## 1 INTERROGATORY 73:

**Reference**(s): Exhibit 4B, Tab 2, Schedule 2, p. 20 – Schedule 8 Test Year 2 3 4 5 THESL has disclosed proceeds of disposal in Schedule 8 of \$14,347,679 for Class 1, and \$899.095 for Class 17: 6 7 a) Please provide a description of each of the transactions, including how much profit is forecast on the disposals and the references in the application where the other parts of 8 9 the transactions can be located: b) Please provide similar Schedule 8 formats for each year 2016, 2017, 2018 and 2019 10 showing the capital additions based on the proposed capital plan and any forecast 11 disposals of assets. 12 13 14 **RESPONSE:** 15 In its originally filed application, THESL disclosed proceeds of disposal in Schedule 16 a) 8 of \$14,347,679 and \$899,095 for Class 1 and Class 17 respectively. THESL 17 revised both amounts in its September update to \$16,318,959 and \$1,034,729 18 respectively. The proceeds disclosed for tax purposes do not reflect the net profit on 19 the dispositions. Exhibit 2B, Section E8.3, provides details related to disposal of 20 properties. 21 22 Copies of Schedule 8 for the years 2016-2019 are provided as Appendix A to this 23 b) Schedule. There are no forecasted disposals for the years 2016-2019. 24

Contario Energy Board

# Income Tax/PILs Workform for 2015 Filers

#### Toronto Hydro-Electric System Limited

Schedule 8 CCA - 2016 Test Year

Class	Class Description	UCC Test Year Opening Balance (note 1)	Additions	Disposals (Negative)	UCC Before 1/ Adjustmen		1/2 Year Rule {1/2 Additions Less Disposals}	Redu	ICEd UCC	Rate %	т	est Year CCA	UCC End of Test Year
1	Distribution System - post 1987	\$ 1,089,244,526	26,268,538		\$ 1,115,513,	064	\$ 13,134,269	\$ 1,10	2,378,795	4%	\$	44,095,152	\$ 1,071,417,912
1 Enhanced	Non-residential Buildings Reg. 1100(1)(a.1) election	\$ -			\$	-	\$ -	\$	-	6%	\$	-	\$ -
2	Distribution System - pre 1988	\$ 273,664,743			\$ 273,664,	743	\$ -	\$ 27	3,664,743	6%	\$	16,419,885	\$ 257,244,858
8	General Office/Stores Equip	\$ 25,270,742	6,896,260		\$ 32,167,	002	\$ 3,448,130	\$ 2	28,718,872	20%	\$	5,743,774	\$ 26,423,228
10	Computer Hardware/ Vehicles	\$ 12,668,867	3,303,283		\$ 15,972,	150	\$ 1,651,642	\$ 1	4,320,508	30%	\$	4,296,152	\$ 11,675,997
10.1	Certain Automobiles	\$ -			\$	-	\$ -	\$	-	30%	\$	-	\$ -
12	Computer Software	\$ 11,840,863	84,887,414		\$ 96,728,	277	\$ 42,443,707	\$ 5	54,284,570	100%	\$	54,284,570	\$ 42,443,707
13 1	Lease # 1	\$ -			\$	-	\$ -	\$	-	SL	\$	-	\$ -
13 2	Lease #2	\$ -			\$	-	\$ -	\$	-	SL	\$	-	\$ -
13 3	Lease # 3	\$ 19,181			\$ 19,	181	\$ -	\$	19,181	SL	\$	19,181	\$ -
13 4	Lease # 4	\$ 176,240			\$ 176,	240	\$ -	\$	176,240	SL	\$	117,492	\$ 58,748
13 5	Lease # 5	\$ 271,314			\$ 271,	314	\$-	\$	271,314	SL	\$	77,518	\$ 193,796
13 6	Lease # 6	\$ 38,759			\$ 38,	759	\$ -	\$	38,759	SL	\$	8,613	\$ 30,146
13 7	Lease # 7	\$ -	27,826		\$ 27,	826	\$ -	\$	27,826	SL	\$	2,783	\$ 25,043
14	Franchise	\$ -			\$	-	\$ -	\$	-		\$	-	\$ -
	New Electrical Generating Equipment Acq'd after Feb 27/00												
17	Other Than Bldgs	\$ 15,155,582			\$ 15,155,	582	\$ -	\$ 1	5,155,582	8%	\$	1,212,447	\$ 13,943,136
42	Fibre Optic Cable	\$ 28,969			\$ 28,	969	\$ -	\$	28,969	12%	\$	3,475	\$ 25,494
43.1	Certain Energy-Efficient Electrical Generating Equipment	\$ -			\$	-	\$-	\$	-	30%	\$	-	\$ -
43.2	Certain Clean Energy Generation Equipment	\$ -			\$	-	\$-	\$	-	<b>50%</b>	\$	-	\$-
45	Computers & Systems Software acq'd post Mar 22/04	\$ 24,702			\$ 24,	702	\$ -	\$	24,702	45%	\$	11,116	\$ 13,586
	Data Network Infrastructure Equipment (acq'd post Mar												
	22/04)	\$ 167,425	238,723		\$ 406,	148	\$ 119,362	\$	286,786	30%	\$	86,036	\$ 320,112
47	Distribution System - post February 2005	\$ 1,834,221,266	371,995,434		\$ 2,206,216,	700	\$ 185,997,717	\$ 2,02	20,218,983	8%	\$	161,617,519	\$ 2,044,599,181
50	Data Network Infrastructure Equipment - post Mar 2007	\$ 21,602,654	24,612,799		\$ 46,215,	453	\$ 12,306,400	\$ 3	33,909,053	55%	\$	18,649,979	\$ 27,565,474
	Computer Hardware and system software	\$ -			\$		\$-	\$	-	<b>100%</b>	\$	-	\$-
95	CWIP	\$ 405,809,399			\$ 405,809,	399	\$-	\$ 40	5,809,399	0%	\$	-	\$ 405,809,399
					\$	-	\$-	\$	-	0%	\$	-	\$-
					Ψ	-	\$-	\$	-	0%	\$	-	\$-
					Ŧ		\$-	\$	-	0%	\$	-	\$ -
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					\$	-	\$-	\$	-	0%	\$	-	\$-
					\$	-	\$-	\$	-	0%	\$	-	\$-
	TOTAL	\$ 3,690,205,231	\$ 518,230,277	\$ -	\$ 4,208,435,	508	\$ 259,101,226	\$ 3,94	9,334,282		\$	306,645,692	\$ 3,901,789,816

Ontario Energy Board

# **Income Tax/PILs Workform for 2015 Filers**

#### Toronto Hydro-Electric System Limited

Schedule 8 CCA - 2017 Test Year

Class	Class Description	UCC Test Year Opening Balance (note 1)	Additions	Disposals (Negative)	UCC Before 1/2 Yo Adjustment	1/2 Year Rule {1/2 Additions Less Disposals}	Reduced UCC	Rate %	Те	st Year CCA	UCC End of Test Year
1	Distribution System - post 1987	\$ 1,071,417,912	18,025,435		\$ 1,089,443,347	\$ 9,012,718	\$ 1,080,430,630	4%	\$	43,217,225	\$ 1,046,226,122
1 Enhanced	Non-residential Buildings Reg. 1100(1)(a.1) election	\$ -	, ,		\$ -	\$ -	\$ -	6%	\$	-	\$ -
2	Distribution System - pre 1988	\$ 257,244,858			\$ 257,244,858	\$ -	\$ 257,244,858	6%	\$	15,434,692	\$ 241,810,167
8	General Office/Stores Equip	\$ 26,423,228	6,967,813		\$ 33,391,041	\$ 3,483,907	\$ 29,907,134	20%	\$	5,981,427	\$ 27,409,614
10	Computer Hardware/ Vehicles	\$ 11,675,997	3,828,481		\$ 15,504,478	\$ 1,914,241	\$ 13,590,238	30%	\$	4,077,070	\$ 11,427,408
10.1	Certain Automobiles	\$ -			\$ -	\$ -	\$ -	30%	\$	-	\$ -
12	Computer Software	\$ 42,443,707	17,868,647		\$ 60,312,354	\$ 8,934,324	\$ 51,378,031	100%	\$	51,378,031	\$ 8,934,324
13 1	Lease # 1	\$ -			\$ -	\$ -	\$ -	SL	\$	-	\$ -
13 2	Lease #2	\$ -			\$-	\$ -	\$ -	SL	\$	-	\$ -
13 3	Lease # 3	\$ -			\$-	\$ -	\$ -	SL	\$	-	\$ -
13 4	Lease # 4	\$ 58,748			\$ 58,748	\$ -	\$ 58,748	SL	\$	58,748	\$ -
13 5	Lease # 5	\$ 193,796			\$ 193,796	\$-	\$ 193,796	SL	\$	77,518	\$ 116,278
13 6	Lease # 6	\$ 30,146			\$ 30,146	\$-	\$ 30,146	SL	\$	8,613	\$ 21,533
13 7	Lease # 7	\$ 25,043			\$ 25,043	\$-	\$ 25,043	SL	\$	5,565	\$ 19,478
13 8	Lease # 8	\$ -	6,143		\$ 6,143	\$-	\$ 6,143	SL	\$	614	\$ 5,529
14	Franchise	\$ -			\$-	\$ -	\$ -		\$	-	\$ -
	New Electrical Generating Equipment Acq'd after Feb 27/00										
17	Other Than Bldgs	\$ 13,943,136			\$ 13,943,136	\$ -	\$ 13,943,136	8%	\$	1,115,451	\$ 12,827,685
42	Fibre Optic Cable	\$ 25,494			\$ 25,494	\$ -	\$ 25,494	12%	\$	3,059	\$ 22,435
43.1	Certain Energy-Efficient Electrical Generating Equipment	\$-			\$-	\$ -	\$-	30%	\$	-	\$-
43.2	Certain Clean Energy Generation Equipment	\$-			\$-	\$-	\$ -	<b>50%</b>	\$	-	\$ -
45	Computers & Systems Software acq'd post Mar 22/04	\$ 13,586			\$ 13,586	\$ -	\$ 13,586	45%	\$	6,114	\$ 7,472
	Data Network Infrastructure Equipment (acq'd post Mar										
46	22/04)	\$ 320,112	217,129		\$ 537,241			30%	\$	128,603	\$ 408,638
47	Distribution System - post February 2005	\$ 2,044,599,181	419,967,718		\$ 2,464,566,899		\$ 2,254,583,040	8%	\$		\$ 2,284,200,256
50	Data Network Infrastructure Equipment - post Mar 2007	\$ 27,565,474	17,466,009		\$ 45,031,483	\$ 8,733,005	\$ 36,298,478	55%	\$	19,964,163	\$ 25,067,320
52	Computer Hardware and system software	\$-			\$-	\$-	\$ -	100%	\$	-	\$ -
95	CWIP	\$ 405,809,399			\$ 405,809,399	\$-	\$ 405,809,399	0%	\$	-	\$ 405,809,399
					\$-	\$-	\$ -	0%	\$	-	\$ -
					\$-	\$ -	\$ -	0%	\$	-	\$ -
					\$-	\$ -	\$-	0%	\$	-	\$ -
					\$-	\$ -	\$-	0%	\$	-	\$ -
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					\$-	\$ -	\$ -	0%	\$	-	\$-
					\$-	\$-	\$-	0%	\$	-	\$-
					\$-	\$-	\$ -	0%	\$	-	\$ -
					\$-	\$-	\$ -	0%	\$	-	\$-
					\$-	\$-	\$-	0%	\$	-	\$-
	TOTAL	\$ 3,901,789,816	\$ 484,347,375	\$ -	\$ 4,386,137,191	\$ 242,170,616	\$ 4,143,966,575		\$	321,823,535	\$ 4,064,313,656

Ontario Energy Board

# Income Tax/PILs Workform for 2015 Filers

#### Toronto Hydro-Electric System Limited

#### Schedule 8 CCA - 2018 Test Year

Class	Class Description	UCC Test Year Opening Balance (note 1)	Additions	Disposals (Negative)	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	\$ 1,046,226,122	3,573,269		\$ 1,049,799,391	\$ 1,786,635	\$ 1,048,012,756	4%	\$ 41,920,511	\$ 1,007,878,880
1 Enhanced	Non-residential Buildings Reg. 1100(1)(a.1) election	\$-			\$-	\$-	\$-	<b>6%</b>	\$-	\$ -
	Distribution System - pre 1988	\$ 241,810,167			\$ 241,810,167	\$-	\$ 241,810,167	<mark>6%</mark>	\$ 14,508,610	\$ 227,301,557
8	General Office/Stores Equip	\$ 27,409,614	2,441,756		\$ 29,851,370	\$ 1,220,878	\$ 28,630,492	20%	\$ 5,726,098	\$ 24,125,271
10	Computer Hardware/ Vehicles	\$ 11,427,408	3,737,496		\$ 15,164,904	\$ 1,868,748	\$ 13,296,156	30%	\$ 3,988,847	\$ 11,176,057
10.1	Certain Automobiles	\$-			\$-	\$-	\$-	30%	\$-	\$-
	Computer Software	\$ 8,934,324	17,897,950		\$ 26,832,274	\$ 8,948,975	\$ 17,883,299	100%	\$ 17,883,299	\$ 8,948,975
13 1	Lease # 1	\$-			\$-	\$-	\$-	SL	\$-	\$-
13 2	Lease #2	\$-			\$-	\$-	\$-	SL	\$-	\$-
13 3	Lease # 3	\$-			\$-	\$-	\$-	SL	\$-	\$-
13 4	Lease # 4	\$-			\$-	\$-	\$-	SL	\$-	\$-
13 5	Lease # 5	\$ 116,278			\$ 116,278	\$-	\$ 116,278	SL	\$ 77,518	\$ 38,760
13 6	Lease # 6	\$ 21,533			\$ 21,533	\$-	\$ 21,533	SL	\$ 8,613	\$ 12,920
13 7	Lease # 7	\$ 19,478			\$ 19,478	\$ -	\$ 19,478	SL	\$ 5,565	\$ 13,913
13 8	Lease # 8	\$ 5,529			\$ 5,529	\$-	\$ 5,529	SL	\$ 1,229	\$ 4,300
13 9	Lease # 9	\$-	6,302		\$ 6,302	\$-	\$ 6,302	SL	\$ 630	\$ 5,672
14	Franchise	\$-			\$-	\$-	\$-		\$-	\$-
	New Electrical Generating Equipment Acq'd after Feb 27/00									
17	Other Than Bldgs	\$ 12,827,685			\$ 12,827,685	\$-	\$ 12,827,685	8%	\$ 1,026,215	\$ 11,801,470
42	Fibre Optic Cable	\$ 22,435			\$ 22,435	\$-	\$ 22,435	12%	\$ 2,692	\$ 19,743
43.1	Certain Energy-Efficient Electrical Generating Equipment	\$ -			\$ -	\$ -	\$-	30%	\$-	\$-
	Certain Clean Energy Generation Equipment	\$ -			\$ -	\$ -	\$ -	50%	\$ -	\$ -
45	Computers & Systems Software acg'd post Mar 22/04	\$ 7,472			\$ 7,472	\$-	\$ 7,472	45%	\$ 3,362	\$ 4,110
	Data Network Infrastructure Equipment (acq'd post Mar						. ,			,
46	22/04)	\$ 408,638	178,627		\$ 587,265	\$ 89,314	\$ 497,951	30%	\$ 149,385	\$ 437,879
47	Distribution System - post February 2005	\$ 2,284,200,256	382,891,213		\$ 2,667,091,469	\$ 191,445,607	\$ 2,475,645,862	8%	\$ 198,051,669	\$ 2,469,039,800
50	Data Network Infrastructure Equipment - post Mar 2007	\$ 25,067,320	8,422,322		\$ 33,489,642	\$ 4,211,161	\$ 29,278,481	55%	\$ 16,103,164	\$ 17,386,477
52	Computer Hardware and system software	\$-			\$-	\$-	\$-	100%	\$-	\$ -
95	CWIP	\$ 405,809,399			\$ 405,809,399	\$-	\$ 405,809,399	0%	\$-	\$ 405,809,399
					\$-	\$-	\$-	0%	\$-	\$ -
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	TOTAL	\$ 4,064,313,656	\$ 419,148,935	\$-	\$ 4,483,462,591	\$ 209,571,317	\$ 4,273,891,274		\$ 299,457,408	\$ 4,184,005,183

Contario Energy Board

# Income Tax/PILs Workform for 2015 Filers

#### Toronto Hydro-Electric System Limited

#### Schedule 8 CCA - 2019 Test Year

Class	Class Description	UCC Test Year Opening Balance (note 1)	Additions	Disposals (Negative)	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	\$ 1,007,878,880	3,478,737		\$ 1,011,357,617	\$ 1,739,369	\$ 1,009,618,248	4%	\$ 40,384,730	\$ 970,972,887
1 Enhanced	Non-residential Buildings Reg. 1100(1)(a.1) election	\$-			\$-	\$-	\$-	6%	\$-	\$-
2	Distribution System - pre 1988	\$ 227,301,557			\$ 227,301,557	\$-	\$ 227,301,557	6%	\$ 13,638,093	\$ 213,663,464
8	General Office/Stores Equip	\$ 24,125,271	2,468,923		\$ 26,594,194	\$ 1,234,462	\$ 25,359,733	20%	\$ 5,071,947	\$ 21,522,248
10	Computer Hardware/ Vehicles	\$ 11,176,057	3,898,175		\$ 15,074,232	\$ 1,949,088	\$ 13,125,145	30%	\$ 3,937,543	\$ 11,136,689
10.1	Certain Automobiles	\$ -			\$-	\$ -	\$-	30%	\$-	\$-
12	Computer Software	\$ 8,948,975	18,832,100		\$ 27,781,075	\$ 9,416,050	\$ 18,365,025	100%	\$ 18,365,025	\$ 9,416,050
13 1	Lease # 1	\$ -			\$-	\$-	\$-	SL	\$-	\$-
13 2	Lease #2	\$-			\$-	\$-	\$-	SL	\$-	\$-
13 3	Lease # 3	\$-			\$-	\$-	\$-	SL	\$-	\$-
13 4	Lease # 4	\$-			\$-	\$-	\$-	SL	\$-	\$-
13 5	Lease # 5	\$ 38,760			\$ 38,760	\$-	\$ 38,760	SL	\$ 38,760	\$-
13 6	Lease # 6	\$ 12,920			\$ 12,920	\$ -	\$ 12,920	SL	\$ 8,613	\$ 4,307
13 7	Lease # 7	\$ 13,913			\$ 13,913	\$-	\$ 13,913	SL	\$ 5,565	\$ 8,348
13 8	Lease # 8	\$ 4,300			\$ 4,300	\$-	\$ 4,300	SL	\$ 1,229	\$ 3,071
13 9	Lease # 9	\$ 5,672			\$ 5,672	\$-	\$ 5,672	SL	\$ 1,260	\$ 4,412
13 10	Lease # 10	\$ -	6,003		\$ 6,003	\$ -	\$ 6,003	SL	\$ 600	\$ 5,403
14	Franchise	\$ -			\$ -	\$ -	\$ -		\$ -	\$ -
	New Electrical Generating Equipment Acq'd after Feb 27/00									
	Other Than Bldgs	\$ 11,801,470			\$ 11,801,470	\$-	\$ 11,801,470	8%	\$ 944,118	\$ 10,857,352
42	Fibre Optic Cable	\$ 19,743			\$ 19,743		\$ 19,743	12%	\$ 2,369	
43.1	Certain Energy-Efficient Electrical Generating Equipment	\$ -			\$ -	\$-	\$ -	30%	\$ -	\$ -
	Certain Clean Energy Generation Equipment	\$-			\$-	\$-	\$-	50%	\$-	\$-
	Computers & Systems Software acq'd post Mar 22/04	\$ 4,110			\$ 4.110	\$-	\$ 4.110	45%	\$ 1.849	\$ 2.260
	Data Network Infrastructure Equipment (acg'd post Mar					•			, , , , , , , , , , , , , , , , , , , ,	,
46	22/04)	\$ 437,879	186,185		\$ 624,064	\$ 93,093	\$ 530,972	30%	\$ 159,292	\$ 464,773
47	Distribution System - post February 2005	\$ 2,469,039,800	470,967,445		\$ 2,940,007,245	\$ 235,483,723	\$ 2,704,523,522	8%	\$ 216,361,882	\$ 2,723,645,363
50	Data Network Infrastructure Equipment - post Mar 2007	\$ 17,386,477	8,848,812		\$ 26,235,289	\$ 4,424,406	\$ 21,810,883	55%	\$ 11,995,986	\$ 14,239,303
52	Computer Hardware and system software	\$ -			\$-	\$-	\$-	100%	\$-	\$-
95	CWIP	\$ 405,809,399			\$ 405,809,399	\$-	\$ 405,809,399	0%	\$-	\$ 405,809,399
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					\$ -	\$-	\$ -	0%	\$-	\$-
	TOTAL	\$ 4,184,005,183	\$ 508,686,380	\$-	\$ 4,692,691,563	\$ 254,340,189	\$ 4,438,351,374		\$ 310,918,861	\$ 4,381,772,702

## 1 INTERROGATORY 74:

**Reference**(s): Exhibit 4B, Tab 2, Schedule 2, pp. 6, 13 and 21 – Cumulative 2 **Eligible Capital** 3 4 5 The above references show additions of \$2,489,752 in 2013, \$3,370,623 in 2014 and 6 7 \$84,096,612 in 2015 respectively: 8 9 a) Please provide explanations for these additions; b) Please state whether or not THESL expects material additions in the years 2016-2019. 10 If yes, please describe the expenditures and calculate the tax impacts for each of the 11 years 2016-2019 using the PILs model formats. 12 13 14 **RESPONSE:** 15 a) The eligible capital expenditures additions of \$2,489,752, \$3,370,623 and 16 \$84,096,612 relate primarily to contributions payments made to Hydro One Networks 17 Inc. for connections to increase electricity distribution system capacity. 18 19 b) Consistent with its proposed rate framework, Toronto Hydro has not included 20 forecasted additions of eligible capital expenditures and the resulting tax impacts 21 beyond the 2015 Test Year. For a discussion of its proposed rate framework, please 22 refer to Exhibit 1B, Tab 2, Schedule 3. 23

## 1 INTERROGATORY 75:

Exhibit 4B, Tab 2, Schedule 2, p.16 - 2014 Taxable Income and **Reference**(s): 2 Exhibit 9, Tab 3, Schedule 1, p. 1 3 4 5 In the second reference, THESL has shown an IFRS derecognition amount for 2014 of 6 7 \$25,782,326. 8 9 In the first reference, this amount does not appear as an addition in the 2014 taxable income calculations. 10 11 Please provide an explanation for this treatment. 12 13 14 **RESPONSE:** 15 IFRS derecognition of \$25,782,326 for 2014 does not appear as an addition in the 2014 16 taxable income calculations because this amount is not included in net income for 17 calculating PILs. The balance has been recorded in account 1575 which is used to record 18 differences as a result of the transition from US GAAP to IFRS. 19

### 1 INTERROGATORY 76:

Exhibit 4B, Tab 2, Schedule 2, p. 22 – Continuity of Reserves **Reference**(s): 2 3 4 5 In the above reference, an addition of \$8,521,000 is shown for Other Post-Employment Benefits: 6 7 a) Please state whether or not THESL expects a similar amount to be incurred in each of the years 2016-2019; 8 9 b) Please explain the causes of these increases. 10 11 **RESPONSE:** 12 13 a) Consistent with its proposed rate framework, THESL has not forecasted Other Post-Employment Benefits beyond the 2015 Test Year. For a discussion of its proposed 14 rate framework, please refer to Exhibit 1B, Tab 2, Schedule 3. 15 16 b) The addition of \$8,521,000 was determined by an actuarial report prepared by 17 Towers Watson under IFRS for 2015. For the specific actuarial schedule please refer 18 to the response to Interrogatory 4A-OEBStaff-72. 19

## 1 INTERROGATORY 77:

2	Re	ference(s):	Exhibit 4B, Tab 2, Schedule 2, pp. 24-25 - 2015 Taxable
3			Income and
4			Exhibit 4B, Tab 1, Schedule 2, p.3 and
5			Exhibit 4BTab 2, Schedule 2, p. 22
6			
7			
8	On	page 24 of the first	t reference, a placeholder amount for derecognition of tangible
9	ass	sets of \$33,932,393	is recorded as an addition to income. On page 25, OPEBs
10	deo	ductions of \$446,00	00 and \$6,519,410 are recorded.
11			
12	In	the second reference	ee, a variance account is requested to record the difference between
13	the	e placeholder amou	nt and the actual de-recognition amounts during the period 2016-
14	20	19.	
15			
16	In	the third reference,	an amount of \$8,521,000 is shown as the change in the OPEB
17	res	erve (liability):	
18	a)	Please state wheth	her or not the tax impact on the variances will be calculated as part
19		of the proposed va	ariance account true-up. If yes, please state whether the tax impact
20		would be included	l in the same variance account, or whether a separate variance
21		account would be	needed;
22	b)	Please explain wh	at the OPEBs deductions of \$446,000 and \$6,519,410 are for;
23	c)	Please state where	e the difference between the deductions referenced in part b above
24		and the \$8,521,00	0 shown as the change in the OPEB reserve (liability) are recorded
25		and provide an ex	planation.
26			

### 1 **RESPONSE:**

2	a)	Once the proposed variance account is approved for clearance, a PILs gross up will
3		be added to the balance. A separate variance account for PILs will not be required.
4		
5	b)	The OPEB deduction of \$446,000 represents the amounts transferred from related
6		parties. The OPEB deduction of \$6,519,410 represents the capitalized portion of
7		OPEB in the year. These amounts form part of the \$8,521,000 shown as the change in
8		the OPEB reserve (liability) referenced in part c).

9

10	c)	The balance of \$8,521,000 is represented by the difference between the opening and
11		closing OPEB reserve for the 2015 test year. Please note that the OPEB reserve as
12		presented, includes liabilities associated with Energy Services Incorporated and
13		Toronto Hydro Corporation. The liability balance excludes LDC Unregulated. The
14		OPEB costs associated with Toronto Hydro Corporation, Energy Services
15		Incorporated and LDC Unregulated are accounted for in the income statements of the
16		subsidiaries and are therefore not taken into account when calculating Toronto Hydro
17		rates. The table below illustrates the movement of the balance:
18		

19	Opening balance	\$243,040,000
20	OM&A	9,939,590
21	Capital expenditures	6,519,410
22	Transfer from related parties	446,000
23	Benefits paid	(8,384,000)
24	Closing balance	<u>\$251,561,000</u>

## 1 INTERROGATORY 78:

2 Reference(s): Exhibit 4B, Tab 2, Schedule 2, p. 22

- 3
- 4
- 5 The recent Ontario government budget, which has received Royal Assent, changed the
- 6 Ontario small business credit.
- 7
- 8 Please state whether or not THESL believes any changes to the calculation of PILs for
- 9 2015 are required as a result of the passage of the Ontario budget.
- 10
- 11

## 12 **RESPONSE:**

- 13 The 2014 Ontario budget eliminated the provincial small business deduction for a
- corporation with taxable capital greater than \$15 million. This change applied to taxation
- 15 years ending after May 1, 2014. The impact will be an increase of \$62,680 in the PILs
- revenue requirement for 2015. THESL will exclude the Ontario small business deduction
- 17 on finalization of its Rates for 2015.

## 1 INTERROGATORY 79:

2 Reference(s): Exhibit 4B, Tab 2, Schedule 2, p. 22

- 3
- 4
- 5 THESL has recovered OPEBs in rates since 2000 both on a cash basis and on an accrual
- 6 accounting basis. It is Board staff's understanding that THESL has recovered OPEBs on
- 7 a cash basis up to May 1, 2006 and on an accrual basis thereafter:
- a) Please confirm that Board staff's understanding is correct, or if not, please correct and
  explain;
- b) Please complete the table below in a live Excel worksheet to show how much has
- been recovered for the period 2000 to 2013 relative to the actual cash benefit
- payments and how much is anticipated to be recovered in the forecast periods of 2014
- 13 to 2019;

OPEBs		Actual			Forecast		
	2000 to	2013	Total	2014 to	2019	Total	
Amounts included in rates							
OM&A							
Capital expenditures							
Sub-total							
Paid benefit amounts							
Net excess amount included in rates greater than amounts actually paid							

c) Please describe what has been done with the recoveries in excess of the cash benefit
 payments.

## 1 **RESPONSE:**

2	a)	Since 2000, Toronto Hydro has recovered OPEB in rates under the accrual
3		accounting basis. There was never a change from the cash basis to the accrual basis
4		of accounting.
5		
6	b)	Please refer to the live Excel worksheet (IR_4B_OEBStaff_79B_20141105.xlsx)
7		attached to this response. Consistent with its proposed rate framework, Toronto
8		Hydro has not forecasted its operating expenses beyond the 2015 Test Year. For a
9		discussion of the proposed rate framework please refer to Exhibit 1B, Tab 2,
10		Schedule 3.
11		
12	c)	Recoveries in excess of the cash benefits have been used to fulfil the cost of ongoing
13		utility operations.

## 1 INTERROGATORY 80:

Reference(s): Exhibit 4B, Tab 3, Schedule 1, App. A – 2013 Tax Return
 Schedule 13 Reserves

- 4
- 5

6 In the above reference, a reduction of the POEB reserve (OPEBs) of \$15,098,000 is

7 recorded:

8 a) Please explain the causes of this reduction;

9 b) Please state whether or not this reduction was determined by an actuary and, if so,

10 please provide the actuary's valuation;

11 c) Please provide a full explanation of the reduction identified as "termination accrual"

12 on the same schedule including whether or not it is related to staff reductions.

13

14

## 15 **RESPONSE:**

a) The reduction of the consolidated Toronto Hydro POEB reserve of \$15,098,000 is

comprised of the following:

Service Cost	\$5,226,000
Interest Cost	\$10,792,000
Actuarial (gain) loss	(\$20,684,000)
Benefits Paid	(\$10,432,000)
Total	(\$15,098,000)

b) This reduction was determined by our actuary, Towers Watson under US GAAP for

19 2014. For the specific actuarial schedule please refer to Exhibit 4A, Tab 4, Schedule

20

7.

- 1
- 2 c) The termination accrual balance on Schedule 13 represents the non deductible portion
- <sup>3</sup> of the balance for tax purposes. The non deductible portion is the balance that was
- 4 unpaid after 180 days from THESL's year-end. The balance accrued is primarily
- 5 related to an approved workforce restructuring program implemented in 2012.

# RESPONSES TO SUSTAINABLE INFRASTRUCTURE ALLIANCE OF ONTARIO INTERROGATORIES

## 1 INTERROGATORY 43:

2 Reference(s): Exhibit 4B, Tab 2, Schedule 1, page 1

- 3
- 4
- 5 THESL claims that "Where it can, Toronto Hydro takes advantage of available tax
- 6 deductions and tax credits, such as research and development tax credits, to minimize its
- 7 tax burden."
- 8
- 9 Please identify the amount of R&D credits claimed in each year from 2011-2014.
- 10
- 11
- 12 **RESPONSE:**
- 13 Please see table below:

	2011	2012	2013	2014
Federal R&D Credit	\$2,101,495	\$1,664,433	\$1,255,767	N/A - not yet
				filed
Ontario R&D Credit	\$495,117	\$392,144	\$295,861	N/A - not yet
				filed
Total R&D Credits	\$2,596,612	\$2,056,577	\$1,551,628	N/A - not yet
				filed