

SECTION 93 PILs TAX GROSS-UP		PROXY CALCULATION FOR 2005		PILS2005.V1.1	
<b>REGULATORY INFORMATION (REGINFO)</b>					
Utility Name:	PARRY SOUND POWER CORPORATION				
File Number:	RP-2005-0013				
	EB-2005-0065				
Reporting period:	January 1, 2005 - December 31, 2005				
Days in reporting period:	365				
Total days in the calendar year:	365				
<b>BACKGROUND</b>					
1. Are the Capital Tax & Large Corporations Tax Exemptions shared among the corporate group? (Yes or No)	No				
2. Please identify the percentage used to allocate the exemption.	100.00%				
3. Please explain the basis of the allocation if the percentage is other than 100%.					
4. Accounting Year End	Dec-31				
<b>MARR NO TAX CALCULATIONS</b> <b>FROM SHEET #7 FINAL 2001 RUD MODEL DATA</b> <b>(FROM 1999 FINANCIAL STATEMENTS)</b>					
Rate base (wires-only)	\$6,561,667.00				
Common Equity Ratio (CER)	50.00%				
1-CER	50.00%				
Target Return On Equity (%)	9.88%				
Debt rate	7.25%				
<b>Regulatory Income</b>					
Market Adjusted Revenue Requirement	\$562,007				
1999 return from RUD Sheet #7	\$21,594				\$21,594
Total Incremental revenue	\$540,413				
<i>Amount allowed in 2001, Year 1</i>	\$180,138				\$180,138
<i>Amount allowed in 2002, Year 2</i>	\$180,138				\$180,138
<i>Amount allowed in 2003, Year 3</i>	\$180,138				\$180,138
Permanent Changes to Base Rate (e.g. LPP 5% to 1.5%)	\$34,630				\$34,630
C&DM Capital Portion from "C&DM TAX FORECAST" worksheet	0%				
Total Regulatory Income					\$596.637
<b>Equity</b>					
Equity	\$3,280,834				
Return at target ROE	\$324,146				
Debt	\$3,280,834				
Deemed interest amount in EBIT	\$237,860				

SECTION 93 PILs TAX GROSS-UP PROXY CALCULATION FOR 2005 TAX CALCULATIONS (TAXCALC)			
Utility Name: PARRY SOUND POWER CORPORATION Reporting Period: January 1, 2005 - December 31, 2005 Days in Reporting Period: 365 Total days in the calendar year: 365		ITEM	Proxy Calculation  \$
			Comments
<b><u>I) CORPORATE INCOME TAXES</u></b>			
Regulatory Net Income		1	\$596,637
BOOK TO TAX ADJUSTMENTS			
<b>Additions:</b>			
Depreciation & Amortization		2	\$408,012
Employee Benefit Plans - Accrued, Not Paid		3	\$0
Tax reserves deducted in prior year		4	\$0
Reserves from financial statements-end of year		4	\$0
Regulatory Adjustments		5	\$0
<b>Other Additions</b>			
"Material" Items		6	\$0
Other Additions		6	\$0
"Material" Items		6	\$0
Other Additions		6	\$0
<b>Deductions:</b>			
Capital Cost Allowance and CEC		7	\$291,119
Employee Benefit Plans - Paid Amounts		8	\$0
Items Capitalized for Regulatory Purposes		9	\$0
Regulatory Adjustments		10	\$0
Interest Expense Deemed		11	\$237,860
Tax reserves claimed in current year		4	\$0
Reserves from F/S beginning of year		4	\$0
Contributions to deferred income plans		3	\$0
Contributions to pension plans		3	\$0
Interest capitalized for accounting but deducted for tax		11	\$0
Other Deductions			
"Material" Items		12	\$0
C&DM 2005 Incremental OM&A expenses per C&DM Plan		12	\$60,000
Material Items		12	\$0
Other Deductions		12	\$0
<b><u>REGULATORY TAXABLE INCOME</u></b>			\$415,670
<b><u>CORPORATE INCOME TAX RATE</u></b>			
Deemed %		13	27.50%
REGULATORY INCOME TAX			\$114,309
Taxable Income x Rate			
Miscellaneous Tax Credits		14	\$0
<b>Total Regulatory Income Tax</b>			\$114,309

SECTION 93 PILs TAX GROSS-UP PROXY CALCULATION FOR 2005 TAX CALCULATIONS (TAXCALC)		ITEM	Proxy Calculation	Comments
Utility Name: PARRY SOUND POWER CORPORATION Reporting Period: January 1, 2005 - December 31, 2005 Days in Reporting Period: 365 Total days in the calendar year: 365				
			\$	
Percentage used to determine the exemptions for capital tax and large corporations tax			100%	
II) CAPITAL TAXES				
Ontario				
Rate Base	15		\$6,561,667	
Less: Exemption	16		\$7,500,000	
Deemed Taxable Capital			\$0	
Rate (.3%)	17		0.3000%	
Net Amount (Taxable Capital x Rate)			\$0	
Federal (LCT)				
Base	18		\$6,561,667	
Less: Exemption	19		\$50,000,000	
Deemed Taxable Capital			\$0	
Rate (.175%)	20		0.1750%	
Gross Amount (Taxable Capital x Rate)			\$0	
Less: Federal Surtax	21		\$0	
Net LCT			\$0	
III) INCLUSION IN RATES				
Income Tax Rate used for gross- up			27.50%	
Income Tax (grossed-up)	22		\$157,668	
LCT (grossed-up)	23		\$0	
Ontario Capital Tax	24		\$0	
Total S. 93 PILs Rate Adjustment (Enter this amount in the 2005 RAM, Sheet #4, cell G14)		25	\$157,668	

## SECTION 93 PILs TAX GROSS-UP "SIMPIL"

### Corporate Tax Rates for 2005

Income Range	\$0 to \$400,000	\$400,001 to \$1,128,000	> \$1,128,000
<b><i>Income Tax Rate</i></b>	18.62%	27.50%	36.12%
<b>Capital Tax Rate</b>	0.300%		
<b>LCT Rate</b>	0.175%		
<b>Surtax</b>	1.12%		
<b>Ontario Capital Tax Exemption</b>	\$7,500,000		
<b>Federal Large Corporations Tax Exemption</b>	\$50,000,000		

# Conservation and Demand Management Tax Forecast

Utility Name: **PARRY SOUND POWER CORPORATION**

File Number: **RP-2005-0013**

**EB-2005-0065**

	Jan - Dec 2005		Jan - Dec 2006		Jan - Sept 30 <sup>th</sup> 2007		Total	
	\$	%	\$	%	\$	%	\$	%
<b>Capital</b>		0%		0%		0%		0%
<b>Tax Deductible Expense</b>	\$60,000	100%	\$60,000	100%	\$60,000	100%		0%
<b>Total</b>	<b>\$60,000</b>	<b>100%</b>	<b>\$60,000</b>	<b>100%</b>	<b>\$60,000</b>	<b>100%</b>	<b>\$180,000</b>	<b>0%</b>

## Notes:

1. Capital that will be recognized for tax purposes (i.e. UCC addition), not from a capital budget or commitment perspective.
2. Expenses to be recognized in the period shown that will be used as a tax deduction for the same period. The 2005 tax deduction amount will be entered automatically into the TAXCALC worksheet, cell C44.
3. The amounts shown in the "Total" column should agree with the C&DM plan filed with or approved by the Board. The amount of the third tranche of MARR is the maximum amount unless the utility has applied for a lower amount.