



Grimsby Power Incorporated

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September 26, 2012

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

Dear Ms. Walli,

**RE: OEB File No. EB-2012-0127 - 2013 IRM Electricity Rate Application
Grimsby Power Incorporated
Response to Board Staff Interrogatories**

In accordance with the Notice of Application and Hearing, please find attached Grimsby Power's responses to Board Staff Interrogatories in the above proceeding.

As a result of the Board Staff's interrogatories, Grimsby Power has re-submitted the Tax Sharing model to reflect the Board-approved corporate tax rate.

This letter is sent by courier, e-mail and RESS. Should there be any questions, please do not hesitate to contact me.

Yours truly,

David Kelly
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Grimsby Power Inc.
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Grimsby Power Inc.
2013 IRM Rate Application
Board Staff Interrogatories

1. Ref: 2012 IRM3 Tax Savings Work Form, page 5
Ref: Revenue Requirement Work Form EB-2011-0273

Board Staff notes some discrepancies in the tax rates entered into the 2013 Tax Savings Work form.

- a) Please confirm that GPI's 2012 rates were set on the basis of a 11.54% tax rate.

Grimsby Power Inc.'s Response:

Reference: EB-2011-0273

Grimsby_2012_Rev_Reqt_Work_Form_Revised_DRO from Feb 03, 2012

Grimsby Power confirms that the 2012 rates were set on the basis of an 11.54% tax rate in the Cost of Service application (EB-2011-0273).

b) Please provide an explanation of the 2012 tax rate of 15.50% entered in the tax savings work form with the 2012 approved rate being 11.54%. If this is an error Board Staff will update your work form.



Line No.	Particulars	Application	Settlement Agreement	Per Board Decision
<u>Determination of Taxable Income</u>				
1	Utility net income before taxes	\$626,032	\$628,191	\$627,044
2	Adjustments required to arrive at taxable utility income	(\$286,400)	(\$339,567)	(\$336,567)
3	Taxable income	\$339,632	\$288,625	\$290,478
<u>Calculation of Utility income Taxes</u>				
4	Income taxes	\$52,643	\$33,234	\$33,524
6	Total taxes	\$52,643	\$33,234	\$33,524
7	Gross-up of Income Taxes	\$9,656	\$4,325	\$4,374
8	Grossed-up Income Taxes	\$62,299	\$37,558	\$37,898
9	PILs / tax Allowance (Grossed-up Income taxes + Capital taxes)	\$62,299	\$37,558	\$37,898
10	Other tax Credits	\$ -	\$ -	\$ -
<u>Tax Rates</u>				
11	Federal tax (%)	11.00%	11.00%	11.00%
12	Provincial tax (%)	4.50%	0.51%	0.54%
13	Total tax rate (%)	15.50%	11.51%	11.54%

Grimsby Power Inc.'s Response:

Reference: EB-2011-0273 Grimsby_2012_Rev_Reqt_Work_Form_20111114 from Nov 14, 2012

A tax rate of 15.50% was used in the initial stages of the Cost of Service application, (as referenced). During the settlement process however, Grimsby

Power agreed to include in the tax calculation two potential tax credits that may be received in 2012:

- i) A \$10,000 apprentice tax credit as a result of hiring an apprentice line-man in mid-2011.
- ii) A \$3,000 co-op student tax credit for budgeted co-op student hiring in 2012.

These potential tax credits brought the net tax rate to 11.54% in the final Revenue Requirement work-form.

Reference: Grimsby_2012_Rev_Reqt_Work_Form_Revised_DRO, Tab '6. Taxes_PILs', cell O39.

Grimsby Power confirms that the 2012 tax rate is 11.54% which includes the two potential tax credits mentioned above.

The Tax Sharing model was corrected using the 11.54% Corporate Tax rate. The correction however has no impact on the Distribution Volumetric Rate Rider as presented below since the deduction for the tax credits is contained in the rate itself, rather than in the calculation of the Tax Impact.

Exhibit 1: 2013_IRM_Tax_Sharing_Model_V1_20120706 - revised, Tab '5. Z-Factor Tax Changes'



This worksheet calculates the tax sharing amount.

[UPDATE SHEET](#)

Step 1: Press the Update Button (this will clear all input cells and reveal your latest cost of service re-basing year).

Step 2: In the green input cells below, please enter the information related to the last Cost of Service Filing.

Summary - Sharing of Tax Change Forecast Amounts

For the 2012 year, enter any Tax Credits from the Cost of Service Tax Calculation (Positive #)

13000

1. Tax Related Amounts Forecast from Capital Tax Rate Changes

2012

2013

Taxable Capital

\$ 16,641,297

\$ 16,641,297

Deduction from taxable capital up to \$15,000,000

\$ -

\$ -

Net Taxable Capital

\$ 16,641,297

\$ 16,641,297

Rate

0.000%

0.000%

Ontario Capital Tax (Deductible, not grossed-up)

\$ -

\$ -

2. Tax Related Amounts Forecast from Income Tax Rate Changes

2012

2013

Regulatory Taxable Income

\$ 290,478

\$ 290,478

Corporate Tax Rate

11.54%

15.50%

Tax Impact

\$ 33,524

\$ 32,024

Grossed-up Tax Amount

\$ 37,898

\$ 37,898

Tax Related Amounts Forecast from Capital Tax Rate Changes

\$ -

\$ -

Tax Related Amounts Forecast from Income Tax Rate Changes

\$ 37,898

\$ 37,898

Total Tax Related Amounts

\$ 37,898

\$ 37,898

Incremental Tax Savings

\$ -

Sharing of Tax Savings (50%)

\$ -

Exhibit 2: 2013_IRM_Tax_Sharing_Model_V1_20120706 - revised, Tab '6. Calc Tax Chg RRider Var'



This worksheet calculates a tax change volumetric rate rider. No input required. The outputs in column Q and S are to be entered into Sheet 11 "Proposed Rates" of the 2013 IRM Rate Generator Model. Rate description should be entered as "Rate Rider for Tax Change".

Rate Class	Total Revenue \$ by Rate Class A	Total Revenue % by Rate Class B = A / \$H	Total Z-Factor Tax Change\$ by Rate Class C = \$I * B	Billed kWh D	Billed kW E	Distribution Volumetric Rate kWh Rate Rider F = C / D	Distribution Volumetric Rate kW Rate Rider G = C / E
Residential	\$2,859,148.7694	72.97%	\$0	94,590,900	0	\$0.0000	
General Service Less Than 50 kW	\$442,945	11.30%	\$0	18,707,282	0	\$0.0000	
General Service 50 to 999 kW	\$522,739	13.34%	\$0	69,874,994	191,455	\$0.0000	\$0.0000
Unmetered Scattered Load	\$20,840	0.53%	\$0	355,293	0	\$0.0000	
Street Lighting	\$72,523	1.85%	\$0	1,578,145	4,403		\$0.0000
	\$3,918,195	100.00%	\$0				
	H		I				

2. Ref: 2012 IRM3 RTSR Work form, page 4

Please confirm that the amounts entered into the columns “Non-Loss Adjusted Metered kWh” and “Non-Loss Adjusted Metered kW” have not been adjusted by GPI’s Board-approved loss factor.



In the green shaded cells, enter the most recent reported RRR billing determinants. Please ensure that billing determinants are non-loss adjusted.

Rate Class	Unit	Non-Loss Adjusted Metered kWh	Non-Loss Adjusted Metered kW	Applicable Loss Factor	Load Factor	Loss Adjusted Billed kWh	Billed kW
Residential	kWh	92,957,574		1.0526		97,847,142	-
General Service Less Than 50 kW	kWh	18,152,180		1.0526		19,106,985	-
General Service 50 to 4,999 kW	kW	18,976,513	57,183		45.48%	18,976,513	57,183
General Service 50 to 4,999 kW – Interval Metered	kW	50,717,673	123,211		56.42%	50,717,673	123,211
Street Lighting	kW	1,591,659	4,411		49.46%	1,591,659	4,411
Unmetered Scattered Load	kWh	387,435		1.0526		407,814	-

Grimsby Power Inc.’s Response:

Reference: 2013 RTSR MODEL_V3_20120628_20120802 , Tab ‘4. RRR Data’

Grimsby Power confirms that the amounts entered into the columns “Non-Loss Adjusted Metered kWh” and “Non-Loss Adjusted Metered kW” have not been adjusted by GPI’s Board-approved loss factor. They are actual 2011 non-adjusted consumption quantities.



3RD Generation Incentive Regulation Shared Tax Savings Model for 2013 Filers

Version 1.0

Utility Name	Grimsby Power Inc.
Assigned EB Number	EB-2012-0127
Name and Title	David Kelly, Financial & Regulatory Analyst
Phone Number	905-945-5437 ext. 259
Email Address	davidk@grimsbypower.com
Date	03-Aug-12
Last COS Re-based Year	2012

Note: Drop-down lists are shaded blue; Input cells are shaded green.

This Workbook Model is protected by copyright and is being made available to you solely for the purpose of filing your IRM application. You may use and copy this model for that purpose, and provide a copy of this model to any person that is advising or assisting you in that regard. Except as indicated above, any copying, reproduction, publication, sale, adaptation, translation, modification, reverse engineering or other use or dissemination of this model without the express written consent of the Ontario Energy Board is prohibited. If you provide a copy of this model to a person that is advising or assisting you in preparing the application or reviewing your draft rate order, you must ensure that the person understands and agrees to the restrictions noted above.

While this model has been provided in Excel format and is required to be filed with the applications, the onus remains on the applicant to ensure the accuracy of the data and the results.



3RD Generation Incentive Regulation Shared Tax Savings Model for 2013 Filers

- 1. Info**
- 2. Table of Contents**
- 3. Re-Based Billing Determinants and Rates**
- 4. Re-Based Revenue from Rates**
- 5. Z-Factor Tax Changes**
- 6. Calculation of Tax Change Variable Rate Rider**



Enter your 2012 Base Monthly Fixed Charge and Distribution Volumetric Charge into columns labeled "Rate ReBal Base Service Charge" and "Rate ReBal Base Distribution Volumetric Rate kWh/kW" respectively.

Last COS Re-based Year was in 2012

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	9,703	94,590,900		15.11	0.0116	
GSLT50	General Service Less Than 50 kW	Customer	kWh	683	18,707,282		25.56	0.0125	
GSGT50	General Service 50 to 999 kW	Customer	kW	100	69,874,994	191,455	165.08		1.6936
USL	Unmetered Scattered Load	Connection	kWh	80	355,293		17.62	0.0111	
SL	Street Lighting	Connection	kW	2,548	1,578,145	4,403	1.75		4.3469
NA	Rate Class 6	NA	NA						
NA	Rate Class 7	NA	NA						
NA	Rate Class 8	NA	NA						
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						



Calculating Re-Based Revenue from rates. No input required.

Last COS Re-based Year was in 2012

Rate Class	Re-based Billed Customers or Connections	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	Service Charge Revenue G = A * D * 12	Distribution Volumetric Rate Revenue kWh H = B * E	Distribution Volumetric Rate Revenue kW I = C * F	Revenue Requirement from Rates J = G + H + I	Service Charge % Revenue K = G / J	Distribution Volumetric Rate % Revenue kWh L = H / J	Distribution Volumetric Rate % Revenue kW M = I / J	Total % Revenue N = J / R
	A	B	C	D	E	F								
Residential	9,703	94,590,900	0	15.11	0.0116	0.0000	1,759,404	1,099,745	0	2,859,149	61.5%	38.5%	0.0%	73.0%
General Service Less Than 50 kW	683	18,707,282	0	25.56	0.0125	0.0000	209,472	233,472	0	442,945	47.3%	52.7%	0.0%	11.3%
General Service 50 to 999 kW	100	69,874,994	191,455	165.08	0.0000	1.6936	198,491	0	324,248	522,739	38.0%	0.0%	62.0%	13.3%
Unmetered Scattered Load	80	355,293	0	17.62	0.0111	0.0000	16,911	3,929	0	20,840	81.1%	18.9%	0.0%	0.5%
Street Lighting	2,548	1,578,145	4,403	1.75	0.0000	4.3469	53,383	0	19,140	72,523	73.6%	0.0%	26.4%	1.9%
							2,237,661	1,337,146	343,388	3,918,195				100.0%
							O	P	Q	R				



3RD Generation Incentive Regulation Shared Tax Savings Model for 2013 Filers

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	<u>\$3,918,195</u> H	<u>100.00%</u>	<u>\$0</u> I				