

K2.6

CAPITAL STRUCTURE
CROSSBORES / SEWER LATERALS Z-FACTOR CALCULATION

Line No.	Col. 1	Col. 2	Col. 3
	Component	Indicated Cost Rate	Return Component
	%	%	%
1. Long-term debt	59.65	7.31	4.36
2. Short-term debt	<u>1.68</u>	4.12	<u>0.07</u>
3.	61.33		4.43
4. Preference shares	2.67	5.00	0.13
5. Common equity	<u>36.00</u>	8.39	<u>3.02</u>
6.	<u>100.00</u>		<u>7.58</u>

(\$000's)

	2010
7. Ontario Utility Income	(2,440.9)
8. Rate base	930.7
9. Indicated rate of return	(262.26)%
10. (Def.) / suff. in rate of return	(269.84)%
11. Net (def.) / suff.	(2,511.4)
12. Gross (def.) / suff.	<u>(3,639.7)</u>

Note: Updated to include the effect of changes in provincial income and capital tax rates, as outlined in Updated Exhibit C, Tab 1, Schedule 4.

RATE BASE
CROSSBORES / SEWER LATERALS Z-FACTOR CALCULATION

Line No.	(\$000's)	2010
Property, plant, and equipment		
1.	Cost or redetermined value	944.8
2.	Accumulated depreciation	<u>(14.1)</u>
3.		<u>930.7</u>
Allowance for working capital		
4.	Accounts receivable merchandise finance plan	-
5.	Accounts receivable billable projects	-
6.	Materials and supplies	-
7.	Mortgages receivable	-
8.	Customer security deposits	-
9.	Prepaid expenses	-
10.	Gas in storage	-
11.	Working cash allowance	<u>-</u>
12.		<u>-</u>
13.	Ontario utility rate base	<u>930.7</u>

INCOME
CROSSBORES / SEWER LATERALS Z-FACTOR CALCULATION

Line No.	(\$000's)	2010
Revenue		
1. Gas sales		-
2. Transportation of gas		-
3. Transmission and compression		-
4. Other operating revenue		-
5. Other income		-
6. Total revenue		<u>-</u>
Costs and expenses		
7. Gas costs		-
8. Operation and Maintenance		3,545.8
9. Depreciation and amortization		41.6
10. Municipal and other taxes		<u>1.6</u>
11. Total costs and expenses		<u>3,589.0</u>
12. Utility income before inc. taxes		(3,589.0)
Income taxes		
13. Excluding interest shield		(1,135.3)
14. Tax shield on interest expense		<u>(12.8)</u>
15. Total income taxes		<u>(1,148.1)</u>
16. Ontario utility net income		<u>(2,440.9)</u>

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TAXABLE INCOME AND INCOME TAX EXPENSE
CROSSBORES / SEWER LATERALS Z-FACTOR CALCULATION

Line No.	(\$000's)	2010
1.	Utility income before income taxes	(3,589.0)
Add Backs		
2.	Depreciation and amortization	41.6
3.	Large corporation tax	-
4.	Other non-deductible items	-
5.	Any other add back(s)	-
6.	Total added back	<u>41.6</u>
7.	Sub total - pre-tax income plus add backs	(3,547.4)
Deductions		
8.	Capital cost allowance - Federal	114.6
9.	Capital cost allowance - Provincial	114.6
10.	Items capitalized for regulatory purposes	-
11.	Deduction for "grossed up" Part V1.1 tax	-
12.	Amortization of share and debt issue expense	-
13.	Amortization of cumulative eligible capital	-
14.	Amortization of C.D.E. & C.O.G.P.E.	-
15.	Any other deduction(s)	-
16.	Total Deductions - Federal	<u>114.6</u>
17.	Total Deductions - Provincial	<u>114.6</u>
18.	Taxable income - Federal	(3,662.0)
19.	Taxable income - Provincial	(3,662.0)
20.	Income tax provision - Federal	(659.2)
21.	Income tax provision - Provincial	<u>(476.1)</u>
22.	Income tax provision - combined	(1,135.3)
23.	Part V1.1 tax	-
24.	Investment tax credit	-
25.	Total taxes excluding tax shield on interest expense	<u>(1,135.3)</u>
Tax shield on interest expense		
26.	Rate base as adjusted	930.7
27.	Return component of debt	4.43%
28.	Interest expense	41.2
29.	Combined tax rate	<u>31.000%</u>
30.	Income tax credit	(12.8)
31.	Total income taxes	<u>(1,148.1)</u>

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REVENUE REQUIREMENT
CROSSBORES / SEWER LATERALS Z-FACTOR CALCULATION

Line No.	(\$000's)	2010
Cost of capital		
1.	Rate base	930.7
2.	Required rate of return	<u>7.58%</u>
3.	Cost of capital	70.5
Cost of service		
4.	Gas costs	-
5.	Operation and Maintenance	3,545.8
6.	Depreciation and amortization	41.6
7.	Municipal and other taxes	<u>1.6</u>
8.	Cost of service	3,589.0
Misc. & Non-Op. Rev		
9.	Other operating revenue	-
10.	Other income	<u>-</u>
11.	Misc. & Non-operating Rev.	-
Income taxes on earnings		
12.	Excluding tax shield	(1,135.3)
13.	Tax shield provided by interest expense	<u>(12.8)</u>
14.	Income taxes on earnings	(1,148.1)
Taxes on (def) / suff.		
15.	Gross (def.) / suff.	(3,639.7)
16.	Net (def.) / suff.	<u>(2,511.4)</u>
17.	Taxes on (def.) / suff.	1,128.3
18.	Revenue requirement	3,639.7
Revenue at existing Rates		
19.	Gas sales	0.0
20.	Transportation service	0.0
21.	Transmission, compression and storage	0.0
22.	Rounding adjustment	<u>0.0</u>
23.	Revenue at existing rates	0.0
24.	Gross revenue (def.) / suff.	<u>(3,639.7)</u>

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