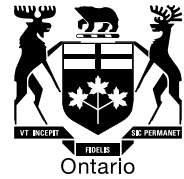


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BY EMAIL

November 25, 2013

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

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

**Re: Renfrew Hydro Inc. ("Renfrew Hydro")
2014 Annual IR Index Rate Application
Board Staff Submission
Board File No. EB-2013-0168**

In accordance with Procedural Order No.1, please find attached the Board staff Submission in the above proceeding. The applicant has been copied on this filing.

Renfrew Hydro's reply Submission, if it intends to file one, is due by December 12, 2013.

Yours truly,

Original Signed By

Georgette Vlahos
Analyst, Applications & Regulatory Audit

Encl.



ONTARIO ENERGY BOARD

STAFF SUBMISSION

2014 ELECTRICITY DISTRIBUTION RATES

Renfrew Hydro Inc.

EB-2013-0168

November 25, 2013

**Board Staff Submission
Renfrew Hydro Inc.
2014 Annual IR Index Rate Application
EB-2013-0168**

Introduction

Renfrew Hydro Inc. (“Renfrew Hydro”) filed an application (the “Application”) with the Ontario Energy Board (the “Board”) on September 13, 2013, seeking approval for changes to the rates that Renfrew Hydro charges for electricity distribution, to be effective May 1, 2014. The Application is based on the 2014 Annual Incentive Rate-Setting Index (“Annual IR Index”).

The purpose of this document is to provide the Board with the submissions of Board staff based on its review of the evidence submitted by Renfrew Hydro.

The Application

In the interrogatory phase, Board staff identified certain discrepancies in the data entered in the models filed by Renfrew Hydro. In response to Board staff interrogatories, Renfrew Hydro confirmed there were errors in some of the models filed and requested that Board staff make the necessary corrections.

In its interrogatory responses, Renfrew Hydro confirmed there was an input error on tab 6 of the RTSR Model and requested for Board staff to make the necessary correction. Board staff has no concerns with the updated data supporting the updated Retail Transmission Service Rates proposed by Renfrew Hydro. Pursuant to the Board’s Guideline G-2008-0001, Board staff notes that the Board will update the applicable data at the time of the Board’s Decision on the Application based on the Uniform Transmission Rates in place at that time.

Renfrew Hydro’s total Group 1 Deferral and Variance Account balances amount to a debit of \$19,238. The Group 1 balance excluding Account 1589 – Global Adjustment Sub-Account is a credit of \$86,298, and is applicable only to RPP customers. These balances also include interest calculated to April 30, 2013. Based on the threshold test calculation, the Group 1 Deferral and Variance Account balances equate to \$0.0002 per

kWh which does not exceed the threshold, and as such, Renfrew Hydro did not request disposition of these Accounts.

Board staff has reviewed Renfrew Hydro's Group 1 Deferral and Variance Account balances and notes that the principal balances as of December 31, 2012 reconcile with the balances reported as part of the *Reporting and Record-Keeping Requirements*. Also, the preset disposition threshold has not been exceeded. Accordingly, Board staff has no issue with Renfrew Hydro's request to not dispose of its 2012 Deferral and Variance Account balances at this time.

Tax-Sharing Model

In its Application, Renfrew Hydro noted that it input tax credits of \$2,486 for apprenticeship training to reflect the actual credit claimed for the 2012 tax year. Renfrew Hydro noted that the reduced apprenticeship credit, from the initial \$14,500 that was approved as part of its 2010 cost of service application (EB-2009-0146), reflects the fact that the apprentice became a qualified technician in 2012.

As part of its interrogatories, Board staff noted that the purpose of the Tax-Sharing Model is to true-up payments in lieu of taxes (PILs) for changes in tax rates and other tax legislation. Board staff requested that Renfrew Hydro provide a regulatory precedent to support the adjustment to the rebasing year's tax credits as proposed in the Application.

In its responses, Renfrew Hydro noted that it entered the actual tax credit it received in 2012 into the Tax-Sharing Model. Renfrew Hydro requested that Board staff advise if this is an error and it will re-enter the 2010 cost of service value of \$14,500 and re-submit the Tax-Sharing Model.

Board staff notes that with the reduced tax credits of \$2,486 entered, the Tax-Sharing Model calculates incremental tax savings of a debit of \$9,445 with \$4,722 (50%) to be collected from ratepayers. With the full amount of tax credits entered, the incremental tax savings is a credit of \$4,181, with \$2,091 being refunded to ratepayers.

The Tax-Sharing Model utilizes the base tax rates that are approved as part of a distributor's rebasing application to determine the changes in taxes from the rebasing

year to the test year. The calculations built into the Tax-Sharing Model are designed to include the full tax credits (at cell I20) which the distributor included in its 2010 rebasing application.

As part of its submission, Board staff is attaching an updated Tax-Sharing Model with the full \$14,500 in tax credits entered. Board staff notes that this Tax-Sharing Model is consistent with the Revenue Requirement Work Form from the Board's cost of service decision in EB-2010-0138. In its reply submission, Renfrew Hydro may wish to comment on the accuracy of the updated model.

All of which is respectfully submitted