

1 **EXHIBIT 6 – REVENUE DEFICIENCY OR SUFFICIENCY**

2

3 **Interrogatory 6-Staff-67**

4

5 **PILs**

6 **Ref 1: Exhibit 6, Tab 2, Schedule 1, page 5**

7 **Ref 2: Exhibit 6, Tab 2, Schedule 1, page 3**

8 **Ref 3: Exhibit 9, Tab 1, Schedule 1, page 5**

9 **Ref 4: DVA Continuity Schedule, August 12, 2022**

10 **Ref 5: Exhibit 9, Tab 3, Schedule 1, Attachments 2, 3, 4**

11

12 **Preamble:**

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14 ***In Exhibit 6, Kingston Hydro stated that Account 1592 is not expected to continue***  
15 ***past 2022. However, in Exhibit 9, Kingston Hydro is requesting to continue***  
16 ***Account 1592 to capture future annual impacts of PILs.***

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18 ***Kingston Hydro is also proposing to smooth the impact of the elimination of the***  
19 ***accelerated CCA in 2024.***

20

21 ***Regarding Account 1592, PILs and Tax Variances, sub-account CCA Changes,***  
22 ***OEB staff notes that no balances are shown for 2018 in the DVA Continuity***  
23 ***Schedule or in Exhibit 9.***

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25 ***Kingston Hydro has included support for the 2019, 2020, and 2021 Account 1592***  
26 ***calculations in attachments to Exhibit 9.***

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1 **Question(s):**

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3 **a) If a reasonable forecast can be made, please include a forecasted balance and**  
4 **the supporting calculation for this balance (similar to those provided in the**  
5 **attachments to Exhibit 9) in Account 1592, PILs and Tax Variances, Sub-**  
6 **Account CCA Changes from January 1, 2022 to December 31, 2022. Please**  
7 **include this balance in cell BF83 of Tab 2b of the DVA Continuity Schedule. If**  
8 **this amount cannot be forecasted reasonably, please explain why not.**

9 **b) Given Kingston Hydro's smoothing proposal, please confirm that no new**  
10 **entries will be recorded in Account 1592, PILs and Tax Variances, Sub-**  
11 **account CCA Changes, subsequent to December 31, 2022, unless there are**  
12 **further changes to the current tax laws and rules governing CCA, not**  
13 **contemplated in the current proceeding, or if the OEB orders otherwise. If this**  
14 **is not the case, please explain.**

15 **c) Regarding Account 1592, PILs and Tax Variances, Sub-account CCA**  
16 **Changes, please confirm that no amounts for the period November 21, 2018 to**  
17 **December 31, 2018 were included in either the DVA Continuity Schedule or in**  
18 **Exhibit 9, as the impact of the Accelerated CCA amounts was not claimed on**  
19 **Kingston Hydro's 2018 tax return. If this is not the case, please explain.**

20

21 **Response**

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23 a) Bridge year CCA with the accelerated CCA is \$3,896,795.

24

25 Bridge year CCA without accelerated CCA would be \$3,520,490, a difference of  
26 \$376,305

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1 The 26.5% tax effect of the difference is \$99,721, grossed up to \$135,675.

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3 This amount has been included as requested in cell BF83 of Tab 2b of the DVA  
4 Continuity Schedule.

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6 b) Kingston confirms that no new entries will be recorded in Account 1592, PILs and  
7 Tax Variances, Sub-account CCA Changes, subsequent to December 31, 2022,  
8 unless there are further changes to the current tax laws and rules governing CCA,  
9 not contemplated in the current proceeding, or if the OEB orders otherwise, with the  
10 exception of the following:

11

- 12 • The Ministry of Finance reassessed Kingston's 2014 CCA claim for Smart  
13 Meters, removing them from Class 8 and reclassifying them into Class 47.
- 14 • Kingston has appealed this reassessment to the Ontario Superior Court of  
15 Justice.
- 16 • There is no imminent resolution to this matter.
- 17 • Kingston's 2023 cost of service application has been prepared on the basis of  
18 the original Class 8 claim being reinstated.
- 19 • If Kingston is not successful in its appeal, Kingston proposes to recalculate the  
20 2023 CCA claim and include the impacts of the difference between the original  
21 claim and the confirmed Ministry reassessment in account 1592 for future  
22 disposition.

23

24 c) Confirmed. There was no accelerated CCA claim for 2018.

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3 **Interrogatory 6-Staff-68**

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5 **PILs**

6 **Ref 1: Kingston\_Updated 2023 CoS Appl\_Test Year Income Tax PiLS No Acc**  
7 **CCA\_20220812**

8

9 **Preamble:**

10

11 ***In the PILs model that excludes the impact of accelerated CCA, Kingston Hydro***  
12 ***has left Column 4, Cost of Acquisitions that are AIPP, blank for the test year***  
13 ***Schedule 8 CCA tab, as it is assuming that no accelerated CCA is being taken.***  
14 ***However, for the test year Schedule 8 CCA tab, Kingston Hydro has manually***  
15 ***calculated the CCA by inserting a formula in Column 16, Terminal Loss, as***  
16 ***opposed to leaving the default calculations in Column 17, CCA, “as is”.***

17

18 ***OEB staff notes that by Kingston Hydro manually inserting a formula, the PILs***  
19 ***smoothing impact addition to the test year taxable income of \$187,019 may be***  
20 ***significantly understated.***

21

22 **Question(s):**

23

24 **a) *Please explain the reasons for Kingston Hydro manually calculating CCA in***  
25 ***Column 16 by inserting a formula, rather than leaving the default calculations***  
26 ***in Column 17, CCA “as is”.***

27

1 **Response**

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- 3 a) It is Kingston's understanding that the half year rule will not apply for 2024 and  
4 onward. Therefore the manual calculations in "**Kingston\_Updated 2023 CoS**  
5 **Appl\_Test Year Income Tax PiLS No Acc CCA\_20220812**" attempted to estimate  
6 a more accurate CCA for 2024 and beyond in that model.

1 ***CALCULATION OF REVENUE DEFICIENCY/SURPLUS (EXHIBIT 6)***

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3 ***Interrogatory 6.0-VECC-33***

4

5 ***Reference: Exhibit 6, Tab 3, pages 4-7***

6

***Appendix 2-H***

7

8 ***a) Please provide the 2019, 2020, 2021 and 2022 revenues for each of the***  
9 ***accounts set out in Appendix 2-H for the first 6 months of each year.***

10

11 ***Response***

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13 a) Kingston has submitted the requested information for the first six months of 2019-  
14 2022 in the live excel file named:

15

16 6-VECC-33 Appendix 2-H 2019-2022 Jan-June only.xlsx