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Appendix 2-T-A Deferred PILs Account 1592 Balances

The following table should be completed based on the information requested below, in accordance with the notes following the table. An explanation should be provided for any blank entries.

Tax Item	Principal as of December 31, 2010
Large Corporation Tax grossed-up proxy from 2006 EDR application PILs model for the period from May 1, 2006 to April 30, 2007 [THESL: Not applicable. The item was cleared previously.]	Not applicable
Large Corporation Tax grossed-up proxy from 2006 EDR application PILs model for the period from January 1, 2006 to April 30, 2006 (4/12ths of the approved grossed-up proxy), if not recorded in PILs account 1562 [THESL: Not applicable. The item was recorded in PILs account 1562 as instructed in OEB FAQ July 2007.]	Not applicable
Ontario Capital Tax rate decrease and increase in capital deduction for 2007 [THESL: Not applicable. The item was cleared previously.]	Not applicable
Ontario Capital Tax rate decrease and increase in capital deduction for 2008 [THESL: Not applicable. The item was cleared previously.]	Not applicable
Ontario Capital Tax rate decrease and increase in capital deduction for 2009 [THESL: Already approved by the OEB in its decision for 2011 Rates. The variance resulted from the decrease in the Ontario Capital Tax rate for the period January 1 to April 30, 2009. The rate decreased from 0.285% to 0.225%. See item (1) of Appendix 2-T-C for details.]	-\$ 416,080
Ontario Capital Tax rate decrease and increase in capital deduction for 2010 THESL: Requested clearance balance in respect of the 2012 Rate application. The variance resulted from the decrease in the Ontario Capital Tax rate for the period January 1 to April 30, 2010. The rate decreased from 0.225% to 0.15%. Note that Ontario capital tax rate was eliminated effective July 1, 2010. See item (2) of Appendix 2-T-C for details.]	-\$ 555,236
Capital Cost Allowance class changes from 2006 EDR application for 2006 [THESL: Not applicable. The item was cleared previously.]	Not applicable
Capital Cost Allowance class changes from 2006 EDR application for 2007 [THESL: Not applicable. The item was cleared previously.]	Not applicable
Capital Cost Allowance class changes from 2006 EDR application for 2008 [THESL: Already approved by the OEB in its decision for 2011 Rates. See item (3) of Appendix 2-T-C for details.]	\$ 29,941

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Capital Cost Allowance class changes from 2006 EDR application for 2009 [THESL: Already approved by the OEB in its decision for 2011 Rates. The variance resulted from the change in the Capital Cost Allowance ("CCA") rate for eligible computers and software for the period January 1 to December 31, 2009. A variance resulted from the previously reported CCA Class 45 (45%, subject to half-year rule); and new CCA Class 50 (55%, subject to half-year rule) and new CCA Class 52 (100% with no half-year rule). See item (4) of Appendix 2-T-C for details.]	-\$ 1,496,224
Capital Cost Allowance class changes from 2006 EDR application for 2010 [THESL: Requested clearance balance in respect of the 2012 Rate application. The variance resulted from the change in the CCA rate for eligible computers and software for the period January 1 to April 30, 2010. A variance resulted from the previously reported CCA Class 45 (45%, subject to half-year rule); and new CCA Class 50 (55%, subject to half-year rule) and new CCA Class 52 (100% with no half-year rule). See item (5) of Appendix 2-T-C for details.]	-\$ 656,984
Capital Cost Allowance class changes from any prior application not recorded above. Please provide details and explanation separately.	Not applicable
Federal Income Tax Rate change from 2006 EDR application for 2009 [THESL: Already approved by the OEB in its decision for 2011 Rates. The variance resulted from the decrease in income tax rate for the period January 1 to December 31, 2009. The rate decreased from 34.5% (2008 Rate Model) and 34% (2009 Rate Model) to 33.0%. See item (6) of Appendix 2-T-C for details.]	-\$ 1,435,572
Federal Income Tax Rate change from 2006 EDR application for 2010 [THESL: Requested clearance balance in respect of the 2012 Rate application. The variance resulted from the decrease in income tax rate for the period January 1 to April 30, 2010. The rate decreased from 34% (2009 Rate Model) to 31.0%. See item (7) of Appendix 2-T-C for details.]	-\$ 1,102,396
Total	-\$ 5,632,551

Notes:

- (1) Revise the deferral and variance account continuity schedule to include account 1592 as a group 2 account and enter all relevant information for transactions, adjustments, etc., for all relevant years.

Response: There are no changes to the continuity schedule balances relating to account 1592. Since this account is considered group 2, the continuity schedule provides all the needed information with regard to the additions and transfers. **(NTD - Darryl Seal to review)**

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- (2) Describe each type of tax item that has been recorded in account 1592.

Response: Included in the balance above as at December 31, 2010 is a balance already approved by the OEB in its decision for 2011 Rates. See Appendix 2-T-B for the requested clearance balance in respect of the 2012 Rate application.

- (3) Provide the calculations that show how each item was determined and provide any pertinent supporting evidence and documentation.

Response: See Appendix 2-T-C.

- (4) Please state whether or not the applicant followed the guidance provided in the FAQ of July 2007. If not, please provide an explanation.

Response: THESL has followed the guidance provided in FAQ of July 2007

- (5) Identify the account balance as of December 31, 2010 as per the 2010 Audited Financial Statements. Identify the account balance as of December 31, 2010 as per the April 2011 2.1.7 RRR filing to the Board. Provide a reconciliation if the balances provided are not identical to each other and to the total shown on the continuity schedule.

Response: The total account balance including cumulative carrying charges (\$42,399) was \$5,674,950 as of December 31, 2010 as reported in Note 7 h) of the 2010 Audited Financial Statements. This balance was reported to the Board in the April 2011 2.1.7 RRR filing.

- (6) Complete the above table based on the answers to the previous. Add rows as required to complete the analysis in an informative manner. Please provide the completed table as a working Excel spreadsheet.

Response: See response in Note (2).

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Appendix 2-T-C

Deferred PILs Account 1592 Balances

Refer to the tables in Appendices 2-T-A and 2-T-B, see below calculations for how each item was determined.

(1) Ontario Capital Tax rate decrease and increase in capital deduction for 2009

For the period May 1, 2008 to April 30, 2009 per 2008 Rate Model

Net taxable capital per 2008 rate model	\$ 2,080,397,659
Decrease in Ontario capital tax rate (0.285% - 0.225%)	0.06%
Increase in PILs 1592 variance liability (not grossed-up)	\$ 1,248,239
Prorated for the period January 1, 2009 to April 30, 2009 (4 months/12 months)	0.33
Increase in PILs 1592 variance liability for the period January 1, 2009 to April 30, 2009	<u>\$ 416,080</u>

(2) Ontario Capital Tax rate decrease and increase in capital deduction for 2010

For the period May 1, 2009 to April 30, 2010 per 2009 Rate Model

Net taxable capital per 2009 rate model	\$ 2,220,943,135
Ontario capital tax rate per 2009 rate model	0.225%
Total capital tax in the year per 2009 rate model	\$ 4,997,122
Divided by 12 months	12 months
Monthly capital tax from 1/1/2010 to 4/30/2010 by using the rate per 2009 rate model	<u>\$ 416,427 [A]</u>

Net taxable capital per 2009 rate model	\$ 2,220,943,135
Ontario capital tax rate per 2010 Statutory rate (0.15%/2*)	0.075%
Total capital tax in the year	\$ 1,665,707
Divided by 6 months	6 months
Monthly capital tax from 1/1/2010 to 4/30/2010 by using the statutory tax rate	<u>\$ 277,618 [B]</u>

Increase in PILs 1592 variance liability (not grossed-up) per month (1/1/2010 - 4/30/2010)	[A] - [B] \$ 138,809
Multiplied by 4 months	4 months
Increase in PILs 1592 variance liability for the period January 1, 2010 to April 30, 2010	<u>\$ 555,236</u>

*Note that Ontario capital tax was eliminated effective July 1, 2010. Full year capital tax rate for 2010 was 0.15%.

(3) Capital Cost Allowance class changes from 2006 EDR application for 2008

\$29,941 was the balance not yet cleared due to rounding when comparing the actual balance before approval and the approved 2010 EDR rates. It was then approved by the OEB in its decision for 2011 Rates.

(4) Capital Cost Allowance class changes from 2006 EDR application for 2009

For the period May 1, 2008 to April 30, 2009 per 2008 Rate Model

CCA class 45 additions per 2008 rate model	\$ 6,789,452
Half-year rule (50%)	50%
Reduced CCA class 45 additions before CCA	<u>\$ 3,394,726</u>

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Deferred PILs Account 1592 Balances

CCA on Class 45 additions as calculated in 2008 rate model		
\$3,394,726 x 45%	\$	1,527,627
CCA on Class 50 additions based on Class 45 additions per 2008 rate model		
\$3,394,726 x 55%		1,867,099
Increase in CCA due to change in CCA class	\$	339,472 [C1]
2009 statutory tax rate		33.00%
Decrease in income tax before grossed-up	\$	112,026
Gross up factor [1/(1-tax rate)]		1.49254
Decrease in income tax (grossed-up)	\$	167,203 [D]
<u>For the period May 1, 2009 to April 30, 2010 per 2009 Rate Model</u>		
CCA on opening UCC balance in 2009 rate model		
(\$6,789,452 - \$1,527,627) x 45%	\$	2,367,821
Recalculated CCA on opening UCC balance in 2009 rate model		
(\$6,789,452 - \$1,867,099) x 55%		2,707,294
Increase in CCA due to change in CCA class	\$	339,473
2009 statutory tax rate		33.00%
Decrease in income tax before grossed-up	\$	112,026
Gross up factor [1/(1-tax rate)]		1.49254
Decrease in income tax (grossed-up)	\$	167,203 [E]
CCA class 45 additions per 2009 rate model	\$	5,664,102
Half-year rule (50%)		50%
Reduced CCA class 45 additions before CCA	\$	2,832,051
CCA on Class 45 additions as calculated in 2009 rate model (45%)		
\$2,832,051 x 45%	\$	1,274,423
Recalculated CCA on Class 50/52 additions in 2009 rate model		
Class 50 addition: \$5,664,102 x 1/12 x 50% x 55%	\$	129,802
Class 52 addition: \$5,664,102 x 11/12 x 100%		5,192,094
CCA due to change in CCA class	\$	5,321,896
Increase in CCA due to change in CCA class	\$	4,047,473 [C2]
2009 statutory tax rate		33.00%
Decrease in income tax before grossed-up	\$	1,335,666
Gross up factor [1/(1-tax rate)]		1.49254
Decrease in income tax (grossed-up)	\$	1,993,535 [F]
Total increase in PILS 1592 variance liability for 2009		
Due to 2008 CCA class 45 additions per 2008 rate model		
[D]: \$167,203 x 4/12	\$	55,734
Due to 2009 CCA on UCC opening balance per 2009 rate model		
[E]: \$167,203 x 8/12	\$	111,469
Due to 2009 CCA class 45 additions per 2009 rate model		
[F]: \$1,993,535 x 8/12	\$	1,329,023

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Appendix 2-T-C

Deferred PILs Account 1592 Balances

Rounding	-\$ 2
	<u>\$ 1,496,224</u>

(5) Capital Cost Allowance class changes from 2006 EDR application for 2010

Increase in CCA due to change in CCA class per 2008 and 2009 rate models [see above item (4)]	[C1] + [C2] \$ 4,386,945
2010 statutory tax rate	31.00%
Decrease in income tax before grossed-up	\$ 1,359,953
Gross up factor [1/(1-tax rate)]	1.4492754
Decrease in income tax (grossed-up)	<u>\$ 1,970,946 [G]</u>

Total increase in PILS 1592 variance liability for 2010

Due to 2009 CCA class 45 additions per 2008 and 2009 rate models	
[G]: \$1,970,946 x 4/12	\$ 656,982
Rounding	\$ 2
	<u>\$ 656,984</u>

(6) Federal Income Tax Rate change from 2006 EDR application for 2009

For the period May 1, 2008 to April 30, 2009 per 2008 Rate Model

Taxable income per 2008 rate model	\$ 59,769,397
2009 statutory tax rate	33.00%
	\$ 19,723,901
Less: Tax credits per 2008 rate model	200,000
Income tax before grossed-up	\$ 19,523,901
Gross up factor [1/(1-tax rate)]	1.49254
Income tax (grossed-up) – recalculated	\$ 29,140,203
Income tax (grossed-up) – per 2008 rate model	31,176,247
Decrease in Income tax due to change in statutory rate	<u>\$ 2,036,044 [H]</u>

For the period May 1, 2009 to April 30, 2010 per 2009 Rate Model

Taxable income per 2009 rate model	\$ 50,403,073
2009 statutory tax rate	33.00%
	\$ 16,633,014
Less: Tax credits per 2009 rate model	200,000
Income tax before grossed-up	\$ 16,433,014
Gross up factor [1/(1-tax rate)]	1.49254
Income tax (grossed-up) – recalculated	\$ 24,526,931
Income tax (grossed-up) – per 2009 rate model	25,662,189
Decrease in Income tax due to change in statutory rate	<u>\$ 1,135,258 [I]</u>

Total increase in PILS 1592 variance liability for 2009

Due to change in 2009 statutory income tax rate	
Per 2008 rate model: [H]: \$2,036,044 x 4/12	\$ 678,681
Per 2009 rate model: [I]: \$1,135,258 x 8/12	\$ 756,839
Rounding	\$ 52
	<u>\$ 1,435,572</u>

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Appendix 2-T-C

Deferred PILs Account 1592 Balances

(7) Federal Income Tax Rate change from 2006 EDR application for 2010

For the period May 1, 2009 to April 30, 2010 per 2009 Rate Model

Taxable income per 2009 rate model	\$ 50,403,073
2010 statutory tax rate	31.00%
	<u>\$ 15,624,953</u>
Less: Tax credits per 2009 rate model	200,000
Income tax before grossed-up	<u>\$ 15,424,953</u>
Gross up factor [1/(1-tax rate)]	1.4492754
Income tax (grossed-up) – recalculated	<u>\$ 22,355,004</u>
Income tax (grossed-up) – per 2009 rate model	25,662,189
Decrease in Income tax due to change in statutory rate	<u><u>\$ 3,307,185</u></u> [J]

Total increase in PILS 1592 variance liability for 2010

Due to change in 2010 statutory income tax rate	
Per 2009 rate model: [J]: \$3,307,185 x 4/12	\$ 1,102,395
Rounding	<u>\$ 1</u>
	<u><u>\$ 1,102,396</u></u>