



## **Appendix D: MIFRS PILS Calculations**



Ontario Energy Board

## PILS / INCOME TAXES WORK FORM

### 2012 REBASING YEAR

Choose Your Utility:

Hydro One Brampton Networks Inc.	▲
Hydro Ottawa Limited	
Innisfil Hydro Distribution Systems Limited	
Kashechewan Power Corporation	▼

#### Application Contact Information

Name:

Title:

Phone Number:

Email Address:

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*While this model has been provided in Excel format and is required to be filed with the applications, the onus remains on the applicant to ensure the accuracy of the data and the results.*



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Ontario Energy Board

**PILS / INCOME TAXES  
WORK FORM**

**2012 REBASING YEAR**

Hydro Ottawa Limited

**Data Input Sheet - Applicant's Rate Base**

**Rate Base**

**\$ 669,077,553**

**Return on Rate Base**

Deemed ShortTerm Debt %  
Deemed Long Term Debt %  
Deemed Equity %

4.00%  
56.00%  
40.00%

T \$ 26,763,102  
U \$ 374,683,430  
V \$ 267,631,021

$W = S * T$   
 $X = S * U$   
 $Y = S * V$

Short Term Interest Rate  
Long Term Interest

2.08%  
5.09%  
9.42%

Z \$ 556,673  
AA \$ 19,071,387  
AB \$ **25,210,842**

$AC = W * Z$   
 $AD = X * AA$   
 $AE = Y * AB$

**Return on Equity (Regulatory Income)**

**Return on Rate Base**

**\$ 44,838,901**

$AF = AC + AD + AE$

**Questions that must be answered**

- Does the applicant have any Investment Tax Credits (ITC)?
- Does the applicant have any SRED Expenditures?
- Does the applicant have any Capital Gains or Losses for tax purposes?
- Does the applicant have any Capital Leases?
- Does the applicant have any Loss Carry-Forwards (non-capital or net capital)?
- Since 1999, has the applicant acquired another regulated applicant's assets?
- Did the applicant pay dividends?  
*If Yes, please describe what was the tax treatment in the manager's summary.*
- Did the applicant elect to capitalize interest incurred on CWIP for tax purposes?

Historic

Bridge

Test Year

No	No	No
No	No	No
Yes	No	No
No	No	No
No	No	No
No	No	No
Yes	Yes	Yes
No	No	No



**Tax Rates**  
**Federal & Provincial**  
**As of March 22, 2011**

**Federal income tax**  
 General corporate rate  
 Federal tax abatement  
 Adjusted federal rate

Rate reduction

**Ontario income tax**

**Combined federal and Ontario**

**Federal & Ontario Small Business**

Federal small business threshold  
 Ontario Small Business Threshold

Federal small business rate

Ontario small business rate

	Effective January 1, 2011	Effective January 1, 2012	Effective January 1, 2013	Effective January 1, 2014
General corporate rate	38.00%	38.00%	38.00%	38.00%
Federal tax abatement	-10.00%	-10.00%	-10.00%	-10.00%
Adjusted federal rate	28.00%	28.00%	28.00%	28.00%
Rate reduction	-11.50%	-13.00%	-13.00%	-13.00%
	16.50%	15.00%	15.00%	15.00%
<b>Ontario income tax</b>	11.75%	11.25%	10.50%	10.00%
<b>Combined federal and Ontario</b>	28.25%	26.25%	25.50%	25.00%
<b>Federal &amp; Ontario Small Business</b>				
Federal small business threshold	500,000	500,000	500,000	500,000
Ontario Small Business Threshold	500,000	500,000	500,000	500,000
Federal small business rate	11.00%	11.00%	11.00%	11.00%
Ontario small business rate	4.50%	4.50%	4.50%	4.50%

(refer to Note 1)

**NOTES:**

1. Federal Budgets of March 22, 2011 and June 6, 2011 reaffirmed the corporate tax rate reductions to 16.5% in 2011 and 15% in 2012.



## 2012 REBASING YEAR

## Schedule 8 - Historical Year

<b>Class</b>	<b>Class Description</b>	<b>UCC End of Year Historic per tax returns</b>	<b>Less: Non- Distribution Portion</b>	<b>UCC Regulated Historic Year</b>
<b>1</b>	Distribution System - post 1987	228,562,253	1,441,806	227,120,447
<b>1 Enhanced</b>	Non-residential Buildings Reg. 1100(1)(a.1) election	15,706,381		15,706,381
<b>2</b>	Distribution System - pre 1988	81,332,935		81,332,935
<b>8</b>	General Office/Stores Equip	9,375,636		9,375,636
<b>10</b>	Computer Hardware/ Vehicles	4,136,442		4,136,442
<b>10.1</b>	Certain Automobiles			0
<b>12</b>	Computer Software	3,968,054		3,968,054
<b>13<sub>1</sub></b>	Lease # 1			0
<b>13<sub>2</sub></b>	Lease #2			0
<b>13<sub>3</sub></b>	Lease # 3			0
<b>13<sub>4</sub></b>	Lease # 4			0
<b>14</b>	Franchise			0
<b>17</b>	New Electrical Generating Equipment Acq'd after Feb 27/00 Other Than Bldgs			0
<b>42</b>	Fibre Optic Cable	619,791		619,791
<b>43.1</b>	Certain Energy-Efficient Electrical Generating Equipment			0
<b>43.2</b>	Certain Clean Energy Generation Equipment			0
<b>45</b>	Computers & Systems Software acq'd post Mar 22/04	285,645		285,645
<b>46</b>	Data Network Infrastructure Equipment (acq'd post Mar 22/04)			0
<b>47</b>	Distribution System - post February 2005	218,729,008		218,729,008
<b>50</b>	Data Network Infrastructure Equipment - post Mar 2007	324,022		324,022
<b>52</b>	Computer Hardware and system software			0
<b>95</b>	CWIP			0
<b>3</b>	Buildings - pre 1988	11,876,867		11,876,867
				0
				0
				0
				0
				0
				0
				0
				0
				0
	SUB-TOTAL - UCC	574,917,034	1,441,806	573,475,228



Ontario Energy Board

**PILS / INCOME TAXES  
WORK FORM**

**Hydro Ottawa Limited**  
**Schedule 10 CEC - Historical Year**

**Cumulative Eligible Capital**

**1,025,174**

**Additions**

Cost of Eligible Capital Property Acquired during Test Year

8,623

Other Adjustments

0

Subtotal

8,623

$\times \frac{3}{4} = 6,467$

Non-taxable portion of a non-arm's length transferor's gain realized on the transfer of an ECP to the Corporation after Friday, December 20, 2002

0

$\times \frac{1}{2} = 0$

6,467

6,467

Amount transferred on amalgamation or wind-up of subsidiary

0

0

**Subtotal**

**1,031,641**

**Deductions**

Proceeds of sale (less outlays and expenses not otherwise deductible) from the disposition of all ECP during Test Year

Other Adjustments

0

**Subtotal**

0

$\times \frac{3}{4} =$

0

**Cumulative Eligible Capital Balance**

**1,031,641**

**Current Year Deduction**

**1,031,641**

$\times 7\% =$

**72,215**

**Cumulative Eligible Capital - Closing Balance**

**959,426**



Ontario Energy Board

## PILS / INCOME TAXES WORK FORM

Hydro Ottawa Limited

### Schedule 13 Tax Reserves - Historical

#### Continuity of Reserves

Description	Historical Balance as per tax returns	Non-Distribution Eliminations	Utility Only
Capital Gains Reserves ss.40(1)			0
<b>Tax Reserves Not Deducted for accounting purposes</b>			
Reserve for doubtful accounts ss. 20(1)(l)	430,483		430,483
Reserve for goods and services not delivered ss. 20(1)(m)			0
Reserve for unpaid amounts ss. 20(1)(n)			0
Debt & Share Issue Expenses ss. 20(1)(e)			0
Other tax reserves			0
			0
			0
			0
			0
<b>Total</b>	<b>430,483</b>	<b>0</b>	<b>430,483</b>
<b>Financial Statement Reserves (not deductible for Tax Purposes)</b>			
General Reserve for Inventory Obsolescence (non-specific)			0
General reserve for bad debts	1,240,035		1,240,035
Accrued Employee Future Benefits:			0
- Medical and Life Insurance			0
-Short & Long-term Disability			0
-Accumulated Sick Leave			0
- Termination Cost			0
- Other Post-Employment Benefits			0
Provision for Environmental Costs			0
Restructuring Costs			0
Accrued Contingent Litigation Costs			0
Accrued Self-Insurance Costs			0
Other Contingent Liabilities			0
Bonuses Accrued and Not Paid Within 180 Days of Year-End ss. 78(4)			0
Unpaid Amounts to Related Person and Not Paid Within 3 Taxation Years ss. 78(1)			0
Other			0
			0
			0
<b>Total</b>	<b>1,240,035</b>	<b>0</b>	<b>1,240,035</b>





Ontario Energy Board

**PILS / INCOME TAXES  
WORK FORM**

Hydro Ottawa Limited

Schedule 7-1 Loss Carry Forward - Historic Year

**Corporation Loss Continuity and Application**

	Total	Non-Distribution Portion	Utility Balance
<b>Non-Capital Loss Carry Forward Deduction</b>			
Actual Historic			0

  

	Total	Non-Distribution Portion	Utility Balance
<b>Net Capital Loss Carry Forward Deduction</b>			
Actual Historic			0

# **PILS / INCOME TAXES WORK FORM**

**Hydro Ottawa Limited**
**Adjusted Taxable Income - Historic Year**

	T251 line #	Total for Legal Entity	Non-Distribution Eliminations	Historic Wires Only
<b>Income before PILS/Taxes</b>	<b>A</b>	<b>39,687,000</b>		<b>39,687,000</b>
<b>Additions:</b>				
Interest and penalties on taxes	103	100,306		100,306
Amortization of tangible assets	104	43,237,000		43,237,000
Amortization of intangible assets	106			0
Recapture of capital cost allowance from Schedule 8	107			0
Gain on sale of eligible capital property from Schedule 10	108			0
Income or loss for tax purposes- joint ventures or partnerships	109			0
Loss in equity of subsidiaries and affiliates	110			0
Loss on disposal of assets	111			0
Charitable donations	112	65,124		65,124
Taxable Capital Gains	113	1,259,282		1,259,282
Political Donations	114			0
Deferred and prepaid expenses	116			0
Scientific research expenditures deducted on financial statements	118			0
Capitalized interest	119			0
Non-deductible club dues and fees	120			0
Non-deductible meals and entertainment expense	121	72,274		72,274
Non-deductible automobile expenses	122			0
Non-deductible life insurance premiums	123			0
Non-deductible company pension plans	124			0
Tax reserves deducted in prior year	125	3,602,515		3,602,515
Reserves from financial statements- balance at end of year	126	1,240,035		1,240,035
Soft costs on construction and renovation of buildings	127			0
Book loss on joint ventures or partnerships	205			0
Capital items expensed	206			0
Debt issue expense	208			0
Development expenses claimed in current year	212			0
Financing fees deducted in books	216			0
Gain on settlement of debt	220			0
Non-deductible advertising	226			0
Non-deductible interest	227			0
Non-deductible legal and accounting fees	228			0
Recapture of SR&ED expenditures	231			0
Share issue expense	235			0
Write down of capital property	236			0
Amounts received in respect of qualifying environment trust per paragraphs 12(1)(z.1) and 12(1)(z.2)	237			0
<b>Other Additions</b>				
Interest Expensed on Capital Leases	290			0
Realized Income from Deferred Credit Accounts	291			0
Pensions	292			0
Non-deductible penalties	293			0
	294			0
	295			0
ARO Accretion expense				0
Capital Contributions Received (ITA 12(1)(xi))				0
Lease Inducements Received (ITA 12(1)(xi))				0
Deferred Revenue (ITA 12(1)(a))				0
Prior Year Investment Tax Credits received				0
Apprentice & Coop Tax Credits		213,933		213,933
Employee Future Benefit expenses as per financial statements		622,384		622,384
Paragraph 12(1)(g) income inclusion - Smart Meter Depreciation Recovery		3,038,628		3,038,628
Capital tax - amount expensed in financials compared to amount actually paid		17,454		17,454
				0
				0
				0
				0
				0
<b>Total Additions</b>		<b>53,468,935</b>	<b>0</b>	<b>53,468,935</b>
<b>Deductions:</b>				
Gain on disposal of assets per financial statements	401	2,686,000		2,686,000
Dividends not taxable under section 83	402			0
Capital cost allowance from Schedule 8	403	44,461,978		44,461,978
Terminal loss from Schedule 8	404			0
Cumulative eligible capital deduction from Schedule 10	405	72,215		72,215
Allowable business investment loss	406			0
Deferred and prepaid expenses	409			0
Scientific research expenses claimed in year	411			0
Tax reserves claimed in current year	413	430,483		430,483
Reserves from financial statements - balance at beginning of year	414	3,322,368		3,322,368
Contributions to deferred income plans	416			0
Book income of joint venture or partnership	305			0
Equity in income from subsidiary or affiliates	306			0
<i>Other deductions: (Please explain in detail the nature of the item)</i>				
Interest capitalized for accounting deducted for tax	390			0
Capital Lease Payments	391			0
Non-taxable imputed interest income on deferral and variance accounts	392			0
	393			0
	394			0
ARO Payments - Deductible for Tax when Paid		181,427		181,427
ITA 13(7.4) Election - Capital Contributions Received				0
ITA 13(7.4) Election - Apply Lease Inducement to cost of Leaseholds				0
Deferred Revenue - ITA 20(1)(m) reserve				0
Principal portion of lease payments				0
Lease Inducement Book Amortization credit to income				0
Financing fees for tax ITA 20(1)(e) and (e.1)				0
Allowance for Funds Used During Construction		892,795		892,795
Actual Employee Benefits Paid		440,847		440,847
				0
				0
				0
				0
<b>Total Deductions</b>		<b>52,488,113</b>	<b>0</b>	<b>52,488,113</b>
<b>Net Income for Tax Purposes</b>		<b>40,667,822</b>	<b>0</b>	<b>40,667,822</b>
Charitable donations from Schedule 2	311	65,124		65,124
Taxable dividends deductible under section 112 or 113, from Schedule 8 (Item 82)	320			0
Non-capital losses of preceding taxation years from Schedule 4	331			0
Net-capital losses of preceding taxation years from Schedule 4 (Please include explanation and calculation in Manager's summary)	332			0
Limited partnership losses of preceding taxation years from Schedule 4	335			0
<b>TAXABLE INCOME</b>		<b>40,602,698</b>	<b>0</b>	<b>40,602,698</b>



Ontario Energy Board

**PILS / INCOME TAXES WORK  
FORM**

**2012 REBASING YEAR**

Hydro Ottawa Limited

PILs Tax Provision - Historic Year

**Note: Input the actual information from the tax returns for the historic year.**

**Wires Only**

**Regulatory Taxable Income**

\$ 40,602,698 **A**

**Ontario Income Taxes**

*Income tax payable*

**Ontario Income Tax**

13.00% **B**

\$ 5,235,038 **C = A \* B**

*Small business credit*

Ontario Small Business Threshold

\$ 500,000 **D**

Rate reduction (negative)

-8.00% **E**

\$ 39,979 **F = D \* E**

*Ontario Income tax*

\$ 5,275,017 **J = C + F**

**Combined Tax Rate and PILs**

Effective Ontario Tax Rate

12.99%

**K = J / A**

Federal tax rate

18.00%

**L**

Combined tax rate

30.99% **M = L + L**

**Total Income Taxes**

\$ 12,583,503 **N = A \* M**

Investment Tax Credits

\$ 212,530 **O**

Miscellaneous Tax Credits

**P**

**Total Tax Credits**

\$ 212,530 **Q = O + P**

**Corporate PILs/Income Tax Provision for Bridge Year**

\$ 12,370,973 **R = N - Q**



Ontario Energy Board

**Hydro Ottawa Limited**  
**Schedule 8 CCA - Bridge Year**

Class	Class Description	UCC Regulated Historic Year	Additions	Disposals (Negative)	UCC Before 1/2 Yr Adjustment	1/2 Year Rule (1/2 Additions Less Disposals)	Reduced UCC	Rate %	Bridge Year CCA	UCC End of Bridge Year
1	Distribution System - post 1987	\$ 227,120,447			\$ 227,120,447	\$ -	\$ 227,120,447	4%	\$ 9,084,818	\$ 218,035,629
1 Enhanced	Non-residential Buildings Reg. 1100(1)(a.1) election	\$ 15,706,381	\$ 3,356,917		\$ 19,063,298	\$ 1,678,459	\$ 17,384,840	6%	\$ 1,043,090	\$ 18,020,208
2	Distribution System - pre 1988	\$ 81,332,935			\$ 81,332,935	\$ -	\$ 81,332,935	6%	\$ 4,879,976	\$ 76,452,959
8	General Office/Stores Equip	\$ 9,375,636	\$ 3,574,602		\$ 12,950,238	\$ 1,787,301	\$ 11,162,937	20%	\$ 2,232,587	\$ 10,717,651
10	Computer Hardware/ Vehicles	\$ 4,136,442	\$ 1,686,212		\$ 5,822,654	\$ 843,106	\$ 4,979,548	30%	\$ 1,493,864	\$ 4,328,790
10.1	Certain Automobiles				\$ -	\$ -	\$ -	30%	\$ -	\$ -
12	Computer Software	\$ 3,968,054	\$ 4,510,199		\$ 8,478,253	\$ 2,255,100	\$ 6,223,154	100%	\$ 6,223,154	\$ 2,255,100
13 1	Lease # 1				\$ -	\$ -	\$ -		\$ -	\$ -
13 2	Lease #2				\$ -	\$ -	\$ -		\$ -	\$ -
13 3	Lease # 3				\$ -	\$ -	\$ -		\$ -	\$ -
13 4	Lease # 4				\$ -	\$ -	\$ -		\$ -	\$ -
14	Franchise				\$ -	\$ -	\$ -		\$ -	\$ -
17	New Electrical Generating Equipment Acq'd after Feb 27/00 Other Than Bldgs				\$ -	\$ -	\$ -	8%	\$ -	\$ -
42	Fibre Optic Cable	\$ 619,791			\$ 619,791	\$ -	\$ 619,791	12%	\$ 74,375	\$ 545,416
43.1	Certain Energy-Efficient Electrical Generating Equipment				\$ -	\$ -	\$ -	30%	\$ -	\$ -
43.2	Certain Clean Energy Generation Equipment				\$ -	\$ -	\$ -	50%	\$ -	\$ -
45	Computers & Systems Software acq'd post Mar 22/04	\$ 285,645			\$ 285,645	\$ -	\$ 285,645	45%	\$ 128,540	\$ 157,105
46	Data Network Infrastructure Equipment (acq'd post Mar 22/04)				\$ -	\$ -	\$ -	30%	\$ -	\$ -
47	Distribution System - post February 2005	\$ 218,729,008	\$ 53,800,026		\$ 272,529,034	\$ 26,900,013	\$ 245,629,021	8%	\$ 19,650,322	\$ 252,878,712
50	Data Network Infrastructure Equipment - post Mar 2007	\$ 324,022	\$ 1,062,863		\$ 1,386,885	\$ 531,432	\$ 855,454	55%	\$ 470,499	\$ 916,386
52	Computer Hardware and system software				\$ -	\$ -	\$ -	100%	\$ -	\$ -
95	CWIP				\$ -	\$ -	\$ -		\$ -	\$ -
3	Buildings - pre 1988	\$ 11,876,867			\$ 11,876,867	\$ -	\$ 11,876,867	5%	\$ 593,843	\$ 11,283,024
					\$ -	\$ -	\$ -		\$ -	\$ -
					\$ -	\$ -	\$ -		\$ -	\$ -
					\$ -	\$ -	\$ -		\$ -	\$ -
					\$ -	\$ -	\$ -		\$ -	\$ -
					\$ -	\$ -	\$ -		\$ -	\$ -
					\$ -	\$ -	\$ -		\$ -	\$ -
					\$ -	\$ -	\$ -		\$ -	\$ -
					\$ -	\$ -	\$ -		\$ -	\$ -
					\$ -	\$ -	\$ -		\$ -	\$ -
					\$ -	\$ -	\$ -		\$ -	\$ -
					\$ -	\$ -	\$ -		\$ -	\$ -
					\$ -	\$ -	\$ -		\$ -	\$ -
	TOTAL	\$ 573,475,228	\$ 67,990,819	\$ -	\$ 641,466,047	\$ 33,995,410	\$ 607,470,638		\$ 45,875,069	\$ 595,590,978



Ontario Energy Board

**PILS / INCOME TAXES  
WORK FORM**

**Hydro Ottawa Limited**

**Schedule 10 CEC - Bridge Year**

**Cumulative Eligible Capital**

**959,426**

**Additions**

Cost of Eligible Capital Property Acquired during Test Year

Other Adjustments

Subtotal

Non-taxable portion of a non-arm's length transferor's gain realized on the transfer of an ECP to the Corporation after Friday, December 20, 2002

Amount transferred on amalgamation or wind-up of subsidiary

**Subtotal**

**x 3/4 = 0**

**x 1/2 = 0**

**0**

**0**

**959,426**

**Deductions**

Proceeds of sale (less outlays and expenses not otherwise deductible) from the disposition of all ECP during Test Year

Other Adjustments

**Subtotal**

**x 3/4 = 0**

**Cumulative Eligible Capital Balance**

**959,426**

**Current Year Deduction**

**959,426 x 7% = 67,160**

**Cumulative Eligible Capital - Closing Balance**

**892,267**



Ontario Energy Board

**PILS / INCOME TAXES  
WORK FORM**

Hydro Ottawa Limited

Schedule 13 Tax Reserves - Bridge Year

**Continuity of Reserves**

Description	Historic Utility Only	Eliminate Amounts Not Relevant for Bridge Year	Adjusted Utility Balance	Bridge Year Adjustments		Balance for Bridge Year	Change During the Year	Disallowed Expenses
				Additions	Disposals			
Capital Gains Reserves ss.40(1)	0		0			0	0	
<b>Tax Reserves Not Deducted for accounting purposes</b>								
Reserve for doubtful accounts ss. 20(1)(l)	430,483		430,483			430,483	0	
Reserve for goods and services not delivered ss. 20(1)(m)	0		0			0	0	
Reserve for unpaid amounts ss. 20(1)(n)	0		0			0	0	
Debt & Share Issue Expenses ss. 20(1)(e)	0		0			0	0	
Other tax reserves	0		0			0	0	
	0		0			0	0	
	0		0			0	0	
<b>Total</b>	<b>430,483</b>	<b>0</b>	<b>430,483</b>	<b>0</b>	<b>0</b>	<b>430,483</b>	<b>0</b>	<b>0</b>
<b>Financial Statement Reserves (not deductible for Tax Purposes)</b>								
General Reserve for Inventory Obsolescence (non-specific)	0		0			0	0	
General reserve for bad debts	1,240,035		1,240,035			1,240,035	0	
Accrued Employee Future Benefits:	0		0			0	0	
- Medical and Life Insurance	0		0			0	0	
- Short & Long-term Disability	0		0			0	0	
- Accumulated Sick Leave	0		0			0	0	
- Termination Cost	0		0			0	0	
- Other Post-Employment Benefits	0		0			0	0	
Provision for Environmental Costs	0		0			0	0	
Restructuring Costs	0		0			0	0	
Accrued Contingent Litigation Costs	0		0			0	0	
Accrued Self-Insurance Costs	0		0			0	0	
Other Contingent Liabilities	0		0			0	0	
Bonuses Accrued and Not Paid Within 180 Days of Year-End ss. 78(4)	0		0			0	0	
Unpaid Amounts to Related Person and Not Paid Within 3 Taxation Years ss. 78(1)	0		0			0	0	
Other	0		0			0	0	
	0		0			0	0	
	0		0			0	0	
<b>Total</b>	<b>1,240,035</b>	<b>0</b>	<b>1,240,035</b>	<b>0</b>	<b>0</b>	<b>1,240,035</b>	<b>0</b>	<b>0</b>



Ontario Energy

**PILS / INCOME TAX  
FORM**

**Hydro Ottawa Limited**

**Schedule 7-1 Loss Carry Forward - Bridge Year**

### Corporation Loss Continuity and Application

<b>Non-Capital Loss Carry Forward Deduction</b>	<b>Total</b>
Actual Historic	0
Application of Loss Carry Forward to reduce taxable income in Bridge Year	
Other Adjustments Add (+) Deduct (-)	
Balance available for use in Test Year	0
<b>Amount to be used in Bridge Year</b>	
Balance available for use post Bridge Year	0

<b>Net Capital Loss Carry Forward Deduction</b>	<b>Total</b>
Actual Historic	0
Application of Loss Carry Forward to reduce taxable income in Bridge Year	
Other Adjustments Add (+) Deduct (-)	
Balance available for use in Test Year	0
<b>Amount to be used in Bridge Year</b>	
Balance available for use post Bridge Year	0





Ontario Energy Board

## PILS / INCOME TAXES WORK FORM

Hydro Ottawa Limited

Adjusted Taxable Income - Bridge Year

	T2S1 line #	Total for Regulated Utility
Income before PILs/Taxes	A	29,341,724
<b>Additions:</b>		
Interest and penalties on taxes	103	50,000
Amortization of tangible assets	104	36,804,177
Amortization of intangible assets	106	
Recapture of capital cost allowance from Schedule 8	107	
Gain on sale of eligible capital property from Schedule 10	108	
Income or loss for tax purposes- joint ventures or partnerships	109	
Loss in equity of subsidiaries and affiliates	110	
Loss on disposal of assets	111	
Charitable donations	112	
Taxable Capital Gains	113	
Political Donations	114	
Deferred and prepaid expenses	116	
Scientific research expenditures deducted on financial statements	118	
Capitalized interest	119	
Non-deductible club dues and fees	120	
Non-deductible meals and entertainment expense	121	80,000
Non-deductible automobile expenses	122	
Non-deductible life insurance premiums	123	
Non-deductible company pension plans	124	
Tax reserves deducted in prior year	125	430,483
Reserves from financial statements- balance at end of year	126	1,240,035
Soft costs on construction and renovation of buildings	127	
Book loss on joint ventures or partnerships	205	
Capital items expensed	206	
Debt issue expense	208	
Development expenses claimed in current year	212	
Financing fees deducted in books	216	
Gain on settlement of debt	220	
Non-deductible advertising	226	
Non-deductible interest	227	
Non-deductible legal and accounting fees	228	
Recapture of SR&ED expenditures	231	
Share issue expense	235	
Write down of capital property	236	
Amounts received in respect of qualifying environment trust per paragraphs 12(1)(z.1) and 12(1)(z.2)	237	





Ontario Energy Board

**PILS / INCOME TAXES  
WORK FORM**

**Hydro Ottawa Limited**

**Adjusted Taxable Income - Bridge Year**

<b>Other Additions</b>		
Interest Expensed on Capital Leases	290	
Realized Income from Deferred Credit Accounts	291	
Pensions	292	
Non-deductible penalties	293	
Apprenticeship & Coop Tax Credits	294	214,500
ITA Paragraph 1291(g) income inclusion - Smart Meter Depreciation Recovery	295	3,038,628
ARO Accretion expense		
Capital Contributions Received (ITA 12(1)(x))		
Lease Inducements Received (ITA 12(1)(x))		
Deferred Revenue (ITA 12(1)(a))		
Prior Year Investment Tax Credits received		
Employee Benefits per F/S		600,000
<b>Total Additions</b>		<b>42,457,823</b>
<b>Deductions:</b>		
Gain on disposal of assets per financial statements	401	
Dividends not taxable under section 83	402	
Capital cost allowance from Schedule 8	403	45,875,069
Terminal loss from Schedule 8	404	
Cumulative eligible capital deduction from Schedule 10	405	67,160
Allowable business investment loss	406	
Deferred and prepaid expenses	409	
Scientific research expenses claimed in year	411	
Tax reserves claimed in current year	413	430,483
Reserves from financial statements - balance at beginning of year	414	1,240,035
Contributions to deferred income plans	416	
Book income of joint venture or partnership	305	
Equity in income from subsidiary or affiliates	306	
Other deductions: (Please explain in detail the nature of the item)		

**PILS / INCOME TAXES  
WORK FORM****Hydro Ottawa Limited****Adjusted Taxable Income - Bridge Year**

Interest capitalized for accounting deducted for tax	390	
Capital Lease Payments	391	
Non-taxable imputed interest income on deferral and variance accounts	392	
	393	
	394	
ARO Payments - Deductible for Tax when Paid		
ITA 13(7.4) Election - Capital Contributions Received		
ITA 13(7.4) Election - Apply Lease Inducement to cost of Leaseholds		
Deferred Revenue - ITA 20(1)(m) reserve		
Principal portion of lease payments		
Lease Inducement Book Amortization credit to income		
Financing fees for tax ITA 20(1)(e) and (e.1)		
AFUDC		524,527
Actual Employee Benefits Paid		400,000
<b>Total Deductions</b>		<b>48,537,274</b>
<b>Net Income for Tax Purposes</b>		<b>23,262,273</b>
Charitable donations from Schedule 2	311	
Taxable dividends deductible under section 112 or 113, from Schedule 3 (item 82)	320	
Non-capital losses of preceding taxation years from Schedule 4	331	
Net-capital losses of preceding taxation years from Schedule 4 (Please include explanation and calculation in Manager's summary)	332	
Limited partnership losses of preceding taxation years from Schedule 4	335	
<b>TAXABLE INCOME</b>		<b>23,262,273</b>



Ontario Energy Board

## PILS / INCOME TAXES WORK FORM

2012 REBASING YEAR

Hydro Ottawa Limited

PILs Tax Provision - Bridge Year

Wires Only

Regulatory Taxable Income

\$ 23,262,273 A

Ontario Income Taxes

Income tax payable

Ontario Income Tax

11.75% B \$ 2,733,317 C = A \* B

Small business credit

Ontario Small Business Threshold  
Rate reduction

\$ 500,000 D  
-7.25% E -\$ 36,250 F = D \* E

Ontario Income tax

\$ 2,697,067 J = C + F

Combined Tax Rate and PILs

Effective Ontario Tax Rate  
Federal tax rate  
Combined tax rate

11.59% K = J / A  
16.50% L

28.09% M = L + L

Total Income Taxes

\$ 6,535,342 N = A \* M

Investment Tax Credits

\$ 220,500 O

Miscellaneous Tax Credits

P

Total Tax Credits

\$ 220,500 Q = O + P

Corporate PILs/Income Tax Provision for Bridge Year

\$ 6,314,842 R = N - Q

Note:

1. This is for the derivation of Bridge year PILs income tax expense and should not be used for Test year revenue requirement calculations.



## 2012 REBASING YEAR

Hydro Ottawa Limited  
Schedule 8 CCA - Test Year

<b>Class</b>	<b>Class Description</b>	<b>UCC Test Year Opening Balance</b>	<b>Additions</b>	<b>Disposals (Negative)</b>	<b>UCC Before 1/2 Yr Adjustment</b>	<b>1/2 Year Rule {1/2 Additions Less Disposals}</b>	<b>Reduced UCC</b>	<b>Rate %</b>	<b>Test Year CCA</b>	<b>UCC End of Test Year</b>
<b>1</b>	Distribution System - post 1987	\$ 218,035,629			\$ 218,035,629	\$ -	\$ 218,035,629	4%	\$ 8,721,425	\$ 209,314,204
<b>1 Enhanced</b>	Non-residential Buildings Reg. 1100(1)(a.1) election	\$ 18,020,208	6,173,910		\$ 24,194,118	\$ 3,086,955	\$ 21,107,163	6%	\$ 1,266,430	\$ 22,927,688
<b>2</b>	Distribution System - pre 1988	\$ 76,452,959			\$ 76,452,959	\$ -	\$ 76,452,959	6%	\$ 4,587,178	\$ 71,865,781
<b>8</b>	General Office/Stores Equip	\$ 10,717,651	2,773,713		\$ 13,491,364	\$ 1,386,857	\$ 12,104,507	20%	\$ 2,420,901	\$ 11,070,462
<b>10</b>	Computer Hardware/ Vehicles	\$ 4,328,790	2,025,132		\$ 6,353,922	\$ 1,012,566	\$ 5,341,356	30%	\$ 1,602,407	\$ 4,751,515
<b>10.1</b>	Certain Automobiles	\$ -			\$ -	\$ -	\$ -	30%	\$ -	\$ -
<b>12</b>	Computer Software	\$ 2,255,100	4,372,160		\$ 6,627,260	\$ 2,186,080	\$ 4,441,180	100%	\$ 4,441,180	\$ 2,186,080
<b>13.1</b>	Lease # 1	\$ -			\$ -	\$ -	\$ -		\$ -	\$ -
<b>13.2</b>	Lease #2	\$ -			\$ -	\$ -	\$ -		\$ -	\$ -
<b>13.3</b>	Lease # 3	\$ -			\$ -	\$ -	\$ -		\$ -	\$ -
<b>13.4</b>	Lease # 4	\$ -			\$ -	\$ -	\$ -		\$ -	\$ -
<b>14</b>	Franchise	\$ -			\$ -	\$ -	\$ -		\$ -	\$ -
<b>17</b>	New Electrical Generating Equipment Acq'd after Feb 27/00 Other Than E	\$ -			\$ -	\$ -	\$ -	8%	\$ -	\$ -
<b>42</b>	Fibre Optic Cable	\$ 545,416			\$ 545,416	\$ -	\$ 545,416	12%	\$ 65,450	\$ 479,966
<b>43.1</b>	Certain Energy-Efficient Electrical Generating Equipment	\$ -			\$ -	\$ -	\$ -	30%	\$ -	\$ -
<b>43.2</b>	Certain Clean Energy Generation Equipment	\$ -			\$ -	\$ -	\$ -	50%	\$ -	\$ -
<b>45</b>	Computers & Systems Software acq'd post Mar 22/04	\$ 157,105			\$ 157,105	\$ -	\$ 157,105	45%	\$ 70,697	\$ 86,408
<b>46</b>	Data Network Infrastructure Equipment (acq'd post Mar 22/04)	\$ -			\$ -	\$ -	\$ -	30%	\$ -	\$ -
<b>47</b>	Distribution System - post February 2005	\$ 252,878,712	46,350,902		\$ 299,229,614	\$ 23,175,451	\$ 276,054,163	8%	\$ 22,084,333	\$ 277,145,281
<b>50</b>	Data Network Infrastructure Equipment - post Mar 2007	\$ 916,386	1,371,401		\$ 2,287,787	\$ 685,701	\$ 1,602,086	55%	\$ 881,147	\$ 1,406,639
<b>52</b>	Computer Hardware and system software	\$ -			\$ -	\$ -	\$ -	100%	\$ -	\$ -
<b>95</b>	CWIP	\$ -			\$ -	\$ -	\$ -	0%	\$ -	\$ -
<b>3</b>	Buildings - pre 1988	\$ 11,283,024			\$ 11,283,024	\$ -	\$ 11,283,024	5%	\$ 564,151	\$ 10,718,872
					\$ -	\$ -	\$ -	0%	\$ -	\$ -
					\$ -	\$ -	\$ -	0%	\$ -	\$ -
					\$ -	\$ -	\$ -	0%	\$ -	\$ -
					\$ -	\$ -	\$ -	0%	\$ -	\$ -
					\$ -	\$ -	\$ -	0%	\$ -	\$ -
					\$ -	\$ -	\$ -	0%	\$ -	\$ -
					\$ -	\$ -	\$ -	0%	\$ -	\$ -
					\$ -	\$ -	\$ -	0%	\$ -	\$ -
					\$ -	\$ -	\$ -	0%	\$ -	\$ -
					\$ -	\$ -	\$ -	0%	\$ -	\$ -
					\$ -	\$ -	\$ -	0%	\$ -	\$ -
	TOTAL	\$ 595,590,978	\$ 63,067,218	\$ -	\$ 658,658,196	\$ 31,533,609	\$ 627,124,587		\$ 46,705,299	\$ 611,952,897



Ontario Energy Board

**PILS / INCOME TAXES  
WORK FORM**

**2012 REBASING YEAR**

**Hydro Ottawa Limited**  
**Schedule 10 CEC - Test Year**

**Cumulative Eligible Capital**

**892,267**

**Additions**

Cost of Eligible Capital Property Acquired during Test Year

0

Other Adjustments

0

**Subtotal**

0

**x 3/4 = 0**

Non-taxable portion of a non-arm's length transferor's gain realized on the transfer of an ECP to the Corporation after Friday, December 20, 2002

0

**x 1/2 = 0**

0

**0**

Amount transferred on amalgamation or wind-up of subsidiary

0

**0**

**Subtotal**

**892,267**

**Deductions**

Proceeds of sale (less outlays and expenses not otherwise deductible) from the disposition of all ECP during Test Year

0

Other Adjustments

0

**Subtotal**

0

**x 3/4 = 0**

**Cumulative Eligible Capital Balance**

**892,267**

**Current Year Deduction (Carry Forward to Tab "Test Year Taxable Income")**

**892,267 x 7% =**

**62,459**

**Cumulative Eligible Capital - Closing Balance**

**829,808**



Ontario Energy Board

**PILS / INCOME TAXES  
WORK FORM**

**2012 REBASING YEAR**

Hydro Ottawa Limited

Schedule 13 Tax Reserves - Test Year

**Continuity of Reserves**

Description	Bridge Year	Eliminate Amounts Not Relevant for Bridge Year	Adjusted Utility Balance	Test Year Adjustments		Balance for Test Year	Change During the Year	Disallowed Expenses
				Additions	Disposals			
Capital Gains Reserves ss.40(1)	0		0			0	0	
<b>Tax Reserves Not Deducted for accounting purposes</b>								
Reserve for doubtful accounts ss. 20(1)(l)	430,483		430,483			430,483	0	
Reserve for goods and services not delivered ss. 20(1)(m)	0		0			0	0	
Reserve for unpaid amounts ss. 20(1)(n)	0		0			0	0	
Debt & Share Issue Expenses ss. 20(1)(e)	0		0			0	0	
Other tax reserves	0		0			0	0	
	0		0			0	0	
	0		0			0	0	
<b>Total</b>	<b>430,483</b>	<b>0</b>	<b>430,483</b>	<b>0</b>	<b>0</b>	<b>430,483</b>	<b>0</b>	<b>0</b>
<b>Financial Statement Reserves (not deductible for Tax Purposes)</b>								
General Reserve for Inventory Obsolescence (non-specific)	0		0			0	0	
General reserve for bad debts	1,240,035		1,240,035			1,240,035	0	
Accrued Employee Future Benefits:	0		0			0	0	
- Medical and Life Insurance	0		0			0	0	
- Short & Long-term Disability	0		0			0	0	
- Accumulated Sick Leave	0		0			0	0	
- Termination Cost	0		0			0	0	
- Other Post-Employment Benefits	0		0			0	0	
Provision for Environmental Costs	0		0			0	0	
Restructuring Costs	0		0			0	0	
Accrued Contingent Litigation Costs	0		0			0	0	
Accrued Self-Insurance Costs	0		0			0	0	
Other Contingent Liabilities	0		0			0	0	
Bonuses Accrued and Not Paid Within 180 Days of Year-End ss. 78(4)	0		0			0	0	
Unpaid Amounts to Related Person and Not Paid Within 3 Taxation Years ss. 78(1)	0		0			0	0	
Other	0		0			0	0	
	0		0			0	0	
	0		0			0	0	
<b>Total</b>	<b>1,240,035</b>	<b>0</b>	<b>1,240,035</b>	<b>0</b>	<b>0</b>	<b>1,240,035</b>	<b>0</b>	<b>0</b>





Ontario Energy Board

**PILS / INCOME TAXES  
WORK FORM**

**2012 REBASING YEAR**

Hydro Ottawa Limited

Schedule 7-1 Loss Carry Forward - Test Year

**Corporation Loss Continuity and Application**

	Total	Non-Distribution Portion	Utility Balance
<b>Non-Capital Loss Carry Forward Deduction</b>			
Actual/Estimated Bridge Year			0
Application of Loss Carry Forward to reduce taxable income in 2005			0
Other Adjustments Add (+) Deduct (-)			0
Balance available for use in Test Year	0	0	0
<b>Amount to be used in Test Year</b>			0
Balance available for use post Test Year	0	0	0

	Total	Non-Distribution Portion	Utility Balance
<b>Net Capital Loss Carry Forward Deduction</b>			
Actual/Estimated Bridge Year			0
Application of Loss Carry Forward to reduce taxable income in 2005			0
Other Adjustments Add (+) Deduct (-)			0
Balance available for use in Test Year	0	0	0
<b>Amount to be used in Test Year</b>			0
Balance available for use post Test Year	0	0	0



Ontario Energy Board

# PILS / INCOME TAXES WORK FORM

2012 REBASING YEAR

Hydro Ottawa Limited

Taxable Income - Test Year

	Test Year Taxable Income
<b>Net Income Before Taxes</b>	25,210,842

	T2 S1 line #	
<b>Additions:</b>		
Interest and penalties on taxes	103	50,000
Amortization of tangible assets 2-4 ADJUSTED ACCOUNTING DATA P489	104	38,882,431
Amortization of intangible assets 2-4 ADJUSTED ACCOUNTING DATA P490	106	
Recapture of capital cost allowance from Schedule 8	107	
Gain on sale of eligible capital property from Schedule 10	108	
Income or loss for tax purposes- joint ventures or partnerships	109	
Loss in equity of subsidiaries and affiliates	110	
Loss on disposal of assets	111	
Charitable donations	112	
Taxable Capital Gains	113	
Political Donations	114	
Deferred and prepaid expenses	116	
Scientific research expenditures deducted on financial statements	118	
Capitalized interest	119	
Non-deductible club dues and fees	120	
Non-deductible meals and entertainment expense	121	80,000
Non-deductible automobile expenses	122	
Non-deductible life insurance premiums	123	
Non-deductible company pension plans	124	
Tax reserves beginning of year	125	430,483
Reserves from financial statements- balance at end of year	126	1,240,035
Soft costs on construction and renovation of buildings	127	
Book loss on joint ventures or partnerships	205	
Capital items expensed	206	
Debt issue expense	208	
Development expenses claimed in current year	212	
Financing fees deducted in books	216	
Gain on settlement of debt	220	
Non-deductible advertising	226	
Non-deductible interest	227	
Non-deductible legal and accounting fees	228	
Recapture of SR&ED expenditures	231	
Share issue expense	235	
Write down of capital property	236	



Amounts received in respect of qualifying environment trust per paragraphs 12(1)(z.1) and 12(1)(z.2)	237	
<i>Other Additions: (please explain in detail the nature of the item)</i>		
Interest Expensed on Capital Leases	290	
Realized Income from Deferred Credit Accounts	291	
Pensions	292	
Non-deductible penalties	293	
Future Employee Benefits per F/S	294	600,000
Apprenticeship tax credit - Federal 2011	295	22,000
Apprenticeship tax credit - Ontario 2012	296	180,000
Coop tax credit - Ontario 2012	297	18,000
ARO Accretion expense		
Capital Contributions Received (ITA 12(1)(x))		
Lease Inducements Received (ITA 12(1)(x))		
Deferred Revenue (ITA 12(1)(a))		
Prior Year Investment Tax Credits received		
<b>Total Additions</b>		<b>41,502,949</b>
<b>Deductions:</b>		
Gain on disposal of assets per financial statements	401	
Dividends not taxable under section 83	402	
Capital cost allowance from Schedule 8	403	46,705,299
Terminal loss from Schedule 8	404	
Cumulative eligible capital deduction from Schedule 10 CEC	405	62,459
Allowable business investment loss	406	
Deferred and prepaid expenses	409	
Scientific research expenses claimed in year	411	
Tax reserves end of year	413	430,483
Reserves from financial statements - balance at beginning of year	414	1,240,035
Contributions to deferred income plans	416	
Book income of joint venture or partnership	305	
Equity in income from subsidiary or affiliates	306	
<i>Other deductions: (Please explain in detail the nature of the item)</i>		
Interest capitalized for accounting deducted for tax	390	
Capital Lease Payments	391	

Non-taxable imputed interest income on deferral and variance accounts	392	
Actual Future Employee Benefits Paid	393	400,000
	394	
	395	
	396	
	397	
ARO Payments - Deductible for Tax when Paid		
ITA 13(7.4) Election - Capital Contributions Received		
ITA 13(7.4) Election - Apply Lease Inducement to cost of Leaseholds		
Deferred Revenue - ITA 20(1)(m) reserve		
Principal portion of lease payments		
Lease Inducement Book Amortization credit to income		
Financing fees for tax ITA 20(1)(e) and (e.1)		
<b>Total Deductions</b>		<b>48,838,275</b>
<b>NET INCOME FOR TAX PURPOSES</b>		<b>17,875,516</b>
Charitable donations	311	
Taxable dividends received under section 112 or 113	320	
Non-capital losses of preceding taxation years from Schedule 7-1	331	
Net-capital losses of preceding taxation years (Please show calculation)	332	
Limited partnership losses of preceding taxation years from Schedule 4	335	
<b>REGULATORY TAXABLE INCOME</b>		<b>17,875,516</b>



Ontario Energy Board

## PILS / INCOME TAXES WORK FORM

2012 REBASING YEAR

Hydro Ottawa Limited

PILs Tax Provision - Test Year

Wires Only

Regulatory Taxable Income

\$ 17,875,516 A

Ontario Income Taxes

Income tax payable

Ontario Income Tax

11.25%

B

\$

2,010,996 C = A \* B

Small business credit

Ontario Small Business Threshold  
Rate reduction

\$ 500,000 D

-6.75%

E

-\$

33,750 F = D \* E

Ontario Income tax

\$ 1,977,246 J = C + F

Combined Tax Rate and PILs

Effective Ontario Tax Rate

11.06%

K = J / A

Federal tax rate

15.00%

L

Combined tax rate

26.06% M = L + L

Total Income Taxes

\$ 4,658,573 N = A \* M

Investment Tax Credits

\$ 220,000 O

Miscellaneous Tax Credits

\$ 220,000 P

Total Tax Credits

\$ 220,000 Q = O + P

Corporate PILs/Income Tax Provision for Test Year

\$ 4,438,573 R = N - Q

Corporate PILs/Income Tax Provision Gross Up <sup>1</sup>

73.94%

S = 1 - M

\$ 1,564,463 T = R / S - N

Income Tax (grossed-up)

\$ 6,003,036 U = R + T

Note:

1. This is for the derivation of revenue requirement and should not be used for sufficiency/deficiency calculations.