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Ontario Power Generation ("OPG") retained Ernst & Young to perform and report on specified procedures relating to schedules prepared for the years 2005, 2006 and 2007 to reconcile tax return information to the regulatory tax expense for OPG's prescribed facilities. The reports on specified procedures for 2005, 2006, and 2007 are provided in Attachments A, B, and C, respectively.

Background

This engagement arose from the findings of the Ontario Energy Board ("OEB") in EB-2007-0905 (Decision with Reasons, 3 November 2008, "Decision") regarding OPG's "regulatory tax losses". In that decision, the OEB stated "The Board also expects OPG to file an analysis of its prior period tax returns that identifies all items (income inclusions, deductions, losses) in those returns that should be taken into account in the tax provision for the prescribed facilities" (Page 171).

n response to this direction of the OEB, OPG prepared evidence schedules Ex. F4-T2-SI Tables 10, 11 and 12 as part of the pre-filed evidence for its application for 2011-2012 payment amounts, EB-2010-0008. These tables begin with amounts in the Ontario Power Generation Inc. legal entity tax returns for the applicable year and present a series of adjustments to determine the regulatory tax expense for that year.

OPG is including its tax returns for 2005, 2006 and 2007 in its pre-filed evidence as Ex. F4-T2-S1 Attachment 3.

The evidence tables and tax returns are the primary source documents for the specified procedures performed by Ernst & Young. Other source documents include OPG's audited consolidated financial statements, OPG's general ledger accounts (referred to as "SAP Accounts" in the specified procedures reports) and certain internal reports and management prepared schedules and work sheets.

Schedule A

Reconciliation of Tax Return to Regulatory Tax Expense

Year Ending December 31, 2005

		T	2005 Tax Return										A	Adjustments			
	Particulars Particulars	1	1		2		3		4		5		6		7		8
Line No.			OPG Parent		Subs		Total		UnReg		Regulated		Bruce		Other Adj		Revised Regulatory
	Determination of Taxable income																
1	Earnings Before Tax	1	703.1	2	(144.8)	3	558.3	4	(279.4)	5	278.9	6	(109.1)	7	(172.9)	8	(3.1
	Adj negative earnings to \$0													9	3.1	10	3.1
		1	703.1		(144.8)		558.3		(279.4)		278.9		(109.1)		(169.8)		0.0
	Additions for Tax Purposes:																
2	Depreciation	11	447.3	12	286.2	13	733.5	14	(312.4)	15	421.1	16	(8.89)	17	(0.1)	18	321.2
3	Nuclear Waste Management Expenses	19	500.6			20	500,6			21	500.6	22	(14.0)	23	(466.6)	24	20.0
4	Receipts from Nuclear Segregated Funds	25	22.6			26	22.6			27	22.6	28	(11.0)	29	0.4	30	12.0
5	Pension and OPEB/SPP Accrual	31	296.7			32	296.7	33	(62.9)	34	233.8			35	0.2	36	234.0
6	One-Time Adjustment: P2P3 Inventory Write-offs	1			-						-			37	49.0	38	49.0
7	One-Time Adjustment: P2P3 CIP Write-offs										-			39	38.0	40	38.0
8	Regulatory Asset Amortization - PARTS Deferred Costs	†									_			41	4.0	42	4.0
9	Regulatory Asset Amortization - Nucl Development																
9	Deferral & Capacity Refurbishment Variance										-						-
10	Regulatory Asset Amortization - Nucl Liability Deferral														-		-
11	First Nations Past Grievances Provision										-				-		-
12	Adjustment Related to Duplicate Interest Deduction										-	43	(13.4)	44	45.0	45	31.6
13	Lennox impalment	46	202.0			47	202.0	48	(202.0)		-				-		-
14	Other	49	157.9	50	29.2	51	187.1	52	(134.7)	53	52.4	54	(2.0)	55	(4.4)	56	46.0
15	Total Additions	1 [1,627.1		315.4		1,942.5		(712.0)		1,230.5		(140.2)		(334.5)		755.8
		†															
	Deductions for Tax Purposes:																
16	CCA	57	408.4	58	148.3	59	556.7	60	(209.1)	61	347.6	62	(46.4)	63	3.3	64	304.5
17	Cash Expenditures for Nuclear Waste & Decommissioning	65	84.1			66	84.1		-	67	84.1	68	(31.0)	69	(0.1)	70	53.0
18	Contributions to Nuclear Segregated Funds and Earnings	71	835.0			72	835.0			73	835.0	74	(212.0)	75	(381.0)	76	242.0
19	Pension Plan Contributions	77	254.0			78	254.0	79	(56.0)	80	198.0		-	81	(0.1)	82	197.9
20	OPEB/SPP Payments	83	50.4			84	50.4	85	(12.6)	86	37.8		-	87	0.2	88	38.0
21	Regulatory Asset Deduction - PARTS Deferred Costs	89	254.0			90	254.0			91	254.0			92	(250.0)	93	4.0
22	Regulatory Asset Deduction - Nucl Development														_		-
	Deferral & Capacity Refurbishment Variance	1					-				-						
23	Regulatory Asset Deduction - Nucl Liability Deferral						-				-						
24	Construction in Progress Interest Capitalized	94	12.8	95	21.1	96	33.9	97	(4.3)	98	29.6		-	99	(29.6)		
25	Other	100	121.7	101	2.3	102	124.0	103	(103.9)	104	20.1	105		106	(2.6)	107	3.8
26	Total Deductions		2,020.4		171.7		2,192.1		(385.9)		1,806.2		(303.1)		(659.9)		843.2
27	Net Income/(Loss) for income tax purposes	1	309.8		(1.1)		308.7		(605.5)		(296.8)		53.8		155.6		(87.4
	Deduct:	1															
28	Charitable Donations	1	19.6				19.6		(19.6)								· · · · · · · · · · · · · · · · · · ·
29	Non-capital losses of previous tax years	1	289.7				289.7		(289.7)	l						~	
30	Taxable Income	1	0.5		(1.1)		(0.6)	•	(297.7)		(296.8)		53.8		155.6		(87.4
	T1	1															
	Tax Loss Carryforward Balances	-					<u> </u>			l			-				
31	Opening Balance									ļ							(87.4
32	income/(loss) for the Year	1								ļ							(87.4
33	Closing Balance	1															
34	Allocation to Q1 2085	1	L							Ļ		 					21.
35	Adjusted Closing Balance	1								L		1					(65.

Schedule A

Reconciliation of Tax Return to Regulatory Tax Expense <u>Year Ending December 31, 2006</u>

			2006 Tax Return									ı	,	Adjustme	ſ		
			1		2		3		4		5		6		7	l	8
Line	Particulars Particulars		OPG												Other		Revised
No.	Particulais		Parent		Subs		Total		UnReg		Regulated		Bruce		Adj		Regulatory
	Determination of Taxable Income		,														
1	Earnings Before Tax	1	678.7	2	(103.1)	3	575.6	4	(345.9)	5	229.7	6	(115.8)	7	(35.9)	8	78.0
	Adj negative earnings to \$0																
	AA	L	678.7		(103.1)		575.6		(345.9)		229.7		(115.8)		(35.9)		78.0
	Additions for Tax Purposes:		`				,									1	
2	Depreciation	9	380.7	10	263.0	11	643.7	12	(239.2)	13	404.5	14	DATE OF THE PARTY	15	(0.5)	16	303.6
3	Nuclear Waste Management Expenses	17	528.6	L		18	528.6			19	528.6	20		21	(490.6)	22	21.9
4	Receipts from Nuclear Segregated Funds	23	18.8	ļ		24	18.8			25	18.8	26	(9.0)	27	0.2	28	10.0
5	Pension and OPEB/SPP Accrual*	29	471.4			30	471.4	31	(97.0)	32	374.4	L		33	(0.4)	34	374.0
6	One-Time Adjustment: P2P3 Inventory Write-offs						-				-	ļ			-		*
.7	One-Time Adjustment: P2P3 CiP Write-offs						•				-	 			· · · · ·		*
8	Regulatory Asset Amortization - PARTS Deferred Costs	35	25.1			36	25.1			37	25.1	L	L	38	(0.1)	39	25.0
9	Regulatory Asset Amortization - Nucl Development						_				-				-	١ ا	
10	Deferral & Capacity Refurbishment Variance																<u>-</u>
11	Regulatory Asset Amortization - Nucl Liability Deferral First Nations Past Grievances Provision			[-										
12	Adjustment Related to Duplicate Interest Deduction	ļ										40	(10.5)	41	38.0	42	27.5
13	Lennox impairment	ļ	<u> </u>										(10.5)		36.0		27.0
14	Other		149.5	44	6.6	45	156.1	46	(120.6)	47	35.5	48	(2.0)	49	(15.5)	50	18.0
15	Total Additions	43		44	269.6	45	1,843.7	40	(456.8)	**	1,386.9	-	(136.0)		(468.9)	~~	780.0
15		ļ	1,574.1	 	209.0		1,043.7		(430.0)		1,300.8	 	(136.0)	 	(400.5)		7,00.0
	Deductions for Tax Purposes:	l			455.0				(400.0)	55	353.9	56	(43.2)	57	(4.3)	58	306.4
16	CCA	51	394.7	52	155.8	53 60	550.5	54	(196.6)	99 61		62	· · · · · · · · · · · · · · · · · · ·	63		64	108.0
17 18	Cash Expenditures for Nuclear Waste & Decommissioning	59	153.4				153.4			67	153.4 824.5	68		69	(0.4)	70	242.0
	Contributions to Nuclear Segregated Funds and Earnings	65	824.5	 		66	824.5		25.01	74	£	500	<u> </u>	03		75	207.0
19	Pension Plan Contributions	71	261.0			72	261.0	73 78		79		ļ	 	80	0.6	/3 81	207.0 55.0
20	OPEB/SPP Payments	76	68.3			77	68.3	78	(13.9)	84		!	ļ	85	12.4	86	25.0
21	Regulatory Asset Deduction - PARTS Deferred Costs	82	12.6			83	12.6			84	12.6	-		45	12.4	80	23.0
22	Regulatory Asset Deduction - Nucl Development Deferral & Capacity Refurbishment Variance	i	-				-				-	l	٠ ا		-		I
23	Regulatory Asset Deduction - Nucl Liability Deferral	 	-							· · · · · · · · · · · · · · · · · · ·		†	-		-		-
24	Construction in Progress Interest Capitalized	87	14.5	88	6.8	89	21.3	90	(6.4)	91	14.9	† — ·		92	(14.9)		-
25	Other	93	144.2			94	144.2	95	(123.9)	96		97	(13.7)	98	(7.3)	.99	(0.7)
26	Total Deductions	1 ~	1,873.2		162.6		2,035.8		(394.8)		1,641.0	1	(313.9)		(384.4)	.	942.7
		!								l							
27	Net Income/(Loss) for income tax purposes		379.6		3.9		383.5		(407.9)		(24.4)	<u></u>	60.1		(120.4)		(84.7)
	Deduct:	<u> </u>		1							<u> </u>						
28	Charitable Donations		3.2	l	-		3.2		(3.2)	<u> </u>	-	L		<u> </u>			
29	Non-capital losses of previous tax years		258.7	<u> </u>			258.7		(258.7)	<u> </u>	<u> </u>		<u> </u>				
30	Taxable Income	1	117.7		3.9		121.6		(146.0)		(24.4)	1	60.1		(120.4)		(84.7)
	Tax Loss Carryforward Balances																
31	Opening Balance	l		1						<u> </u>		1	Ī				(65.5)
32	Income/(loss) for the Year	t		T								1	T				(84.7)
33	Closing Balance	1											Ī				(150.2)
		1									-	1	1				
		T	I							[Γ	<u> </u>				
			-	-								•					

Schedule A

Reconciliation of Tax Return to Regulatory Tax Expense

Year Ending December 31, 2007

			2007 Tax Return										Adjustments]	
			1 1		2		3		4		5		6		7		8
Line	Particulars		OPG											i	Other		Revised
No.			Parent		Subs		Total		UnReg		Regulated		Bruce		Adj		Regulatory
	Determination of Taxable Income				· · ·												
. 1	Earnings Before Tax	1	510.2	2	(33.3)	3	476.9	4	(375.1)	5	101.8	6	(147.1)	7	(185.8)	8	(231.1)
	Adj negative earnings to \$0													9	231.1	10	231.1
			510.2		(33.3)		476.9		(375.1)		101.8		(147.1)		45.3		
	Additions for Tax Purposes:																
2	Depreciation	11	553.2	12	65.8	13	619.0	14	(179.0)	15	440.0	16	(76.6)	17	(53.0)	18	310.4
3	Nuclear Waste Management Expenses	19	650.3		-	20	650.3		-	21	650.3	22	(53.8)	23	(571.3)	24	25.2
4	Receipts from Nuclear Segregated Funds	25	119.2			26	119.2		-	27	119.2	28	(24.0)	29	(0.2)	30	95.0
5	Pension and OPEB/SPP Accrual*	31	. 488.7		-	32	488.7	33	(105.0)	34	383.7			35	0.3	36	384.0
6	One-Time Adjustment: P2P3 Inventory Write-offs						-				-				-		<u> </u>
7	One-Time Adjustment: P2P3 CIP Write-offs		-								-				-		
8	Regulatory Asset Amortization - PARTS Deferred Costs	37	95.5			38	95.5			39	95.5			40	(0.5)	41	95.0
	Regulatory Asset Amortization - Nucl Development						_							i 1			
9	Deferral & Canacity Refurbishment Variance													j			
10	Regulatory Asset Amortization - Nucl Liability Deferral		-														07.0
11	First Nations Past Grievances Provision	42	27.1			43	27,1			44	27.1			45	(0.1)	46	27.0
12	Adjustment Related to Duplicate Interest Deduction		<u> </u>								-	47	(8.7)	48	34.0	49	25.3
13	Lennox impairment		-				*				-				-		-
14	Other	50	87.5	51	0.1	52	87.6	53	(55.7)	54	31.9	55	(2.0)	56	(3.9)	57	26.0
15	Total Additions	I	2,021.5	24,74	65.9		2,087.4		(339.7)		1,747.7		(165.1)		(594.7)		987.8
	Deductions for Tax Purposes:																
16	CCA	58	528.4	59	33.4	60	561.8	61	(198.5)	62		63	(39.7)	64	(17.7)	65	305.9
17	Cash Expenditures for Nuclear Waste & Decommissioning	66	169.9			67	169.9		-	68	169.9	69	(67.0)	70	0.1	71	103.0
18	Contributions to Nuclear Segregated Funds and Earnings	72	1,269.2			73	1,269.2		<u> </u>	74	1,269.2	75	(563.0)	76	(481.2)	77	225.0
19	Pension Plan Contributions	78	268.0			79	268.0	80	1	81	211.0					82	211.0
20	OPEB/SPP Payments	83	72.8			84	72.8	85	(15.0)	86	57.8		<u> </u>	87	(0.8)	88	57.0
21	Regulatory Asset Deduction - PARTS Deferred Costs	89	30.6			90	30.6			91	30.6			92	64.4	93	95.0
22	Regulatory Asset Deduction - Nucl Development Deferral & Capacity Refurbishment Variance		-				•				-		-	·	-		-
23	Regulatory Asset Deduction - Nucl Liability Deferral	94	130.5			95	130.5			96	130.5			97	(130.5)		
24	Construction In Progress Interest Capitalized	98	41.4			99	41.4	100	(15.6)	101	25.8			102	(25.8)		
25	Other	103	89.6	104	0.1	105	89.7	106	(25.8)	107	63.9	108	(13.7)	109	(20.9)	110	
26	Total Deductions	1	2,600.4		33.5		2,633.9		(311.9)	1	2,322.0		(683.4)		(612.4)		1,026.2
27	Net Income/(Loss) for income tax purposes		(68.7)		(0.9)		(69.6)		(402.9)		(472.5)		371.2		63.0		(38.3)
28	Taxable income		-		•		-		(402.9)		(402.9)		371.2		63.0		(38.3)
	Tax Loss Carryforward Balances																
	Opening Balance																(150.2)
29	Income/(loss) for the Year									l						ļ	(38.3)
30	Closing Balance										· · · · · · · · · · · · · · · · · · ·						(188.5)
L		<u> </u>								<u> </u>				<u> </u>			
		<u> </u>						L		<u> </u>	<u> </u>				<u> </u>	L	L