

HYDRO ONE NETWORKS INC.
TRANSMISSION
Calculation of Utility Income Taxes
Historic and Bridge years 2009 and 2010
Year Ending December 31
(\$ Millions)

Line No.	Particulars	2009	2010
<u>Calculation of Federal and ON Taxable Income</u>			
1	Net Income Before Tax (NIBT)	\$ 294.7	\$ 414.9
2	Required Adjustments to accounting NIBT		
3	Recurring items included in Revenue Requirement (RR):		
4	Other Post Employment Benefit expense	20.2	21.7
5	Other Post Employment Benefit payments	(18.2)	(17.7)
6	Depreciation and amortization	240.0	272.7
7	Capital Cost Allowance	(411.4)	(445.2)
8	Removal costs	(0.5)	(0.8)
9	Environmental costs paid	(0.9)	(6.5)
10	Non-deductible items (50% Meals & entertainment / interest)	4.1	4.3
11	R & D Fed ITC/ Apprenticeship (prior yr addback)	0.3	0.7
12	Ontario hiring credits (Co op & Apprentice)	1.5	0.9
13	Capitalized overhead costs deducted	(25.2)	(25.0)
14	Pension cost deductions	(17.7)	(22.4)
15		\$ (207.8)	\$ (217.3)
16	Deferral accounts not part of RR:		
17	Deferred Pension etc.	0.0	(8.1)
18	Tx Export credit/Earnings Sharing mechanism	(7.2)	(8.1)
19	Regulatory costs previously deducted	5.4	4.3
20		\$ (1.8)	\$ (11.9)
21	Reversal of accounting adjustments not part of RR:		
22	Contingent liability movement	0.2	4.1
23	Capitalized interest deductible for tax	(45.4)	(44.3)
24		\$ (45.2)	\$ (40.2)
25	Recurring items not part of RR:		
26			
27	Cumulative Eligible Capital	(4.9)	(4.6)
28		\$ (4.9)	\$ (4.6)
29	Immaterial items not in business plan detail:		
30	Capital additions deducted for accounting	0.9	2.4
31	Reverse Insurance proceeds included in NIBT	(2.4)	(5.1)
32	Net Underwriting/Finance costs	(2.4)	(2.7)
33	WSIB	(0.8)	(0.8)
34	Tenant Inducement	(0.3)	(0.8)
35	Capital tax provision vs. return	0.8	(1.1)
36	Taxable capital gain (loss)(50%)	1.1	(2.5)
37	Other	(0.2)	(1.8)
38		\$ (3.3)	\$ (12.4)
39			
40	NET Adjustments to Accounting NIBT	\$ (263.0)	\$ (286.4)
41			
42	Taxable Income	\$ 31.7	\$ 128.5
43			
44			
45			
46			
47	Taxable Income	\$ 31.7	\$ 128.5
48			
49	Corporate Income Tax Rate	33%	31%
50			
51	Subtotal	10.5	39.8
52	Less: Tax credits	(3.1)	(4.4)
53	Income Tax	\$ 7.4	\$ 35.4

Note: above amounts include Five Nations