



November 18, 2008

Kirsten Walli, Board Secretary
Ontario Energy Board
P.O. Box 2319, 27th Floor
2300 Yonge Street
Toronto, ON
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Attention: Ms. Walli

**Re: Espanola Regional Hydro Distribution Corporation's 2009 3rd Generation
IRM Rate Application
Board File No. EB-2008-0173
Addendum to Managers Summary**

Please include the following as an addendum to the Managers Summary submitted to the OEB on November 11th 2008.

#5 (b)

Loss Carry-forward Tax Adjustment

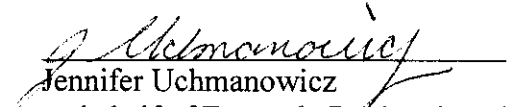
In ERHDC's 2008 Cost of Service Rate Application submitted to the Board on November 6th 2007 (EB-2007-0901) a PILs amount was not applied for in rates due to loss carry-forwards being available to reduce taxable income. In the 2008 application (Exhibit 4/page36) ERHDC stated that there were non-capital loss carry-forwards available at the end of 2006 of \$457,257. In Board Staff Interrogatories question #49 for ERHDC's 2008 Rate Application it was questioned why the 2006 audited financial statements in note #14 stated that the loss carry-forwards available were \$115,272. In response to Board Staff question #49 (page 170 of Responses to Board Staff Interrogatories) ERHDC indicated that the correct balance for the 2006 loss carry-forwards was in fact \$115,272. The Ministry of Finance reassessed 2001, 2002 and 2003 and determined ERHDC's taxable income to be \$341,985. To be conservative and to ensure interest was not accrued ERHDC carried back \$341,985 of the 2005 loss to 2003. The original 2008 Cost of Service Application did not take into consideration the \$341,985 loss that was carried back to 2003. ERHDC has filed a notice of objection with the Ministry of Finance

dated Aug 1, 2006 objecting to the decision. No decision has been issued by the Ministry of Finance.

In the 2008 Board Staff Interrogatories Responses ERHDC requested a negative rate rider in 2008 to be removed in 2009 in recognition of the loss carry-forwards being fully utilized in 2008. Refer to Board Staff Interrogatory responses page 168 to 170 for discussion of loss carry-forward and a copy of the notice of objection filed with the Ministry of Finance. Page 114 of Board Staff Interrogatory Responses is a copy of the 2006 Federal Tax Return Non-capital loss continuity work chart with an ending balance of \$115,272 that was filed with the Canada Revenue Agency. ERHDC utilized the \$115,272 loss carry-forward in 2007.

In the Board's submission the PILs issue was not further addressed and in the Board's Decision dated June 3, 2008 (Page 5) the Board states that Espanola has not applied for PILs taxes to be recovered in 2008 rates as it has non-capital tax losses of \$457,257 that can carry forward to shelter taxable income in 2008, and beyond. ERHDC notes that the actual loss carry-forward amount was \$115,272 not \$457,257. The balance of loss carry-forwards of \$115,272 was fully utilized in 2007. Therefore ERHDC is applying for a PILs recovery in the 2009 IRM application.

Sincerely,


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