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November 23, 2012

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: Board File No. EB-2012-0143
Kitchener-Wilmot Hydro Inc. - Licence No. ED-2002-0573
Responses to Interrogatories re: 2013 IRM Rate Application**

Dear Ms. Walli:

On September 28, 2012, Kitchener-Wilmot Hydro Inc. ("KWHI") submitted its IRM Application to the Ontario Energy Board ("the Board") for rates effective May 1, 2013. Subsequently, the Board issued a Letter of Direction and Notice of Application and Hearing on October 12, 2012. As a result of the Notice of Application and Hearing, no intervention requests were received, however KWHI did receive written interrogatories from Board staff. KWHI now submits its responses to those interrogatories.

KWHI is requesting the adjusted rates be approved for implementation on May 1, 2013. Consumption will be pro-rated with pre-May 1st consumption at the existing rates and post-May 1st consumption at the new rates.

These bill impacts are to be announced to KWHI's customers by way of publication in the KW Record, whose most recent statistics state a readership of 239,800 persons with an average Saturday circulation of 139,200.

Contact the undersigned should you require any further information.

Respectfully submitted,

Original Signed By:

Margaret Nanninga, MBA, CGA
Manager of Finance

kb/attachments

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BY E-MAIL

November 8, 2012

Kirsten Walli Board
Secretary Ontario
Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: Kitchener-Wilmot Hydro Inc.
2013 IRM3 Rate Application
Board Staff Interrogatories
Board File No. EB-2012-0143**

In accordance with the procedure documented in the Notice of Application and Hearing, please find attached Board staff's interrogatories in the above proceeding with respect to Kitchener-Wilmot Hydro Inc.'s 2013 IRM3 Rate Application.

Yours truly,

Stephen Vetsis
Analyst – Applications & Regulatory Audit

**Board Staff
Interrogatories
2013 IRM3 Rate Application Kitchener-Wilmot Hydro Inc.
("KWHI") EB-2012-0143**

**2013 Shared Tax Savings
Model**

**Board Staff Interrogatory
No. 1**

Ref: 2013 Shared Tax Savings Model –
Sheet 3

A section of Sheet 3 "Re-Based Bill Det. and Rates" of the 2013 Shared
Tax
Savings Model is reproduced
below.

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	idential	Customer	kWh	78,139	650,038,341		9.59	0.0170	
GSLT50	General Service Less Than 50 kW	Customer	kWh	7,484	235,461,608		25.27	0.0122	
GSQT50	General Service 50 to 999 kW	Customer	kW	1,003		2,231,346	233.59		3.9888
LU	Large Use > 5000 kW	Customer	kW	2		140,928	230.55		1.3580
USL	Unmetered Scattered Load	Connection	kWh	820	3,287,380		8.37	0.0163	
SL	Street Lighting	Connection	kW	23,299		46,815	0.78		5.2458
EMB	Embedded Distributor	Connection	kW	1		49,918			1.1343
EMB	Embedded Distributor	Connection	kW	1		49,918			0.1405

Board staff is unable to reconcile the service charges and distribution volumetric rates provided in Sheet 3 of the 2013 Shared Tax Savings Model with the values in Kitchener-Wilmot's 2012 tariff of rates and charges. Additionally, Board staff is unable to reconcile the billed kW shown for the Embedded Distributor class.

- a) Please provide the rationale for the indicated service charges and distribution volumetric rates for each class. If the values were entered in error, please indicate the error and Board staff will make the appropriate changes to the model.
- b) Please provide evidence in support of the billed kW shown for the Embedded Distributor class.

Answer

- a) The amounts were copied erroneously from the 2012 rates model. See Appendix A for revised amounts.
- b) KWHI's Embedded Distributor class formed part of its 2010 Cost of Service application but the rate class calculations did not run through the traditional load forecasting model. The rates for the class were calculated using a model used by the former Ontario Hydro. This model used *average load wheeled* of 4,088 kW and a revenue requirement of \$70,145. If the average load wheeled was multiplied by 12 monthly bills, the total kW would be 49,056.

Since there was no approved exact annual kW demand, *per se*, KWHI input the actual kW sold to its Embedded Distributor rate class in 2009 of 49,918 kW.

The kW volumes are fairly consistent and do not result in different rates being generated.

Board Staff Interrogatory No. 2

Ref: 2013 Shared Tax Savings Model –
Sheet 5

A section of Sheet 5 “Z-Factor Tax Changes” of the 2013 Shared Tax Savings Model is reproduced below.

For the 2010 year, enter any Tax Credits from the Cost of Service Tax Calculation (Positive #)	\$	140,750	
1. Tax Related Amounts Forecast from Capital Tax Rate Changes	2010	2013	
Taxable Capital	\$ 161,616,283	#####	
Deduction from taxable capital up to \$15,000,000	\$ 15,000,000	\$ 15,000,000	
Net Taxable Capital	\$ 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	2013	
Regulatory Taxable Income	\$ 7,700,393	\$ 7,700,393	
Corporate Tax Rate	30.99%	26.50%	
Tax Impact	\$ 2,386,352	\$ 1,899,854	
Grossed-up Tax Amount	\$ 3,457,980	\$ 2,584,836	
Tax Related Amounts Forecast from Capital Tax Rate Changes	\$ 109,058	\$ -	
Tax Related Amounts Forecast from Income Tax Rate Changes	\$ 3,457,980	\$ 2,584,836	
Total Tax Related Amounts	\$ 3,567,038	\$ 2,584,836	
Incremental Tax Savings		-\$ 982,203	
Sharing of Tax Savings (50%)		-\$ 491,101	

The Revenue Requirement Workform (“RRWF”) filed with KWHI’s draft Rate Order in its 2010 cost of service application (EB-2009-0267) shows a taxable income of \$7,791,912, capital taxes of \$111,704 and a grossed up tax amount \$3,406,826. Board staff is unable to reconcile the grossed-up tax amount provided in KWHI’s 2013 Shared Tax Savings Model with the values shown in the aforementioned RRWF.

- a) Please provide the rationale for the indicated capital tax, taxable income and grossed up tax amounts provided in the 2013 Shared Tax Savings Model. If the values were entered in error, please indicate the error and Board staff will make the appropriate changes to the model.

Answer

- a) Attached find the RRWF that was included with KWHI's revised Draft Rate Order, which was filed after the original Draft Rate Order. Outside of some rounding issues, the numbers match KWHI's submission.

2013 RTSR Adjustment Workform

Board Staff Interrogatory No. 3

Ref: 2013 RTSR Adjustment Workform – Sheet 4

A section Sheet 4 “RRR Data” of the 2013 RTSR Adjustment Workform is reproduced below.

Rate Class	Unit	Non-Loss Adjusted Metered kWh	Non-Loss Adjusted Metered kW	Applicable Loss Factor
Residential	kWh	647,280,211		1.0323
General Service Less Than 50 kW	kWh	240,155,523		1.0323
General Service 50 to 4,999 kW	kW		2,244,883	
Large Use	kW		105,771	
Unmetered Scattered Load	kWh	3,318,783		1.0323
Street Lighting	kW		44,252	
Embedded Distributor	kW		49,139	

KWHI's current tariff shows a Total Loss Factor – Secondary Metered < 5,000 kW of 1.0320. Board staff is unable to reconcile the applicable loss factor shown on Sheet 4 of the RTSR Adjustment Workform with the value on KWHI's current Board approved tariff.

- a) Please provide the rationale for the indicated applicable loss factor. If the value was entered in error, please indicate the error and Board staff will make the appropriate changes to the model.

Answer

- a) The amounts were copied erroneously from the 2011 rate model where the loss factor was a blended rate due to a change to the loss factor in May 2010. The loss factor should read 1.0320 in this model.

2013 IRM Rate Generator Model

Board Staff Interrogatory No. 4

Ref: 2013 IRM Rate Generator Model – Sheet 4

A section Sheet 4 “Current Tariff Schedule” of the 2013 IRM Rate Generator Model is reproduced below.

Service Charge	\$	9.69
Distribution Volumetric Rate	\$/kWh	0.0172
Rate Rider for Global Adjustment Sub-Account Disposition (2011) – Effective until April 30, 2013 Applicable only for Non-RPP Customers	\$/kWh	0.0021
Rate Rider for Deferral/Variance Account Disposition (2011) - Effective Until April 30, 2013	\$/kWh	(0.0004)
Rate Rider for Lost Revenue Adjustment Mechanism (LRAM) Recovery / Shared Savings Mechanism (SSM) Recovery (2010) - Effective until April 30, 2014	\$/kWh	0.0003
Rate Rider for Lost Revenue Adjustment Mechanism (LRAM) Recovery / Shared Savings Mechanism (SSM) Recovery (2012) - Effective until April 30, 2013	\$/kWh	0.00003
Rate Rider for Tax Change – Effective until April 30, 2013	\$/kWh	(0.0004)
Rate Rider for Deferral/Variance Account Disposition (2012) – Effective until April 30, 2013	\$/kWh	(0.0003)
Retail Transmission Rate - Network Service Rate	\$/kWh	0.0067
Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kWh	0.0015

Sheet 4 of the 2013 IRM Rate Generator Model shows a Rate Rider for Lost Revenue Adjustment Mechanism (LRAM) Recovery/Shared Savings Mechanism (SSM) Recovery (2010) – Effective until April 30, 2014 for the Residential, GS < 50 kW, GS 50 to 4,999 kW and Unmetered Scattered Load rate classes. KWHI's current tariff shows a Rate Rider for Lost Revenue Adjustment Mechanism (LRAM) Recovery/Shared Savings Mechanism (SSM) Recovery (2011) – Effective until April 30, 2014 for the same classes.

- a) Please confirm whether KWHI's LRAM/SSM rate rider was approved for 2010 or 2011 rates. If the rate rider name provided in the 2013 IRM Rate Generator Model was entered in error, please indicate the error and Board staff will make the appropriate changes to the model.

Answer

- a) The LRAM/SSM rate rider was approved for 2010 rates.



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

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 2010

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		9.69	0.0172	
GSLT50	General Service Less Than 50 kW	Customer	kWh	7,484	235,461,608		25.54	0.0123	
GSGT50	General Service 50 to 999 kW	Customer	kW	1,003		2,231,346	236.11		4.0319
LU	Large Use > 5000 kW	Customer	kW	2		140,928	14,403.67		1.3727
USL	Unmetered Scattered Load	Connection	kWh	820	3,287,380		8.46	0.0165	
SL	Street Lighting	Connection	kW	23,299		46,815	0.79		5.3025
EMB	Embedded Distributor	Connection	kW	1		49,918			1.4660
EMB	Embedded Distributor	Connection	kW	1		49,918			0.1420
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						



REVENUE REQUIREMENT WORK FORM

Name of LDC: KITCHENER-WILMOT HYDRO INC.
 File Number: EB-2009-0267
 Rate Year: 2010

Taxes/PILs

Line No.	Particulars	Application	Per Board Decision
<u>Determination of Taxable Income</u>			
1	Utility net income	\$5,225,366	\$6,367,682
2	Adjustments required to arrive at taxable utility income	\$975,865	\$1,332,712
3	Taxable income	\$6,201,231	\$7,700,393
<u>Calculation of Utility income Taxes</u>			
4	Income taxes	\$1,781,012	\$2,245,602
5	Capital taxes	\$111,067	\$109,962
6	Total taxes	\$1,892,078	\$2,355,564
7	Gross-up of Income Taxes	\$799,791	\$1,008,422
8	Grossed-up Income Taxes	\$2,580,802	\$3,254,024
9	PILs / tax Allowance (Grossed-up Income taxes + Capital taxes)	\$2,691,869	\$3,363,986
10	Other tax Credits	(\$140,750)	(\$140,750)
<u>Tax Rates</u>			
11	Federal tax (%)	18.00%	18.00%
12	Provincial tax (%)	12.99%	12.99%
13	Total tax rate (%)	30.99%	30.99%

Notes