

KT1.8

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 Technical Conference
 CME Question #14
 Handout

Chart
Components of Tax Loss Variance Account (\$M)¹

Line No.	Particulars	Apr-Dec 2008 (a)	2009 (b)	Subtotal ^{4,5} (c)=(a)+(b)	2010 ² (d)	Total (e)=(c)+(d)
1	Rev Requirement Reduction of \$168.7M – Payment Amounts Order, App A, Table 3, Note 3 for 2008-9	72.3	96.4	168.7	96.4	265.1
2	Recovery of Foregone Tax Expense (before gross-up) – Ex. F4-T2-S1, Table 9, Line 21 for 2008-9	28.3	37.7	66.0	37.7	103.7
3	Gross-up on Foregone Tax Expense – Line 2 x (1/(1-tax rate) - 1) for 2008-9	12.8	17.1	29.9	17.1	47.1
4	Recovery of Additional Regulatory Income Tax Had Mitigation Not Been Applied – Line 1 x tax rate for 2008-9	22.6	30.1	52.7	30.1	82.8
5	Gross-up on Additional Regulatory Income Tax – Line 4 x (1/(1-tax rate) -1) for 2008-9	10.3	13.6	23.9	13.6	37.4
6	Lines 1+2+3+4+5	146.3	195.0	341.2	195.0	536.2
7	Less: Rev. Requirement Reduction from Recalculated Prior Period Losses – Ex. H1-T1-S1, page 7, lines 9-11	(21.6)	(28.7)	(50.3)	-	(50.3)
8	Tax Loss Variance Account (Lines 6 - 7) – Ex. H1-T1-S1, Table 4, Lines 4-6, Col. (c)	124.7	166.2	290.9	195.0	485.8

Notes:

1. Amounts may not add due to rounding
2. Amounts for 2010 in Lines 1-5 are computed as 12/21 of the total amounts for 2008 and 2009 in Col. (c)
3. Tax rate used in Lines 3-5 is 31.21%, which is the weighted average tax rate for 2008 and 2009 (per Ex. F4-T2-S1, Table 9, Line 25)
4. Lines 1 and 2, Col. (c) amounts per Ex. H1-T1-S1, page 7
5. Sum of amounts in Lines 3-5, Col. (c) is \$106.5M, as shown in Ex. H1-T1-S1, page 7