



Jerry Van Ooteghem
President & C.E.O
Tel: (519) 745-4771
Fax: (519) 571-9338

January 14, 2011

BY COURIER & RESS

Ms. Kirsten Walli, Board Secretary
Ontario Energy Board
2300 Yonge Street, 26th Floor, P.O. Box 2319
TORONTO, ON M4P 1E4

**Re: IRM 2011 EB Number: EB-2010-0094 Board Staff Interrogatories -
Kitchener-Wilmot Hydro Inc. Application for Approval of 2011 Electricity
Distribution Rates, Licence No. ED-2002-0573**

Dear Ms. Walli:

On November 12, 2010, Kitchener-Wilmot Hydro Inc., referred to herein as the Applicant, filed its Application for 2011 Rates and, subsequently, on January 6, 2011, Board staff submitted its Interrogatories to the Applicant as per the Board's Notice of Application and Hearing dated November 26, 2010. Attached please find the Applicant's responses to those Interrogatories.

As a result of adjustments made by Board staff interrogatories, the estimated bill impact for residential customers consuming 800 kWh per month would result in an increase in the total bill of 1.2% or \$1.26. A general service <50 kW, 2000 kWh per month customer would experience an increase of .5% or \$1.20.

A copy of this package has been electronically filed through the Ontario Energy Board's RESS system. The original has been couriered to the Board's offices.

Should you require any further information or clarification of any of the above, kindly contact myself or Margaret Nanninga, Manager of Finance at (519) 749-6177.

Respectfully submitted,

Original Signed by

J. Van Ooteghem, P.Eng.

President & CEO

Attachments

<Blank Page>

Kitchener-Wilmot Hydro Inc. 3rd Generation IRM EB-2010-0094 Board staff Interrogatories

1. Ref: Tax Sharing Model – B1.1 Re-Based Bill Det & Rates

Rate Class and Re-Based Billing Determinants & Rates

Last COS Re-based Year				2010					
Last COS OEB Application Number				EB-2009-0267					
Rate Group	Rate Class	Fixed Metric	Vol Metric	Re-based Billed Customers or Connections A	Re-based Billed kWh B	Re-based Billed kW C	Rate ReBal Base Service Charge D	Rate ReBal Base Distribution Volumetric Rate kWh E	Rate ReBal Base Distribution Volumetric Rate kW F
RES	Residential	Customer	kWh	78,139	650,038,341		9.57	0.0169	
GSLT50	General Service Less Than 50 kW	Customer	kWh	7,484	235,461,608		25.22	0.0122	
GSGT50	General Service 50 to 4,999 kW	Customer	kW	1,003		2,231,346	233.13		3.9809
LU	Large Use	Customer	kW	2		140,928	14,221.38		1.3553
USL	Unmetered Scattered Load	Connection	kWh	820	3,287,380		8.36	0.0162	
SL	Street Lighting	Connection	kW	23,299		46,815	0.78		5.2353
EMB	Embedded Distributor	Connection	kW	1		49,918			1.1300
EMB	Embedded Distributor	Connection	kW	1		49,918			0.1400

- a) Please explain why rates in columns D, E and F are not identical with rates from Sheet “E1.1 Rate Reb Base Dist Rts Gen” of the 2011 IRM3 Rate Generator.

In the Tax Sharing Model – “B.1.1 Re-based Bill Det & Rates”, the “applied-for” rates were entered in columns D, E and F, rather than the values from Sheet “E1.1 Rate Reb Base Dist Rts Gen” of the 2011 IRM3 Rate Generator.

- b) If Kitchener-Wilmot is of the view that the data included in the application is more appropriate to use, please explain why. If not, please re-file the referenced sheet with the correct rates and staff will make the necessary adjustments to the Tax Sharing model.

See above. The referenced sheet has been adjusted and accompanies these interrogatory responses. Refer to Appendix A.

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

Summary - Sharing of Tax Change Forecast Amounts

1. Tax Related Amounts Forecast from Capital Tax Rate Changes

	2010	2011
Taxable Capital	\$ 161,616,283	\$ 161,616,283
Deduction from taxable capital up to \$15,000,000	\$ 15,000,000	\$ 15,000,000
Net Taxable Capital	\$ 146,616,283	\$ 146,616,283
Rate	0.150%	0.000%
Ontario Capital Tax (Deductible, not grossed-up)	\$ 109,058	\$ -

2. Tax Related Amounts Forecast from Income Tax Rate Changes

	2010	2011
Regulatory Taxable Income	\$ 10,954,417	\$ 10,954,417
Corporate Tax Rate	30.99%	28.25%
Tax Impact	\$ 3,394,993	\$ 3,094,404
Grossed-up Tax Amount	\$ 4,919,709	\$ 4,312,638

Tax Related Amounts Forecast from Capital Tax Rate Changes	\$ 109,058	\$ -
Tax Related Amounts Forecast from Income Tax Rate Changes	\$ 4,919,709	\$ 4,312,638
Total Tax Related Amounts	\$ 5,028,768	\$ 4,312,638
Incremental Tax Savings		-\$ 716,130
Sharing of Tax Savings (50%)		-\$ 358,065

- a) Please explain why Regulatory Taxable income is not identical with Taxable Income per the Revenue Requirement Work Form from the Board decision in EB-2009-0267.

Following discussion with Board staff, it was concluded that the value used in the 2011 Tax Sharing model was taken from the RRWF worksheet "5. Rev_Suff_Def, which included the gross-up for PILS. The correct value should not have included the gross-up for PILS and should have been copied from worksheet "3. Taxes_PILS".

This value should be \$7,700,393 and has been adjusted in the Tax Sharing Model. Kitchener-Wilmot Hydro Inc. further notes that the worksheet "F1.1 Z-Factor Tax Changes" has been adjusted for the discontinuance of Ontario Capital Tax on July 1, 2010. The adjusted worksheet has been attached as Appendix B.

- b) If the data provided is correct, please provide evidence supporting the data entered. If the data is incorrect, please re-file the referenced sheet with the correct amounts and staff will make the necessary adjustments to the Tax Sharing model.

See above.

3. Ref: Rate Generator – J2.7 Tax Change Rate Rider

- a) Please confirm that rate classes' large use and embedded distributor vol amounts should be negative and staff will make the necessary changes to the rate generator model.

Confirmed. Note that the values have changed due to adjustments in Board staff interrogatory #2 (see above). Adjusted figures are presented below:

Rate Rider	Tax Change
Sunset Date	30/04/2012 DD/MM/YYYY
Metric Applied To	All Customers
Method of Application	Distinct Volumetric

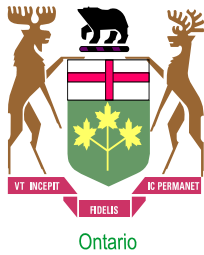
Rate Class	Applied to Class	Fixed Amount	Fixed Metric	Vol Amount	Vol Metric
Residential	Yes	0.000000	Customer per 30 days	-0.000200	kWh
General Service Less Than 50 kW	Yes	0.000000	Customer per 30 days	-0.000200	kWh
General Service 50 to 4,999 kW	Yes	0.000000	Customer per 30 days	-0.036900	kW
Large Use	Yes	0.000000	Customer per 30 days	-0.026600	kW
Standby Power – INTERIM APPROVAL	No	0.000000	NA	0.000000	NA
Unmetered Scattered Load	Yes	0.000000	Connection -12 per year	-0.000300	kWh
Street Lighting	Yes	0.000000	Connection -12 per year	-0.069800	kW
Embedded Distributor	Yes	0.000000	NA	-0.008000	kW
Embedded Distributor	No	0.000000	NA	-0.001000	kW

4. Ref: Rate Generator – B1.1 Curr&Appl Rt Class General

- a) Please select a fixed metric and vol metric for the large use rate class in the rate generator model on tab B1.1 Curr&Appl Rt Class General.

Selected. See below.

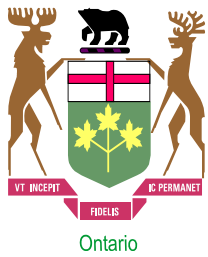
Rate Group	Rate Class	Fixed Metric	Vol Metric
RES	Residential	Customer per 30 days	kWh
GSLT50	General Service Less Than 50 kW	Customer per 30 days	kWh
GSGT50	General Service 50 to 4,999 kW	Customer per 30 days	kW
LU	Large Use	Customer per 30 days	kW
SB	Standby Power – INTERIM APPROVAL	NA	NA
USL	Unmetered Scattered Load	Connection -12 per year	kWh
SL	Street Lighting	Connection -12 per year	kW
EMB	Embedded Distributor	NA	kW
EMB	Embedded Distributor	NA	kW



Name of LDC: Kitchener-Wilmot Hydro Inc.
File Number: IRM3
Effective Date: Sunday, May 01, 2011
Version : 1.0

Rate Class and Re-Based Billing Determinants & Rates

Last COS Re-based Year				2010					
Last COS OEB Application Number				EB-2009-0267					
Rate Group	Rate Class	Fixed Metric	Vol Metric	Re-based Billed Customers or Connections A	Re-based Billed kWh B	Re-based Billed kW C	Rate ReBal Base Service Charge D	Rate ReBal Base Distribution Volumetric Rate kWh E	Rate ReBal Base Distribution Volumetric Rate kW F
RES	Residential	Customer	kWh	78,139	650,038,341		9.55	0.0169	
GSLT50	General Service Less Than 50 kW	Customer	kWh	7,484	235,461,608		25.17	0.0122	
GSGT50	General Service 50 to 4,999 kW	Customer	kW	1,003		2,231,346	232.71		3.9737
LU	Large Use	Customer	kW	2		140,928	14,195.83		1.3529
USL	Unmetered Scattered Load	Connection	kWh	820	3,287,380		8.34	0.0162	
SL	Street Lighting	Connection	kW	23,299		46,815	0.78		5.2259
EMB	Embedded Distributor	Connection	kW	1		49,918			1.1300
EMB	Embedded Distributor	Connection	kW	1		49,918			0.1400
NA	Rate Class 9	NA	NA						
NA	Rate Class 10	NA	NA						
NA	Rate Class 11	NA	NA						
NA	Rate Class 12	NA	NA						
NA	Rate Class 13	NA	NA						
NA	Rate Class 14	NA	NA						
NA	Rate Class 15	NA	NA						
NA	Rate Class 16	NA	NA						
NA	Rate Class 17	NA	NA						
NA	Rate Class 18	NA	NA						
NA	Rate Class 19	NA	NA						
NA	Rate Class 20	NA	NA						
NA	Rate Class 21	NA	NA						
NA	Rate Class 22	NA	NA						
NA	Rate Class 23	NA	NA						
NA	Rate Class 24	NA	NA						
NA	Rate Class 25	NA	NA						



Name of LDC: Kitchener-Wilmot Hydro Inc.
File Number: IRM3
Effective Date: Sunday, May 01, 2011
Version : 1.0

Z-Factor Tax Changes

Summary - Sharing of Tax Change Forecast Amounts

1. Tax Related Amounts Forecast from Capital Tax Rate Changes

	2010	2011	2012
Taxable Capital	\$ 161,616,283	\$ 161,616,283	\$ 161,616,283
Deduction from taxable capital up to \$15,000,000	\$ 15,000,000	\$ 15,000,000	\$ 15,000,000
Net Taxable Capital	\$ 146,616,283	\$ 146,616,283	\$ 146,616,283
Rate	0.150%	0.000%	0.000%
Ontario Capital Tax (Deductible, not grossed-up)	\$ 109,058	\$ -	\$ -

2. Tax Related Amounts Forecast from Income Tax Rate Changes

	2010	2011	2012
Regulatory Taxable Income	\$ 7,700,393	\$ 7,700,393	\$ 7,700,393
Corporate Tax Rate	30.99%	28.25%	26.25%
Tax Impact	\$ 2,386,506	\$ 2,175,207	\$ 2,021,276
Grossed-up Tax Amount	\$ 3,458,303	\$ 3,031,563	\$ 2,740,676

Tax Related Amounts Forecast from Capital Tax Rate Changes	\$ 109,058	\$ -	\$ -
Tax Related Amounts Forecast from Income Tax Rate Changes	\$ 3,458,303	\$ 3,031,563	\$ 2,740,676
Total Tax Related Amounts	\$ 3,567,362	\$ 3,031,563	\$ 2,740,676
Incremental Tax Savings		-\$ 535,799	-\$ 826,685
Sharing of Tax Savings (50%)		-\$ 267,899	-\$ 413,343