

**Hydro One Brampton Networks Inc.**

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January 12, 2009

Ms. Kirsten Walli  
Secretary  
Ontario Energy Board  
Suite 2700, 2300 Yonge Street  
P.O. Box 2319  
Toronto, ON  
M4P 1E4

Dear Ms. Walli:

**RE: Intervenor comments on Proceeding EB-2008-0381, Disposition of Balances in Account 1562- Deferred Payments in Lieu of Taxes**

Hydro One Brampton Networks Inc. (“Hydro One Brampton”) appreciates the opportunity to intervene and provide comments on Board Proceeding EB-2008-0381. As mentioned in our letter of intervention submitted to the Board Secretary on December 30, 2008, Hydro One Brampton carries a significant balance in account 1562 and intends to actively participate in this Proceeding.

1) Applicability of the Proceeding to Hydro One Brampton

In the Board’s letter of March 3, 2008, Board staff noted that “the majority of electricity distributors that are rate regulated by the Board became subject to Payments in Lieu of Taxes (“PILs”) effective October 1, 2001, with the proclamation of section 93 of the *Electricity Act, 1998* (the “Act”). Further, the Board letter stated, “This letter is to notify electricity distributors subject to section 93 of the Act and interested parties that the Board intends to initiate a combined proceeding to determine the methodology that should be used for the calculation and disposition of these balances”.

Hydro One Brampton, as a subsidiary of Hydro One Inc., is subject to section 89 of the Act, rather than section 93. As these sections are virtually identical in their wording, Hydro One Brampton believes it is reasonable to participate in the Proceeding and that the Board’s decision would bind a section 89 LDC in the same way that it would bind a section 93 LDC.

2) Disposition of Balances in account 1562

Hydro One Brampton is concerned about the disposition of balances in account 1562. As stated in the Board’s Discussion Paper titled “Account 1562 – Deferred Payments in Lieu of Taxes”, issued on August 20, 2008, the seven utilities which initially filed for disposition of balances in account 1562 “have used a variety of interpretations and methods that impact the balances in account 1562 in each of the years 2001 to 2006 and may impact the balances of the other PILs related account, 1592 - PILs and Tax Variances for 2006 and Subsequent Years”. Hydro One Brampton’s interpretation of Board-issued material related to the account led to classification of

account 1562 as a memo account on its balance sheet. The disposition of balances in this account would represent a negative financial impact to Hydro One Brampton.

Further, Hydro One Brampton would prefer a simplified set of rules to be issued by the Board to be applicable to all utilities, with the ability to account for circumstances which may be unique to specific utilities. For example, Hydro One Brampton carried balances in account 1562 resulting from carrying higher levels of debt than the level deemed by the Board ( see point 3 below). The ability to account for these types of issues should be included in the Board's decision and/or model.

3) Balances not pertaining to Payments in Lieu of Taxes

As prescribed by the Board's SIMPIL model, Hydro One Brampton has recorded balances in account 1562 which do not pertain to Payments in Lieu of Taxes. These balances include the clawback of tax benefits received as a result of Hydro One Brampton's actual debt-to-equity being higher than the ratio deemed by the Board for certain periods between 2001 and 2006. Hydro One Brampton is currently unaware of any proceedings or decisions which provide for a clawback of the incremental tax savings due to overleveraging. The portion of Hydro One Brampton's balance in account 1562 resulting from interest-related clawbacks is significant in relation to its total balance.

As these balances do not relate to PILs, Hydro One Brampton submits that they should be separate and therefore not included in account 1562 or in this Proceeding.

We appreciate the opportunity to provide these comments.

Sincerely,

A handwritten signature in black ink that reads "Scott Miller". The signature is written in a cursive, flowing style.

Scott Miller  
Manager, Regulatory Affairs  
Hydro One Brampton Networks Inc.  
905-452-5517