

Parry Sound Power Corporation (PSPC) was directed by the Board in the EB-2012-0229 Decision and Order dated October 4, 2012 to recalculate the 2001 true-up taxation rate using a consistent regulatory approach which was used and approved by the board for the years 2002 to 2005.

PSPC requested its external auditors to determine what the weighted average income tax rate would have been in 2001 for a taxable income of \$70,508 (approved regulatory taxable income) and taxable capital of \$6,561,667 (approved ratebase as a proxy).

The external auditors calculated a rate of 23.34% as set out in Appendix 1. They have utilized a normalized approach whereby the taxable income for the 3 month period in 2001 was normalized for a full year. Taxable income of \$70,508 for the period October 1 to December 31 is normalized to a taxable income of \$279,733 annually (( \$70,508 /92 days) x 365 days). This rate is below the expected value of approximately 25% set out in the Board Decision.

PSPC has utilized this revised tax rate for 2001 in a revised 2001 SIMPILS model attached as Appendix 2. The original SIMPILS model utilized a true-up rate of 34.12% which was equal to the rate used to set the amount of PILS included in distribution rates. As a result there were no true-up amounts calculated.

Using the revised tax rate which is lower than the rate used to determine PILS results in an amount owing to customers of \$9,772.

The true-up rates and resulting true-up amounts for 2002 to 2005 which PSPC provided in its reply submission were approved by the Board. The SIMPILS models for these years have been reproduced in Appendices 3 to 6.

Appendix 7 provides a revised continuity schedule from the one submitted in its reply submission. The true-up value for 2001 has changed from zero to an amount owing to customers as discussed above. A corresponding change in interest improvement is also driven by the 2001 SIMPILS true-up change. In addition interest improvement has been extended to October 31, 2012 from April 30, 2012.

As a result PSPC is applying to refund a revised value of \$182,992 its customers from the \$167,916 owing to customers set out in its reply submission.

Rate riders have been developed to repay the revised amount over the 14 month period approved by the Board. These are set out in Appendix 8.

Customer impacts are set out in Appendix 9.