

HYDRO ONE NETWORKS INC.
 TRANSMISSION
 Calculation of Utility Income Taxes
 Test Years (2013 and 2014)
 Year Ending December 31
 (\$ Millions)

Line No.	Particulars	2013 (a)	2014 (b)
<u>Determination of Taxable Income</u>			
1	Regulatory Net Income (before tax)	\$ 391.3	\$ 434.8
2	Book to Tax Adjustments:		
3	Other Post Employment Benefits expense	25.1	27.8
4	Other Post Employment Benefits payments	(23.5)	(26.0)
5	Inergi pension payments	0.0	0.0
6	Depreciation and amortization	346.7	374.7
7	Capital Cost Allowance	(489.7)	(523.2)
8	Removal costs	(0.8)	(0.8)
9	Environmental costs	(6.1)	(6.9)
10	Hedge loss - amortization	0.2	0.2
11	Non-deductible meals & entertainment	3.5	3.5
12	Capital amounts expensed under \$2K	1.2	1.2
13	Research & Development ITC	0.4	0.4
14	Ontario education credits	2.5	2.5
15	Capitalized overhead costs	(27.4)	(27.5)
16	Capitalized pension costs	(37.5)	(41.4)
17		\$ (205.4)	\$ (215.4)
18	Regulatory Taxable Income	\$ 185.9	\$ 219.4
19	Corporate Income Tax Rate	26.50	% 26.50 %
20	Subtotal	\$ 49.3	\$ 58.1
21	Less: R&D ITC / Ontario education credits	(2.9)	(2.9)
22	Regulatory Income Tax	\$ 46.4	\$ 55.2
<u>Tax Rates</u>			
23	Federal Tax	15.00	% 15.00 %
24	Provincial Tax	11.50	% 11.50 %
25	Total Tax Rate	26.50	% 26.50 %