

UNDERTAKING J14.4

Undertaking

To reconcile total taxable income number of \$487 million from last application to \$553 million in this application.

Response

Refer to Attachment 1 Table 1 and accompanying notes in Table 1a.

Table 1a
 Reconciliation of 2008 and 2009 Regulatory Taxable Income - Notes to Table 1 (\$M)

Notes:

- The Q1 2008 adjustments are as per EB-2010-0008, Ex. L-01-119, Table 2, Line 1, Col. (b) for Regulatory Earnings Before Tax, and Line 12 less Line 22 for Net Additions (Deductions) for Tax Purposes.
- The adjustments to Regulatory Earnings Before Tax for 2008 and 2009 are as per EB-2010-0008, Ex. L-01-119, Table 1, Line 2, Cols. (a) and (b), respectively.
- The adjustments to Net Additions (Deductions) for Tax Purposes related to Bruce Lease are computed as follows (references to Payment Amounts Order relate to EB-2007-0905):

Line No.		Full Year Full Year	Apr 1 - Dec 31 (2008 Full Year X 3/4)	2009 Full Year
		(a)	(b)	(c)
1	Depreciation: Payment Amounts Order, App A, Table 7, line 4, 2008 full year per Col (c), 2009 full year per Col (f)	(69.8)	(52.4)	(66.7)
2	Waste Mgmt: Payment Amounts Order, App A, Table 7, line 7, 2008 full year per Col (c), 2009 full year per Col (f)	(14.1)	(10.6)	(14.8)
3	Receipts from Nuclear Segregated Funds	(15.0)	(11.3)	(25.0)
4	Other Additions	(2.0)	(1.5)	(2.0)
5	Total Additions		(75.8)	(108.5)
6	CCA	(9.0)	(6.8)	(8.0)
7	Cash Expenditures For Nuclear Waste and Decommissioning: full years 2008 and 2009 per EB-2007-0905, Ex. J1.5	(129.0)	(96.8)	(110.0)
8	Contributions to Nuclear Segregated Funds	(381.0)	(285.8)	(215.0)
9	Other Deductions	(5.0)	(3.8)	(13.0)
10	Total Deductions		(393.2)	(346.0)
11	Line 5 - Line 10		317.4	237.5

- Mitigation amounts are as per EB-2007-0905, Payment Amounts Order, Appendix A, Table 3, Note 3.
- The adjustments to ROE for the Prescribed Facilities are as per EB-2007-0905, Payment Amounts Order, App A, Tables 1 & 2, Line 12, Col (b) for 2008 and Col (e) for 2009.
- Removal of Bruce ROE from proposed revenue requirement as per OEB's findings in EB-2007-0905 (references to Payment Amounts Order relate to EB-2007-0905):

Line No.		Apr 1 - Dec 31 2008	2009
		(a)	(b)
1	Payment Amounts Order, App A, Table 7, Line 10	(70.2)	(66.1)
2	Full-year 2008 adjusted for Apr 1 - Dec 31, 2008 at 3/4	0.8	0.0
3		(52.7)	(66.1)
4	EB-2007-0905, Ex. J9.4, "Single Rate Adjustment" in the table presented on pg. 1	(5.8)	6.1
5		(58.5)	(60.0)

- Consistent with the OEB's findings on p. 170 of EB-2007-0905 Decision with Reasons, the tax benefit related to the PARTS costs deduction is adjusted to match the timing of the recovery of these costs from ratepayers.
 Amount for 2008 is the net of adjustments of \$24.0M to Additions for Tax Purposes and \$36.8M to Deductions for Tax Purposes at Ex. L-01-119, Table 2, Col. (d), Lines 6 and 18.
 Amount for 2009 is computed as: \$32.4M (higher Additions for Tax Purposes due to increased amortization expense for PARTS in 2009 per EB-2007-0905, App A, Table 2a, Note 5 less \$48.9M (higher Deductions for Tax Purposes in 2009 due to PARTS costs deduction in payment amounts of \$85.8M x 12/21, where \$85.8M is the 21-month test period PARTS recovery amount per EB-2007-0905, Payment Amounts Order, App D, Table 1, Line 1, Col. (f)).

- Other Adjustments are derived as follows:

Line No.		Apr 1 - Dec 31 2008	2009
		(a)	(b)
1	Remove Adjustment Related to Duplicate Interest Deduction per EB-2007-0905, Ex. F3-T2-S1, Table 7, Line 11 (2008 full-year amount is pro-rated by 3/4 to arrive at Apr 1 - Dec 1, 2008 amount)	(42.0)	(54.0)
2	Incorporate Adjustment Related to Financing Cost For Nuclear Liabilities per EB-2010-0008, Ex. F4-T2-S1, Table 9, Line 8	44.5	56.7
3	Incorporate deduction for recovery from ratepayers of previously accrued interest on the unamortized balance of the Nuclear Liability Deferral Account (2008 amount per EB-2010-0008, Ex. L-01-119, Table 2, Note 13)	(1.0)	(1.3)
4	Adjustment related to Nuclear Development Deferral Account and Capacity Refurbishment Variance Account as per EB-2010-0008, Ex. L-01-119, Table 2, Col (c), Line 7 less Line 19	(1.0)	0.0
5	Line 1 + Line 2 + Line 3 + Line 4	0.5	1.4

- The impact of mitigation on regulatory earnings before tax is detailed at EB-2010-0008, Ex. L-01-117, Table 1, Note 2, Lines 2, 3 and 4, as follows:

Line No.		Apr 1 - Dec 31 2008	2009
		(a)	(b)
1	Tax on Post-mitigation Revenue Requirement per EB-2007-0905, Payment Amounts Order (Ex. F4-T2-S1, Table 9, Line 21 x 1/(1-tax rate))	54.7	41.3
2	Mitigation Amount per EB-2007-0905, Payment Amounts Order, App A, Table 3, Note 3	72.3	96.4
3	Tax on Mitigation Amount per EB-2007-0905 above (Mitigation Amount x tax rate/ (1-tax rate))	33.2	43.3
4	Line 1 + Line 2 + Line 3	160.2	181.0