

November 16, 2012

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

Dear Ms. Walli

**St. Thomas Energy Inc.  
2013 IRM Rate Application  
Response to Board Staff Interrogatories  
Board File No. EB-2012-0166**

Please find accompanying this letter two hard copies of St. Thomas Energy Inc.'s response to the Board staff Interrogatories. Electronic version of this response will be forwarded to the Board in PDF format.

Yours truly,



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**1. Ref: 2012 IRM3 Tax Savings Work Form, Sheet 5**  
**Ref: Revenue Requirement Work Form ("RRWF") EB-2010-0141**

Board Staff notes the Tax Savings Work Form, sheet 5. Z-Factor Changes is incomplete.

- a) Please confirm the dollar amount for Taxable Capital cell K25 is \$23,877,673 as per the RRWF, row Total Rate Base and column Per Board Decision.
- b) Please provide the dollar amount for Deduction from taxable capital up to \$15,000,000 cell K27. Board staff will update your work form.

This worksheet calculates the tax sharing amount.

**UPDATE**

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 2011 year, enter any Tax Credits from the Cost of Service Tax Calculation (Positive #)**

\$ -

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

**2011**

**2013**

Taxable Capital

\$ -

\$ -

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

\$ -

\$ -

Net Taxable Capital

\$ -

\$ -

Rate

0.000%

0.000%

Ontario Capital Tax (Deductible, not grossed-up)

\$ -

\$ -

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

**2011**

**2013**

Regulatory Taxable Income

\$ 1,129,756

\$ 1,129,756

Corporate Tax Rate

25.04%

23.40%

Tax Impact

\$ 282,906

\$ 264,385

**Grossed-up Tax Amount**

\$ 377,416

\$ 345,160

Tax Related Amounts Forecast from Capital Tax Rate Changes

\$ -

\$ -

Tax Related Amounts Forecast from Income Tax Rate Changes

\$ 377,416

\$ 345,160

Total Tax Related Amounts

\$ 377,416


\$ 345,160

Incremental Tax Savings

-\$ 32,256

Sharing of Tax Savings (50%)

-\$ 16,128

	<b>REVENUE REQUIREMENT WORK FORM</b>		Version: 2.11
	Name of LDC: St. Thomas Energy Inc.		
	File Number: EB-2010-0141		
	Rate Year: 2011		

Rate Base						
Line No.	Particulars	Initial Application	Adjustments	Settlement Agreement	Adjustments	Per Board Decision
1	Gross Fixed Assets (average) (3)	\$40,302,138	(\$68,360)	\$40,233,778	\$ -	\$40,233,778
2	Accumulated Depreciation (average) (3)	(\$21,114,007)	(\$179,089)	(\$21,293,096)	\$ -	(\$21,293,096)
3	Net Fixed Assets (average) (3)	\$19,188,131	(\$247,449)	\$18,940,682	\$ -	\$18,940,682
4	Allowance for Working Capital (1)	\$4,745,068	\$191,923	\$4,936,991	\$ -	\$4,936,991
5	<b>Total Rate Base</b>	<b>\$23,933,199</b>	<b>(\$55,526)</b>	<b>\$23,877,673</b>	<b>\$ -</b>	<b>\$23,877,673</b>

(1) Allowance for Working Capital - Derivation						
6	Controllable Expenses	\$3,875,076	(\$303,642)	\$3,571,434	\$ -	\$3,571,434
7	Cost of Power	\$27,758,708	\$1,583,128	\$29,341,836	\$ -	\$29,341,836
8	Working Capital Base	\$31,633,784	\$1,279,486	\$32,913,270	\$ -	\$32,913,270
9	Working Capital Rate % (2)	15.00%	0.00%	15.00%	0.00%	15.00%
10	Working Capital Allowance	\$4,745,068	\$191,923	\$4,936,991	\$ -	\$4,936,991

# **STEI Response:**

a) STEI confirms the dollar amount for Taxable Capital Cell K25 is \$23,877,673 as per the Revenue Requirement Work Form ("RRWF"), row Total Rate Base, column Per Board Decision.

b) STEI confirms that the taxable capital up to \$15,000,000 cell K27 is \$0 as capital taxes were not applicable after July 1, 2010 and was therefore excluded from the 2011 COS application.

The \$0 deduction for taxable capital is also consistent with the 2012 IRM Application.

A copy of the Taxes/PILS calculation per the RRWF is provided on the following page.

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## REVENUE REQUIREMENT WORK FORM

Version: 2.11

Name of LDC: St. Thomas Energy Inc.  
 File Number: EB-2010-0141  
 Rate Year: 2011

### Taxes/PILs

Line No.	Particulars	Application	Settlement Agreement	Per Board Decision
<u>Determination of Taxable Income</u>				
1	Utility net income before taxes	\$924,779	\$914,992	\$914,992
2	Adjustments required to arrive at taxable utility income	\$211,928	\$214,764	\$214,764
3	Taxable income	\$1,136,707	\$1,129,757	\$1,129,757
<u>Calculation of Utility income Taxes</u>				
4	Income taxes	\$321,120	\$282,906	\$282,906
5	Capital taxes	\$ - (1)	\$ - (1)	\$ -
6	Total taxes	\$321,120	\$282,906	\$282,906
7	Gross-up of Income Taxes	\$126,434	\$94,510	\$94,510
8	Grossed-up Income Taxes	\$447,554	\$377,416	\$377,416
9	PILs / tax Allowance (Grossed-up Income taxes + Capital taxes)	\$447,554	\$377,416	\$377,416
10	Other tax Credits	\$ -	\$ -	\$ -
<u>Tax Rates</u>				
11	Federal tax (%)	16.50%	16.50%	16.50%
12	Provincial tax (%)	11.75%	8.54%	8.54%
13	Total tax rate (%)	28.25%	25.04%	25.04%

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

- a) 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 St Thomas's Board-approved loss factor.

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Rate Class	Unit	Non-Loss Adjusted Metered kWh	Non-Loss Adjusted Metered kW	Applicable Loss Factor
Residential - Time of Use	kWh	118,988,254	-	1.0350
General Service Less Than 50 kW	kWh	36,524,408	-	1.0350
General Service 50 to 4,999 kW	kW	136,380,632	340,694	
Sentinel Lighting	kW	61,199	170	
Street Lighting	kW	3,083,850	8,532	

**STEI Response:**

a) *STEI confirms that the amounts entered into the columns have not been adjusted by ST. Thomas's Board-approved loss factor.*

**3. Ref: 2012 IRM3 RTSR Work form, page 4**

**Ref: 2011 EDR Application EB-2010-0141 Draft Rate Order Appendix C**

a) Board staff is not able to reconcile Re-based Billed kW's 5,603 for the street lighting rate class with EB-2010-0141 Draft Rate Order Appendix C. Please confirm the Re-based Billed kW should be 8,603. Board Staff will update your work form. If not confirmed, please provide an explanation for the 5,603 number.

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
RES	Residential - Time of Use	Customer	kWh	14,562	122,791,452	
GSLT50	General Service Less Than 50 kW	Customer	kWh	1,676	40,328,648	
GSGT50	General Service 50 to 4,999 kW	Customer	kW	192	132,743,408	345,528
Sen	Sentinel Lighting	Connection	kW	50	56,665	157
SL	Street Lighting	Connection	kW	4,834	3,109,206	5,603

**St. Thomas Energy Inc. (ED-2002-0523)**  
**2011 EDR Application (EB-2010-0141 )**  
**Draft Rate Order**  
**Appendix C**

		Residential	GS <50	GS >50	Street Light	Sentinel Light	Total
<b>Rate Design</b>							
Existing Rates	Monthly Rate	\$10.93	\$15.50	\$72.91	\$0.04	\$1.30	
Existing Rates	Fixed %	49.93%	35.25%	15.24%	50.41%	49.24%	
Existing Rates	Variable Rate	0.0156	0.0142	2.9610	0.2653	5.1223	
Existing Rates	Variable %	50.07%	64.75%	84.76%	49.59%	50.76%	
Settlement Agreement	Monthly Rate	\$11.50	\$17.00	\$70.35	\$1.67	\$3.75	
Settlement Agreement	Fixed %	50.59%	36.59%	13.95%	99.86%	75.96%	
Settlement Agreement	Variable Rate	0.0160	0.0147	3.1490	0.0163	4.5344	
Settlement Agreement	Variable %	49.41%	63.41%	86.05%	0.14%	24.04%	
Base Revenue Requirement - Settlement Agreement	Total	\$3,972,195	\$934,306	\$1,162,208	\$97,014	\$2,962	\$6,168,684
Base Revenue Requirement - Settlement Agreement	Fixed Rate \$	\$2,009,556	\$341,904	\$162,086	\$96,873	\$2,250	\$2,612,670
Base Revenue Requirement - Settlement Agreement	Variable Rate \$	\$1,962,639	\$592,402	\$1,097,501	\$140	\$712	\$3,653,394
Maximum Fixed Rate	Monthly Rate	\$12.93	\$23.24	\$72.91	\$7.35	\$7.71	
<b>Reconciliation of Base Revenue Requirement</b>							
Settlement Agreement	Monthly Rate	\$11.50	\$17.00	\$70.35	\$1.67	\$3.75	
Settlement Agreement	2011 Customers	14,562	1,676	192	4,834	50	21,314
Settlement Agreement	Fixed Rate \$	\$2,009,556	\$341,904	\$162,086	\$96,873	\$2,250	\$2,612,670
Settlement Agreement	Variable Rate	0.0160	0.0147	3.1490	0.0163	4.5344	
Settlement Agreement	2011 Load Forecast	122,791,452	40,328,648	348,528	8,603	157	163,477,388
Settlement Agreement	Variable Rate \$	\$1,962,639	\$592,402	\$1,097,501	\$140	\$712	\$3,653,394
Settlement Agreement	Transformer Discount			-\$97,380			-\$97,380
Settlement Agreement	Base Revenue Require	3,972,195	934,306	1,162,208	97,014	2,962	6,168,684

**STEI Response:**

- a) *STEI confirms that the Re-based kW's for the street lighting rate class should be 8,603 and not the 5,603 input into the model.*

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