

PROPERTY TAXES

1.0 SUMMAY OF TAXES OTHER THAN INCOME TAX

Table 1
 (\$ Millions)

	Historic			Bridge	Test	
	2006	2007	2008	2009	2010	2011
Property	3.6	3.4	3.6	3.8	3.9	4.0
Indemnity Payment	0.5	0.5	0.5	0.5	0.5	0.5
Rights Payment	0.4	0.3	0.1	0.3	0.3	0.3
Total	4.5	4.2	4.3	4.6	4.7	4.8

2.0 PROPERTY TAX

Hydro One is responsible for the payment of property taxes similar to every other land owner within the province of Ontario. Property taxes for Hydro One are regulated under the Electricity Act 1998, the Municipal Act 2001, and the Assessment Act 1990. Property taxes are paid on Hydro One owned distribution lands and buildings including Service Centre sites, Distribution Transformer Stations, and distribution lines. Property tax payments are made to over 400 municipalities each year by Hydro One.

A summary of annual distribution property taxes (including property proxy taxes) is presented in Table 2:

Table 2
 (\$ Millions)

	Historic			Bridge	Test	
	2006	2007	2008	2009	2010	2011
Property Tax	3.6	3.4	3.6	3.8	3.9	4.0

1 Total assessed value is assigned by the Municipal Property Assessment Corporation, and
2 is updated utilizing the same schedule as the rest of the province. All Hydro One
3 distribution owned properties, except distribution transformer station buildings, are
4 assessed using Current Value Assessment – the valuation method used for other property
5 owners within the province. Distribution transformer stations buildings are assessed at a
6 statutory rate of \$86.11 per square meter, per the Assessment Act R.S.O. 1990, chapter
7 A31, Section 19.

8
9 Notices of Assessment are received and reviewed for accurate valuation and tax
10 classification each year. Any incorrect classes and overvaluations are appealed through
11 the Municipal Property Assessment Corporation, and/or the Assessment Review Board.

12
13 Additional property tax payments, called property proxy taxes, for owned distribution
14 transformer station buildings are levied, payable to the Minister of Finance. The details
15 of this additional assessment are contained within Ontario regulation 224/00 under the
16 Electricity Act. Property proxy taxes are calculated for each distribution transformer
17 station building owned by Hydro One and total \$0.2 million per year and are included in
18 the property tax amount.

19
20 Property taxes are increasing on an annual basis due to financial pressures on
21 municipalities and school boards.

22

23 **3.0 INDEMNITY PAYMENT TO PROVINCE**

24

25 The Ontario Electricity Financial Corporation (“OEFC”) has indemnified Hydro One
26 with respect to the failure of the transfer orders (orders used to establish the company as
27 one of the successor companies to the former Ontario Hydro) in 1999.

28

1 The OEFC indemnification covers any defects in the transfer orders encompassing the
2 following areas:

- 3
- 4 1) the transfer of any asset, right, thing, or any interest related to the business;
 - 5
 - 6 2) some adverse claims or interests of third parties or based on property title deficiencies
7 arising from the transfer orders, except for some claims and rights of the Crown, and
8
 - 9 3) claims related to any equity account previously referred to in the financial statements
10 of Ontario Hydro including amounts relating to any judgement, settlement or payment
11 in connection with litigation initiated by certain utilities commissions.
 - 12

13 The Province has unconditionally and irrevocably guaranteed to Hydro One the payment
14 of all amounts owing by OEFC under its' indemnity.

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16 Hydro One Networks pays an annual fee of \$5.0 million to the OEFC for the
17 aforementioned indemnification. As the transfer order primarily relates to land assets, the
18 amount allocated to Hydro One Distribution is based on the proportion of Hydro One
19 Distribution land assets in relation to the total land assets of Hydro One. This results in
20 \$0.5 million of the \$5.0 million total being allocated to Hydro One Distribution.

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22 **4.0 RIGHTS PAYMENT TO OTHER ENTITIES**

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24 Through agreements or permits (950 in total), Hydro One Distribution line facilities cross
25 and/or occupy properties owned by railway companies and/or governmental bodies. Per
26 the terms of the individual agreements, Hydro One pays an annual fee to the railway
27 companies and the government entities for the right to cross and/or occupy their
28 properties.

1

2 A financial summary of the annual right payment fees is presented in Table 3, below:

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Table 3
(\$ Millions)

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	Historic			Bridge	Test	
	2006	2007	2008	2009	2010	2011
Rights Payment	0.4	0.3	0.1	0.3	0.3	0.3

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