



## PETERBOROUGH DISTRIBUTION INC.

1867 Ashburnham Drive, PO Box 4125, Station Main  
Peterborough ON K9J 6Z5

November 15, 2010

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street, Suite 2700  
Toronto, Ontario  
M4P 1E4

Dear Ms. Walli

**Peterborough Distribution Inc.  
2011 IRM3 Distribution Rate Application  
Response to Board Staff Interrogatories  
Board File No. EB-2010-0109**

Please find accompanying this letter two hard copies of Peterborough Distribution Inc's response to the Ontario Board Staff Interrogatories. Electronic version of this response will be forwarded to the Board in PDF format.

Yours truly,

*Original signed by Robert Kent*

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## **Board Staff Interrogatories**

### **2011 IRM3 Electricity Distribution Rates Peterborough Distribution Incorporated ("PDI") EB-2010-0109**

#### **1. Ref: Tax Sharing Model – F1.1 Z-Factor Changes**

- a) Please explain why "Taxable Capital" is not identical with the "Total Rate Base" per the Revenue Requirement Work Form on the Board Decision in EB-2008-0421.

Response:

The "Taxable Capital" was not identical with the "Total Rate Base" per the Revenue Requirement Work Form from the Board Decision in EB-2008-0241 as the values in the Tax Sharing Model tab F1.1 Z-Factor were derived from the 2009 tax return.

- b) Please explain why "Regulatory Taxable Income" is not identical with the "Taxable Income" per the Revenue Requirement Work form from the Board Decision in EB-2008-0241

Response:

The "Regulatory Taxable Income" was not identical with the "Taxable Income" per the Revenue Requirement Work Form from the Board Decision in EB-2008-0241 as the values in the Tax Sharing Model tab F1.1 Z-Factor were derived from the 2009 tax return.

- c) If the data provided is correct, please provide evidence supporting the data entered for a) and b) above. If the data is incorrect, please re-file F1.1 with the correct data and staff will make necessary changes to the model.

Response:

The Tax Sharing Model, Tab F1.1 Z-Factor Tax Changes has been revised and reflects the values per the Revenue Requirement Work form from the Board Decision in EB-2008-0241. The revised tab is provided on the following page.

**Name of LDC:** Peterborough Distribution Incorporated  
**File Number:** IRM3  
**Effective Date:** Sunday, May 01, 2011  
**Version : 1.0** Revised November 15, 2010

## Z-Factor Tax Changes

### Summary - Sharing of Tax Change Forecast Amounts

#### 1. Tax Related Amounts Forecast from Capital Tax Rate Changes

	2009	2010	2011	2012	2013	2014
Taxable Capital	\$ 55,095,816	\$ 55,095,816	\$ 55,095,816	\$ 55,095,816	\$ 55,095,816	\$ 55,095,816
Deduction from taxable capital up to \$15,000,000	\$ 15,000,000	\$ 15,000,000	\$ 15,000,000	\$ 15,000,000	\$ 15,000,000	\$ 15,000,000
Net Taxable Capital	\$ 40,095,816	\$ 40,095,816	\$ 40,095,816	\$ 40,095,816	\$ 40,095,816	\$ 40,095,816
Rate	0.225%	0.150%	0.000%	0.000%	0.000%	0.000%
Ontario Capital Tax (Deductible, not grossed-up)	<u>\$ 90,216</u>	<u>\$ 29,825</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

#### 2. Tax Related Amounts Forecast from Income Tax Rate Changes

	2009	2010	2011	2012	2012	2012
Regulatory Taxable Income	\$ 2,824,442	\$ 2,824,442	\$ 2,824,442	\$ 2,824,442	\$ 2,824,442	\$ 2,824,442
Corporate Tax Rate	33.00%	30.99%	28.25%	26.25%	25.50%	25.00%
Tax Impact	\$ 932,066	\$ 875,351	\$ 797,848	\$ 741,388	\$ 720,120	\$ 706,111
<b>Grossed-up Tax Amount</b>	<u>\$ 1,391,143</u>	<u>\$ 1,268,478</u>	<u>\$ 1,111,953</u>	<u>\$ 1,005,258</u>	<u>\$ 966,552</u>	<u>\$ 941,481</u>
Tax Related Amounts Forecast from Capital Tax Rate Changes	\$ 90,216	\$ 29,825	\$ -	\$ -	\$ -	\$ -
Tax Related Amounts Forecast from Income Tax Rate Changes	\$ 1,391,143	\$ 1,268,478	\$ 1,111,953	\$ 1,005,258	\$ 966,552	\$ 941,481
<b>Total Tax Related Amounts</b>	<u>\$ 1,481,359</u>	<u>\$ 1,298,302</u>	<u>\$ 1,111,953</u>	<u>\$ 1,005,258</u>	<u>\$ 966,552</u>	<u>\$ 941,481</u>
Incremental Tax Savings		-\$ 183,056	-\$ 369,406	-\$ 476,101	-\$ 514,807	-\$ 539,878
Sharing of Tax Savings (50%)		-\$ 91,528	-\$ 184,703	-\$ 238,050	-\$ 257,403	-\$ 269,939