



November 19, 2010

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, Ontario M4P 1E4

Dear Ms. Walli

**Re: Proceeding to Determine the Accuracy of the Final Account Balances with Respect to Account 1562 Deferred PILs (for the Period October 1, 2001 to April 30, 2006) for Certain 2008 and 2009 Distribution Rate Applications Before the Board.
Details of Proposed Settlement Agreement Board File No.: EB-2008-0381**

With reference to your letter dated November 4, 2010 Halton Hills Hydro Inc. provides the following responses:

1) i) Has the Applicant been assessed for PILs for each tax year 2001 through 2005 by the Ministry of Finance Corporations Tax Branch? Please provide evidence to support the answer to this question, if it has not already been submitted as a response to an interrogatory in this proceeding.

Response: Halton Hills Hydro Inc. was assessed for PILs for each tax year 2001 through 2005 by the Ministry of Finance Corporations Tax Branch. The respective Notice(s) of Assessment and Notice(s) of Re-Assessments (if applicable) have previously been filed as evidence with the Board.

ii) Has the Applicant received confirmation that the tax years 2001 through 2005 are now statute-barred? Please provide evidence to support this confirmation, or explain why the Applicant believes the tax years are not yet statute-barred. The Ontario Ministry of Finance Interpretation Bulletin 3009R is attached for reference purposes.

Response: Halton Hills Hydro Inc. has not received written confirmation that the tax years 2001 through 2005 are now statute-barred. With reference to Corporation Tax 'Interpretation Bulletin 3009R', Halton Hills Hydro Inc. is of the opinion the tax years 2001 through 2005 are now statute-barred. Please refer to the table below:

| <u>Halton Hills Hydro Inc.</u> | | | | | |
|--------------------------------|----|-------------------|---|-------------------------------------|--|
| <u>Tax Year</u> | | | <u>Original Assessment</u> <u>Date</u> | <u>Re-Assessment</u> <u>Date</u> | <u>EFFECTIVE Statute</u> <u>Barred Date</u> |
| October 1, 2001 | to | December 31, 2001 | October 4, 2002 | N/A | October 4, 2006 |
| January 1, 2002 | to | December 31, 2002 | July 14, 2003 | October 4, 2004 | July 14, 2007 |
| January 1, 2003 | to | December 31, 2003 | August 10, 2004 | October 4, 2004 | August 10, 2008 |
| January 1, 2004 | to | December 31, 2004 | August 29, 2005 | October 30, 2006 | August 29, 2009 |
| January 1, 2005 | to | December 31, 2005 | August 25, 2006 | N/A | August 25, 2010 |

2) The Board requests an explanation from Parties regarding the proposed complete settlement for Issue #4. The Parties agree that regulatory assets should be excluded from PILs calculations both when they are created, and when they are collected, regardless of the actual tax treatment accorded those amounts.

ENWIN, SEC and CCC have settled a grossed-up tax amount of \$3,394,854 with respect to Issue #4 that may not be part of the PILs Account 1562 methodology. On page 4 of ENWIN's Appendix to the proposed Settlement Agreement, ENWIN stated:

"Regulatory assets were included in the ENWIN PILs calculation, but as an indirect result when cost of service was once again introduced in 2006 a tax loss carryforward created by regulatory asset movements was credited in part to ratepayers in the calculation of rates."

The Board requests that the Parties to this settlement explain the relevance of ENWIN's 2006 electricity distribution rate application to the review of the tax periods 2001 through 2005, the regulatory basis for settlement, and reasons that support this settlement to be part of the PILs Account 1562 methodology.

Response: Halton Hills Hydro Inc. did not include regulatory movement in the calculation; therefore, Halton Hills Hydro Inc. takes no position on this issue.

Yours truly,



David J. Smelsky, CMA
Chief Financial Officer