

**ONTARIO ENERGY BOARD
SECTION 93 TAX PILs GROSS-UP
Notes To Proxy Model
Excel Worksheets
December 5, 2001**

General Comments

- 1) No Ontario corporate minimum tax is included (because, on a regulatory basis, utilities will generally be profitable and hence not subject to that tax).
- 2) For LDCs paying non-section 93 income and capital taxes, follow same general approach (with any adjustments necessary - for example, if different CCA rules apply, etc.).
- 3) For 2001, utilities will insert amounts in rates resulting from the process outlined in the Board's September 17, 2001 letter to utilities indicating guidelines for establishing an income tax provision in rates for 2001. If no application was made to the Board to establish a provision for taxes in rates, nothing is required as the default for 2001 in completing the column entitled "Initial Estimate" (Column C) is zero. In effect, 2001 regulatory tax (for inclusion in the annual rate adjustment for March 2002) will be calculated under column G (generally using data as of December 31, 2001).
- 4) The Board will determine which of the variances listed in the Ministry of Finance filing variance column (Column I) should be included in a "true up" to the deferral account. The effective date of any true up of deferral account balances (and associated interest thereon) will be the proxy tax filing date with MoF (or CCRA, for a utility paying regular corporate income tax).
- 5) The Board will provide further details later regarding when to complete the Deferral Account Allowance and variance explanations (Columns G and F) for the 2001 tax year and following tax years. It is expected that such information will usually be filed no later than January 15th for a December 31st year end - that is, the month immediately following year end. Guidance on filing for the 2001 tax year will be provided in conjunction with instructions on the annual rate adjustment process.

General Comments (continued)

- 6) The spreadsheet and footnotes contemplated a December 31st fiscal / taxation year-end. While staff have attempted to keep the wording of footnotes general as to dates, modifications may have to be made for other year-ends. Utilities should contact Board staff to discuss particulars.
- 7) To properly complete tax calculations commencing in 2002 for the Deferral Account Allowance (Column G), utilities will need to monitor, on a timely basis, changes in tax legislation (such as tax rates, CCA rates, capital tax exemptions, etc.) The affect of any change should be prorated as provided for in the government's legal instrument (i.e. Order in Council, regulation, etc.) enforcing the change. The utility may thus end up with blended actual rates.
- 8) The Board understands that when filing their s. 93 proxy tax returns with the province, LDCs will submit an Ontario corporate tax return using the Ontario tax rules, and a federal income tax return using the federal rules. In some cases, there may be differences between the two sets of rules. These should be noted and explained in the variance analysis to be provided.
- 9) The Board will apply the materiality guideline established in the Board's Electricity Distribution Rate Handbook, $0.0025 \times$ net assets. Alternatively, the utility may use a rate base criteria by multiplying $0.0025 \times$ (utility's common equity ratio \times rate base) per the Rate Handbook. These materiality guidelines will apply to the "Other Additions" and "Other Deductions" adjustments to taxable income, in order to identify items that should be provided for separately.

Suggestions For Completing PILs Worksheets

- 1 Print a copy of the final RUD model (submitted for rate unbundling) sheet #7, entitled “**MARR (NO TAX) CALCULATIONS**”. This worksheet contains data for Rate Base, MARR, 1999 Return, etc. that were used to generate the final unbundled rate schedule.
- 2 There are three worksheets contained in an Excel file entitled “PILs Proxy Model”. The sheets are entitled: “REGINFO, TAXREC and TAXCALC”. This Excel file is available on the Board’s website (www.oeb.gov.on.ca) under “What’s New?”.
- 3 Complete worksheet “**REGINFO**” using the information from the MARR calculations noted above, and the approved phase-in period for your utility.
- 4 The worksheet “**TAXREC**” will be required when utilities submit their information supporting their tax filing with the Ministry of Finance. Generally, this will occur by June 30th of each year.
- 5 The person in your utility responsible for the actual PILs instalment calculations should be consulted. The data required for the calculation of PILs instalment payments that a utility must file with the Ministry of Finance are similar to those necessary for completion of the PILs Proxy worksheets. For example, CCRA (Canada Customs and Revenue Agency) Schedule 8 will have to be completed to derive the CCA (Capital Cost Allowances) numbers for the PILs Proxies for 2001 fourth quarter and 2002 whole year.
- 6 There will be a PILs estimate for the fourth quarter, 2001 **and** for the whole year 2002. **Two worksheets (entitled TAXCALC) will be necessary.** The blank worksheets are contained in the Excel file “PILs Proxy Model” which you will download from the Board website.

Suggestions For Completing PILs Worksheets (continued)

7 Suggested names for the worksheets are:

Fourth quarter 2001 Estimate (TAXCALC)

TCALQ401EST

Whole year 2002 Proxy (TAXCALC)

TCAL2002INI

You may label the worksheets whatever appropriate names are meaningful to your business.

8 Most utilities, for the fourth quarter 2001 Proxy estimate (TCALQ401EST), will complete **ONLY COLUMN “G”** entitled **“DEFERRAL ACCOUNT ALLOWANCE”**. This applies to those utilities that **did not** file an application with the Board resulting from the process outlined in the Board’s September 17, 2001 letter to utilities indicating guidelines for establishing an income tax provision in rates for 2001.

For the whole year 2002 Proxy (TCAL2002INI) complete **ONLY COLUMN “C”** entitled **“INITIAL ESTIMATE”**.

9 The utility’s revenue requirement will be increased to allow for the pass-through of PILs as outlined in the Electricity Distribution Rate Handbook and in Board correspondence. The tax amounts (at the bottom of the worksheet in the section entitled “INCLUSION IN RATES MARCH 2002”) that are derived from the two worksheets (TCALQ401EST and TCAL2002INI) will be inserted into the Annual Rate Adjustment Model which will be available soon from the Board’s Rates Department. Income taxes (see footnote #24) and Large Corporation Tax (see footnote #25) will be grossed up for the income taxes which will be applied to these amounts by the Ministry of Finance. Ontario capital tax will not be grossed up since this tax is deductible for tax purposes in computing income tax.

FOOTNOTES (Instructions)

The instructions will cross-reference some terms from the RUD model filed by utilities in support of their unbundling applications (also see Tab REGINFO). For Example:

MARR minus 1999 Return = change in revenue required ["incremental revenue to be phased in"]. In the Rate Handbook, s 3.1, it states that, "...any incremental revenue necessary to move the utility to its desired level of return within the Board's specified market return level, exclusive of payments-in-lieu of taxes 'PILs', will have to be phased-in evenly over three rate adjustment periods". Sections 4.13 (2), (3) also refer to the calculation of the incremental revenue and the allocation of one-third of this difference to rates. The 1999 Return (Cell B46 of Sheet 7) consisted of 1999 net income before financial expenses and extraordinary items, less non-wires revenues and expenses and any other Board-approved adjustments. The net income came from the 1999 audited financial statements.

CORPORATE INCOME TAXES		
ACCOUNTING INCOME		
Footnote 1: Regulatory Net Income: Earnings Before Interest and Taxes (EBIT)		
1A	2001	Insert any amounts included in rates resulting from process outlined in the Board's September 17, 2001 letter to utilities indicating guidelines for establishing an income tax provision in rates for 2001.
	2002+	(1999 Return + prior year incremental revenue to be phased in) x IPI-X for current year (if available) + current year incremental revenue to be phased in.
1B	2001	1/4 of (1999 Return + first year incremental revenue to be phased in).
	2002+	(1999 Return + prior year incremental revenue to be phased in) x IPI-X for current year + current year incremental revenue to be phased in.

1C	2001	Earnings Before Interest and Taxes (EBIT) based on the MoF filing. Any non-wires revenue and expenses included in earnings before interest and taxes should be removed from net income reported in year end tax submission to MoF (See Tab in PILs Spreadsheet entitled "TAXREC"). NO VARIANCE ACCOUNT ENTRY IS ASSOCIATED WITH THIS AMOUNT.
	2002+	Earnings Before Interest and Taxes (EBIT) based on the MoF filing. Any non-wires revenue and expenses included in earnings before interest and taxes (EBIT) should be removed from net income reported in MoF year end tax submission (See Tab in PILs Spreadsheet entitled "TAXREC"). NO VARIANCE ACCOUNT ENTRY IS ASSOCIATED WITH THIS AMOUNT.
BOOK TO TAX ADJUSTMENTS		
ADDITIONS To Accounting Income		
Footnote 2: Depreciation and Amortization		
2A	2001	Insert any amounts included in rates resulting from process outlined in the Board's September 17, 2001 letter to utilities indicating guidelines for establishing an income tax provision in rates for 2001.
	2002+	book depreciation included in the 1999 Return (RUD Model, Sheet 7, B46).
2B	2001	1/4 of book depreciation included in the 1999 Return (RUD Model, Sheet 7, B46).
	2002+	book depreciation included in the 1999 Return (RUD Model, Sheet 7, B46).
2C	2001	Actual (reflecting fair market value) depreciation and amortization recorded in the financial statements and reported to the MoF. Any non-wires expenses should be removed from depreciation and amortization reported in the MoF year end tax submission (See Tab in PILs Spreadsheet entitled "TAXREC"). NO VARIANCE ACCOUNT ENTRY IS ASSOCIATED WITH THIS AMOUNT.
	2002+	Actual (reflecting fair market value) depreciation and amortization recorded in the financial statements and reported to the MoF. Any non-wires expenses should be removed from depreciation and amortization reported in the MoF year end tax submission (See Tab in PILs Spreadsheet entitled "TAXREC"). NO VARIANCE ACCOUNT ENTRY IS ASSOCIATED WITH THIS AMOUNT.

Footnote 3: Federal Large Corporation Tax (LCT)		
3A	2001	1/4 of any amounts included in the 1999 Return amount included in the tax provision resulting from process outlined in the Board's September 17, 2001 letter to utilities indicating guidelines for establishing an income tax provision in rates for 2001.
	2002+	No amount will be entered unless a provision for Large Corporation Tax has been included in the Regulatory Net Income amount (footnote 1A above)
3B	2001	No amount will be entered unless a provision for Large Corporation Tax has been included in the Regulatory Net Income amount (footnote 1A above).
	2002+	No amount will be entered unless a provision for Large Corporation Tax has been included in the Regulatory Net Income amount (footnote 1B above).
3C	2001	Actual (reflecting fair market values) Large Corporation Tax recorded in the financial statements and reported to the MoF (generally filed in the June 2002 return for a December 31 year end). Any non-wires amounts included in the determination of paid-up capital should be removed from the paid up capital amount reported in MoF year end tax submission (See Tab in PILs Spreadsheet entitled "TAXREC"). NO VARIANCE ACCOUNT ENTRY IS ASSOCIATED WITH THIS AMOUNT.
	2002+	Actual (reflecting fair market values) Large Corporation Tax recorded in the financial statements and reported to the MoF (generally filed the following June for a December 31 year end). Any non-wires amounts included in the determination of paid-up capital should be removed from the paid up capital amount reported in MoF year end tax submission (See Tab in PILs Spreadsheet entitled "TAXREC"). NO VARIANCE ACCOUNT ENTRY IS ASSOCIATED WITH THIS AMOUNT.
Footnote 4: Employee Benefit Plans - Accrued, Not Paid (Includes Other Post Employment Benefits)		
4A	2001	1/4 of any amounts included in the 1999 Return amount included in the tax provision resulting from process outlined in the Board's September 17, 2001 letter to utilities indicating guidelines for establishing an income tax provision in rates for 2001.

	2002+	Deferral Account Allowance provision annualized (i.e. multiply by 4 if 2001 is a 3 month tax year ending December) for the previous year (if available), otherwise use the most recent annualized MoF filing for the year ended two years prior to the current year. For example, the 2003 rate provision would be the 2002 Deferral Account Allowance (footnote 3B, 2002+ below) or, if this information was not available, it would be the annualized (multiply by 4 if 2001 is a 3 month tax year ending December) 2001 MoF filing (footnote 4C, 2001 below).
4B	2001	1/4 of any amounts included in the 1999 Return amount included in the tax provision resulting from process outlined in the Board's September 17, 2001 letter to utilities indicating guidelines for establishing an income tax provision in rates for 2001.
	2002+	Most recent MoF filing for the year ended prior to the current year. For example, the 2002 Deferral Account Allowance would be the annualized (generally multiply by 4 as 2001 is 3 month tax year) amount filed with the MoF (footnote 4C, 2001 below). Note: the MoF filing will generally be made by June 30, for a December 31 year end.
4C	2001	Actual Employee Benefit Plans and Other Post Employment benefits accrued and reported to MoF within 6 months of the end of the utilities' taxation year end. Note: the MoF filing will generally be made by June 30, 2002 for a December 31 year end. A VARIANCE ACCOUNT ENTRY IS ASSOCIATED WITH THIS AMOUNT.
	2002+	Actual Employee Benefit Plans and Other Post Employment benefits accrued and reported to MoF within 6 months of the end of the utilities' taxation year end. Note: the MoF filing will generally be made by June 30 of the following year for a December 31 year end. A VARIANCE ACCOUNT ENTRY IS ASSOCIATED WITH THIS AMOUNT.
Footnote 5: CHANGE IN TAX RESERVES		
5A	2001	No rate provision is made for this item.
	2002+	No rate provision is made for this item.

5B	2001	Any tax reserves for 2001 will result in a positive entry (increase) as tax reserves did not exist prior to 2001 for most utilities. Any reserves for doubtful accounts, inventory reserves and any other reserves applicable to the wires-only portion of the utility's operations represent the entry for this item.
	2002+	A positive entry shall reflect an increase in the net tax reserve (current year reserve less prior year reserve). A negative entry will reflect a decrease. Use the most recent MoF filing for the year ended prior to the current year. Any reserves for doubtful accounts, inventory reserves and any other reserves applicable to the wires-only portion of the utility's operations represent the entry for this item.
5C	2001	Increases in net tax reserves (current year less prior year) reported to MoF within six months of end of the utility's taxation year end are positive entries. Decreases will be negative entries. Any reserves for doubtful accounts, inventory reserves and any other reserves applicable to the wires-only portion of the utility's operations represent the entry for this item. A VARIANCE ACCOUNT ENTRY MAY BE ASSOCIATED WITH THIS AMOUNT.
	2002+	Increases in net tax reserves (current year less prior year) reported to MoF within six months of end of the utility's taxation year end are positive entries. Decreases will be negative entries. Any reserves for doubtful accounts, inventory reserves and any other reserves applicable to the wires-only portion of the utility's operations represent the entry for this item. A VARIANCE ACCOUNT ENTRY MAY BE ASSOCIATED WITH THIS AMOUNT.
Footnote 6: Regulatory Adjustments		
6A	2001	1/4 of any amounts included in the 1999 Return amount included in the tax provision resulting from process outlined in the Board's September 17, 2001 letter to utilities indicating guidelines for establishing an income tax provision in rates for 2001.
	2002+	Transitional items, regulatory deferral account items and Z-factor costs may be included, as may unbilled revenues, for individual utilities.
6B	2001	Transitional items, regulatory deferral account items and Z-factor costs may be included, as may unbilled revenues, for individual utilities.
	2002+	Transitional items, regulatory deferral account items and Z-factor costs may be included, as may unbilled revenues, for individual utilities.

6C	2001	Transitional items, regulatory deferral account items and Z-factor costs may be included, as may unbilled revenues, for individual utilities. A VARIANCE ACCOUNT ENTRY MAY BE ASSOCIATED WITH THIS AMOUNT.
	2002+	Transitional items, regulatory deferral account items and Z-factor costs may be included, as may unbilled revenues, for individual utilities. A VARIANCE ACCOUNT ENTRY MAY BE ASSOCIATED WITH THIS AMOUNT.
Footnote 7: Other Additions (See Tab in PILs Spreadsheet entitled "ADDS")		
7A	2001	1/4 of any amounts included in the 1999 Return amount included in the tax provision resulting from process outlined in the Board's September 17, 2001 letter to utilities indicating guidelines for establishing an income tax provision in rates for 2001.
	2002+	Amount will generally be zero as the most significant variances (or variances necessary to establish a regulatory tax provision) were captured in previous additions to Regulatory Net Income (Footnotes 2 to 6 above). The additions listed in footnotes 2 to 6 are consistent with the categories of additions reported in supporting the tax provision in rates for Ontario's natural gas utilities under a cost of service based regulatory regime. This line item enables a utility to include other additions into rates which are material. Any interest amount that was not removed in determining the 1999 Return should be included here. Refer to Tab in PILs Spreadsheet entitled "TAXREC" to determine if there are material amounts that should be entered. A separate line item should be added to describe a material variance as the "Other" line item will be required to reconcile to the utility's MoF filing.

7B	2001	<p>Amount will generally be zero as the most significant variances (or variances necessary to establish a regulatory tax provision) were captured in previous additions to Regulatory Net Income (Footnotes 2 to 6 above). The additions listed in footnotes 2 to 6 are consistent with the categories of additions reported in supporting the tax provision in rates for Ontario's natural gas utilities under a cost of service based regulatory regime. This line item enables a utility to include other additions in its deferral account entry which are material. Any interest amount that was not removed in determining the 1999 Return should be included here. Refer to Tab in PILs Spreadsheet entitled "TAXREC" to determine if there are material amounts that should be entered when preparing deferral account entries. If a category was added in developing the provision, it must be included when performing the deferral account entry. A separate line item should be added to describe a material variance as the "Other" line item will be required to reconcile to the utility's MoF filing.</p>
	2002+	<p>Amount will generally be zero as the most significant variances (or variances necessary to establish a regulatory tax provision) were captured in previous additions to Regulatory Net Income (Footnotes 2 to 6 above). The additions listed in footnotes 2 to 6 are consistent with the categories of additions reported in supporting the tax provision in rates for Ontario's natural gas utilities under a cost of service based regulatory regime. This line item enables a utility to include other additions in its deferral account entry which are material. Any interest amount that was not removed in determining the 1999 Return should be included here. Refer to Tab in PILs Spreadsheet entitled "TAXREC" to determine if there are material amounts that should be entered when preparing deferral account entries. If a category was added in developing the provision, it must be included when performing the deferral account entry. A separate line item should be added to describe a material variance as the "Other" line item will be required to reconcile to the utility's MoF filing.</p>
7C	2001	<p>Amount will be the total of the detailed additions entered under Tab in PILs Spreadsheet entitled "TAXREC", less any specific categories of material additions included in the Deferral Account Allowance. Specific material additions established in submitting the Deferral Account Allowance should be listed separately. Refer to general comment (9) on materiality.</p> <p>A VARIANCE ACCOUNT ENTRY MAY BE ASSOCIATED WITH THIS AMOUNT.</p>

	2002+	Amount will be the total of the detailed additions entered under Tab in PILs Spreadsheet entitled "TAXREC", less any specific categories of material additions included in the Initial Estimate and Deferral Account Allowance columns. Specific material additions established in submitting the Deferral Account Allowance should be listed separately. Refer to general comment (9) on materiality. A VARIANCE ACCOUNT ENTRY MAY BE ASSOCIATED WITH THIS AMOUNT.
DEDUCTIONS From Accounting Income		
Footnote 8: Capital Cost Allowance		
8A	2001	Insert any amounts included in rates resulting from process outlined in the Board's September 17, 2001 letter to utilities indicating guidelines for establishing an income tax provision in rates for 2001.
	2002+	CCA determined using 1999 regulatory book value of assets, statutory capital cost allowance rates and current tax asset class categories. Deemed CCA should be calculated as regulatory book value of assets less CCA claimed in prior periods times capital cost allowance rate. A Federal and Ontario Schedule 8 should be submitted using 1999 regulatory book values (not FMV as used in the MoF filing)
8B	2001	CCA determined using 1999 regulatory book value of assets, statutory capital cost allowance rates and current tax asset class categories for 2001. The 1/2 year rule should apply, since it is the current MoF position. A Federal and Ontario Schedule 8 should be submitted using 1999 regulatory book values (not FMV as used in the MoF filing)
	2002+	CCA determined using 1999 regulatory book value of assets, statutory capital cost allowance rates and current tax asset class categories for the current year. A Federal and Ontario Schedule 8 should be submitted using 1999 regulatory book values (not FMV as used in the MoF filing)
8C	2001	CCA as reported on the Federal and Ontario Schedule 8 filed with the MoF. These Schedule 8 forms should also be submitted to the Board. NO VARIANCE ACCOUNT ENTRY IS ASSOCIATED WITH THIS AMOUNT.
	2002+	CCA as reported on the Federal and Ontario Schedule 8 filed with the MoF. These Schedule 8 forms should also be submitted to the Board. NO VARIANCE ACCOUNT ENTRY IS ASSOCIATED WITH THIS AMOUNT.
Footnote 9: Employee Benefit Plans - Paid Amounts (Includes Other Post Employment Benefits)		

9A	2001	1/4 of any amounts included in the 1999 Return amount included in the tax provision resulting from process outlined in the Board's September 17, 2001 letter to utilities indicating guidelines for establishing an income tax provision in rates for 2001.
	2002+	Deferral Account Allowance provision annualized (i.e. multiply by 4 if 2001 is a 3 month tax year ending December) for the previous year (if available), otherwise use the most recent annualized MoF filing for the year ended two years prior to the current year. For example, the 2003 rate provision would be the 2002 Deferral Account Allowance (footnote 9B, 2002+ below) or, if this information was not available, it would be the annualized (multiply by 4 if 2001 is a 3 month tax year ending December) 2001 MoF filing (footnote 9C, 2001 below).
9B	2001	1/4 of any amounts included in the 1999 Return amount included in the tax provision resulting from process outlined in the Board's September 17, 2001 letter to utilities indicating guidelines for establishing an income tax provision in rates for 2001.
	2002+	Most recent MoF filing for the year ended prior to the current year. For example, the 2002 Deferral Account Allowance would be the annualized (generally multiply by 4 as 2001 is 3 month tax year) amount filed with the MoF (footnote 9C, 2001 below). Note: the MoF filing will generally be made by June 30, for a December 31 year end.
9C	2001	Actual Employee Benefit Plans and Other Post Employment benefits amounts paid and reported to MoF within 6 months of the end of the utility's taxation year end. Note: the MoF filing will generally be made by June 30, 2002 for a December 31 year end. A VARIANCE ACCOUNT ENTRY IS ASSOCIATED WITH THIS AMOUNT.
	2002+	Actual Employee Benefit Plans and Other Post Employment benefits amounts paid and reported to MoF within 6 months of the end of the utility's taxation year end. Note: the MoF filing will generally be made by June 30 of the following year for a December 31 year end. A VARIANCE ACCOUNT ENTRY IS ASSOCIATED WITH THIS AMOUNT.
Footnote 10: Items Capitalized for Regulatory Purposes		
10A	2001	Responses from consultation process will be considered to determine if these are significant.

	2002+	Responses from consultation process will be considered to determine if these are significant.
10B	2001	Responses from consultation process will be considered to determine if these are significant.
	2002+	Responses from consultation process will be considered to determine if these are significant.
10C	2001	Responses from consultation process will be considered to determine if these are significant. A VARIANCE ACCOUNT ENTRY MAY BE ASSOCIATED WITH THIS AMOUNT.
	2002+	Responses from consultation process will be considered to determine if these are significant. A VARIANCE ACCOUNT ENTRY MAY BE ASSOCIATED WITH THIS AMOUNT.
Footnote 11: Regulatory Adjustments		
11A	2001	1/4 of any amounts included in the 1999 Return amount included in the tax provision resulting from process outlined in the Board's September 17, 2001 letter to utilities indicating guidelines for establishing an income tax provision in rates for 2001.
	2002+	Transitional items, regulatory deferral account items and Z-factor costs may be included, as may unbilled revenues, for individual utilities.
11B	2001	Transitional items, regulatory deferral account items and Z-factor costs may be included, as may unbilled revenues, for individual utilities.
	2002+	Transitional items, regulatory deferral account items and Z-factor costs may be included, as may unbilled revenues, for individual utilities.
11C	2001	Transitional items, regulatory deferral account items and Z-factor costs may be included, as may unbilled revenues, for individual utilities. A VARIANCE ACCOUNT ENTRY MAY BE ASSOCIATED WITH THIS AMOUNT.

	2002+	Transitional items, regulatory deferral account items and Z-factor costs may be included, as may unbilled revenues, for individual utilities. A VARIANCE ACCOUNT ENTRY MAY BE ASSOCIATED WITH THIS AMOUNT.
Footnote 12: Grossed-Up Part VI.1 Tax (Preferred Shares)		
12A	2001	Responses from consultation process will be considered to determine if this is significant.
	2002+	Responses from consultation process will be considered to determine if this is significant.
12B	2001	Responses from consultation process will be considered to determine if this is significant.
	2002+	Responses from consultation process will be considered to determine if this is significant.
12C	2001	Responses from consultation process will be considered to determine if this is significant. A VARIANCE ACCOUNT ENTRY MAY BE ASSOCIATED WITH THIS AMOUNT.
	2002+	Responses from consultation process will be considered to determine if this is significant. A VARIANCE ACCOUNT ENTRY MAY BE ASSOCIATED WITH THIS AMOUNT.
Footnote 13: Interest Expense Allowed		
13A	2001	1/4 of any amounts included in the 1999 Return amount included in the tax provision resulting from process outlined in the Board's September 17, 2001 letter to utilities indicating guidelines for establishing an income tax provision in rates for 2001.
	2002+	Reflects the deemed interest portion of the MARR included in Regulatory Net Income for the year. 1999 Rate Base x (1 - Common Equity Ratio) x deemed debt rate x accumulated phase-in percentage (i.e. generally 2/3 for year 2)
13B	2001	Reflects the deemed interest portion of the MARR included in Regulatory Net Income for the year. 1999 Rate Base x (1 - Common Equity Ratio) x deemed debt rate x accumulated phase-in percentage (i.e. generally 2/3 for year 2)
	2002+	Reflects the deemed interest portion of the MARR included in Regulatory Net Income for the year. 1999 Rate Base x (1 - Common Equity Ratio) x deemed debt rate x accumulated phase-in percentage (i.e. generally 2/3 for year 2)

13C	2001	If actual interest included in Regulatory Net Income (Footnote 1C) is greater than the Interest Reported as an interest expense deduction in preparing the Deferral Account Allowance (footnote 13A), enter the actual interest amount included in the MoF filing. A VARIANCE ACCOUNT ENTRY IS ASSOCIATED WITH THIS AMOUNT.
	2002+	If actual interest included in Regulatory Net Income (footnote 1C) is greater than the Interest Reported as an interest expense deduction in preparing the Deferral Account Allowance (footnote 13B), enter the actual interest amount included in the MoF filing. A VARIANCE ACCOUNT ENTRY IS ASSOCIATED WITH THIS AMOUNT.
Footnote 14: Other Deductions (See Tab in PILs Spreadsheet entitled "TAXREC")		
14A	2001	1/4 of any amounts included in the 1999 Return amount included in the tax provision resulting from process outlined in the Board's September 17, 2001 letter to utilities indicating guidelines for establishing an income tax provision in rates for 2001.
	2002+	Amount will generally be zero as the most significant variances (or variances necessary to establish a regulatory tax provision) were captured in previous deductions from Regulatory Net Income (Footnotes 8 to 13 above). The deductions listed in footnotes 8 to 13 are consistent with the categories of deductions reported in supporting the tax provision in rates for Ontario's natural gas utilities under a cost of service based regulatory regime. This line item enables a utility to include other deductions into rates which are material. Refer to Tab in PILs Spreadsheet entitled "TAXREC" to determine if there are material amounts that should be entered. A separate line item should be added to describe a material variance as the "Other" line item will be required to reconcile to the utility's MoF filing.
14B	2001	Amount will generally be zero as the most significant variances (or variances necessary to establish a regulatory tax provision) were captured in previous deductions from Regulatory Net Income (Footnotes 8 to 13 above). The deductions listed in footnotes 8 to 13 are consistent with the categories of deductions reported in supporting the tax provision in rates for Ontario's natural gas utilities under a cost of service based regulatory regime. This line item enables a utility to include other deductions in its deferral account entry which are material. Refer to Tab in PILs Spreadsheet entitled "TAXREC" to determine if there are material amounts that should be entered when preparing deferral account entries. If a category was added in developing the provision, it must be included when performing the deferral account entry. A separate line item should be added to describe a material variance as the "Other" line item will be required to reconcile to the utility's MoF filing.

	2002+	Amount will generally be zero as the most significant variances (or variances necessary to establish a regulatory tax provision) were captured in previous deductions from Regulatory Net Income (Footnotes 8 to 13 above). The additions listed in footnotes 8 to 13 are consistent with the categories of deductions reported in supporting the tax provision in rates for Ontario's natural gas utilities under a cost of service based regulatory regime. This line item enables a utility to include other deductions in its deferral account entry which are material. Refer to Tab in PILs Spreadsheet entitled "TAXREC" to determine if there are material amounts that should be entered when preparing deferral account entries. If a category was added in developing the provision, it must be included when performing the deferral account entry. A separate line item should be added to describe a material variance as the "Other" line item will be required to reconcile to the utility's MoF filing.
14C	2001	Amount will be the total of the detailed deductions entered under Tab in PILs Spreadsheet entitled "TAXREC", less any specific categories of material deductions included in the Deferral Account Allowance. Specific material deductions established in submitting the Deferral Account Allowance should be listed separately. Refer to general comment (9) on materiality. A VARIANCE ACCOUNT ENTRY MAY BE ASSOCIATED WITH THIS AMOUNT.
	2002+	Amount will be the total of the detailed additions entered under Tab in PILs Spreadsheet entitled "TAXREC", less any specific categories of material deductions included in the Deferral Account Allowance. Specific material deductions established in submitting the Deferral Account Allowance should be listed separately. Refer to general comment (9) on materiality. A VARIANCE ACCOUNT ENTRY MAY BE ASSOCIATED WITH THIS AMOUNT.
REGULATORY TAXABLE INCOME = Spreadsheet calculation summing amounts listed in the above footnotes		
Footnote 15: Corporate Income Tax Rate		
15A	2001	Any amounts included in the 1999 Return amount included in the tax provision resulting from process outlined in the Board's September 17, 2001 letter to utilities indicating guidelines for establishing an income tax provision in rates for 2001.
	2002+	For 2002, for taxable income over \$700,000 use 38.62%; 19.12% for taxable income under \$200,000; and 34.12% for taxable income in between. Note: Above reflects decreases in corporate tax rates that are presently scheduled to occur in 2002, and also approximates the small business rate clawback.

15B	2001	For Q4 2001: If regulatory taxable income (line 33) exceeds \$700,000, use 40.62%; if it is less than \$200,000, use 19.12%; if it is in between these, use 34.12%. (Note: above incorporates new lower Ontario rates effective Oct 1, 2001; also above provides approximation of the small business rate clawback.)
	2002+	If rates change during 2002, the utility should average old and new rates to arrive at the proper blended rate for the year. The rate shall reflect the average weighted for the number of days in the respective periods of the tax year - e.g. $(270/365 \times 38.62\%) + (95/365 \times \text{new rate})$.
15C	2001	LDC will calculate the actual average statutory tax rate applicable to its size business for the tax year (based on Ontario rate, Federal rate, Federal surtax, Ontario and Federal small business deduction, small business reduction clawback, etc.). Note: if rates change in the tax year, the LDC must calculate its blended rate. Please attach supporting calculations.
	2002+	LDC will calculate the actual average statutory tax rate applicable to its size business for the 2002+ tax year (based on Ontario rate, Federal rate, Federal surtax, Ontario and Federal small business deduction, small business reduction clawback, etc.). Note: if rates change in the tax year, the LDC must calculate its blended rate. Please attach supporting calculations.
REGULATORY INCOME TAX – Spreadsheet calculation = REGULATORY TAXABLE INCOME x Corporate Income Tax Rate		
Footnote 16: Miscellaneous Tax Credits		
16A	2001	n/a
	2002+	Not applicable. In effect, miscellaneous tax credits, such as Investment Tax Credits, will be ignored at this stage.
16B	2001	Not applicable. In effect, miscellaneous tax credits, such as Investment Tax Credits, will be ignored at this stage.
	2002+	Not applicable. In effect, miscellaneous tax credits, such as Investment Tax Credits, will be ignored at this stage.

16C	2001	Reduce for amount of miscellaneous tax credits (such as ITCs) claimed in 2001 filing with MoF. (Note any reduction in the basic corporate tax rates that technically takes the form of a credit should be accounted for in the 15C 2001 statutory tax rate calculation.) Note: no loss carry-forwards will be recognized, nor any crediting of corporate minimum tax against regular income tax. Therefore do not include these in the 16C calculation. A VARIANCE ACCOUNT ENTRY MAY BE ASSOCIATED WITH THIS AMOUNT.
	2002+	Reduce for amount of any miscellaneous tax credits (such as ITCs) claimed in filing with MoF. (Note any reduction in the basic corporate tax rates that technically takes the form of a credit should be accounted for in the 15C 2002+ statutory tax rate calculation.) Note: no loss carry-forwards will be recognized, nor any crediting of corporate minimum tax against regular income tax. Therefore do not include these in the 16C calculation. A VARIANCE ACCOUNT ENTRY MAY BE ASSOCIATED WITH THIS AMOUNT.
TOTAL REGULATORY INCOME TAX – Spreadsheet calculation = REGULATORY INCOME TAX +/- Miscellaneous Tax Credits		
ONTARIO CAPITAL TAX		
Footnote 17: Capital Tax Base		
17A	2001	Insert any amounts included in rates resulting from process outlined in the Board's September 17, 2001 letter to utilities indicating guidelines for establishing an income tax provision in rates for 2001.
	2002+	Use approved wires-only rate base in final RUD filing as a proxy for taxable capital. MARR, Sheet 7, cell B 31.
17B	2001	Use approved wires-only rate base in final RUD filing as a proxy for taxable capital. MARR, Sheet 7, cell B 31.
	2002+	Use approved wires-only rate base in final RUD filing as a proxy for taxable capital. MARR, Sheet 7, cell B 31.
17C	2001	Use actual Ontario taxable capital from actual tax return and provide supporting details as requested, including any adjustments to remove the impact of non-wires amounts. (See Tab entitled "TAXREC") NO VARIANCE ACCOUNT ENTRY IS ASSOCIATED WITH THIS AMOUNT.

	2002+	Use actual Ontario taxable capital from actual tax return and provide supporting details as requested, including any adjustments to remove the impact of non-wires amounts. (See Tab entitled "TAXREC") NO VARIANCE ACCOUNT ENTRY IS ASSOCIATED WITH THIS AMOUNT.
Footnote 18: Exemption		
18A	2001	Insert any amounts included in rates resulting from process outlined in the Board's September 17, 2001 letter to utilities indicating guidelines for establishing an income tax provision in rates for 2001.
	2002+	Deemed as the full amount of exemption (\$5,000,000 Ontario deduction as of Oct 1, 2001) to the regulated utility. If the taxable capital of regulated utility is less than 90% of the taxable capital of the entire corporate group (i.e. including holding company and affiliates), then allocate to wires-only regulated utility a portion of the exemption equal to its proportion of the total taxable capital of the corporate group. Update amount of exemption if there are changes in legislative instruments (e.g. Order in Council, regulation, etc.) and prorate as required.
18B	2001	Deemed as the full amount of exemption (\$5,000,000 Ontario deduction as of Oct 1, 2001) to the regulated utility. If the taxable capital of regulated utility is less than 90% of the taxable capital of the entire corporate group (i.e. including holding company and affiliates), then allocate to wires-only regulated utility a portion of the exemption equal to its proportion of the total taxable capital of the corporate group. Update amount of exemption if there are changes in legislative instruments (e.g. Order in Council, regulation, etc.) and prorate as required.
	2002+	Deemed as the full amount of exemption (\$5,000,000 Ontario deduction as of Oct 1, 2001) to the regulated utility. If the taxable capital of regulated utility is less than 90% of the taxable capital of the entire corporate group (i.e. including holding company and affiliates), then allocate to wires-only regulated utility a portion of the exemption equal to its proportion of the total taxable capital of the corporate group. Update amount of exemption if there are changes in legislative instruments (e.g. Order in Council, regulation, etc.) and prorate as required.
18C	2001	Use actual Ontario capital tax exemption (deduction) from actual tax return and provide supporting details as requested, including any adjustments to remove the impact of non-wires amounts. (See Tab entitled "TAXREC"). Update amount of exemption if there are changes in legislative instruments (e.g. Order in Council, regulation, etc.) and prorate as required.

	2002+	Use actual Ontario capital tax exemption deduction) from actual tax return and provide supporting details as requested, including any adjustments to remove the impact of non-wires amounts. (See Tab entitled "TAXREC"). Update amount of exemption if there are changes in legislative instruments (e.g. Order in Council, regulation, etc.) and prorate as required.
DEEMED TAXABLE CAPITAL Spreadsheet calculation= Capital Tax Base - Exemption		
Footnote 19: Tax Rate		
19A	2001	Insert any amounts included in rates resulting from process outlined in the Board's September 17, 2001 letter to utilities indicating guidelines for establishing an income tax provision in rates for 2001.
	2002+	For 2002, use 0.003 (current actual rate). Update tax rate if there are changes in legislative instruments (e.g. Order in Council, regulation, etc.) and prorate as required so that current Ontario rate is always used at time of calculation.
19B	2001	ForQ4 2001, use 0.003 (current actual rate).
	2002+	For 2002, use 0.003 (current actual rate). Update tax rate if there are changes in legislative instruments (e.g. Order in Council, regulation, etc.) and prorate as required so that current Ontario rate is always used at time of calculation.
19C	2001	Use actual Ontario rate from actual tax return and provide supporting details as requested. (See Tab entitled "TAXREC"). Update tax rate if there are changes in legislative instruments (e.g. Order in Council, regulation, etc.) and prorate as required so that current Ontario rate is always used at time of calculation.
19C	2002+	Use actual Ontario rate from actual tax return and provide supporting details as requested. (See Tab entitled "TAXREC"). Update tax rate if there are changes in legislative instruments (e.g. Order in Council, regulation, etc.) and prorate as required so that current Ontario rate is always used at time of calculation.
ONTARIO CAPITAL TAX Spreadsheet calculation = DEEMED TAXABLE CAPITAL x Tax Rate (Prorate 1/4 for 2001 Q4)		
FEDERAL LARGE CORPORATION TAX (LCT)		
Footnote 20: Capital Tax Base		

20A	2001	Insert any amounts included in rates resulting from process outlined in the Board's September 17, 2001 letter to utilities indicating guidelines for establishing an income tax provision in rates for 2001.
	2002+	Use approved wires-only rate base in final RUD filing as a proxy for taxable capital. MARR, Sheet 7, cell B 31.
20B	2001	Use approved wires-only rate base in final RUD filing as a proxy for taxable capital. MARR, Sheet 7, cell B 31.
	2002+	Use approved wires-only rate base in final RUD filing as a proxy for taxable capital. MARR, Sheet 7, cell B 31.
20C	2001	Use actual federal LCT taxable capital from actual tax return and provide supporting details as requested, including any adjustments to remove the impact of non-wires amounts. (See Tab entitled "TAXREC") NO VARIANCE ACCOUNT ENTRY IS ASSOCIATED WITH THIS AMOUNT.
	2002+	Use actual federal LCT taxable capital from actual tax return and provide supporting details as requested, including any adjustments to remove the impact of non-wires amounts. (See Tab entitled "TAXREC") NO VARIANCE ACCOUNT ENTRY IS ASSOCIATED WITH THIS AMOUNT.
Footnote 21: Exemption		
21A	2001	Insert any amounts included in rates resulting from process outlined in the Board's September 17, 2001 letter to utilities indicating guidelines for establishing an income tax provision in rates for 2001.
	2002+	Deemed as the full amount of federal exemption (\$10,000,000) to the regulated utility (wires-only operations). If taxable capital of regulated utility is less than 90% of the taxable capital of the entire corporate group (i.e. including holding company and affiliates), then allocate to wires-only regulated utility a portion of the exemption equal to its proportion of the total taxable capital of the corporate group. Update amount of exemption if there are changes in legislative instruments (e.g. Order in Council, regulation, etc.) and prorate as required.

21B	2001	Deemed as the full amount of federal exemption (\$10,000,000) to the regulated utility (wires-only operations). If taxable capital of regulated utility is less than 90% of the taxable capital of the entire corporate group (i.e. including holding company and affiliates), then allocate to wires-only regulated utility a portion of the exemption equal to its proportion of the total taxable capital of the corporate group. Update amount of exemption if there are changes in legislative instruments (e.g. Order in Council, regulation, etc.) and prorate as required.
	2002+	Deemed as the full amount of federal exemption (\$10,000,000) to the regulated utility (wires-only operations). If taxable capital of regulated utility is less than 90% of the taxable capital of the entire corporate group (i.e. including holding company and affiliates), then allocate to wires-only regulated utility a portion of the exemption equal to its proportion of the total taxable capital of the corporate group. Update amount of exemption if there are changes in legislative instruments (e.g. Order in Council, regulation, etc.) and prorate as required.
21C	2001	Use actual federal LCT exemption (deduction) from actual tax return and provide supporting details as requested, including any adjustments to remove the impact of non-wires amounts. (See Tab entitled "TAXREC").
	2002+	Use actual federal LCT exemption (deduction) from actual tax return and provide supporting details as requested, including any adjustments to remove the impact of non-wires amounts. (See Tab entitled "TAXREC").
DEEMED TAXABLE CAPITAL Spreadsheet calculation = Capital Tax Base - Exemption		
Footnote 22: Tax Rate		
22A	2001	Insert any amounts included in rates resulting from process outlined in the Board's September 17, 2001 letter to utilities indicating guidelines for establishing an income tax provision in rates for 2001.
	2002+	For 2002, use 0.00225 (current actual rate). Update tax rate if there are changes caused by a future Budget and prorate as indicated in the Budget.
22B	2001	For Q4 2001 use 0.00225 (current actual rate)

	2002+	For 2002, use 0.00225 (current actual rate). Update tax rate if there are changes in legislative instruments (e.g. Order in Council, regulation, etc.) and prorate as required so that current LCT rate is always used at time of calculation.
22C	2001	Use actual federal LCT rate from actual tax return and provide supporting details as requested. (See Tab entitled "TAXREC"). Update tax rate if there are changes in legislative instruments (e.g. Order in Council, regulation, etc.) and prorate as required so that current LCT rate is always used at time of calculation.
	2002+	Use actual federal LCT rate from actual tax return and provide supporting details as requested. (See Tab entitled "TAXREC"). Update tax rate if there are changes in legislative instruments (e.g. Order in Council, regulation, etc.) and prorate as required so that current LCT rate is always used at time of calculation.
GROSS AMOUNT OF LCT Spreadsheet Calculation = DEEMED TAXABLE CAPITAL x Tax Rate (Prorate 1/4 for 2001 Q4)		
Footnote 23: Federal Surtax		
23A	2001	Insert any amounts included in rates resulting from process outlined in the Board's September 17, 2001 letter to utilities indicating guidelines for establishing an income tax provision in rates for 2001.
	2002+	Because federal surtax is subtracted from the amount of LCT due, subtract [taxable income x current surtax rate (0.0112)]. It is normally expressed as 4% of adjusted Part I tax. If surtax is greater than LCT show zero. Update tax rate if there are changes in future Budgets or legislative instruments (e.g. Order in Council, regulation, etc.) and prorate as required so that current surtax rate is always used at time of calculation.
23B	2001	Because federal surtax is subtracted from the amount of LCT due, subtract [taxable income x current surtax rate (0.0112)]. It is normally expressed as 4% of adjusted Part I tax. If surtax is greater than LCT show zero. Update tax rate if there are changes in future Budgets or legislative instruments (e.g. Order in Council, regulation, etc.) and prorate as required so that current surtax rate is always used at time of calculation.
	2002+	Because federal surtax is subtracted from the amount of LCT due, subtract [taxable income x current surtax rate (0.0112)]. It is normally expressed as 4% of adjusted Part I tax. If surtax is greater than LCT show zero. Update tax rate if there are changes in future Budgets or legislative instruments (e.g. Order in Council, regulation, etc.) and prorate as required so that current surtax rate is always used at time of calculation.
23C	2001	List actual surtax deducted as shown on the tax return and provide supporting details as requested, including any adjustments to remove the impact of non-wires amounts. (See Tab entitled "TAXREC").

	2002+	List actual surtax deducted as shown on the tax return and provide supporting details as requested, including any adjustments to remove the impact of non-wires amounts. (See Tab entitled "TAXREC").
FEDERAL LARGE CORPORATION TAX Spreadsheet calculation = Gross Amount LCT - Federal Surtax		
Footnote 24: Income Tax (Grossed-Up)		
24A	2001	Insert any amounts included in rates resulting from process outlined in the Board's September 17, 2001 letter to utilities indicating guidelines for establishing an income tax provision in rates for 2001.
	2002+	Calculation = regulatory income tax / (1 - utility's deemed tax rate). If a utility is to pay an amount other than \$nil for federal Large Corporation Tax, the utility's deemed tax rate from footnote 15A should not include the 4% federal surtax (rate would therefore be from footnote 15A less 1.12%).
24B	2001	Calculation = regulatory income tax / (1 - utility's deemed tax rate). If a utility is to pay an amount other than \$nil for federal Large Corporation Tax, the utility's deemed tax rate from footnote 15A should not include the 4% federal surtax (rate would therefore be from footnote 15A less 1.12%).
	2002+	Calculation = regulatory income tax / (1 - utility's deemed tax rate). If a utility is to pay an amount other than \$nil for federal Large Corporation Tax, the utility's deemed tax rate from footnote 15A should not include the 4% federal surtax (rate would therefore be from footnote 15A less 1.12%). Update tax rate if there are changes in future Budgets or legislative instruments (e.g. Order in Council, regulation, etc.) and prorate as required so that the current income tax rate is always used at time of calculation.
Footnote 25: Large Corporation Tax (Grossed-Up)		
25A	2001	Insert any amounts included in rates resulting from process outlined in the Board's September 17, 2001 letter to utilities indicating guidelines for establishing an income tax provision in rates for 2001.
	2002+	Calculation = net LCT / (1 - utility's deemed tax rate). If a utility is to pay an amount other than \$nil for federal Large Corporation Tax, the utility's deemed tax rate from footnote 15A should not include the 4% federal surtax (rate would therefore be from footnote 15A less 1.12%).

25B	2001	Calculation = net LCT / (1 - utility's deemed tax rate). If a utility is to pay an amount other than \$nil for federal Large Corporation Tax, the utility's deemed tax rate from footnote 15A should not include the 4% federal surtax (rate would therefore be from footnote 15A less 1.12%).
	2002+	Calculation = regulatory income tax / (1 - utility's deemed tax rate). If a utility is to pay an amount other than \$nil for federal Large Corporation Tax, the utility's deemed tax rate from footnote 15A should not include the 4% federal surtax (rate would therefore be from footnote 15A less 1.12%). Update tax rate if there are changes in future Budgets or legislative instruments (e.g. Order in Council, regulation, etc.) and prorate as required so that the current income tax rate is always used at time of calculation.
Footnote 26: Ontario Capital Tax		
26A	2001	Insert any amounts included in rates resulting from process outlined in the Board's September 17, 2001 letter to utilities indicating guidelines for establishing an income tax provision in rates for 2001.
	2002+	No gross-up required, since deductible
26B	2001	No gross-up required, since deductible
	2002+	No gross-up required, since deductible
TOTAL S.93 PILs RATE ADJUSTMENT – Spreadsheet Calculation = Income Tax (Grossed-Up) + Federal Capital Tax (Grossed-Up) + Ontario Capital Tax		