:		365			
13						
14						
15						
16	<b>Section C: Reconciliation of accounting income to taxable income</b>					
17	<b>Add:</b>					
18						
19	Recapture of capital cost allowance	+			0	
20	CCA adjustments	+			0	
21	CEC adjustments	+			0	
22	Gain on sale of non-utility eligible capital property	+			0	
23	Gain on sale of utility eligible capital property	+			0	
24	Loss from joint ventures or partnerships	+	0		0	
25	Deemed dividend income	+			0	
26	Loss in equity of subsidiaries and affiliates	+			0	
27	Loss on disposal of utility assets	+			0	
28	Loss on disposal of non-utility assets	+			0	
29	Depreciation in inventory -end of year	+			0	
30	Depreciation and amortization adjustments	+			0	
31	Dividends credited to investment account	+			0	
32	Non-deductible meals	+	33,134		33,134	
33	Non-deductible club dues	+	2,729		2,729	
34	Non-deductible automobile costs	+			0	
35	Donations - amount per books		0		0	
36	Interest and penalties on unpaid taxes				0	
37	Management bonuses unpaid after 180 days of year end				0	
38	Ontario capital tax adjustments				0	
39		+			0	
40	Changes in Regulatory Asset balances	+	3,154,000		3,154,000	
41	Imputed interest expense on Regulatory Assets	+			0	
42		+			0	
43	Other Additions: (please explain in detail the nature of the item)	+			0	
44	Non-deductible company pension plans	+	365,000		365,000	
45		+			0	
46		+			0	
47	<b>Total Additions on which true-up does not apply</b>	=	3,554,863	0	3,554,863	
48						
49	<b>Deduct:</b>					
50						
51	CCA adjustments	-			0	
52	CEC adjustments	-			0	
53	Depreciation and amortization adjustments	-			0	
54	Gain on disposal of assets per financial statements	-	0		0	
55	Financing fee amortization - considered to be interest expense for PILs	-			0	
56	Imputed interest income on Regulatory Assets	-			0	
57	Donations - amount deductible for tax purposes	-	0		0	
58	Income from joint ventures or partnerships	-			0	
59		-			0	
60	Ontario capital tax adjustments to current or prior year	-			0	
61		-			0	
62	Changes in Regulatory Asset balances	-	0		0	
63		-			0	
64		-			0	
65		-			0	
66		-			0	
67		-			0	
68	Other deductions: (Please explain in detail the nature of the item)	-			0	
69		-			0	
70		-			0	
71		-			0	
72		-			0	
73	<b>Total Deductions on which true-up does not apply</b>	=	0	0	0	
74						
75						

	A	B	C	D	E	F	G	H	I	J
1	<b>PILs TAXES</b>									
2	Corporate Tax Rates <span style="float: right;">Version 2009.1</span>									
3	Exemptions, Deductions, or Thresholds									
4	Utility Name: London Hydro Inc.									
5	Reporting period: 2005									
6										
7	<b>Table 1</b>									
8	<b>Rates Used in 2005 RAM PILs Applications for 2005</b>									
9	Income Range		0		400,001					
10	RAM 2005		to		to					>1,128,000
11		Year	400,000		1,128,000					
12	Income Tax Rate									
13	Proxy Tax Year	2005								
14	Federal (Includes surtax)		13.12%		17.75%		22.12%			
15	and Ontario blended		5.50%		9.75%		14.00%			
16	Blended rate		18.62%		27.50%		36.12%			
17										
18	Capital Tax Rate		0.300%							
19	LCT rate		0.175%							
20	Surtax		1.12%							
21	Ontario Capital Tax Exemption **	MAX \$7.5MM	7,500,000							
22	Federal Large Corporations Tax Exemption **	MAX \$50MM	50,000,000							
23	**Exemption amounts must agree with the Board-approved 2005 RAM PILs filing									
24										
25	<b>Table 2</b>									
26	<b>Expected Income Tax Rates for 2005 and Capital Tax Exemptions for 2005</b>									
27	Income Range		0		250,001		400,001			
28	Expected Rates		to		to		to			>1,128,000
29		Year	250,000		400,000		1,128,000			
30	Income Tax Rate									
31	Current year	2005								
32	Federal (Includes surtax)	2005	13.12%		22.12%		22.12%		22.12%	
33	Ontario	2005	5.50%		5.50%		9.75%		14.00%	
34	Blended rate	2005	18.62%		27.62%		31.87%		36.12%	
35										
36	Capital Tax Rate	2005	0.300%							
37	LCT rate	2005	0.175%							
38	Surtax	2005	1.12%							
39	Ontario Capital Tax Exemption *** 2005	MAX \$7.5MM	7,500,000							
40	Federal Large Corporations Tax Exemption *** 2005	MAX \$50MM	50,000,000							
41	***Allocation of exemptions must comply with the Board's instructions regarding regulated activities.									
42										
43	<b>Table 3</b>									
44	<b>Input Information from Utility's Actual 2005 Tax Returns</b>									
45	Income Range		0		250,001		400,001			
46			to		to		to			>1,128,000
47		Year	250,000		400,000		1,128,000			
48	Income Tax Rate									
49	Current year	2005								
50	Federal (Includes surtax)		13.12%		22.12%		22.12%		22.12%	
51	Ontario		5.50%		5.50%		14.00%		14.00%	
52	Blended rate		18.62%		27.62%		36.12%		36.12%	
53										
54	Capital Tax Rate		0.300%							
55	LCT rate		1.75%							
56	Surtax		1.12%							
57	Ontario Capital Tax Exemption *	MAX \$7.5MM	7,500,000							
58	Federal Large Corporations Tax Exemption *	MAX \$50MM	50,000,000							
59	* Include copies of the actual tax return allocation calculations in your submission: Ontario CT23 page 11; federal T2 Schedule 36									
60										
61										

## Conservation and Demand Management Tax Forecast

Utility Name: London Hydro Inc.  
 File Number: RP-2005-0013  
 EB-2005-0046

	Jan - Dec 2005		Jan - Dec 2006		Jan - Sept 30 <sup>th</sup> 2007		Total	
	\$	%	\$	%	\$	%	\$	%
<b>Capital</b>	\$240,000	13%	\$151,500	16%				0%
<b>Tax Deductible Expense</b>	\$1,660,750	87%	\$777,250	84%	\$0			0%
<b>Total</b>	<b>\$1,900,750</b>	<b>100%</b>	<b>\$928,750</b>	<b>100%</b>	<b>\$0</b>	<b>0%</b>	<b>\$2,829,500</b>	<b>0%</b>

**Notes:**

1. Capital that will be recognized for tax purposes (i.e. UCC addition), not from a capital budget or commitment perspective.
2. Expenses to be recognized in the period shown that will be used as a tax deduction for the same period. The 2005 tax deductible expense amount will be entered automatically into the TAXCALC worksheet, cell C44.
3. The amounts shown in the "Total" column should agree with the C&DM plan filed with or approved by the Board. The amount of the third tranche of MARR is the maximum amount unless the utility has applied for a lower amount.

**Note:** The above total of \$2,829,500 is \$7,500 less than the C&DM plan filed with the Board, as \$7,500 was spent during the 2004 calendar year, which is not provided for in the above table.

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
1	<b>PILs TAXES</b>														
2	<b>Analysis of PILs Tax Account 1562:</b>														
3	Utility Name: London Hydro Inc.														
4	Reporting period: 2005														
5	Sign Convention: + for increase; - for decrease														
6															
7															
8	Year start:		10/1/2001		1/1/2002		1/1/2003		1/1/2004		1/1/2005		1/1/2006		
9	Year end:		12/31/2001		12/31/2002		12/31/2003		12/31/2004		12/31/2005		4/30/2006		Total
10															
11	Opening balance:	=	0		2,104,536		2,742,460		2,217,410		2,293,976		1,105,584		0
12	Board-approved PILs tax proxy from Decisions (1)	+/-	2,092,231		6,616,123		8,708,354		7,139,181		1,654,031		1,822,073		28,031,992
13	PILs proxy from April 1, 2005 - input 9/12 of amount										4,239,022				4,239,022
14	True-up Variance Adjustment Q4, 2001 (2)	+/-			15,545		0								15,545
15	True-up Variance Adjustment (3)	+/-			0		-353,632		-203,990		-322,787		-151,568		-1,031,977
16	Deferral Account Variance Adjustment Q4, 2001 (4)										0				0
17	Deferral Account Variance Adjustment (5)	+/-			0		0		-287,858		-710,837		0		-998,695
18	Adjustments to reported prior years' variances (6)	+/-											0		0
19	Carrying charges (7)	+/-	12,305		222,441		148,530		121,283		78,465		27,989		611,013
20	PILs billed to (collected from) customers (8)		0		-6,216,185		-9,028,302		-6,692,050		-6,126,285		-2,416,299		-30,479,121
21															
22	Ending balance: # 1562		2,104,536		2,742,460		2,217,410		2,293,976		1,105,584		387,779		387,779

**Uncollected PILs**

**NOTE:** The purpose of this worksheet is to show the movement in Account 1562 which establishes the receivable from or liability to ratepayers. For explanation of Account 1562 please refer to Accounting Procedures Handbook for Electric Distribution Utilities and FAQ April 2003.

Please identify if Method 1, 2 or 3 was used to account for the PILs proxy and recovery. **ANSWER: Method 2**

- (1) (i) From the Board's Decision - see Inclusion in Rates, Part III of the TAXCALC spreadsheet for Q4 2001 and 2002. Please insert the Q4, 2001 proxy in column C even though it was approved effective March 1, 2002. If the Board gave more than one decision in the year, calculate a weighted average proxy.
- (ii) If the Board approved different amounts, input the Board-approved amounts in cells C13 and E13.
- (iii) Column G - In 2003, the initial estimate should include the Q4 2001 PILs tax proxy and the 2002 PILs tax proxy.
- (iv) Column I - The Q4 2001 PILs tax proxy was removed from rates on April 1, 2004 and the 2002 PILs tax proxy remained.
- (v) Column K - The 2002 PILs tax proxy applies to January 1 to March 31, 2005, and the new 2005 PILs tax proxy from April 1 to December 31, 2005.
- (vi) Column M - The 2005 PILs tax proxy will be used for the period from January 1 to April 30, 2006.
- (2) From the Ministry of Finance Variance Column, under Future True-ups, Part IV a, cell I132, of the TAXCALC spreadsheet. The Q4, 2001 proxy has to be trueed up in 2002, 2003 and for the period January 1- March 31, 2004. Input the variance in the whole year reconciliation.
- (3) From the Ministry of Finance Variance Column, under Future True-ups, Part IV a, cell I132, of the TAXCALC spreadsheet. The true-up will compare to the 2002 proxy for 2002, 2003, 2004 and January 1 to March 31, 2005.
- (4) From the Ministry of Finance Variance Column, under Future True-ups, Part IV b, cell I181, of the TAXCALC spreadsheet. The Q4, 2001 proxy has to be trueed up in 2002, 2003 and for the period January 1- March 31, 2004. Input the deferral variance in the whole year reconciliation.
- (5) From the Ministry of Finance Variance Column, under Future True-ups, Part IV a, cell I181, of the TAXCALC spreadsheet. The true-up will compare to the 2002 proxy for 2002, 2003, 2004 and January 1 to March 31, 2005.
- (6) The correcting entry should be shown in the year the entry was made. The true-up of the carrying charges will have to be reviewed.
- (7) Carrying charges are calculated on a simple interest basis.
- (8) (i) PILs collected from customers from March 1, 2002 to March 31, 2004 were based on a fixed charge and a volumetric charge recovery by class. The PILs rate components for Q4, 2001 and 2002 were calculated in the 2002 approved RAM on sheet 6 and sheet 8. In April 2004, the PILs recovery was based on the 2002 PILs tax proxy recovered by the volumetric rate by class as calculated on sheet 7 of the 2004 RAM. The 2005 PILs tax proxy is being recovered on a volumetric basis by class.
- (ii) Collections should equal: (a) the actual volumes/ load (kWhs, kW, Kva) for the period (including net unbilled at period end), multiplied by the PILs volumetric proxy rates by class (from the Q4, 2001 and 2002 RAM worksheets) for 2002, 2003 and January 1 to March 31, 2004; plus, (b) customer counts by class in the same period multiplied by the PILs fixed charge rate components.
- In 2004, use the Board-approved 2002 PILs proxy, recovered on a volumetric basis by class as calculated by the 2004 RAM, sheet 7, for the period April 1 to December 31, 2004, and add this total to the results from the sentence above for January 1 to March 31, 2004.
- In 2005, use the Board-approved 2005 PILs proxy, recovered on a volumetric basis by class as calculated by the 2005 RAM, sheet 4, for the period April 1 to December 31, 2005. To this total, the 2004 volumetric PILs proxy rate by class should be used to calculate the recovery for the period January 1 to March 31, 2005.
- (9) Any interim PILs recovery from Board Decisions will be recorded in APH Account # 1590. Final reconciliation of PILs proxy taxes will have to include amounts from 1562 and from 1590.