



April 1, 2011

Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street, 27th Floor  
P.O. Box 2319  
Toronto, ON M4P 1E4

Dear Ms. Walli,

**Renfrew Hydro Incorporated**  
**OEB File No. EB-2010-0112**

Enclosed please find Renfrew Hydro Incorporated ("RHI")'s 3<sup>rd</sup> Generation Incentive Regulation Mechanism rate application reply to Board staff interrogatories. This reply is being filed pursuant to the Board's e-Filing Services.

Should you have any questions or require further information, please do not hesitate to contact Mr. Thomas Freemark at the number below.

Yours very truly,

J. Thomas Freemark  
President  
Renfrew Hydro Inc  
613-432-4884

## Reply to Board Staff Interrogatories

### 2011 IRM3 Electricity Distribution Rates Renfrew Hydro Incorporated ("Renfrew") EB-2010-0112

#### 2011 IRM3 Rate Generator Model

1. Ref: Sheet "C3.2 Current Rate Rider for Global Adjustment Sub-Account Disposition – Electricity Component" of the model is reproduced below.

Current Rate Rider for Global Adjustment Sub-Account Disposition- Electricity Component						
Rate Rider	GA Sub-Acct - Electricity					
Sunset Date	April 30, 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	0.001700	kWh	
General Service Less Than 50 kW	Yes	0.000000	Customer per 30 days	0.001700	kWh	
General Service 50 to 4,999 kW	Yes	0.000000	Customer per 30 days	0.001700	kWh	
Unmetered Scattered Load	Yes	0.000000	Customer per 30 days	0.001700	kWh	
Street Lighting	Yes	0.000000	Connection -12 per year	0.001700	kWh	

- a) According to Renfrew's Tariff of Rates and Charges effective December 1, 2010, the rate rider for Global Adjustment Sub-Account Disposition is an element of the delivery component. Please confirm that this is correct and Board staff will update the rate generator to remove this sheet.

#### Renfrew's Reply

In the 2010 rate year applications the Board determined that the USoA 1588 Global Adjustment sub-account was to be separated out as an individual rate rider applicable to non-RPP customers. The Board proposed that because of distributor billing constraints two methodologies were applied to allocate the rate rider. The first methodology was to emulate the current distribution allocation by assigning to the individual rate classes in accordance to applying their similar volumetric billing determinants (i.e. kWh and kW). The second methodology was to allocate to total non-RPP kWh in similar fashion to electricity. In 2010 Renfrew applied the latter application methodology; electricity kWh. Renfrew confirms that the 2010 tariff sheet did designate the rate rider as a delivery component. Renfrew also notes that the Board's IRM3 Rate Generator model did not allow for all kWh application to the delivery component hence selected the electricity component. Renfrew hereby seeks the Boards clarification and direction on the appropriate tariff sheet presentation.

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2. Ref: Sheet “L2.1 Applied for RTSR – Connection” of the model is reproduced below.

Applied For RTSR - Connection						
Method of Application		Distinct Dollar				
Rate Class		Applied to Class				
Residential		Yes				
Rate Description		Vol Metric	Current Amount	% Adjustment	\$ Adjustment	Final Amount
Retail Transmission Rate – Line and Transformation Connection Service Rate		\$/kWh	0.002800	0.000%	-0.000026	0.002774
Rate Class		Applied to Class				
General Service Less Than 50 kW		Yes				
Rate Description		Vol Metric	Current Amount	% Adjustment	\$ Adjustment	Final Amount
Retail Transmission Rate – Line and Transformation Connection Service Rate		\$/kWh	0.001300	0.000%	-0.000024	0.001276
Rate Class		Applied to Class				
General Service 50 to 4,999 kW		Yes				
Rate Description		Vol Metric	Current Amount	% Adjustment	\$ Adjustment	Final Amount
Retail Transmission Rate – Line and Transformation Connection Service Rate		\$/kW	1.006000	0.000%	-0.009426	0.996574
Rate Class		Applied to Class				
Unmetered Scattered Load		Yes				
Rate Description		Vol Metric	Current Amount	% Adjustment	\$ Adjustment	Final Amount
Retail Transmission Rate – Line and Transformation Connection Service Rate		\$/kWh	0.002600	0.000%	-0.000024	0.002576
Rate Class		Applied to Class				
Street Lighting		Yes				
Rate Description		Vol Metric	Current Amount	% Adjustment	\$ Adjustment	Final Amount
Retail Transmission Rate – Line and Transformation Connection Service Rate		\$/kW	0.777600	0.000%	-0.007286	0.770314

- a) According to Renfrew’s Tariff of Rates and Charges effective December 1, 2010, the Retail Transmission Rate – Line and Transformation Connection Service Rate is \$0.0026 per kWh for the General Service Less Than 50 kW rate class. However, the model indicates that the rate is \$0.0013 per kWh. Please confirm the correct rate and Board staff will update the model.

### Renfrew's Reply

Renfrew concurs with this observation and hereby requests Board staff to update the model.

## 2011 RTSR Adjustment Workform

3. Ref: Sheet "B1.2 2009 Distributor Billing Determinants" of the workform is reproduced below.

2009 Distributor Billing Determinants						
Enter the most recently reported RRR billing determinants						
Loss Adjusted Metered kWh	Yes	Update Sheet				
Loss Adjusted Metered kW	No					
Rate Class	Vol Metric	Metered kWh A	Metered kW B	Applicable Loss Factor C	Load Factor D = A / (B * 730)	Loss Adjusted Billed kWh E = A * C
Residential	kWh	30,643,470	0	1.0810		33,125,591
General Service 50 to 499 kW	kWh	12,859,915	0	1.0810		13,901,568
General Service 50 to 4,999 kW	kW	52,230,300	141,729	1.0810	50.51%	56,460,954
Unmetered Scattered Load	kWh	140,485	0	1.0810		151,864
Street Lighting	kW	1,114,732	3,092	1.0810	49.41%	1,205,025
Total		96,988,902	144,821			104,845,003

- a) Please explain, and if necessary reconcile, why metered kWh and kW in columns A and B are not consistent with what is reported in Renfrew's 2009 RRR 2.1.5 customer, demand and revenue section.

### Renfrew's Reply

Renfrew confirms Residential kWh should be 30,635,928. Renfrew requests Board staff amend the model accordingly.

Renfrew confirms that it consolidated and reported the Unmetered Scattered Load billing determinants into General Service Less than 50 kW in the 2009 RRR 2.1.5. and separated the amounts to properly allocate the RTSR adjustments. Renfrew confirms that the 12,859,915 (General Service Less than 50 kW) plus the 140,485 (Unmetered Scattered Load) equals 13,000,400 as reported in the 2009 RRR 2.1.5.

- b) Please confirm that the data entered in column A (metered kWh) is metered data (i.e. no loss factor applied). If a loss factor has been applied to the data in column A, Board staff will make the relevant corrections to the workform.

### Renfrew's Reply


Renfrew confirms that the data entered in column A (metered kWh) is metered data (i.e. no loss factor applied).

## 2011 IRM3 Shared Tax Savings Workform

4. Ref: Sheet "F1.1 Z-Factor Tax Changes" of the workform is reproduced below.

Z-Factor Tax Changes		
Update Sheet		
<b>Summary - Sharing of Tax Change Forecast Amounts</b>		
<b>1. Tax Related Amounts Forecast from Capital Tax Rate Changes</b>	<b>2010</b>	<b>2011</b>
Taxable Capital	\$ 6,016,657	\$ 6,016,657
Deduction from taxable capital up to \$15,000,000	\$15,000,000	\$15,000,000
Net Taxable Capital	-\$ 8,983,343	-\$ 8,983,343
Rate	0.150%	0.000%
Ontario Capital Tax (Deductible, not grossed-up)	\$ -	\$ -
<b>2. Tax Related Amounts Forecast from Income Tax Rate Changes</b>	<b>2010</b>	<b>2011</b>
Regulatory Taxable Income	\$ 300,071	\$ 300,071
Corporate Tax Rate	16.00%	15.50%
Tax Impact	\$ 48,011	\$ 46,511
<b>Grossed-up Tax Amount</b>	<b>\$ 57,156</b>	<b>\$ 55,043</b>
Tax Related Amounts Forecast from Capital Tax Rate Changes	\$ -	\$ -
Tax Related Amounts Forecast from Income Tax Rate Changes	\$ 57,156	\$ 55,043
<b>Total Tax Related Amounts</b>	<b>\$ 57,156</b>	<b>\$ 55,043</b>
Incremental Tax Savings		-\$ 2,114
Sharing of Tax Savings (50%)		-\$ 1,057

Ref: Sheet "3. Taxes/PILs" of Renfrew's 2010 Revenue Requirement Workform is reproduced below.

 <b>REVENUE REQUIREMENT WORK FORM</b> Name of LDC: Renfrew Hydro Inc. File Number: EB-2009-0146 Rate Year: 2010			
Taxes/PILs			
Line No.	Particulars	Application	Per Board Decision
<u>Determination of Taxable Income</u>			
1	Utility net income	\$237,056	\$237,056
2	Adjustments required to arrive at taxable utility income	\$63,014	\$63,014
3	Taxable income	\$300,071	\$300,071
<u>Calculation of Utility Income Taxes</u>			
4	Income taxes	\$48,011	\$48,011
5	Capital taxes	(\$14,500) a	(\$14,500)
6	Total taxes	\$33,511	\$33,511
7	Gross-up of Income Taxes	\$9,145	\$9,145
8	Grossed-up Income Taxes	\$57,156	\$57,156
9	PILs / tax Allowance (Grossed-up Income taxes + Capital taxes)	\$42,656	\$42,656
10	Other tax Credits	\$ -	\$ -
<u>Tax Rates</u>			
11	Federal tax (%)	11.00%	11.00%
12	Provincial tax (%)	5.00%	5.00%
13	Total tax rate (%)	16.00%	16.00%

- a) Please confirm that the capital tax of (\$14,500) from Renfrew's 2010 Revenue Requirement Workform should be included in IRM Shared Tax Savings Workform. If necessary, Board staff will manually update the workform.

### Renfrew's Reply

On page 26 of the November 25, 2010 decision Income and Capital Taxes

"As part of the interrogatory process, Renfrew acknowledged that it had failed to include certain tax credits related to apprentices; it re-filed its tax calculations to include a \$14,500 annual tax credit amount"

For ease of calculation this amount was included as a negative capital tax in the revenue requirement work form.

As shown below the impact of including this amount as a credit against income taxes, the resulting shared tax savings would be materially similar.

<b>1. Tax Related Amounts Forecast from Capital Tax Rate Changes</b>	<b>2010</b>	<b>2011</b>
Taxable Capital	\$ 6,016,657	\$ 6,016,657
Deduction from taxable capital up to \$15,000,000	\$ 15,000,000	\$ 15,000,000
Net Taxable Capital	-\$ 8,983,343	-\$ 8,983,343
Rate	0.150%	0.000%
Ontario Capital Tax (Deductible, not grossed-up)	\$ -	\$ -
<b>2. Tax Related Amounts Forecast from Income Tax Rate Changes</b>	<b>2010</b>	<b>2011</b>
Regulatory Taxable Income	\$ 300,071	\$ 300,071
Corporate Tax Rate	16.00%	15.50%
<b>Income Taxes Before Tax Credit</b>	\$ 48,011	\$ 46,511
Tax Credits Deducted from Income Taxes	-\$ 14,500	-\$ 14,500
<b>Income Taxes Before Gross-up</b>	\$ 33,511	\$ 32,011
Gross-up of Income Taxes	\$ 9,145	\$ 8,532
<b>Grossed-up Tax Amount</b>	<b>\$ 42,656</b>	<b>\$ 40,543</b>
Tax Related Amounts Forecast from Capital Tax Rate Changes	\$ -	\$ -
Tax Related Amounts Forecast from Income Tax Rate Changes	\$ 42,656	\$ 40,543
<b>Total Tax Related Amounts</b>	<b>\$ 42,656</b>	<b>\$ 40,543</b>
Incremental Tax Savings		-\$ 2,114
Sharing of Tax Savings (50%)		-\$ 1,057

## 2011 Revenue Cost Ratio Adjustment Workform

5. Ref: Sheet “B1.1 Rate Class Selection, Re-Based Billing Determinants & Current Tariff Rates” of the workform is reproduced below.

Rate Class Selection, Re-Based Billing Determinants & Current Tariff Rates									
The purpose of this sheet is to set up the rate classes, enter the re-based billing determinants from your last cost of service application and enter the current service charge and volumetric distribution rates as found on your May 1, 2010 (or subsequent) Tariff of rates and charges.									
Last COS Re-based Year				2010					
Last COS OEB Application Number				EB-2009-0146					
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	Current Tariff Service Charge D	Current Tariff Distribution Volumetric Rate kWh E	Current Tariff Distribution Volumetric Rate kW F
RES	Residential	Customer	kWh	3,635	34,438,358		14.49	0.0149	
GSLT50	General Service Less Than 50 kW	Customer	kWh	474	13,997,976		29.96	0.0132	
GSGT50	General Service 50 to 4,999 kW	Customer	kW	64	56,836,638	154,229	162.01		2.1683
USL	Unmetered Scattered Load	Customer	kWh	30	154,282		32.83	0.0074	
SL	Street Lighting	Connection	kW	1,173	1,211,057	3,359	1.49		3.6732

- a) Board staff is unable to reconcile the date entered into column B “Re-based Billed kWh” and column C “Re-based Billed kW”. Please provide evidence supporting this data.

### Renfrew's reply

RateMaker 2009 release 1.1 © Elenchus Research Associates			
C1 Load Data and Forecast			
Customer Class Name	Status	2010 Normalized	
Residential	Continued	3,635	
General Service Less Than 50 kW	Continued	474	
General Service 50 to 4,999 kW	Continued	64	
Unmetered Scattered Load	Continued	30	
Street Lighting	Continued	1,173	
TOTAL		5,376	
Customer Class Name	Status	2010 Normalized	
Residential	Continued	31,881,465	
General Service Less Than 50 kW	Continued	12,958,689	
General Service 50 to 4,999 kW	Continued	52,616,773	
Unmetered Scattered Load	Continued	142,827	
Street Lighting	Continued	1,121,141	
TOTAL		98,720,895	
Customer Class Name	Status	2010 Normalized	
Residential	Continued		
General Service Less Than 50 kW	Continued		
General Service 50 to 4,999 kW	Continued	142,778	
Unmetered Scattered Load	Continued		
Street Lighting	Continued	3,110	
TOTAL		145,888	

Renfrew notes that the above values should have been input into Columns A,B & C and hereby requests Board staff to amend the Revenue Cost Ratio Adjustment workform to reflect the above noted values.

6. Ref: Sheet "C1.1 Decision – Cost Revenue Adjustments by Rate Class" of the workform is reproduced below.

Decision - Cost Revenue Adjustments by Rate Class							
<p>The purpose of this sheet is to input the Revenue Cost Ratios as determined from column G on Sheet "C1.5 Proposed R C Ratio Adj" of the applicants 2010 IRM3 Supplemental Filing Module or 2010 COS Decision and Order.</p> <p>Under Direction the applicant can choose "No Change" - no change in that rate class ratio, "Change" - Board ordered change from COS decision, or Rebalance to apply offset adjustments to Decision prescribed rate classes.</p>							Update Group
Rate Class	Direction	Current Year 2010	Transition Year 1 2011	Transition Year 2 2012	Transition Year 3 2013	Transition Year 4 2014	Transition Year 5 2015
Residential	Rebalance	117.00%	tbd	tbd	tbd	tbd	tbd
General Service Less Than 50 kW	No Change	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
General Service 50 to 4,999 kW	Change	80.00%	84.00%	87.00%	90.00%	0.00%	0.00%
Unmetered Scattered Load	Change	58.00%	64.00%	69.00%	75.00%	0.00%	0.00%
Street Lighting	Change	39.00%	50.00%	60.00%	70.00%	0.00%	0.00%

- a) According to the Board's decision in Renfrew's 2010 cost of service proceeding (EB-2009-0146), the revenue-to-cost ratios for the GS<50 kW, Unmetered Scattered Load, and Street Lighting rate classes were approved as proposed by Renfrew as shown in Table 7 in that decision. Please confirm that the starting point (i.e. Current Year 2010) revenue-to-cost ratio for the Unmetered Scattered Load rate class should be 64%, instead of 58%, which Renfrew has entered into the workform. If necessary, Board staff will update the workform and the rate generator model.

### Renfrew's Reply

Renfrew concurs with Board staff that the Unmetered Scattered Load ratio should be 64% and accepts Board staff offer to amend model. Renfrew also requests Board staff to amend the Unmetered Scattered Load target for 2011 to 69% as per the decision EB-2010-0146.



### **December 31, 2009 Group 1 Deferral and Variance Accounts**

7. In Renfrew's 2010 cost of service proceeding (EB-2009-0146), the Board approved and directed Renfrew to transfer to Account 1595 the Group 1 account balances approved for disposition as soon as possible but no later than December 31, 2010, so that the Reporting and Record-keeping Requirements data reported in the fourth quarter of 2010 reflect these adjustments.
  - a. Please confirm that Renfrew has transferred its December 31, 2009 Group 1 account balances, including interest up to April 30, 2010, into Account 1595.

#### **Renfrew's Reply**

Renfrew confirms transfer of its December 31, 2009 Group 1 account balances, including interest up to April 30, 2010, into Account 1595.