



December 4, 2012

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

Dear Ms. Walli:

**Re: 2013 IRM3 Electricity Distribution Rate Application-Interrogatory Responses
Halton Hills Hydro Inc.,
Board File no. EB-2012-0130**

Please find attached two (2) Responses by Halton Hills Hydro Inc. to Board Staff Interrogatories in Board proceeding EB-2012-0130. Electronic copies have been filed through RESS.

In the event of any additional information, questions or concerns, please contact David Smelsky, Chief Financial Officer, at dsmelsky@haltonhillshydro.com or (519) 853-3700 extension 208, or Tracy Rehberg-Rawlingson, Regulatory Affairs Officer, at tracyr@haltonhillshydro.com or (519) 853-3700 extension 257.

Sincerely,

(Original signed)

David J. Smelsky, CMA
Chief Financial Officer, HHHI

Cc: Arthur A. Skidmore, President & CEO, HHHI

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1. Ref: 2012 IRM3 Tax Savings Work Form, page 5
Ref: Revenue Requirement Work Form EB-2011-0271

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

- a) Please provide an explanation of the 2012 tax rate of 15.50% entered in the tax savings work form given that the 2012 approved rate was 7.65%. If this is an error Board Staff will update your work form.

Line No.	Particulars	Application		Per Board Decision
<u>Determination of Taxable Income</u>				
1	Utility net income before taxes	\$1,710,764	\$1,622,883	\$1,496,895
2	Adjustments required to arrive at taxable utility income	(\$1,341,194)	(\$1,208,116)	(\$1,190,116)
3	Taxable income	<u>\$369,570</u>	<u>\$414,767</u>	<u>\$306,779</u>
<u>Calculation of Utility income Taxes</u>				
4	Income taxes	<u>\$97,012</u>	<u>\$35,978</u>	<u>\$26,762</u>
6	Total taxes	<u>\$97,012</u>	<u>\$35,978</u>	<u>\$26,762</u>
7	Gross-up of Income Taxes	<u>\$34,530</u>	<u>\$3,415</u>	<u>\$2,217</u>
8	Grossed-up Income Taxes	<u>\$131,542</u>	<u>\$39,393</u>	<u>\$28,979</u>
9	PILs / tax Allowance (Grossed-up Income taxes + Capital taxes)	<u>\$131,542</u>	<u>\$39,393</u>	<u>\$28,979</u>
10	Other tax Credits	\$ -	\$ -	\$ -
<u>Tax Rates</u>				
11	Federal tax (%)	15.00%	4.17%	3.82%
12	Provincial tax (%)	<u>11.25%</u>	<u>4.50%</u>	<u>3.83%</u>
13	Total tax rate (%)	<u>26.25%</u>	<u>8.67%</u>	<u>7.65%</u>

- b) Please confirm the dollar amount for Taxable Capital cell M25 is \$42,429,005 as per the RRWF, row Total Rate Base and column Per Board Decision.

- c) Please provide the dollar amount for Deduction from taxable capital up to \$15,000,000 cell M27. Board staff will update your work form.

Summary - Sharing of Tax Change Forecast Amounts

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

31000

1. Tax Related Amounts Forecast from Capital Tax Rate Changes

	2012	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

	2012	2013
Regulatory Taxable Income	\$ 306,779	\$ 306,779
Corporate Tax Rate	15.50%	15.50%
Tax Impact	\$ 16,551	\$ 16,551
Grossed-up Tax Amount	\$ 19,587	\$ 19,587

Tax Related Amounts Forecast from Capital Tax Rate Changes	\$ -	\$ -
Tax Related Amounts Forecast from Income Tax Rate Changes	\$ 19,587	\$ 19,587
Total Tax Related Amounts	\$ 19,587	\$ 19,587
Incremental Tax Savings		\$ -
Sharing of Tax Savings (50%)		\$ -

Rate Base								Per Board Decision	
Line No.	Particulars		Initial Application						
1	Gross Fixed Assets (average) (3)	\$58,245,701	(\$1,467,006)	\$56,778,694	(\$600,000)	\$56,178,694			
2	Accumulated Depreciation (average) (3)	(\$21,569,493)	(\$90,578)	(\$21,660,071)	\$14,967	(\$21,645,104)			
3	Net Fixed Assets (average) (3)	\$36,676,208	(\$1,557,585)	\$35,118,623	(\$585,033)	\$34,533,590			
4	Allowance for Working Capital (1)	\$7,967,948	(\$16,430)	\$7,951,519	(\$56,103)	\$7,895,415			
5	Total Rate Base	\$44,644,156	(\$1,574,015)	\$43,070,141	(\$641,136)	\$42,429,005			

(1) Allowance for Working Capital - Derivation

6	Controllable Expenses	\$6,397,261	(\$123,240)	\$6,274,021	(\$374,021)	\$5,900,000
7	Cost of Power	\$46,722,395	\$13,707	\$46,736,102	\$ -	\$46,736,102
8	Working Capital Base	\$53,119,656	(\$109,533)	\$53,010,124	(\$374,021)	\$52,636,103
9	Working Capital Rate % (2)	15.00%	0.00%	15.00%	0.00%	15.00%
10	Working Capital Allowance	\$7,967,948	(\$16,430)	\$7,951,519	(\$56,103)	\$7,895,415

Response:

- a) The 2012 tax rate of 15.5% is the rate that was applicable to HHHI as its taxable income was below the small business threshold and was adjusted to reflect HHHI tax credits on the RRWF. The RRWF, at the time, didn't specifically allow for the inclusion of the tax credits and had to be included through an adjustment to the tax rate. There is no error.
- b) Confirmed.
- c) The dollar amount for Deduction from taxable capital in cell M27 is \$15,000,000.

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 Halton's Board-approved loss factor.

Rate Class	Unit	Non-Loss Adjusted Metered kWh	Non-Loss Adjusted Metered kW
Residential - Time of Use	kWh	213,773,795	-
General Service Less Than 50 kW	kWh	57,401,529	-
General Service 50 to 999 kW	kW	115,214,051	318,520
General Service 1,000 to 4,999 kW - Interval Meters	kW	105,252,631	294,618
Unmetered Scattered Load	kWh	891,675	-
Sentinel Lighting	kW	503,097	520
Street Lighting	kW	2,743,202	7,634

Response:

Confirmed.

3. Ref: Rate Generator Sheet 5 2013 Continuity Generator

Please provide an explanation for the combined balances of Accounts 1588 RSVA –Power excluding Global adjustment and 1588 RSVA -Power-Sub Account Global Adjustment on sheet 5 of the rate generator being greater by \$3,575 then the balance reported in RRR 2.1.7 Trial Balance. If this is an error please update your rate generator accordingly.

Rate Generator Model	\$ 1,347,283
Trial Balane 2.1.7 as of December 31, 2011	\$ 1,343,708
Difference	\$ 3,575

Response:

The Rate Generator has been corrected and a revised electronic copy submitted.