Centre Wellington Hydro Ltd.
(“Wellington”)
EB-2008-0225
Supplemental Board Staff Interrogatories

INCOME TAX

Supplementary IR # 7
Response to OEB Staff Interrogatory No. 29

In Response to Board Staff Interrogatory No. 29, Centre-Wellington Hydro has referred to KPMG’s assessment that the income tax rate on interest income is 22% because interest income is supposed to be investment income. Accordingly, Centre-Wellington has used 22% tax rate to calculate the total PILs expense of $27,207. Please answer the following questions with respect to this subject matter:

a) Municipalities are not taxable and do not pay taxes on dividends received from the utilities they own. Consequently, the question of refundable tax on investment income is not relevant. In light of this, please indicate why the higher tax rate of 22% on investment income is justifiable?
b) Taxes in utility applications are to be calculated on a stand alone basis. The tax status of the parent or shareholder is not considered in the derivation of income taxes to be recovered in rates for regulatory purposes. If taxes are supposed to be calculated on a stand alone basis, please provide reasons for using a higher tax rate of 22% versus the16.5% used for regular income.