



September 30, 2014  
Sent by courier, email, and RESS

Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge St.  
Suite 2700, P.O. Box 2319  
Toronto, Ontario  
M4P 1E4

Dear Ms. Walli:

**Re: OEB File No. EB-2014-0077  
Guelph Hydro Electric Systems Inc. ("Guelph Hydro")  
2015 Electricity Distribution Rate Application**

In accordance with Procedural Order No. 1 dated September 19, 2014, please find attached Guelph Hydro's responses to Board Staff Interrogatories in the above proceeding.

In addition, Guelph Hydro has filed the 2012 Board approved Revenue Requirement Workform in Excel version referred to in Guelph Hydro's response to interrogatory #2 (B).

Should there be any questions, please do not hesitate to contact me.

Respectfully Submitted,

A handwritten signature in blue ink, appearing to read "Cristina Birceanu", with a stylized flourish at the end.

Cristina Birceanu

Director of Regulatory Affairs  
Guelph Hydro Electric Systems Inc.

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Guelph, ON N1G 4Y1  
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**Guelph Hydro Electric Systems Inc. (EB-2014-0077)**  
**Board staff Interrogatories**

**Interrogatory #1**

**Tab 6 – Billing Det. for Def-Var**

Board staff has updated Guelph Hydro's Rate Generator model to version 1.1, issued on August 8, 2014. As a result, tab 6 (column O) now lists the number of Residential and General Service < 50kW for the allocation of Account 1551 Smart Metering Entity Charge. Please confirm that the figures noted below are correct.

<b>Number of Customers for Residential and GS&lt;50 classes<sup>3</sup></b>
47,157
3,788

**Guelph Hydro's response:**

Guelph Hydro confirms that the number of Residential and General Service <50 kW listed in the August 8, 2014 Rate Generator model for Guelph Hydro are correct.

However, the updated model version 1.1 issued on August 8, 2014 did not have a provision for Wholesale Market Participants and Class A customers. Consequently, Guelph Hydro developed its own model for Deferral and Variance Accounts balances disposition where the number of Residential and General Service <50 kW was entered for the allocation of 1551 Smart Metering Entity Charge balance (please see tab 29. Guelph RSV Model, cells H5 and H6).

(A) If Guelph Hydro does not agree with the above figures, please provide the correct information and Board staff will make the necessary adjustments to the model.

**Guelph Hydro's response:**

N/A. Please see the previous response.

## Interrogatory #2

### Tab 11 – STS – Tax Change

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

Regulatory Taxable Income	\$ 651,546	\$ 651,546
Corporate Tax Rate	26.25%	21.13%
Tax Impact	\$ 42,281	\$ 8,910
Grossed-up Tax Amount	\$ 57,330	\$ 11,296

Board staff is unable to reconcile the figures entered for “Regulatory Taxable Income”, “Tax Impact” and “Grossed-up Tax Amount”. Board staff believes the figures should be \$636,434 (Regulatory Taxable Income), \$11,145 (Tax Impact) and \$15,112 (Grossed-up Tax Amount) as found in Guelph Hydro’s previous cost of service Revenue Requirement Workform (EB-2011-0123).

(A) Please confirm if Guelph Hydro agrees and Board staff will make the necessary corrections to the model.

#### Guelph Hydro’s response:

Guelph Hydro does not agree with Board staff’s calculations.

(B) If the answer to (A) is no, please provide an explanation for the discrepancy.

#### Guelph Hydro’s response:

##### References:

1. Updated Draft Rate Order on 2012 Cost of Service (file number EB-2011-0123) filed on March 16, 2012 – Appendix D – Revenue Requirement Work Form (RRWF) – page 13 to 15;
2. RRWF Excel version “Guelph\_DRO\_updated\_AppD\_Rev\_Reqt\_Work\_Form\_xls\_20120316” filed on March 16, 2012 (file number EB-2011-0123)
3. Guelph Hydro responses to Board staff interrogatories filed on September 25, 2012, Guelph\_BrdStaff\_IRR\_20120925 (file number EB-2012-0128)

Guelph Hydro transitioned to IFRS starting January 1, 2011. Guelph Hydro's 2012 Cost of Service application (EB-2011-0123) was worked in Modified IFRS basis.

The OEB's Revenue Requirement Work Form (RRWF) used in the 2012 Cost of Service application was not designed at the time of 2012 COS proceedings to capture the PP&E deferral account (amortization and return on equity) adjustments due to transition to IFRS.

Guelph Hydro and Board Staff (assigned to the case number EB-2011-0123) worked the model to reflect the adjustments.

The Regulatory Taxable Income of \$651,546 is calculated in the OEB RRWF model - Tab 8 "Rev\_Def\_Suff", cell P28.

Guelph Hydro confirms that the amount of \$651,546 entered in Tax Sharing model – Tab 5 "Z-Factor Tax Changes" is correct, and no further changes to the model are necessary.

For more clarity, Guelph Hydro has submitted its Board-approved Revenue Requirement Workform in Excel version.

Guelph Hydro responded to this question in the 2013 IRM proceedings, file number EB-2012-0128 (please see Guelph\_BrdStaff\_IRR\_20120912, IR2, page 6 to 8).

Please note that, during the preparation of the 2013 IRM application (file number EB-2012-0128), Guelph Hydro inquired with Board Staff on the accuracy of the Corporate Tax calculation, and the answer ensured that the calculation of the combined tax rate (21.13%) was correct.

Guelph Hydro is including below a copy of the correspondence with the Board Staff.

From: [Fiona O'Connell](mailto:Fiona.O'Connell@quephhydro.com)  
To: [cbirceanu@quephhydro.com](mailto:cbirceanu@quephhydro.com)  
Cc: [Marc Abramovitz](#); [Market Operations](#); [Daria Babale](#)  
Subject: RE: Guelph Hydro\_2013 IRM Tax Sharing Model [OEB Ref# MPE-2012-0309]

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Date: 07/10/2012 11:00 AM

Hi Cristina

A corporation that was a Canadian-controlled private corporation (CCPC) throughout the tax year can reduce its Ontario basic income tax by claiming the Ontario small business deduction. The Ontario surtax re Ontario small business deduction that used to claw back the small business deduction from more profitable CCPCs was eliminated effective July 1, 2010.

Please see below how the 2013 corporate tax rate of 21.13% in the 2013 IRM Tax Sharing model may be calculated for a taxable income of \$641,546.

You may also note that Ontario's March 27, 2012 budget kept the Ontario basic income tax rate at 11.5%. The rate was scheduled to fall to 11% on July 1, 2012, and to 10% on July 1, 2013.

Guelph Hydro Electric Systems Inc.  
 EB-2014-0077  
 Responses to Board Staff Interrogatories  
 Delivered September 30, 2014

					\$ 651,546	A
Ontario Income Tax	11.50%	B	\$	74,928	C = A * B	
Ontario Small Business Threshold	\$ 500,000	D				
Rate reduction	-7.00%	E	-\$	35,000	F = D * E	
					\$ 39,928	J = C + F
Effective Ontario Tax Rate	6.13%				K = J / A	
Federal tax rate	15.00%				L	
Combined tax rate					21.13%	M = K + L

Please contact me if you have any further questions. Thank

you

**Fiona O'Connell**, CA, CFA  
 Project Advisor, Regulatory Audit & Accounting  
 Ontario Energy Board  
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**From:** cbirceanu@guelphhydro.com [mailto:cbirceanu@guelphhydro.com]  
**Sent:** July 10, 2012 9:30 AM  
**To:** Market Operations  
**Cc:** Marc Abramovitz  
**Subject:** Guelph Hydro\_2013 IRM Tax Sharing Model [OEB Ref# MPE-2012-0309]

Good morning,

The 2013 IRM Tax Sharing model (version 1.0) shows/calculates a Corporate Tax Rate of 21.13% (please see the print screen). According to our source (KPMG), the Corporate Tax Rate for 2013 is 25.50%. Is there a model error?  
 Thank you.

The screenshot shows an Excel spreadsheet titled "Guelph\_2013\_IRM\_Tax\_Sharing\_Model\_V1\_20120803.xlsm [Read-Only]". The active sheet is "6. C", which contains a tax calculation table. The table compares 2012 and 2013 values for various tax-related items. A security warning is visible at the top, and the Windows taskbar is at the bottom.

	2012	2013
<b>1. Tax Related Amounts Forecast from Capital Tax Rate Changes</b>		
Taxable Capital	\$ 139,676,719	\$ 139,676,719
Deduction from taxable capital up to \$15,000,000	\$ 15,000,000	\$ 15,000,000
Net Taxable Capital	\$ 124,676,719	\$ 124,676,719
Rate	0.000%	0.000%
Ontario Capital Tax (Deductible, not grossed-up)	\$ -	\$ -
<b>2. Tax Related Amounts Forecast from Income Tax Rate Changes</b>		
Regulatory Taxable Income	\$ 651,546	\$ 651,546
Corporate Tax Rate	26.25%	21.32%
Tax Impact	\$ 42,281	\$ 8,910
<b>Grossed-up Tax Amount</b>	<b>\$ 57,330</b>	<b>\$ 11,296</b>
Tax Related Amounts Forecast from Capital Tax Rate Changes	\$ -	\$ -
Tax Related Amounts Forecast from Income Tax Rate Changes	\$ 57,330	\$ 11,296
<b>Total Tax Related Amounts</b>	<b>\$ 57,330</b>	<b>\$ 11,296</b>
Incremental Tax Savings		-\$ 46,034
Sharing of Tax Savings (50%)		-\$ 23,017

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**Interrogatory #3**

**Tab 15 – RTSR – UTRs & Sub-TX**

Hydro One Sub-Transmission Rates 1.	Unit	Effective January	Effective January 1, 2014	Effective January 1 2015
Rate Description		Rate	Rate	Rate
Network Service Rate	kW	\$ 3.18	\$ 3.23	\$ 3.18
Line Connection Service Rate	kW	\$ 0.70	\$ 0.65	\$ 0.70
Transformation Connection Service Rate	kW	\$ 1.63	\$ 1.62	\$ 1.63
Both Line and Transformation Connection Service Rate	kW	\$ 2.33	\$ 2.27	\$ 2.33

Board staff notes that in the column labelled “Effective January 1, 2015”, the incorrect Hydro One Sub-Transmission Rates have been entered. Board staff notes that the rates effective January 1, 2014 should be entered into the green input cells.

(A) Please confirm if Guelph Hydro agrees and Board staff will make the necessary corrections to the model.

**Guelph Hydro’s response:**

Guelph Hydro agrees and asks Board staff to make the necessary corrections to the model.

(B) If the answer to (A) is no, please provide an explanation for the discrepancy.

**Guelph Hydro’s response:**

N/A. Please see the response to interrogatory #3 (A).

**Interrogatory #4**  
**Manager's Summary, Page 39**

In its Manager's Summary, Guelph Hydro notes that:

In its 2012 Cost of Service Application (file number EB-2011-0123), the Board approved Load Forecast was adjusted at the purchased kWhs level (wholesale), and no breakdown per customer class was detailed (retail sales).

Therefore, in this Application, Guelph Hydro has allocated the CDM adjustment for the impact of CDM programs to the 2012 Test Year load forecast to each rate class proportionately based on the class kWh and kW compared to the total of all classes. Guelph Hydro has used the same methodology approved by the Board in the two Cost of Service proceedings: file number EB-2012-0107 (Blue Water Distribution Corporation) and file number EB-2012-0145 (Lakeland Power Distribution Ltd.) for the calculation of the approved CDM adjustment at the customer class level.

- (A) Please confirm Guelph Hydro's proposed billing determinants for its current IRM Application reconcile with Guelph Hydro's most recent board-approved load forecast (EB-2011-0123).

**Guelph Hydro's response:**

Guelph Hydro confirms that the proposed billing determinants for its current IRM Application reconcile with Guelph Hydro's 2012 board-approved load forecast, except for the calculation of Retail Transmission Service Rates adjustments (Tab 14.RTSR RRR data), where Guelph Hydro used the most recent reported RRR billing determinants (i.e. 2013 metered consumption reported in 2.1.5 Performance Based Regulation).

- (B) If not, please provide an explanation.

**Guelph Hydro's response:**

As required by the OEB's Rate Generator model, Guelph Hydro used the most recent reported RRR billing determinants (i.e. 2013 metered consumption reported in 2.1.5 Performance Based Regulation) for the calculation of Retail Transmission Service Rates.



(C) Please confirm that Guelph Hydro is not requesting disposition of the balance in its LRAMVA.

**Guelph Hydro's response:**

Guelph Hydro confirms that is not requesting disposition of the balance in its LRAMVA in this application.

**Interrogatory #5**  
**REG Funding Adder**

On page 18 of the *Filing Requirements For Electricity Distribution Rate Applications: 2014 Edition for 2015 Rate Applications*, issued July 25, 2014, the Board stated that “the cost recovered through the funding adder will be subject to a prudence review in the first cost of service application following the implementation of the funding adder”.

- (A) Does Guelph Hydro agree that the cost of the GEA funding adder true-up that it has applied for is immaterial and any variance will be captured in the appropriate variance account?

**Guelph Hydro's response:**

Guelph Hydro agrees the amount of (\$4,702.75) funding adder true-up is immaterial and any variance will be captured in the appropriate variance account (the collected revenue in 1533- Renewable Generation Connection Funding Adder Deferral Account, the costs in 1531 – Renewable Connection Capital Deferral Account and 1532- Renewable Connection OM&A Deferral Account).

- (B) Please state if and what impact would arise from deferring the true-up of the GEA funding adder amounts until such time.

**Guelph Hydro's response:**

The cost recovered through the funding adder will be subject to a prudence review in Guelph Hydro's 2016 cost of service application. The impact from deferring the true-up of the GEA funding adder will be immaterial: the variance account balance would be lower or higher by \$4,702.75.