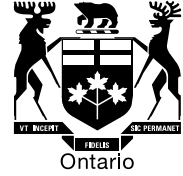


**Ontario Energy Board**  
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**BY E-MAIL**

December 4, 2015

John Pickernell  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street, 27<sup>th</sup> Floor  
Toronto, ON M4P 1E4

Dear Mr. Pickernell:

**Re: Niagara-on-the-Lake Hydro Inc.  
2016 IRM Distribution Rate Application  
OEB Staff Supplemental Interrogatories  
OEB File No. EB-2015-0091**

Following the issuance of OEB staff interrogatories on November 20, 2015, it has come to OEB staff's attention that further discovery is warranted regarding Niagara-on-the-Lake Hydro's tax amounts. Please see the attached supplemental interrogatory. OEB staff apologizes for the late request.

Yours truly,

*Original Signed By*

Georgette Vlahos  
Analyst, Electricity Rates and Accounting

Encl.

**Niagara-on-the-Lake Hydro Inc.**  
**EB-2015-0091**  
**OEB Staff Supplemental Interrogatories**

**Supplemental Interrogatory #1**

**Ref: Tax Adjustment**

**Ref: Tab 7 of the Rate Generator Model**

Following further review of Niagara-on-the-Lake Hydro's tax sharing portion of the Rate Generator Model, it has come to OEB staff's attention that while Niagara-on-the-Lake Hydro's tax amounts recovered in rates are calculated on a base tax rate of 15.5%, the value of legislative tax changes enacted in 2015 may be more accurately calculated relative to a tax rate of 19.5%.

Niagara-on-the-Lake Hydro was not eligible for the federal small business deduction in 2014 as its taxable capital exceeded \$15,000,000. Accordingly, OEB staff has provided a scenario using a tax rate of 19.5% as a comparator against legislative tax changes that occurred since 2014 in the event that the OEB decides that the appropriate tax rate to be used is 19.5%.

This would result in an incremental tax amount of \$28,682, of which 50% would be recovered from customers (i.e. \$14,341) instead of the \$21,469 proposed by NOTL. Please see OEB staff's calculation below.

- (a) Please confirm if Niagara-on-the-Lake Hydro agrees with OEB staff's calculation assuming a 19.5% tax rate is approved as the comparator.
- (b) If the answer to (a) is no, please provide Niagara-on-the-Lake Hydro's revised calculation with an explanation.

Niagara-on-the-Lake Hydro Inc.  
EB-2015-0091  
OEB staff Supplemental Interrogatories

	<b>Corrected</b>	
	<b>2014</b>	<b>2016</b>
<b>1. Tax Related Amounts Forecast from Capital Tax Rate Changes</b>		
Taxable Capital (if you are not claiming capital tax, please enter your Board-	\$ 24,483,958	\$ 24,483,958
Deduction from taxable capital up to \$15,000,000	\$ 15,000,000	\$ 15,000,000
Net Taxable Capital	\$ 9,483,958	\$ 9,483,958
Rate	0.00%	0.00%
Ontario Capital Tax (Deductible, not grossed-up)	\$ -	\$ -
<b>2. Tax Related Amounts Forecast from Income Tax Rate Changes</b>		
Regulatory Taxable Income	\$ 254,434	\$ 254,434
Corporate Tax Rate	19.50%	26.500%
Tax Impact	\$ 37,615	\$ 55,425
<b>Grossed-up Tax Amount</b>	\$ 46,726	\$ 75,408
Tax Related Amounts Forecast from Capital Tax Rate Changes	\$ -	\$ -
Tax Related Amounts Forecast from Income Tax Rate Changes	\$ 46,726	\$ 75,408
Total Tax Related Amounts	\$ 46,726	\$ 75,408
Incremental Tax Savings		\$ 28,682
<b>Sharing of Tax Amount (50%)</b>		<b>\$ 14,341</b>