Renfrew Hydro Inc.

OEB Staff Questions

EB-2018-0064

**Renfrew Hydro Inc.**

**EB-2018-0064**

**OEB Staff-1**

**Ref: IRM Rate Generator Model – Tab 3 Continuity Schedule**

Please explain the adjustment in column BA Interest adjustments during 2016 of ($3,203) to account 1595 (2015).

**Renfrew Hydro Inc. - Response**

In Renfrew Hydro’s Decision and Rate order EB-2014-0110 for rates effective May 1, 2015, Renfrew was approved for the disposition of Group 1 accounts totalling (98,409). Renfrew created two 1595 (2015) principal accounts: 1) Group 1-Excluding Global Adjustment (GA), and 2) Group 1-Global Adjustment (GA) Only. The adjustment in column BA represents the amount of recovery for the “GA Only” account applied to the related Carrying Charges Approved for Disposition. In other words, the entire principal amount of 128,546 was recovered so the remaining activity from the GA only rate rider was applied to the interest/carrying charges account. This was recorded in the Adjustment column of the continuity schedule.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Acct #** | **Description** | **Sub Account** | **May 1 2015** | **Total** |  |  | **Ending** |
|  |  |  | **Approved** | **Refund/** | **New** |  | **Balance** |
|  |  |  | **For Disposition** | **Recovery** | **CC** | **ADJ** | **Dec 31 2017** |
|  |  |  |  |  |  |  |  |
| **Group 1 Excluding GA** | |  |  |  |  |  |  |
| 1595 (2015) | Disposition of Regulatory Balances | Principal Approved | (239,958) | 232,500 |  |  | (7,458) |
| 1595 (2015) | Disposition of Regulatory Balances | CC Approved | (1,736) |  |  |  | (1,736) |
|  |  |  |  |  |  |  |  |
| **Group 1 - Global Adjustment Only** | |  |  |  |  |  |  |
| 1595 (2015) | Disposition of Regulatory Balances | Principal Approved | 128,546 | (128,546) |  |  | 0 |
| 1595 (2015) | Disposition of Regulatory Balances | CC Approved | 14,739 |  |  | **\*\*(3,203)** | 11,536 |
|  |  |  |  |  |  |  |  |
|  | Total Group 1 |  | (98,409) | 103,954 |  | (3,203) | 2,342 |
|  |  |  |  |  |  |  |  |
| **Other** |  |  |  |  |  |  |  |
| 1595 (2015) | Shared Tax Savings |  | (2,387) |  |  |  | (2,387) |
|  |  |  |  |  |  |  |  |
| 1595 (2015) | CC for Net Principal (New) |  |  |  | (985) |  | (985) |
| **Grand TOTAL - 1595 (2015)** |  |  | (100,796) | 103,954 | (985) | (3,203) | (1,030) |

**OEB Staff-2**

**Ref: IRM Rate Generator Model – Tab 8. STS - Tax Change and Managers Summary Page 22**

Renfrew Hydro states in its managers summary “the corporate tax rate will decrease from 15% to 12.5%.” Please explain what caused the change in the tax rate.

**Renfrew Hydro Inc. - Response**

Renfrew Hydro’s actual tax rate is 26.5%. The reason we pay a higher rate than approved for recovery in distribution rates, is because we are no longer eligible for the small business deduction. The tax rules state we must add our associated company’s taxable capital to ours to determine the tax rate (associated to Renfrew Power Generation through common ownership/Same Shareholder – The Town of Renfrew). When completing the IRM Rate Generator, we followed the guidance provided and completed the STS-Tax Change worksheet. The known legislative tax changes are built into the model (cell N32) to allow a 50/50 sharing for any changes since the last Cost of Service application was approved. Renfrew Hydro believed the creator of the model knew the legislative tax changes were to change from 15% to 12.5% for 2019 (for those distributors with a ratebase less than 10,000,000). Since the rate built into the model is lower than last approved, it created a tax sharing credit of $2,026 for ratepayers ($4,053 split 50/50 between shareholders and ratepayers).