Atikokan Hydro Inc.

OEB Staff Questions

EB-2022-0015

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Please note, Atikokan Hydro Inc. is responsible for ensuring that all documents it files with the OEB, including responses to OEB staff questions and any other supporting documentation, do not include personal information (as that phrase is defined in the *Freedom of Information and Protection of Privacy Act*), unless filed in accordance with rule 9A of the OEB’s *Rules of Practice and Procedure*.

**Staff Question-10**

**Ref (1): Response to Staff Question-4**

**Ref (2): 2023 IRM Rate Generator Model, tab 8, January 23, 2023**

**Ref (3): Accounting Procedures Handbook, Article 440, page 9**

**Ref (4): Filing Requirements For Electricity Distribution Rate Applications - 2023 Edition for 2024 Rate Applications, Chapter 2 Cost of Service, December 15, 2022, page 40**

In OEB staff questions, Atikokan Hydro was asked to complete Tab 8 (Tax Changes) in the rate generator model based on the approved rate base and regulatory income in its last cost of service application.

In response, Atikokan Hydro completed Tab 8 (Tax Changes) in the rate generator model to show a tax sharing amount of a credit of $1,282. Atikokan Hydro also stated that it no longer receives the small business credit for tax purposes and will review this further.

OEB staff notes that as the allocated tax sharing amount does not produce a rate rider in one or more rate classes, Atikokan Hydro will need to record the credit amount of $1,282 into Account 1595 (2023) for disposition at a later date.

OEB staff also notes that for regulatory purposes there is no true-up allowed to the actual PILs paid. The Accounting Procedures Handbook states the following:

…The scope of Account 1592, PILs and Tax Variance for 2006 and Subsequent Years, was therefore not expanded to allow inclusion of any differences between the PILs provision included in rates and actual taxes paid…

In a conference calls with Atikokan Hydro on January 23, 2023 and January 25, 2023, OEB staff became aware that Atikokan Hydro had been recording a true-up between the PILs provision included in rates and the actual PILs paid in a sub-account of Account 1592. Atikokan Hydro noted that it had been paying a greater amount in actual PILs paid, versus the PILs provision included in rates, because its taxable capital across all affiliates is aggregated (versus on a stand-alone basis) for its tax return purposes which eliminates its eligibility for the small business deduction.

OEB staff notes that Section 2.6.2 of the Filing Requirements states that distributors are to use the stand-alone principle when determining PILs.

**Questions:**

1. Please confirm that the tax sharing credit of $1,282 was calculated based on a 12.2% tax rate (i.e., including the small business deduction), as Atikokan Hydro’s taxable capital is calculated on a stand-alone basis for regulatory purposes. If this is not the case, please explain.
2. Please confirm that Atikokan Hydro is paying a tax rate of 26.5% on its tax return because its taxable capital across all affiliates is aggregated (versus on a stand-alone basis) which eliminates its eligibility for the small business deduction. If this is not the case, please explain.
3. Please confirm that Atikokan Hydro will not be requesting disposition of its true-up between the PILs provision included in rates and the actual PILs paid, as recorded in a sub-account of Account 1592, in any future proceeding. If it will be requesting disposition, please explain.
4. Please confirm that Atikokan Hydro will record the credit amount of $1,282 into Account 1595 (2023) for disposition at a later date. If this is not the case, please explain.

**Response:**

1. Atikokan confirms the tax sharing credit of $1,282 was calculated based on a 12.2% tax rate.
2. Atikokan confirms it is paying a tax rate of 26.5% on its tax return.
3. Atikokan understands the OEBs rules and practices regarding true ups to actual PILS paid and generally true-ups are not allowed but Atikokan does not want to preclude from requesting disposition in any future proceedings.
4. Per regulatory filing requirements, Atikokan will record the credit amount of $1,282 into Account 1595 (2023) for disposition at a later date.