

2008 PILs Provision for Revenue Requirement

Name of Utility: Hydro Ottawa Limited

License Number: ED-2002-0556

File Number: EB-2007-0713

Name of Contact: Lynne Anderson

Phone Number: (613) 738-5499 Ext: 527

E-Mail Address: lynneanderson@hydroottawa.com

Date: March 31, 2008

Version Number: **PILS2008**

Input Summary

Name of Utility: Hydro Ottawa Limited
License Number: ED-2002-0556
File Numbers: EB-2007-0713,
Name of Contact: Lynne Anderson

Phone Number: (613) 738-5499

Ratebase	545,805,833
<i>Net Income Before Taxes</i>	18,710,224
Calculation of Deemed Interest	
Debt Ratio	56.00%
Debt Rate % (as calculated)	5.26%
Deemed Interest to be recovered	17,047,724

Tax Rates and Exemptions

Name of Utility: Hydro Ottawa Limited

License Number: ED-2002-0556

File Numbers: EB-2007-0713,

Name of Contact: Lynne Anderson

Phone Number: (613) 738-5499

Applicant	Rate Base	OCT Exemption	LCT Exemption
Hydro Ottawa Limited	545,805,833	15,000,000	50,000,000
Regulated Affiliates (if applicable)			
1		0	0
2		0	0
3		0	0
4		0	0
5		0	0
Total	545,805,833	15,000,000	50,000,000

Corporate Tax Rates for Test Year

Income Range	0 to 300,000	300,000 to 400,000	400,000 to 1,128,519	>1,128,519
Federal	11.50%	11.50%	20.50%	19.50%
Ontario	5.50%	5.50%	5.50%	14.00%
Income Tax Rates used to gross up the true up variance	17.00%	17.00%	26.00%	33.50%
Ontario SBD Clawback			4.67%	
Capital Tax Rate	0.225%			
LCT rate	0.000%			
Surtax	0.00%			

2006 Taxable Income

Name of Utility: Hydro Ottawa Limited
 License Number: ED-2002-0556
 File Numbers: EB-2007-0713,
 Name of Contact: Lynne Anderson

Phone Number: (613) 738-5499

	T2S1 line #	Total for Legal Entity	Non-Distribution Eliminations	2006 Wires Only
Income before PILs/Taxes	A	51,237,000	0	51,237,000
Additions:				
Interest and penalties on taxes	103	0	0	0
Amortization of tangible assets	104	32,980,000	0	32,980,000
Amortization of intangible assets	106	0	0	0
Recapture of capital cost allowance from Schedule 8	107	0	0	0
Gain on sale of eligible capital property from Schedule 10	108	0	0	0
Income or loss for tax purposes- joint ventures or partnerships	109	0	0	0
Loss in equity of subsidiaries and affiliates	110	0	0	0
Loss on disposal of assets	111	0	0	0
Charitable donations	112	67,900	0	67,900
Taxable Capital Gains	113	32,450	0	32,450
Political Donations	114	0	0	0
Deferred and prepaid expenses	116	0	0	0
Scientific research expenditures deducted on financial statements	118	0	0	0
Capitalized interest	119	0	0	0
Non-deductible club dues and fees	120	0	0	0
Non-deductible meals and entertainment expense	121	125,432	0	125,432
Non-deductible automobile expenses	122	0	0	0
Non-deductible life insurance premiums	123	0	0	0
Non-deductible company pension plans	124	0	0	0
Tax reserves deducted in prior year	125	0	0	0
Reserves from financial statements- balance at end of year	126	0	0	0
Soft costs on construction and renovation of buildings	127	0	0	0
Book loss on joint ventures or partnerships	205	0	0	0
Capital items expensed	206	0	0	0
Debt issue expense	208	0	0	0
Development expenses claimed in current year	212	0	0	0
Financing fees deducted in books	216	0	0	0
Gain on settlement of debt	220	0	0	0
Non-deductible advertising	226	0	0	0
Non-deductible interest	227	0	0	0
Non-deductible legal and accounting fees	228	0	0	0
Recapture of SR&ED expenditures	231	0	0	0
Share issue expense	235	0	0	0
Write down of capital property	236	0	0	0

Amounts received in respect of qualifying environment trust per paragraphs 12(1)(z.1) and 12(1)(z.2)	237	0	0	0
Other Additions				
Interest Expensed on Capital Leases	290	0	0	0
Realized Income from Deferred Credit Accounts	291	0	0	0
Pensions	292	0	0	0
Non-deductible penalties	293	0	0	0
Employee Future Benefit per F/S	294	1,223,280	0	1,223,280
Ontario Specified Credits	295	30,000	0	30,000
Total Additions		34,459,062	0	34,459,062
Deductions:				
Gain on disposal of assets per financial statements	401	298,000	0	298,000
Dividends not taxable under section 83	402	0	0	0
Capital cost allowance from Schedule 8	403	33,752,778	0	33,752,778
Terminal loss from Schedule 8	404	0	0	0
Cumulative eligible capital deduction from Schedule 10	405	93,627	0	93,627
Allowable business investment loss	406	0	0	0
Deferred and prepaid expenses	409	0	0	0
Scientific research expenses claimed in year	411	0	0	0
Tax reserves claimed in current year	413	0	0	0
Reserves from financial statements - balance at beginning of year	414	0	0	0
Contributions to deferred income plans	416	0	0	0
Book income of joint venture or partnership	305	0	0	0
Equity in income from subsidiary or affiliates	306	0	0	0
<i>Reserves from Financial Statements - beginning</i>		9,690,400		
<i>Reduction in 2005 OHSA charge</i>		73,750		
Net Regulatory Assets		10,046,732		
Interest capitalized for accounting deducted for tax	390	0	0	0
Capital Lease Payments	391	0	0	0
Non-taxable imputed interest income on deferral and variance accounts	392	0	0	0
Actual employee benefits paid	393	321,482	0	321,482
Capitalized Interest	394	193,362	0	193,362
Total Deductions		54,470,131	0	34,659,249
Net Income for Tax Purposes		31,225,931	0	51,036,813
Charitable donations from Schedule 2	311	67,900	0	67,900
Taxable dividends deductible under section 112 or 113, from Schedule 3 (item 82)	320	0	0	0
Non-capital losses of preceding taxation years from Schedule 4	331	0	0	0
Net-capital losses of preceding taxation years from Schedule 4	332	0	0	0
Limited partnership losses of preceding taxation years from Schedule 4	335	0	0	0
TAXABLE INCOME		31,158,031	0	50,968,913

Schedule 8 and 10 UCC and CEC

Name of Utility: Hydro Ottawa Limited
 License Number: ED-2002-0556
 File Numbers: EB-2007-0713,
 Name of Contact: Lynne Anderson

Phone Number: (613) 738-5499

Methodology: This schedule starts with forecast 2007 Schedules 8 and 10, then the non-distribution assets are eliminated. The closing balances in this schedule are the starting point for the Test Year Schedules

Class	Class Description	UCC End of Year Dec 31/07 per tax returns	Less: Non- Distribution Portion	Less: Disallowed FMV Increment	UCC Test Year Opening Balance
1	Distribution System - post 1987	275,895,755		0	275,895,755
2	Distribution System - pre 1988	89,107,550	0	0	89,107,550
3	Buildings: pre-1988	13,852,592	0	0	13,852,592
8	General Office/Stores Equip	9,698,056	9,301	0	9,688,755
10	Computer Hardware/ Vehicles	7,136,097	0	0	7,136,097
12	Computer Software	3,441,112	0	0	3,441,112
42	Fibre optic cable	794,730	0	0	794,730
45	Computers & Systems Software acq'd post Mar 22/04	2,982,443	0	0	2,982,443
47	Distribution System - post 2005	133,225,698	0	0	133,225,698
			0	0	0
	SUB-TOTAL - UCC	536,134,033	9,301	0	536,124,732
CEC	Goodwill	0	0	0	0
CEC	Land Rights	1,159,424	0	0	1,159,424
CEC	FMV Bump-up	0	0	0	0
		0	0	0	0
		0	0	0	0
	SUB-TOTAL - CEC	1,159,424	0	0	1,159,424

Test Year UCC and CEC

Name of Utility: Hydro Ottawa Limited
 License Number: ED-2002-0556
 File Numbers: EB-2007-0713,
 Name of Contact: Lynne Anderson

Phone Number: (613) 738-5499

Total Capital Assets for PILs Model		CCA Class	Capital Assets		Test Year Total Additions	Test Year Total Disposals
			Additions	Disposals		
1815	Transformer Station Equipment - Normally Primary above 50 kV	47	10,656,742	0	10,656,742	0
1820	Distribution Station Equipment - Normally Primary below 50 kV	47	4,107,932	0	4,107,932	0
1825	Storage Battery Equipment	47	0	0	0	0
1830	Poles, Towers and Fixtures	47	7,496,595	0	7,496,595	0
1835	Overhead Conductors and Devices	47	4,499,432	0	4,499,432	0
1840	Underground Conduit	47	5,729,946	0	5,729,946	0
1845	Underground Conductors and Devices	47	6,279,860	0	6,279,860	0
1850	Line Transformers	47	6,786,635	0	6,786,635	0
1855	Services	47	6,704,944	0	6,704,944	0
1860	Meters	47	1,428,205	0	1,428,205	0
1865	Other Installations on Customer's Premises	47	0	0	0	0
1870	Leased Property on Customer Premises	47	0	0	0	0
1908	Buildings and Fixtures	47	0	0	0	0
1995	Contributions and Grants - Credit	47	-15,252,975	0	-15,252,975	0
2010	Electric Plant Purchased or Sold	47	0	0	0	0
2020	Experimental Electric Plant Unclassified	47	0	0	0	0
2030	Electric Plant and Equipment Leased to Others	47	0	0	0	0
2040	Electric Plant Held for Future Use	47	0	0	0	0
2050	Completed Construction Not Classified-- Electric	47	0	0	0	0
2070	Other Utility Plant	47	0	0	0	0
xxx1	Fixed Assets for Conservation and Demand Management	47	0	0	0	0
	AFUDC	47	-695,011	0	-695,011	0
SUBTOTAL - CLASS 47			37,742,305	0	37,742,305	0
1620	Buildings and Fixtures	1	0	0	0	0
1635	Boiler Plant Equipment	1	0	0	0	0
1650	Reservoirs, Dams and Waterways	1	0	0	0	0
1660	Roads, Railroads and Bridges	1	0	0	0	0
1808	Buildings and Fixtures	1	0	0	0	0
1715	Station Equipment	1	0	0	0	0
1720	Towers and Fixtures	1	0	0	0	0
1725	Poles and Fixtures	1	0	0	0	0
1730	Overhead Conductors and Devices	1	0	0	0	0
1735	Underground Conduit	1	0	0	0	0
1740	Underground Conductors and Devices	1	0	0	0	0
1745	Roads and Trails	1	0	0	0	0
1808	Buildings and Fixtures	1	4,403,723	0	4,403,723	0
1815	Transformer Station Equipment - Normally Primary above 50 kV	1	0	0	0	0
1820	Distribution Station Equipment - Normally Primary below 50 kV	1	0	0	0	0
1825	Storage Battery Equipment	1	0	0	0	0
1830	Poles, Towers and Fixtures	1	0	0	0	0
1835	Overhead Conductors and Devices	1	0	0	0	0
1840	Underground Conduit	1	0	0	0	0
1845	Underground Conductors and Devices	1	0	0	0	0
1850	Line Transformers	1	0	0	0	0
1855	Services	1	0	0	0	0
1860	Meters	1	0	0	0	0
1865	Other Installations on Customer's Premises	1	0	0	0	0
1870	Leased Property on Customer Premises	1	0	0	0	0
1908	Buildings and Fixtures	1	2,229,283	0	2,229,283	0
1995	Contributions and Grants - Credit	1	0	0	0	0
2010	Electric Plant Purchased or Sold	1	0	0	0	0

2020	Experimental Electric Plant Unclassified	1	0	0	0	0
2030	Electric Plant and Equipment Leased to Others	1	0	0	0	0
2040	Electric Plant Held for Future Use	1	0	0	0	0
2050	Completed Construction Not Classified--Electric	1	0	0	0	0
2070	Other Utility Plant	1	0	0	0	0
xxx1	Fixed Assets for Conservation and Demand Management	1	0	0	0	0
xxx2	Smart Meters	1	0	-53,618	0	-53,618
SUBTOTAL - CLASS 1			6,633,006	-53,618	6,633,006	-53,618
1875	Street Lighting and Signal Systems	8	0	0	0	0
1915	Office Furniture and Equipment	8	209,094	0	209,094	0
1935	Stores Equipment	8	0	0	0	0
1940	Tools, Shop and Garage Equipment	8	995,379	0	995,379	0
1945	Measurement and Testing Equipment	8	116	0	116	0
1950	Power Operated Equipment	8	0	0	0	0
1955	Communication Equipment	8	0	0	0	0
1960	Miscellaneous Equipment	8	140,576	0	140,576	0
1965	Water Heater Rental Units	8	0	0	0	0
1970	Load Management Controls - Customer Premises	8	0	0	0	0
1975	Load Management Controls - Utility Premises	8	0	0	0	0
1980	System Supervisory Equipment	8	1,093,116	0	1,093,116	0
1985	Sentinel Lighting Rental Units	8	0	0	0	0
1990	Other Tangible Property	8	0	0	0	0
SUBTOTAL - CLASS 8			2,438,281	0	2,438,281	0
1920	Computer Equipment - Hardware	45	730,033	0	730,033	0
SUBTOTAL - CLASS 45			730,033	0	730,033	0
1930	Transportation Equipment	10	1,702,443	0	1,702,443	0
SUBTOTAL - CLASS 10			1,702,443	0	1,702,443	0
1925	Computer Software - CL12	12	3,161,742	0	3,161,742	0
SUBTOTAL - CLASS 12			3,161,742	0	3,161,742	0
1630	Leasehold Improvements	13 ₁	0	0	0	0
1710	Leasehold Improvements	13 ₂	0	0	0	0
1810	Leasehold Improvements	13 ₃	0	0	0	0
1910	Leasehold Improvements	13 ₄	0	0	0	0
SUBTOTAL - CLASS 13			0	0	0	0
1640	Engines and Engine-Driven Generators	43.1	0	0	0	0
1645	Turbogenerator Units	43.1	0	0	0	0
1655	Water Wheels, Turbines and Generators	43.1	0	0	0	0
1665	Fuel Holders, Producers and Accessories	43.1	0	0	0	0
1670	Prime Movers	43.1	0	0	0	0
1675	Generators	43.1	0	0	0	0
1680	Accessory Electric Equipment	43.1	0	0	0	0
1685	Miscellaneous Power Plant Equipment	43.1	0	0	0	0
SUBTOTAL - Generating Equipment			0	0	0	0
2005	Property Under Capital Leases	CL	0	0	0	0
2075	Non-Utility Property Owned or Under Capital Leases	CL	0	0	0	0
SUBTOTAL - Capital Leases			0	0	0	0
1606	Organization	ECP	0	0	0	0
1610	Miscellaneous Intangible Plant	ECP	0	0	0	0
1616	Land Rights	ECP	0	0	0	0
1706	Land Rights	ECP	0	0	0	0
1806	Land Rights	ECP	0	0	0	0
1906	Land Rights	ECP	0	0	0	0
2060	Electric Plant Acquisition Adjustment	ECP	0	0	0	0
2065	Other Electric Plant Adjustment	ECP	0	0	0	0
1608	Franchises and Consents	14	0	0	0	0
SUBTOTAL - Eligible Capital Property			0	0	0	0
1615	Land	LAND	0	0	0	0
1705	Land	LAND	0	0	0	0
1805	Land	LAND	1,690,107	0	1,690,107	0
1905	Land	LAND	0	0	0	0
SUBTOTAL - Land			1,690,107	0	1,690,107	0
2055	Construction Work in Progress--Electric	WIP	0	0	0	0
			0	0	0	0
			54,097,917	-53,618	54,097,917	-53,618

Test Year Schedule 8 CCA

Name of Utility: Hydro Ottawa Limited

License Number: ED-2002-0556

File Numbers: EB-2007-0713,

Name of Contact: Lynne Anderson

Phone Number: (613) 738-5499

Class	Class Description	UCC Test Year Opening Balance	Test Year - Additions	Test Year - Disposals	UCC Before 1/2 Yr Adjustment	1/2 Year Rule {1/2 Additions Less Disposals}	Reduced UCC	Rate %	Test Year CCA	UCC End of Test Year
1	Distribution System - post 1987	275,895,755	1,417,464	-11,458	277,324,677	714,461	276,610,216	4%	11,064,409	266,260,269
1a	Distribution System - post Mar 2007	0	5,215,542	-42,160	5,257,702	2,628,851	2,628,851	6%	157,731	5,099,971
2	Distribution System - pre 1988	89,107,550	0	0	89,107,550	0	89,107,550	6%	5,346,453	83,761,097
3	Buildings: pre-1988	13,852,592	0	0	13,852,592	0	13,852,592	5%	692,630	13,159,962
8	General Office/Stores Equip	9,688,755	2,438,281	0	12,127,036	1,219,141	10,907,896	20%	2,181,579	9,945,457
10	Computer Hardware/ Vehicles	7,136,097	1,702,443	0	8,838,540	851,222	7,987,319	30%	2,396,196	6,442,344
12	Computer Software	3,441,112	3,161,742	0	6,602,854	1,580,871	5,021,983	100%	5,021,983	1,580,871
42	Fibre optic cable	794,730	0	0	794,730	0	794,730	12%	95,368	699,362
45	Computers & Systems Software acq'd post Mar 22/04	2,982,443	156,007	0	3,138,450	78,004	3,060,447	45%	1,377,201	1,761,249
45a	Computers & Systems Software acq'd post Mar 19/07	0	574,026		574,026	287,013	287,013	55%	157,857	416,169
47	Distribution System - post 2005	118,217,551	37,742,305	0	155,959,856	18,871,153	137,088,704	8%	10,967,096	144,992,760
			0	0	0	0	0		0	0
		0			0	0	0		0	0
		0			0	0	0		0	0
	TOTAL	521,116,585	52,407,810	-53,618	573,578,013	26,230,714	547,347,299		39,458,502	534,119,512

Test Year Schedule 10 CEC

Name of Utility: Hydro Ottawa Limited
 License Number: ED-2002-0556
 File Numbers: EB-2007-0713,
 Name of Contact: Lynne Anderson Phone Number: (613) 738-5499

	Cumulative Eligible Capital			<u>1,159,424</u>
Additions				
Cost of Eligible Capital Property Acquired during Test Year	0			
Other Adjustments	0			
Subtotal	<u>0</u>	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	
			<u>0</u>	0
Amount transferred on amalgamation or wind-up of subsidiary	0			0
Subtotal				<u>1,159,424</u>
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	<u>0</u>	x 3/4 =	0	0
Cumulative Eligible Capital Balance				<u>1,159,424</u>
Current Year Deduction (Carry Forward to Tab "Test Year Taxable Income")				
	1,159,424	x 7% =	81,160	
Cumulative Eligible Capital - Closing Balance				1,078,264

Test Year Schedule 7-1 Loss Carry Forward

Name of Utility: Hydro Ottawa Limited
License Number: ED-2002-0556
File Numbers: EB-2007-0713,
Name of Contact: Lynne Anderson

Phone Number: (613) 738-5499

Corporation Loss Continuity and Application

	Total	Non-Distribution Portion ¹	Utility Balance
Non-Capital Loss Carry Forward Deduction			
Actual/Estimated December 31, 2007	0		0
Application of Loss Carry Forward to reduce taxable income in 2008	0		0
Other Adjustments Add (+) Deduct (-)			0
Balance available for use in Test Year	0	0	0
Amount to be used in Test Year			0
Balance available for use post Test Year	0	0	0

	Total	Non-Distribution Portion ¹	Utility Balance
Net Capital Loss Carry Forward Deduction			
Actual/Estimated December 31, 2007			0
Application of Loss Carry Forward to reduce taxable capital gains in 2008			0
Other Adjustments +ADD -(DEDUCT)			0
Balance available for use in Test Year	0	0	0
Amount to be used in Test Year			0
Balance available for use post Test Year	0	0	0

Test Year Taxable Income

Name of Utility: Hydro Ottawa Limited
License Number: ED-2002-0556
File Numbers: EB-2007-0713,
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Phone Number: (613) 738-5499

	T2 S1 line #	Test Year Taxable Income	2006 Adjusted Taxable Income	Variance	Explanation for Variance
Net Income Before Taxes		18,710,224	51,237,000	-32,526,776	One Time recovery of provision for regulatory assets of \$24.9M
Additions:					
Interest and penalties on taxes	103		0	0	
Amortization of tangible assets 2-4 ADJUSTED ACCOUNTING DATA P489	104	40,821,492	32,980,000	7,841,492	Higher levels of capex expenditures and fixed asset NBV
Amortization of intangible assets 2-4 ADJUSTED ACCOUNTING DATA P490	106		0	0	
Recapture of capital cost allowance from Schedule 8	107		0	0	
Gain on sale of eligible capital property from Schedule 10	108		0	0	
Income or loss for tax purposes- joint ventures or partnerships	109		0	0	
Loss in equity of subsidiaries and affiliates	110		0	0	
Loss on disposal of assets	111		0	0	
Charitable donations	112	139,800	67,900	71,900	
Taxable Capital Gains	113		32,450	-32,450	
Political Donations	114		0	0	
Deferred and prepaid expenses	116		0	0	
Scientific research expenditures deducted on financial statements	118		0	0	
Capitalized interest	119		0	0	
Non-deductible club dues and fees	120		0	0	
Non-deductible meals and entertainment expense	121	125,000	125,432	-432	
Non-deductible automobile expenses	122		0	0	
Non-deductible life insurance premiums	123		0	0	
Non-deductible company pension plans	124		0	0	
Tax reserves beginning of year	125	0	0	0	
Reserves from financial statements- balance at end of year	126	0	0	0	
Soft costs on construction and renovation of buildings	127		0	0	
Book loss on joint ventures or partnerships	205		0	0	
Capital items expensed	206		0	0	
Debt issue expense	208		0	0	
Development expenses claimed in current year	212		0	0	
Financing fees deducted in books	216		0	0	
Gain on settlement of debt	220		0	0	
Non-deductible advertising	226		0	0	
Non-deductible interest	227		0	0	
Non-deductible legal and accounting fees	228		0	0	
Recapture of SR&ED expenditures	231		0	0	
Share issue expense	235		0	0	
Write down of capital property	236		0	0	
Amounts received in respect of qualifying environment trust per paragraphs 12(1)(z.1) and 12(1)(z.2)	237		0	0	
<i>Other Additions: (please explain in detail the nature of the item)</i>					
Interest Expensed on Capital Leases	290		0	0	
Realized Income from Deferred Credit Accounts	291		0	0	
Pensions	292		0	0	
Non-deductible penalties	293		0	0	
Employee Future Benefit per F/S	294	600,000	1,223,280	-623,280	
Ontario Specified Credits	295		30,000	-30,000	
	296		0	0	
	297		0	0	
Total Additions		41,686,292	34,459,062	7,227,230	
Deductions:					
Gain on disposal of assets per financial statements	401		298,000	-298,000	
Dividends not taxable under section 83	402		0	0	
Capital cost allowance from Schedule 8	403	39,458,502	33,752,778	5,705,724	Higher levels of capex expenditures and UCC
Terminal loss from Schedule 8	404		0	0	
Cumulative eligible capital deduction from Schedule 10 CEC	405	81,160	93,627	-12,467	
Allowable business investment loss	406		0	0	
Deferred and prepaid expenses	409		0	0	
Scientific research expenses claimed in year	411		0	0	
Tax reserves end of year	413	0	0	0	
Reserves from financial statements - balance at beginning of year	414	0	0	0	

Contributions to deferred income plans	416		0	0	
Book income of joint venture or partnership	305		0	0	
Equity in income from subsidiary or affiliates	306		0	0	
Other deductions: (Please explain in detail the nature of the item)					
Interest capitalized for accounting deducted for tax	390		0	0	
Capital Lease Payments	391		0	0	
Non-taxable imputed interest income on deferral and variance accounts	392		0	0	
Actual employee benefits paid	393	335,000	321,482	13,518	
Capitalized Interest	394	695,011	193,362	501,649	
Excess Interest (from Tab "Schedule 7-3")	395	0	0	0	
	396		0	0	
	397		0	0	
Total Deductions		40,569,673	34,659,249	5,910,424	
NET INCOME FOR TAX PURPOSES		19,826,843	51,036,813	-31,209,970	
Charitable donations	311	99,800	67,900	31,900	Anticipated inc. receipted donations for 2006
Taxable dividends received under section 112 or 113	320		0	0	
Non-capital losses of preceding taxation years from Schedule 7-1	331	0	0	0	Losses all used to reduce 2005 taxable income
Net-capital losses of preceding taxation years (Please show calculation)	332		0	0	
Limited partnership losses of preceding taxation years from Schedule 4	335		0	0	
TAXABLE INCOME (C/F to tab "Tax Provision)		19,727,043	50,968,913	-31,241,870	

Test Year Schedule 7-3 Interest

Name of Utility: Hydro Ottawa Limited

License Number: ED-2002-0556

File Numbers: EB-2007-0713,

Name of Contact: Lynne Anderson

Phone Number: (613) 738-5499

Calculated Deemed 2008 Interest Expense in 2008 EDR model	17,047,724
2008 Actual Interest Expense	15,237,000
2008 Capitalized Interest (USoA 6040)	
2008 Capitalized Interest (USoA 6042)	695,011
2008 Forecast Interest	15,932,011
Interest Forecast for Tier 1 or 2 Adjustments	
Total Interest	15,932,011
Excess Interest Expense for 2006 PILs	0

Test Year Ontario Capital Tax

Name of Utility: Hydro Ottawa Limited
License Number: ED-2002-0556
File Numbers: EB-2007-0713,
Name of Contact: Lynne Anderson Phone Number: (613) 738-5499

If Rate Base is proxy for paid-up capital, use **Section A**
If using actual paid-up capital, use **Section B**
Enter the LCT amount from either Section A or B in tab "Tax Provision" cell D2

Section A

Wires Only

ONTARIO CAPITAL TAX

Rate Base	545,805,833
Less: Exemption	15,000,000
Deemed Taxable Capital	530,805,833
Rate in 2008	0.225%
Net Amount (Taxable Capital x Rate)	1,194,313

FEDERAL LCT

Rate Base from	545,805,833
Less: Exemption	50,000,000
Deemed Taxable Capital	495,805,833
Rate in 2006	0.000%
Gross Amount (Taxable Capital x Rate)	0
Less: Federal Surtax	0
Net LCT	0
Grossed-up LCT	0

Section B

Detailed Calculation of the Ontario Capital Tax

ONTARIO CAPITAL TAX

(From Ontario CT23)

PAID-UP CAPITAL

	From 2004 Tax Return	Non-Distribution Elimination	Wires Only
Paid-up capital stock	167,081,000		167,081,000
Retained earnings (if deficit, use negative sign)	48,108,799		48,108,799
Capital and other surplus excluding appraisal surplus			0
Loans and advances	353,246,500		353,246,500
Bank loans			0
Bankers acceptances			0
Bonds and debentures payable			0
Mortgages payable			0
Lien notes payable			0
Deferred credits (future employee benefits)	4,546,000		4,546,000
Contingent, investment, inventory and similar reserves			0
Other reserves not allowed as deductions			0
Share of partnership(s), joint venture(s) paid-up capital			0
Sub-total	572,982,299	0	572,982,299

Subtract:

Amounts deducted for income tax purposes in excess of amounts booked	7,477,868		7,477,868
Deductible R&D expenditures and ONTTI costs deferred for income tax			0
Total (Net) Paid-up Capital	565,504,431	0	565,504,431

ELIGIBLE INVESTMENTS

Bonds, lien notes, interest coupons			0
Mortgages due from other corporations			0
Shares in other corporations			0
Loans and advances to unrelated corporations			0
Eligible loans and advances to related corporations			0
Share of partnership(s) or joint venture(s) eligible investments			0
Total Eligible Investments	0	0	0

TOTAL ASSETS

	From 2004 Tax Return	Non-Distribution Elimination	Wires Only
Total assets per balance sheet	679,084,000	18,816,301	660,267,699
Mortgages or other liabilities deducted from assets			0
Share of partnership(s)/ joint venture(s) total assets			0
Deduct Investment in partnership(s)/joint venture(s)			0
Total assets as adjusted	679,084,000	18,816,301	660,267,699
Add: (if deducted from assets)			0
Contingent, investment, inventory and similar reserves			0
Other reserves not allowed as deductions			0
Deduct Amounts deducted for income tax purposes in excess of amounts booked	7,477,868		7,477,868
Deductible R&D expenditures and ONTTI costs deferred for income tax			0

Deduct			
Appraisal surplus if booked			0
Other adjustments (if deducting, use negative sign)			0
Total Assets	671,606,132	18,816,301	652,789,831
Investment Allowance	0	0	0
<u>Taxable Capital</u>			
Net paid-up capital	565,504,431	0	565,504,431
Investment Allowance	0	0	0
Taxable Capital	565,504,431	0	565,504,431
<u>Capital Tax Calculation</u>			
Deduction from taxable capital up to \$15,000,000	15,000,000		15,000,000
Net Taxable Capital			550,504,431
Rate			0.2250%
Ontario Capital Tax (Deductible, not grossed-up)			1,238,635

LARGE CORPORATION TAX
(From Federal Schedule 33)

CAPITAL

ADD:

Reserves that have not been deducted in computing income for the year under Part I
Capital stock
Retained earnings
Contributed surplus
Any other surpluses
Deferred unrealized foreign exchange gains
All loans and advances to the corporation
All indebtedness- bonds, debentures, notes, mortgages, bankers acceptances, or similar obligations

Any dividends declared but not paid
All other indebtedness outstanding for more than 365 days

From 2004 Tax Return	Non-Distribution Elimination	Wires Only
		0
167,081,000		167,081,000
48,108,799		48,108,799
		0
		0
		0
353,246,500		353,246,500
		0
		0
		0
Subtotal	0	568,436,299

DEDUCT:

Deferred tax debit balance
Any deficit deducted in computing shareholders' equity
Any patronage dividends 135(1) deducted in computing income under Part I included in amounts above
Deferred unrealized foreign exchange losses

		0
		0
		0
		0
		0
Subtotal	0	0

Capital for the year

568,436,299	0	568,436,299
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INVESTMENT ALLOWANCE

Shares in another corporation
Loan or advance to another corporation
Bond, debenture, note, mortgage, or similar obligation of another corporation
Long term debt of financial institution
Dividend receivable from another corporation
Debts of corporate partnerships that were not exempt from tax under Part 1.3
Interest in a partnership

From 2004 Tax Return	Non-Distribution Elimination	Wires Only
		0
		0
		0
		0
		0
		0
		0
		0
Investment Allowance	0	0

TAXABLE CAPITAL

Capital for the year	568,436,299	0	568,436,299
Deduct: Investment allowance	0	0	0
Taxable Capital for taxation year	568,436,299	0	568,436,299
Deduct: Capital Deduction upto \$50,000,000	50,000,000		50,000,000
Taxable Capital	518,436,299	0	518,436,299
Rate			0.00000%
Gross Part 1.3 Tax - LCT			0.00
Federal Surtax Rate			0.0000%
Less: Federal Surtax = Taxable Income x Surtax Rate			0
Net Part 1.3 Tax - LCT Payable (If surtax is greater than Gross LCT, then zero,			0
Net Part 1.3 Tax - LCT Payable grossed-up (1 - 0.3612)			0

Paid-Up Capital

Loans & Advances

Customer Deposits	23,850,000
Notes payable	323,830,000
Tender Deposits	75,000
Key Deposits	16,500
Prudentials	475,000
CIS Credit	5,000,000
	<u>353,246,500</u>

Deferred Credits

Future Employee Benefits Liability	4,546,000
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Excess Amounts

Cumulative CCA
Cumulative Amortization
Cumulative CEC
Cumulative CCA on FMV Bump

Hydro Ottawa Limited
Line 371 reconciliation
December 31, 2006

Cumulative CCA

2001	6,046,889
2002	26,801,693
2003	26,880,359
2004	36,713,722
2005	37,305,089
2006	33,752,778
2007	40,948,796
2008	39,458,502
	<u>247,907,828</u>

Cumulative Depreciation

2001	5,365,000
2002	23,432,000
2003	25,107,000
2004	25,890,138
2005	29,674,251
2006	32,979,486
2007	37,346,006
2008	39,649,960
	<u>219,443,841</u>

Cumulative CEC amount

2001	29,812
2002	116,190
2003	108,056
2004	106,132
2005	99,620
2006	93,627
2007	87,269
2008	81,160
	<u>721,866</u>

Line 371

Cumulative CCA	247,907,828
Cumulative Depreciation	(219,443,841)
Cumulative CEC amount	721,866
Cumulative CCA on FMV Bump	(21,707,985)
Net Regulatory (Liability)/Asset	-
	<u>7,477,868</u>

Test Year PILs Provision

Name of Utility:
License Number:
File Numbers:
Name of Contact:

Hydro Ottawa Limited
ED-2002-0556
EB-2007-0713,
Lynne Anderson

Phone Number: (613) 738-5499

	Wires Only			
Regulatory Taxable Income - From 'Test Year Taxable Income'	19,727,043			
Corporate Income Tax Rate	33.50%			
Total Income Taxes	6,608,560	2004 Actual	Variance	Explanation of Variance
Investment Tax Credits			0	
Miscellaneous Tax Credits			0	
Total Tax Credits	0	0	0	
Corporate PILs/Income Tax Provision for Test Year	6,608,560			
Ontario Capital Tax	1,238,635			
LCT	0			
<u>INCLUSION IN RATES</u>				
Income Tax (grossed-up)	9,937,684			
Ontario Capital Tax (not grossed-up)	1,238,635			
LCT (grossed-up)	0			
Tax Provision for 2008 EDR Model Rate Recovery	11,176,318			

Test Year PILs Variance

Name of Utility: Hydro Ottawa Limited

License Number: ED-2002-0556

File Numbers: EB-2007-0713,

Name of Contact: Lynne Anderson

Phone Number: (613) 738-5499

		<u>Income Taxes</u>	<u>OCT</u>	<u>LCT</u>	<u>TOTAL</u>
Actual PILs/Taxes Paid by the Utility ¹	2006	10,968,065	1,525,758	0	12,493,823
Test Year PILs/Taxes ²	2008	9,937,684	1,238,635	0	11,176,318
Variance (2008 vs. 2006)	-	1,030,381	-	287,123	- - 1,317,505
Percentage Variance between Actual 2006 and 2008 Proxy					-12%

Comments:

See Exhibit D2-2-1.

¹ Actual Wires-Only PILs/ Taxes paid includes income taxes and Ontario Capital Tax.

² Test Year PILs/Taxes include the grossed-up amounts for income taxes plus Ontario Capital Tax (not grossed-up).