

Introduction

The purpose of this Guide is to provide assistance to hydro-electric generating station owners and water power leaseholders in completing their GRC Annual Return. This Guide is provided for convenience only and does not replace the law found in the *Electricity Act, 1998* ("Act") and related regulations.

The GRC Annual Return is comprised of 5 Parts and 3 Schedules

- Part 1** - Identification, Payment Summary and Certification
- Part 2** - Annual Generation Calculation
- Part 3** - Calculation of GRC Property Tax Component Payable to the Minister of Finance
- Part 4** - Calculation of GRC Property Tax Component Payable to Ontario Electricity Financial Corporation
- Part 5** - Calculation of GRC Water Rental Component Payable to the Minister of Finance
- Schedule 1** - Annual Generation of Stations Engaging in Water Transfers
- Schedule 2** - Annual Generation of Stations that did not Generate Electricity during the Year
- Schedule 3** - Deduction for Eligible Capacity

Definitions

For the purposes of this guide

"generator" means a person who owns or operates a generation station facility that is a hydro-electric generating station;

"holder of a water power lease" means a person who has entered into an agreement, lease or other writing respecting the use of water under subsection 42 (2) of the *Public Lands Act*, or under the *Niagara Parks Act*, or The *St. Lawrence Development Act, 1952* (No. 2), or who is required to enter into such agreement, lease or writing in order to be entitled to occupy public lands;

"hydro-electric generating station" includes any building or structure in which electricity is generated through the use of water power or from the movement of water;

"new station" means a station that first generates electricity after December 31, 2000;

"owner" includes a tenant of land owned by the Crown or a municipality on which a hydro-electric generating station is located or a tenant of land owned by any other person if the tenant is the generator of electricity from the hydro-electric generating station;

"redeveloped station" means a station at which improvements come into service after December 31, 2000 that include a substantially replaced power house and associated physical infrastructure for the conveyance and utilization of water;

"station" means a hydro-electric generating station;

"upgraded station" means a station at which improvements come into service after December 31, 2000 that increase the station's generation of electricity by at least two per cent on an annual basis.

When and to whom must you deliver your GRC Annual Return?

You must complete and deliver your GRC Annual Return for each year by March 16 of the following year to

Ministry of Finance
Account Management and Collections Branch
33 King Street West
PO Box 620
Oshawa ON L1H 8E9

Your Annual Return will be considered delivered on the date it is received by the Ministry of Finance.

Please note that there is no electronic version of the GRC Annual Return.

How do you make payment(s)?

Payment of the balance of taxes and charges on the gross revenues of hydro-electric generating stations for a year must be received by the Minister of Finance on or before March 16 of the following year. GRC Payments are to be made using one or a combination of the enclosed remittance advice forms **A**, **B**, and **C**. Please complete and detach the applicable remittance advice form(s) and send same to the Ministry of Finance, together with your payment(s), in the enclosed self-addressed envelope. Refer to the information provided below to determine which remittance advice form(s) will apply to your particular situation.

Payment of the GRC Property Tax Component Payable to the Minister of Finance and payment of the GRC Water Rental Component must be in the form of cheque or money order made payable to the **Minister of Finance**. Payment of the

GRC Property Tax Component Payable to the **Ontario Electricity Financial Corporation** must be in the form of cheque or money order made payable to the Ontario Electricity Financial Corporation. Payments cannot be made at financial institutions.

If more than one of your hydro-electric generating stations are subject to the same GRC component, please consolidate the amounts payable by such stations in respect of that GRC component onto one remittance advice form.

You may be liable to a penalty equal to 5 per cent of any unpaid amount or \$6, whichever is greater, if you do not make full payment by the Return due date.

Debit interest is calculated and charged daily on the unpaid portion of any amount payable, from the day on which the payment is due to the day on which the amount plus interest is received.

Remittance Advice **A**

GRC Property Tax Component Payable to the Minister of Finance

Remittance Advice **A** is to be completed by hydroelectric generating station owners paying the tax under subsection 92.1(1) of the *Electricity Act, 1998*. The tax under subsection 92.1(1) represents the property tax component of the GRC payable to the Minister of Finance. Remittance Advice **A** applies in respect of any hydro-electric generating station other than a station owned by Ontario Power Generation Inc., Hydro One Inc., their subsidiaries, or a municipal electricity utility, or a station that was owned by any of these entities at any time after March 31, 1999.

Remittance Advice **B**

GRC Property Tax Component Payable to the Ontario Electricity Financial Corporation (OEFC)

Remittance Advice **B** is to be completed by hydroelectric generating station owners paying the charge under subsection 92.1(2) of the *Electricity Act, 1998*. The charge under subsection 92.1(2) represents the property tax component of the GRC payable to the OEFC. Remittance Advice **B** applies in respect of any hydro-electric generating station owned by Ontario Power Generation Inc., Hydro One Inc., their subsidiaries, or a municipal electricity utility, or a station that was owned by any of these entities at any time after March 31, 1999.

Remittance Advice **C**

GRC Water Rental Component Payable to the Minister of Finance

Remittance Advice **C** is to be completed by water power lease holders paying the water rental charge imposed under subsection 92.1(5) of the *Electricity Act, 1998*. The charge under subsection 92.1(5) represents the water rental component of the GRC payable to the Minister of Finance. Remittance Advice **C** applies in respect of any person who has entered into an agreement, lease or other writing respecting the use of water under subsection 42(2) of the *Public Lands Act* or under the *Niagara Parks Act* or *The St. Lawrence Development Act, 1952 (No. 2)* or who is required to enter into such agreement, lease or other writing in order to be entitled to occupy public lands.

Do you need help to complete your GRC Annual Return?

If you need help to complete your GRC Annual Return after reading this guide, please contact the Account Management and Collections Branch of the Ministry of Finance by calling 1 866 ONT-TAXS (1 866 668-8297) or by writing to

Ministry of Finance
Account Management and Collections Branch
33 King Street West
PO Box 620
Oshawa ON L1H 8H9

Voluntary Disclosure

It is the policy of the Ontario Ministry of Finance that any corporation or individual, who voluntarily discloses a violation of a statute administered by the Ministry of Finance, be allowed to settle any related debt by making full payment including interest.

Those who voluntarily approach the ministry to correct any deficiencies or contraventions of tax statutes and benefit programs administered by the ministry will not be prosecuted.

For complete information, a copy of the ministry's Voluntary Disclosure Bulletin may be obtained online at ontario.ca/finance.

Annual Return

Return Period

The start and end dates for the reporting period covered by your return.

Reference No.

This is a unique number assigned by the ministry to each return and accompanying schedule(s) it issues to a taxpayer. For effective service when communicating with the ministry, please use this unique reference number to identify a particular return/schedule(s), in addition to quoting your business number.

Part 1 - Identification, Payment Summary and Certification

Identification

The **Legal Name** is the legal name of:

- the "owner" of the hydro-electric generating station with respect to an amount payable under subsection 92.1 (1) or (2) of the Act, or
- the "holder of a water power lease" with respect to an amount payable under subsection 92.1 (5) of the Act.

The **Mailing Address** is the person's **current** address for the purposes of receiving correspondence from the Ministry of Finance. If the mailing address is a P.O. Box number, the full street address, including lot, concession, unit or suite number must be provided.

Verify that your pre-printed legal name and mailing address are correct. If the information is incorrect or blank, enter your full legal name (including all punctuation) and mailing address in Part 1 of the return.

If the **Head Office Address** and the **Location of Books and Records** are the same as the current mailing address, please indicate this by stating "same as above" in each location.

The **Name of person to contact** refers to an individual whom the ministry may contact for further information/clarification regarding the GRC Annual Return. The **Telephone No.** and **Fax No.** should be the telephone and fax numbers of the contact person.

The **Identification No.** is the account number assigned to you by the Ministry of Finance. If this is your first Return, and you have not yet been assigned a number, leave this area blank.

Due Date is the due date of the GRC Annual Return. Please indicate which schedules have been completed and attached to your Annual Return in the **Schedules attached to Return** portion of this section.

No. of Stations to which this Return Applies refers to the number of stations reported in **Part 2** of the Annual Return.

You may indicate your language of preference under **Preferred Language**.

Payment Summary

Any Balance Due from **Part 3, 4, or 5** is to be recorded in the **Payment Summary** section. The Balance Due amounts in this section are the same Balance Due amounts on the Remittance Advice forms that you are sending to the Minister of Finance along with your Annual Return.

Certification

The person certifying the Return under the **Certification** section must be the owner, the holder of a water power lease, officer, director, or other person having knowledge of the affairs of the hydro-electric generating station(s).

Part 2 - Annual Generation Calculation

Part 2 is to be completed by an owner of a hydroelectric generating station or the holder of a water power lease in respect of all hydro-electric generating stations.

Station Name

For each hydro-electric generating station, please enter the station's name in the "Station Name" column. Should you be unable to list all of your stations in this part of the Return, please continue the columns on a separate piece of paper.

Column A

Use column A to report the annual generation of a station whose owner or operator has not, with respect to that station, paid or received compensation for the transfer of water to or from another station during the year. The annual generation of such a station is the amount of electricity generated by the station during the year, other than electricity that is consumed directly in the generation of electricity at the station without being conveyed through a transmission or distribution system. Column A applies to the majority of stations in Ontario.

Column B

Use column B to report the annual generation of a station that generated electricity during the year and whose owner or operator, with respect to that station, paid or received compensation for the transfer of water to or from another station during the year. To determine the annual generation of such a station, you must first complete Schedule 1 - Annual Generation of Stations Engaging in Water Transfers. For each station, enter the amount from Schedule 1, column H.

Column C

Use column C to report the annual generation of a station which does not generate electricity at any time in a year. To determine the annual generation of such a station, you must first complete Schedule 2 - Annual Generation of Stations that did not Generate Electricity during the Year. For each station, enter the amount from Schedule 2, column D.

Column D

Use column D to claim the deduction for eligible capacity for each station that is a "new," "redeveloped," or "upgraded" station, as determined using Schedule 3 - Deduction for Eligible Capacity. For each station, enter the amount from Schedule 3, column H.

Column E

To calculate a station's total annual generation in column E, you must subtract the amount reported in column D (if any) from column A, B or C. For each station, transfer the total from column E to Parts 3, 4 and 5, column A, of the Return, as applicable.

Part 3 - Calculation of GRC Property Tax Component Payable to the Minister of Finance

Part 3 is to be completed by the owner of a hydroelectric generating station, other than a station owned by Ontario Power Generation Inc., Hydro One Inc., their subsidiaries, or a municipal electricity utility, or a station that was owned by any of these entities at any time after March 31, 1999.

Station Name

Enter each station's name in the "Station Name" column. Should you be unable to list all of your stations in this part of the Return, please continue the columns on a separate piece of paper.

Column A

For each station whose gross revenue from the generation of electricity is subject to the tax imposed under subsection 92.1 (1) of the Act, enter the station's Total Annual Generation from Part 2, column E.

Column B

Multiply the Total Annual Generation in column A by \$40,000 (the price per gigawatt hour of electricity as established by regulation) to determine the station's gross revenue for the year.

Column C

Refer to the GRC Rate Table in Part 3 to determine the applicable GRC Rate. (See section below entitled GRC Rate Table for instructions on how to use the GRC Rate Table.)

Column D

Multiply the station's Gross Revenue from column B by the GRC Rate from column C.

Column E

Gross Revenue Charge rates are graduated based on the annual generation of a station. The Adjustment for Rate Differential represents the amount that the station owner is overcharged by using the higher rate to calculate the subtotal in column D. Refer to the GRC Rate Table in Part 3 to determine the applicable Adjustment for Rate Differential amount. (See section below entitled GRC Rate Table for instructions on how to use the GRC Rate Table)

Column F

Subtract the Adjustment for Rate Differential amount in column E from the Subtotal amount in column D. The amount in column F represents the total charge for the station. The Total Payable by the station owner is the sum of all amounts in column F. The Balance Due is the Total Payable less the total of any GRC instalments made to the Minister of Finance for the year. Please use Remittance Advice A when making payment of this Balance Due amount. You must also report the Balance Due amount in the Payment Summary section of Part 1 of the Return.

GRC Rate Table

To determine the applicable GRC Rate and Adjustment for Rate Differential for the purposes of columns C and E, you must first determine which range the station's total annual generation from column A falls into. For example, a station whose total annual generation is 625 gigawatt hours will fall into the range "Greater than 400 up to and including 700." In this example, the station's GRC Rate is 6.0%, and the Adjustment for Rate Differential is \$280,000.

Part 4 - Calculation of GRC Property Tax Component Payable to the Ontario Electricity Financial Corporation (OEFC)

Part 4 is to be completed by the owner of a hydroelectric generating station owned by Ontario Power Generation Inc., Hydro One Inc., their subsidiaries, or a municipal electricity utility, or a station that was owned by any of these entities at any time after March 31, 1999.

Station Name

Enter each station's name in the "Station Name" column. Should you be unable to list all of your stations in this part of the Return, please continue the columns on a separate piece of paper.

Column A

For each station whose gross revenue from the generation of electricity is subject to the charge imposed under subsection 92.1 (2) of the Act, enter the station's Total Annual Generation from Part 2, column E.

Column B

Multiply the Total Annual Generation in column A by \$40,000 (the price per gigawatt hour of electricity as established by regulation) to determine the station's gross revenue for the year.

Column C

Refer to the GRC Rate Table in Part 4 to determine the applicable GRC Rate. (See section below entitled GRC Rate Table for instructions on how to use the GRC Rate Table.)

Column D

Multiply the station's Gross Revenue from column B by the GRC Rate from column C.

Column E

Gross Revenue Charge rates are graduated based on the annual generation of a station. The **Adjustment for Rate Differential** represents the amount that the station owner is overcharged by using the higher rate to calculate the subtotal in column D. Refer to the GRC Rate Table in Part 4 to determine the applicable Adjustment for Rate Differential amount. (See section below entitled GRC Rate Table for instructions on how to use the GRC Rate Table.)

Column F

Subtract the Adjustment for Rate Differential amount in column E from the Subtotal amount in column D. The amount in column F represents the total charge for the station. The **Total Payable** by the station owner is the sum of all amounts in column F. The **Balance Due** is the Total Payable less the total of any GRC instalments made to OEFC for the year. Please use **Remittance Advice B** when making payment of this Balance Due amount. You must also report the Balance Due amount in the Payment Summary section of Part 1 of the Return.

GRC Rate Table

To determine the applicable GRC Rate and Adjustment for Rate Differential for the purposes of columns C and E, you must first determine which range the station's total annual generation from column A falls into. For example, a station whose total annual generation is 625 gigawatt hours will fall into the range "Greater than 400 up to an including 700." In this example, the station's GRC Rate is 6.0%, and the Adjustment for Rate Differential is \$280,000.

Part 5 - Calculation of GRC Water Rental Component Payable to the Minister of Finance

Part 5 is to be completed by any person who has entered into an agreement, lease or other writing respecting the use of water under subsection 42 (2) of the *Public Lands Act*, or under the *Niagara Parks Act*, or The *St. Lawrence Development Act*, 1952 (No.2), or who is required to enter into such agreement, lease or other writing in order to be entitled to occupy public lands.

Station Name

Enter each station's name in the "Station Name" column. Should you be unable to list all of your stations in this part of the Return, please continue the columns on a separate piece of paper.

Column A

For each station whose gross revenue from the generation of electricity is subject to the water rental charge imposed under subsection 92.1 (5) of the Act, enter the station's Total Annual Generation from Part 2, column E.

Column B

If you are the holder of a water power lease for a particular station and you were not required to pay a hydro-electric charge as required under the *Public Lands Act* because the station has been in service for less than a specified period of time, you may deduct from the station's Total Annual Generation, the annual generation of the station for the remainder of that period. If applicable, enter the same amount in column B that you entered in column A.

Column C

Enter the amount of station's annual generation that relates to one of the exemptions provided for in section 6 of the GRC Regulation. These exemptions from water rental charges only apply to the following stations

- Francis H. Clergue Generating Station on the St. Mary's River in the City of Sault Ste. Marie, and
- Big Eddy Generation Station on the Spanish River in the City of Greater Sudbury.

Column D

Subtract from the station's Total Annual Generation in column A, any amounts reported in columns B and C. If the result is a negative value enter "NIL".

Column E

Multiply the Subtotal in column D by \$40,000 (the price per gigawatt hour of electricity as established by regulation) to determine the station's gross revenue for the year.

Column F

Multiply the station's Gross Revenue from column E by 9.5% (Water Rental Charge Rate established in the Act.) to determine the station's Total Water Rental Charge payable to the Minister of Finance. The **Total Payable** by the holder of the water power lease is the sum of all amounts in column F. The **Balance Due** is the Total Payable less the total of any water rental instalments made for the year. Please use **Remittance Advice C** when making payment of this Balance Due amount. You must also report the Balance Due amount in the Payment Summary section of Part 1 of the Return.

Schedule 1 Annual Generation of Stations Engaging in Water Transfers

Schedule 1 is to be used to calculate the annual generation of a station that generated electricity during the year and whose owner or operator, with respect to that station, paid or received compensation for the transfer of water to or from another station during the year.

Station Name

Enter each station's name in the "Station Name" column. Should you be unable to list all of your stations in this part of the Return, please continue the columns on a separate piece of paper.

Column A

Enter the amount of electricity generated by the station during the year, other than electricity that is consumed directly in the generation of electricity at the station without being conveyed through a transmission or distribution system.

Column B

Enter the total of all amounts of electricity received by the generator during the year from other generators, in compensation for the use of water associated with the station.

Column C

Enter the total value of all compensation, other than electricity, that is received by the generator of the station from other generators in compensation for the use in the year of water associated with the station.

Column D

Enter the amount of electricity for a station for the year calculated by dividing the amount in column C by \$40,000.

Column E

Enter the total of all amounts of electricity generated at the station and conveyed during the year to other generators in compensation for the use of water that is associated with a station of the other generators.

Column F

Enter the total value of all compensation, other than electricity, that is paid by the generator of the station to other generators in compensation for the use in the year of water associated with the stations of the other generators.

Column G

Enter the amount of electricity for a station for the year calculated by dividing the amount in column F by \$40,000.

Column H

Subtract the amounts in columns E and G from the sum of the amounts in columns A, B and D to determine the annual generation of a station engaging in water transfers. Transfer each station's total from column H to column B in Part 2 of the Return.

Schedule 2 Annual Generation of Stations that did not Generate Electricity during the Year

Schedule 2 is to be used to calculate the annual generation of a station that did not generate electricity during the year but received compensation for the use of water associated with that station.

Station Name

Enter each station's name in the "Station Name" column. Should you be unable to list all of your stations in this part of the Return, please continue the columns on a separate piece of paper.

Column A

Enter the total value of all compensation, other than electricity, that is received by the generator of the station from other generators in compensation for the use in the year of water associated with the station.

Column B

Divide the amount from column A by \$40,000 (the price per gigawatt hour of electricity as established by regulation) enter this result in column B.

Column C

Enter the total of all amounts of electricity received by the station's generator during the year from other generators, in compensation for the use of water associated with the station.

Column D

Add together the amounts in columns B and C to determine the annual generation of a station that did not generate electricity during the year. For each station, transfer the total from column D to column C in Part 2 of the Return.

Schedule 3 Deduction for Eligible Capacity

Schedule 3 is to be used to calculate the deduction for eligible capacity of a station that is a "new," "redeveloped," or "upgraded" station. The eligible capacity of a "new" or "redeveloped" station refers to the station's total annual generation. The eligible capacity of an "upgraded" station refers to the incremental increase in the amount of electricity generated annually by the upgraded station as a result of the upgrade. In order to claim this deduction, you must provide the Minister of Finance with a statement issued by the Minister of Natural Resources, and any amended statement issued by the Minister of Natural Resources, that contains the following information

- Whether the work carried out was to construct a new station, to redevelop the station or to upgrade the station.
- Whether an approval issued by the Minister of Natural Resources under the *Lakes and Rivers Improvement Act* was required for the work and, if such an approval was required, a statement that the work was carried out in accordance with an approval.
- The date that the eligible capacity was put into service.
- If the work was to upgrade the station, the projected percentage increase in the amount of electricity generated annually by the upgraded station as a result of the upgrade.

The deduction for eligible capacity is available for the first 120 months after the eligible capacity is put in service.

Station Name

Enter each station's name in the "Station Name" column. Should you be unable to list all of your stations in this part of the Return, please continue the columns on a separate piece of paper.

Column A

Enter the date that the station's eligible capacity is deemed to be put into service by the Minister of Natural Resources.

Column B

Enter the station's Annual Generation from column A, B or C in Part 2 of the Annual Return.

Column C

Enter the amount from column B only if the station is a "new" or "redeveloped" station then proceed to column F. If the station is an "upgraded station," proceed to column D.

Column D

Enter the projected percentage increase in the amount of electricity generated annually by an "upgraded station" as approved by the Minister of Natural Resources.

Column E

Enter the amount of electricity generated from the eligible capacity of an "upgraded station" as determined by multiplying the station's annual generation from column B by the projected percentage increase from column D, and dividing the result by the sum of 1 plus the projected percentage increase from column D.

Column F

Enter the amount from column C or E, whichever applies.

Column G

Because the deduction for eligible capacity is only available for the first 120 months after the eligible capacity is put into service, you may have to pro-rate the deduction **if the eligible capacity was not in service for the full year. Enter "1" if the eligible capacity was in service for the full year, or if the station is a "new" or "redeveloped station" that came into service in the year of the Annual Return.** If the station is an "upgraded station" whose eligible capacity came into service during the year of the Annual Return, divide the number of months the eligible capacity was in service by 12, and multiply the result by the amount in column F. You will be required to pro-rate the deduction for eligible capacity in this manner at the end of the 120-month holiday period, whether the eligible capacity is in respect of a "new," "redeveloped," or "upgraded" station.

Column H

Multiply the amount in column F by the Pro Rata factor in column G, and enter the result in column H. Transfer each station's total from column H to column D in Part 2 of the Return.