

Burlington Hydro Inc.

EB-2013-0115

Proposed Settlement Agreement

Attachment D.2

Use of Depreciation Expense before Reclassifications when Computing PILs Expense

Burlington Hydro confirmed with both its tax advisor and with Board staff that its 2014 Test Year PILs provision is to be computed using Depreciation Expense before reclassifications. The attached PILs Workform, which has been updated to be consistent with the Rate Making models, demonstrates that Burlington Hydro's 2014 Test Year PILs Provision to be recovered through rates is \$211,146.

The OEB's PILs Workform requires that the Test Year Depreciation Expense be entered at cell E17 on worksheet "S. Taxable Income Test Year". The data entered on this worksheet is used to compute Total Additions that, ultimately, is used to compute the Test Year PILs expense and the Test Year PILs Provision. The PILs Workforms that Burlington Hydro filed with its October 1, 2013 submission and with its February 27, 2014 interrogatory responses incorrectly used Depreciation Expense net of reclassified amounts at cell E17 on worksheet "S. Taxable Income Test Year". The PILs Workform made available to intervenors prior to the Settlement Conference correctly used Depreciation Expense before reclassification.

Since the conclusion of the Settlement Conference Burlington Hydro's tax advisor, KPMG, has reviewed its PILs Workform and confirmed that the Depreciation Expense before reclassification must be used when computing PILs payable and the PILs provision to be recovered through rates. Board staff confirmed that the appropriate value to enter in this cell is Depreciation expense before reclassifications. This treatment appropriately adds back its Depreciation expense that is presented on the two line items Depreciation expense after reclassification, and, the portion of reclassified Depreciation that is included in OM&A.