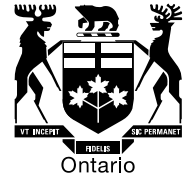


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BY E-MAIL

November 8, 2012

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: Kitchener-Wilmot Hydro Inc.
2013 IRM3 Rate Application
Board Staff Interrogatories
Board File No. EB-2012-0143**

In accordance with the procedure documented in the Notice of Application and Hearing, please find attached Board staff's interrogatories in the above proceeding with respect to Kitchener-Wilmot Hydro Inc.'s 2013 IRM3 Rate Application.

Yours truly,

Stephen Vetsis
Analyst – Applications & Regulatory Audit

**Board Staff Interrogatories
2013 IRM3 Rate Application
Kitchener-Wilmot Hydro Inc. (“KWHI”)
EB-2012-0143**

2013 Shared Tax Savings Model

Board Staff Interrogatory No. 1

Ref: 2013 Shared Tax Savings Model – Sheet 3

A section of Sheet 3 “Re-Based Bill Det. and Rates” of the 2013 Shared Tax Savings Model is reproduced below.

Rate Group	Rate Class	Fixed Metric	Vol Metric	Re-based Billed Customers or Connections A	Re-based Billed kWh B	Re-based Billed kW C	Rate ReBal Base Service Charge D	Rate ReBal Base Distribution Volumetric Rate kWh E	Rate ReBal Base Distribution Volumetric Rate kW F
RES	Residential	Customer	kWh	78,139	650,038,341		9.59	0.0170	
GSLTS0	General Service Less Than 50 kW	Customer	kWh	7,484	235,461,808		25.27	0.0122	
GSGTS0	General Service 50 to 999 kW	Customer	kW	1,003		2,231,346	233.59		3.9888
LU	Large Use > 5000 kW	Customer	kW	2		140,928	230.55		1.3580
USL	Unmetered Scattered Load	Connection	kWh	820	3,287,380		8.37	0.0163	
SL	Street Lighting	Connection	kW	23,299		46,815	0.78		5.2458
EMB	Embedded Distributor	Connection	kW	1		49,918			1.1343
EMB	Embedded Distributor	Connection	kW	1		49,918			0.1405

Board staff is unable to reconcile the service charges and distribution volumetric rates provided in Sheet 3 of the 2013 Shared Tax Savings Model with the values in Kitchener-Wilmot’s 2012 tariff of rates and charges. Additionally, Board staff is unable to reconcile the billed kW shown for the Embedded Distributor class.

- a) Please provide the rationale for the indicated service charges and distribution volumetric rates for each class. If the values were entered in error, please indicate the error and Board staff will make the appropriate changes to the model.
- b) Please provide evidence in support of the billed kW shown for the Embedded Distributor class.

Board Staff Interrogatory No. 2

Ref: 2013 Shared Tax Savings Model – Sheet 5

A section of Sheet 5 “Z-Factor Tax Changes” of the 2013 Shared Tax Savings Model is reproduced below.

For the 2010 year, enter any Tax Credits from the Cost of Service Tax Calculation (Positive #)	\$ 140,750	
1. Tax Related Amounts Forecast from Capital Tax Rate Changes	2010	2013
Taxable Capital	\$ 161,616,283	#####
Deduction from taxable capital up to \$15,000,000	\$ 15,000,000	\$ 15,000,000
Net Taxable Capital	\$ 146,616,283	#####
Rate	0.150%	0.000%
Ontario Capital Tax (Deductible, not grossed-up)	\$ 109,058	\$ -
2. Tax Related Amounts Forecast from Income Tax Rate Changes	2010	2013
Regulatory Taxable Income	\$ 7,700,393	\$ 7,700,393
Corporate Tax Rate	30.99%	26.50%
Tax Impact	\$ 2,386,352	\$ 1,899,854
Grossed-up Tax Amount	\$ 3,457,980	\$ 2,584,836
Tax Related Amounts Forecast from Capital Tax Rate Changes	\$ 109,058	\$ -
Tax Related Amounts Forecast from Income Tax Rate Changes	\$ 3,457,980	\$ 2,584,836
Total Tax Related Amounts	\$ 3,567,038	\$ 2,584,836
Incremental Tax Savings		-\$ 982,203
Sharing of Tax Savings (50%)		-\$ 491,101

The Revenue Requirement Workform (“RRWF”) filed with KWHI’s draft Rate Order in its 2010 cost of service application (EB-2009-0267) shows a taxable income of \$7,791,912, capital taxes of \$111,704 and a grossed up tax amount \$3,406,826. Board staff is unable to reconcile the grossed-up tax amount provided in KWHI’s 2013 Shared Tax Savings Model with the values shown in the aforementioned RRWF.

- a) Please provide the rationale for the indicated capital tax, taxable income and grossed up tax amounts provided in the 2013 Shared Tax Savings Model. If the values were entered in error, please indicate the error and Board staff will make the appropriate changes to the model.

2013 RTSR Adjustment Workform

Board Staff Interrogatory No. 3

Ref: 2013 RTSR Adjustment Workform – Sheet 4

A section Sheet 4 “RRR Data” of the 2013 RTSR Adjustment Workform is reproduced below.

Rate Class	Unit	Non-Loss Adjusted Metered kWh	Non-Loss Adjusted Metered kW	Applicable Loss Factor
Residential	kWh	647,280,211		1.0323
General Service Less Than 50 kW	kWh	240,155,523		1.0323
General Service 50 to 4,999 kW	kW		2,244,883	
Large Use	kW		105,771	
Unmetered Scattered Load	kWh	3,318,783		1.0323
Street Lighting	kW		44,252	
Embedded Distributor	kW		49,139	

KWHI's current tariff shows a Total Loss Factor – Secondary Metered < 5,000 kW of 1.0320. Board staff is unable to reconcile the applicable loss factor shown on Sheet 4 of the RTSR Adjustment Workform with the value on KWHI's current Board approved tariff.

- a) Please provide the rationale for the indicated applicable loss factor. If the value was entered in error, please indicate the error and Board staff will make the appropriate changes to the model.

2013 IRM Rate Generator Model

Board Staff Interrogatory No. 4

Ref: 2013 IRM Rate Generator Model – Sheet 4

A section Sheet 4 “Current Tariff Schedule” of the 2013 IRM Rate Generator Model is reproduced below.

Service Charge	\$	9.69
Distribution Volumetric Rate	\$/kWh	0.0172
Rate Rider for Global Adjustment Sub-Account Disposition (2011) – Effective until April 30, 2013 Applicable only for Non-RPP Customers	\$/kWh	0.0021
Rate Rider for Deferral/Variance Account Disposition (2011) - Effective Until April 30, 2013	\$/kWh	(0.0004)
Rate Rider for Lost Revenue Adjustment Mechanism (LRAM) Recovery / Shared Savings Mechanism (SSM) Recovery (2010) - Effective until April 30, 2014	\$/kWh	0.0003
Rate Rider for Lost Revenue Adjustment Mechanism (LRAM) Recovery / Shared Savings Mechanism (SSM) Recovery (2012) - Effective until April 30, 2013	\$/kWh	0.00003
Rate Rider for Tax Change – Effective until April 30, 2013	\$/kWh	(0.0004)
Rate Rider for Deferral/Variance Account Disposition (2012) – Effective until April 30, 2013	\$/kWh	(0.0003)
Retail Transmission Rate - Network Service Rate	\$/kWh	0.0067
Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kWh	0.0015

Sheet 4 of the 2013 IRM Rate Generator Model shows a Rate Rider for Lost Revenue Adjustment Mechanism (LRAM) Recovery/Shared Shavings Mechanism (SSM) Recovery (2010) – Effective until April 30, 2014 for the Residential, GS < 50 kW, GS 50 to 4,999 kW and Unmetered Scattered Load

rate classes. KWHI's current tariff shows a Rate Rider for Lost Revenue Adjustment Mechanism (LRAM) Recovery/Shared Shavings Mechanism (SSM) Recovery (2011) – Effective until April 30, 2014 for the same classes.

- a) Please confirm whether KWHI's LRAM/SSM rate rider was approved for 2010 or 2011 rates. If the rate rider name provided in the 2013 IRM Rate Generator Model was entered in error, please indicate the error and Board staff will make the appropriate changes to the model.