

# Board Staff Interrogatories

## 2011 IRM3 Electricity Distribution Rates Niagara-on-the-lake Hydro Inc. (« NOTL ») EB-2010-0101

### 1. Ref: 2011 Tax Sharing Model Workform

Sheet F1.1 Z-Factor Tax Changes is reproduced below.

#### Summary - Sharing of Tax Change Forecast Amounts

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

	2009	2010	2011
Taxable Capital	\$21,163,511	\$21,163,511	\$21,163,511
Deduction from taxable capital up to \$15,000,000	\$15,000,000	\$15,000,000	\$15,000,000
Net Taxable Capital	\$ 6,163,511	\$ 6,163,511	\$ 6,163,511
Rate	0.225%	0.150%	0.000%
Ontario Capital Tax (Deductible, not grossed-up)	\$ 13,868	\$ 4,585	\$ -

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

Regulatory Taxable Income	\$ 1,028,155	\$ 1,028,155	\$ 1,028,155
Corporate Tax Rate	31.05%	28.19%	24.72%
Tax Impact	\$ 319,238	\$ 289,869	\$ 254,183
<b>Grossed-up Tax Amount</b>	<b>\$ 462,996</b>	<b>\$ 403,679</b>	<b>\$ 337,661</b>

Tax Related Amounts Forecast from Capital Tax Rate Changes	\$ 13,868	\$ 4,585	\$ -
Tax Related Amounts Forecast from Income Tax Rate Changes	\$ 462,996	\$ 403,679	\$ 337,661
<b>Total Tax Related Amounts</b>	<b>\$ 476,864</b>	<b>\$ 408,263</b>	<b>\$ 337,661</b>
Incremental Tax Savings		-\$ 68,601	-\$ 139,203
Sharing of Tax Savings (50%)		-\$ 34,300	-\$ 69,602

a) Please explain why “Taxable Capital” is not identical with “Total Rate Base” per the Revenue Requirement Work Form from the Board Decision in EB-2008-0237.

b) Please explain why “Regulatory Taxable Income” is not identical with “Taxable Income” per the Revenue Requirement Work Form from the Board Decision in EB-2008-0237.

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

## 2. Ref: Manager's Summary, Page 22 of 52

With reference to the Manager's Summary, page 22, Deferral Variance Accounts:

The Report of the Board on Electricity Distributors' Deferral and Variance Account Review Initiative ("EDDVAR") of July 31, 2009 stated that Group 1 Accounts included 1550, 1580, 1584, 1586, 1588, 1590 and 1595.

- a) Please re-calculate the threshold test using all Group 1 Accounts as outlined in EDDVAR.
- b) Please comment on whether or not the threshold as calculated in part a) would exceed the level above which disposition of those accounts would be required.
- c) The EDDVAR report states:

"During the IRM plan term, the Board has decided that a preset disposition threshold of \$0.001/ KWh is appropriate. In the Board's view, this level would lead to a more systematic approach to the disposition of the revised Group 1 Account balances. This systematic approach should mitigate inter-generational inequities and the accumulation of large Account balances. Further, this disposition threshold level should enhance the distributor's ability to manage its cash flow. When this threshold is exceeded, a distributor will file a proposal for the disposition of all revised Group 1 Account balances (including carrying charges). The onus will be on the distributor to justify why any Account balance should not be cleared."

Please explain why NOTL believes the EB-2010-0056 decision would override the Board's EDDVAR report.