DECISION AND RATE ORDER
EB-2018-0047

KINGSTON HYDRO CORPORATION

Application for rates and other charges to be effective January 1, 2019

By Delegation, Before: Theodore Antonopoulos

December 13, 2018
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1. INTRODUCTION AND SUMMARY

Through this Decision and Rate Order, the Ontario Energy Board (OEB) approves the 2019 Custom Incentive Rate-setting (Custom IR) – Year 4 Update application filed by Kingston Hydro Corporation (Kingston Hydro) on August 31, 2018.

Kingston Hydro owns and operates an electricity distribution system in Ontario, serving approximately 27,000 customers in the City of Kingston, Barriefield Village and the Canadian Forces Base Kingston. Kingston Hydro filed an application with the OEB to change the rates it charges to its customers for electricity distribution, to be effective January 1, 2019 (the Application). Under the Ontario Energy Board Act, 1998 (the OEB Act), electricity distributors must apply to the OEB to change the rates that they charge customers.

Kingston Hydro filed a Custom IR application\(^1\) with the OEB in 2015. The OEB accepted the comprehensive settlement reached between Kingston Hydro and the intervenors in that proceeding and approved the distribution rates for 2016-2020. The OEB noted that the Tariff of Rates and Charges in the 2017-2020 rate years may need to be adjusted to reflect the requirement to dispose of certain generic variance account balances related to pass-through costs, and annual updates required by the approved settlement proposal.

The OEB ordered Kingston Hydro to file an application to update the proposed Tariff of Rates and Charges for each subsequent rate year during the Custom IR term. Per the terms of the approved settlement proposal, key components of the Custom IR include:

- Rates for 2016 through 2020 are set on a final basis subject to confirmation of the need for an annual update for the working capital allowance due to a change in cost of power and pass through charges, provided a minimum cumulative revenue requirement threshold of $65,000 is met
- An asymmetrical capital variance account to track variances and associated revenue requirement impacts resulting from underspending in three distinct capital forecasts, to be reviewed and disposed at the end of the term
- An asymmetrical Earnings Sharing Mechanism (ESM) to split earnings in excess of the approved return on equity (ROE) of 9.19%, with no deadband, with ratepayers on a 50/50 basis, to be reviewed and disposed of at the end of the term

\(^1\) EB-2015-0083
• An efficiency adjustment mechanism taking into account changes in Kingston Hydro's efficiency cohort and the balance, if any, to be disposed at the end of the term
• Kingston Hydro will update its Low Voltage (LV) rates and Retail Transmission Service Rates (RTSRs) annually
• Group 1 Deferral and Variance Accounts (DVAs) to be disposed of as per the OEB’s EDDVAR\(^2\) disposition mechanism
• Adjustment of the fixed/variable split for the residential customer class as per the OEB policy to transition to a fully fixed rate design over a four-year period beginning in 2016\(^3\)

As a result of the OEB’s findings in this Decision and Rate Order, there will be a monthly total bill decrease of $0.02 for a residential customer consuming 750 kWh, effective January 1, 2019.

\(^2\) Electricity Distributors’ Deferral and Variance Account Review

\(^3\) Board Policy: A New Distribution Rate Design for Residential Electricity Customers, EB-2012-0410, April 2, 2015
2. THE PROCESS

The OEB follows a streamlined process for Custom IR update applications. Applications of this nature may be decided by either a panel of Board Members or it may be delegated to OEB staff, depending on the complexity of the application.

After an initial review of the application, the OEB determined that the application is largely mechanistic in nature with respect to the adjustments contemplated. Therefore, this Decision is being issued by delegated authority, without a hearing, under section 6 of the OEB Act.

Under this type of process, the application is reviewed by OEB staff to verify whether the requested adjustments are consistent with the approved Custom IR application. This includes but is not limited to updates or adjustments defined in the OEB’s decision on the original Custom IR application.

Kingston Hydro filed its application on August 31, 2018, under section 78 of the OEB Act and in accordance with the Filing Requirements. Kingston Hydro supported its application with written evidence and completed rate models. Questions were asked of, and answers were provided by, Kingston Hydro through emails and phone calls with the OEB. Based on this information, a decision was drafted and provided to Kingston Hydro on December 5, 2018. Kingston Hydro was given opportunity to provide its comments on the draft for consideration prior to the OEB issuing this Decision.
3. ORGANIZATION OF THE DECISION

In this Decision and Rate Order, the OEB addresses the following issues, and provides reasons for approving or denying Kingston Hydro’s proposals relating to each of them:

- Base Rate Adjustments
- Retail Transmission Service Rates
- Low Voltage Service Rates
- Deferral and Variance Accounts
- Specific Service Charges

In the final section, the OEB addresses the steps to implement the final rates that flow from this Decision and Rate Order.
4. BASE RATE ADJUSTMENTS

Kingston Hydro’s OEB-approved settlement proposal established Kingston Hydro’s revenue requirement for each rate year from 2016-2020.

As per the approved settlement proposal the only adjustments to be made to Kingston Hydro’s base rates are in relation to the working capital allowance. An adjustment is applicable if the impact of the annual updates to the cost of power calculation would exceed a cumulative value of $65,000 on revenue requirement.

Kingston Hydro provided the impacts for cost of power updates to be $6,009 for 2017, ($15,084) for 2018, and ($25,018) for 2019 based on the May 1 rates. The cumulative impact is ($34,093) and therefore, Kingston Hydro did not request an adjustment to its working capital allowance for the 2019 rate year. As a result, there are no changes to the approved 2019 base rates.

The approved settlement proposal also confirmed Kingston Hydro will transition the residential rate class to fully fixed rates by 2019 as per the OEB’s residential rate design policy. The implementation of the transition results in an increase to the fixed charge of $2.73.

The bill impacts arising from the proposals in this application, including the fixed rate change, are below 10% for low volume residential customers.

Findings

The OEB approves Kingston Hydro’s base rates as proposed.

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4 Regulated Price Plan Supply Cost Report May 1, 2018 to April 30, 2019, issued on April 19, 2018.

5 Ontario Energy Board Policy: A New Distribution Rate Design for Residential Electricity Customers, EB-2012-0410, April 2, 2015
5. RETAIL TRANSMISSION SERVICE RATES

Distributors charge RTSRs to their customers to recover the amounts they pay to a transmitter, a host distributor or both for transmission services. All transmitters charge Uniform Transmission Rates (UTRs) approved by the OEB to distributors connected to the transmission system. Host distributors charge host-RTSRs to distributors embedded within the host’s distribution system.

Kingston Hydro is partially embedded within Hydro One’s distribution system and is requesting approval to adjust the RTSRs that it charges its customers to reflect the rates that it pays for transmission services included in Table 5.1 and Table 5.2.

Table 5.1: UTRs

<table>
<thead>
<tr>
<th>Current Applicable UTRs (2018)</th>
<th>per kWh</th>
</tr>
</thead>
<tbody>
<tr>
<td>Network Service Rate</td>
<td>$3.61</td>
</tr>
<tr>
<td>Connection Service Rates</td>
<td></td>
</tr>
<tr>
<td>Line Connection Service Rate</td>
<td>$0.95</td>
</tr>
<tr>
<td>Transformation Connection Service Rate</td>
<td>$2.34</td>
</tr>
</tbody>
</table>

Table 5.2: Hydro One Networks Inc. Sub-Transmission RTSRs

<table>
<thead>
<tr>
<th>Current Applicable Sub-Transmission RTSRs (2017)</th>
<th>per kWh</th>
</tr>
</thead>
<tbody>
<tr>
<td>Network Service Rate</td>
<td>$3.19</td>
</tr>
<tr>
<td>Connection Service Rates</td>
<td></td>
</tr>
<tr>
<td>Line Connection Service Rate</td>
<td>$0.77</td>
</tr>
<tr>
<td>Transformation Connection Service Rate</td>
<td>$1.75</td>
</tr>
</tbody>
</table>

6 Decision and Order, EB-2017-0359, February 1, 2018
7 Decision and Order, EB-2016-0081, December 21, 2016
Findings

Kingston Hydro’s proposed adjustments to its RTSRs are approved. The RTSRs were adjusted based on the current UTRs and host-RTSRs.

The differences resulting from the approval of new 2019 UTRs or new RTSRs will be captured in Accounts 1584 and 1586 for future disposition.
6. LOW VOLTAGE CHARGES

As part of the approved settlement proposal, Kingston Hydro’s LV rates are to be updated annually. Kingston Hydro estimated LV charges of $974,439 based on 2019 forecasted LV volumes and the current 2017 HONI LV applicable rates to calculate the adjusted LV costs. Kingston Hydro has allocated the LV costs to each customer class based on each class proportion of the projected 2019 retail transmission-connection rate revenue of $4,290,676. The resulting LV charges are shown in the table below.

<table>
<thead>
<tr>
<th>Class</th>
<th>Per</th>
<th>2018 LV Charge</th>
<th>2019 LV Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>kWh</td>
<td>$0.0018</td>
<td>$0.0014</td>
</tr>
<tr>
<td>General Service &lt; 50 kW</td>
<td>kWh</td>
<td>$0.0016</td>
<td>$0.0013</td>
</tr>
<tr>
<td>General Service 50 to 4,999 kW</td>
<td>kW</td>
<td>$0.6875</td>
<td>$0.5477</td>
</tr>
<tr>
<td>Large Use (&gt; 5,000 kW)</td>
<td>kW</td>
<td>$0.8284</td>
<td>$0.6599</td>
</tr>
<tr>
<td>Unmetered Scattered Load</td>
<td>kWh</td>
<td>$0.0018</td>
<td>$0.0014</td>
</tr>
<tr>
<td>Street Lighting</td>
<td>kW</td>
<td>$0.4966</td>
<td>$0.3956</td>
</tr>
</tbody>
</table>

Findings

The updated LV charges included in Kingston Hydro’s 2019 application have been calculated and allocated in accordance with the approved methodology and are approved.
7. DEFERRAL AND VARIANCE ACCOUNTS

Group 1 Accounts

In each year of a Custom IR term, the OEB will review a distributor’s Group 1 DVAs in order to determine whether their total balance should be disposed.\(^8\) OEB policy requires that Group 1 accounts be disposed if they exceed (as a debit or credit) a pre-set disposition threshold of $0.001 per kWh, unless a distributor justifies why balances should not be disposed.\(^9\) If the balance does not exceed the threshold, a distributor may elect to request disposition.

The 2017 actual year-end total balance for Kingston Hydro’s Group 1 accounts including interest projected to December 31, 2018 is a credit of $107,386. This amount represents a total credit claim of $0.0002 per kWh, which does not exceed the disposition threshold. Kingston Hydro proposes the disposition of this credit amount over a one-year period.

Included in the balance of the Group 1 accounts is the Global Adjustment (GA) account balance of $302,500. Costs for the commodity portion of its electricity service reflects the sum of two charges: the price of electricity established by the operation of the Independent Electricity System Operator (IESO) administered wholesale market, and the GA.\(^10\)

The GA is paid by consumers in several different ways:

- For Regulated Price Plan (RPP) customers, the GA is incorporated into the standard commodity rates, therefore there is no variance account for the GA.

- Customers who participate in the Ontario Industrial Conservation Initiative program are referred to as “Class A” customers. These customers are assessed GA costs through a peak demand factor that is based on the percentage their demand contributes to the top five Ontario system peaks. This factor determines a Class A customer’s allocation for a year-long billing period that starts in July.

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\(^8\) Group 1 accounts track the differences between the costs that a distributor is billed for certain IESO and host distributor services (including the cost of power) and the associated revenues that the distributor receives from its customers for these services. The total net difference between these costs and revenues is disposed to customers through a temporary charge or credit known as a rate rider.


\(^10\) The GA is established monthly, by the IESO, and varies in accordance with market conditions. It is the difference between the market price and the sum of the rates paid to regulated and contracted generators and conservation and demand management (demand response) program costs.
every year. As distributors settle with Class A customers based on the actual GA costs there is no resulting variance.

- “Class B” non-RPP customers pay the GA charge based on the amount of electricity they consume in a month (kWh). Class B non-RPP customers are billed GA based on an IESO published GA price. For Class B non-RPP customers, distributors track any difference between the billed amounts and actual costs in the GA Variance Account for disposal, once audited.

Under the general principle of cost causality, customer groups that cause variances should be responsible for paying (or receiving credits) for their disposal. The movement from one class to another should not prevent identifiable customers from paying down/receiving a debit/credit balance.

Kingston Hydro proposes the recovery of its GA variance account balance of $302,500 as at December 31, 2017, including interest to December 31, 2018, in accordance with the following table.

Table 7.1: Recovery of GA Variance

<table>
<thead>
<tr>
<th>Proposed Amounts</th>
<th>Proposed Method for Recovery</th>
</tr>
</thead>
<tbody>
<tr>
<td>$286,153 recovered from customers who were Class B for the entire period from January 2016 to December 2017</td>
<td>per kWh rate rider</td>
</tr>
<tr>
<td>$16,347 recovered from customers formerly in Class B during the period January 2016 to June 2017 who were reclassified to Class A</td>
<td>12 equal installments(^{11})</td>
</tr>
</tbody>
</table>

The balance of the Group 1 accounts includes $27,609 for the refund of Capacity Based Recovery (CBR) charges for Class B customers related to the IESO’s wholesale energy market Demand Response 3 program. Distributors paid CBR charges to the IESO in 2016 and 2017 and recorded these to a dedicated sub-account. The disposition of this sub-account is impacted by whether or not a distributor had any customers who were part of Class A during the period from January 2016 to December 2017. The disposition is also impacted by whether or not the Class B CBR rate riders in the 2019 IRM Rate

\(^{11}\) 2019 IRM Rate Generator Model, Tab 6.1a “GA Allocation"
Generator Model\textsuperscript{12} rounds to zero at the fourth decimal place in one or more rate classes.

Kingston Hydro had Class A customers during the period from January, 2016 to December, 2017 but the CBR Class B rate riders calculated rounded to zero at the fourth decimal place in one or more of the rate classes. In this event, the entire Account 1580 sub-account CBR Class B is added to the Account 1580WMS control account to be disposed through the general purpose Group 1 Deferral and Variance Account.

The remaining Group 1 accounts being sought for disposition, through the general Deferral and Variance Account rate rider, include the following flow through variance accounts: Low Voltage Charges, Smart Meter Entity Charges, Wholesale Market Service Charges, Retail Transmission Service Charges, Commodity Power Charges, and Account 1595 residual balances. These Group 1 accounts have a total credit balance of $409,887, which results in a refund to customers.

The balances proposed for disposition reconcile with the amounts reported as part of the OEB's \textit{Electricity Reporting and Record-Keeping Requirements}.\textsuperscript{13} Kingston Hydro further submits that its proposal for a one-year disposition period is in accordance with the OEB’s policy.\textsuperscript{14}

Earlier this year, the OEB suspended its approvals of Group 1 rate riders on a final basis. As stated in its letter to the sector dated July 20, 2018, the OEB will determine whether the riders will be approved on an interim basis or not approved at all (i.e. no disposition of account balances) on a case by case basis until further notice.\textsuperscript{15}

The applicant is seeking disposition of a $2.3 million debit balance (recovery from ratepayers) in Account 1588, RSVA Power as at December 31, 2017. The amount being sought appears to be unusually large given that most balances that flow into Account 1588 should ultimately get settled directly with the IESO as opposed to with ratepayers (with only amounts related to line losses remaining in the account). The OEB had previously approved the disposition of Kingston Hydro’s December 31, 2015 balance in Account 1588 on a final basis. As such, the balance being sought for disposition in the current proceeding should only represent an accumulation of variance transactions for 2016 and 2017.

\begin{flushleft}
\textsuperscript{12} 2019 IRM Rate Generator Model, Tab 6.2 “CBR B”
\textsuperscript{13} Electricity Reporting and Record Keeping Requirements, Version dated May 3, 2016
\textsuperscript{15} OEB letter to all rate-regulated licensed electricity distributors – “Re: OEB’s Plan to Standardize Processes to Improve Accuracy of Commodity Pass-Through Variance Accounts.” July 20, 2018.
\end{flushleft}
Upon follow-up with Kingston Hydro as to what has contributed to the significant balance being reported in Account 1588, it was determined that it was primarily attributed to an adjustment that the utility made during 2016 related to its 2015 and 2016 settlements with the IESO. In particular, as part of an internal audit of its IESO settlement process, Kingston Hydro discovered an error in the reporting of the Hourly Ontario Energy Price that it used in its RPP settlement calculations in 2015 and 2016. As a result of the error, Kingston Hydro recorded a debit adjustment of $3,295,797 to Account 1588 during 2016 and subsequently paid this amount to the IESO in 2017. Approximately $2,564,883 of this total adjustment is related to its 2015 RPP settlements.

**Findings**

The OEB approves the disposition of a credit balance of $107,387 as of December 31, 2017, including interest projected to December 31, 2018 for Group 1 accounts on an interim basis.

The following table identifies the principal and interest amounts which the OEB approves for disposition.

**Table 7.2 - Group 1 Deferral and Variance Account Balances**

<table>
<thead>
<tr>
<th>Account Name</th>
<th>Account Number</th>
<th>Principal Balance ($)</th>
<th>Interest Balance ($)</th>
<th>Total Claim ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>LV Variance Account</td>
<td>1550</td>
<td>158,205</td>
<td>4,509</td>
<td>162,714</td>
</tr>
<tr>
<td>Smart Meter Entity Variance Charge</td>
<td>1551</td>
<td>(2,625)</td>
<td>119</td>
<td>(2,506)</td>
</tr>
<tr>
<td>RSVA - Wholesale Market Service Charge</td>
<td>1580</td>
<td>(1,474,097)</td>
<td>(44,574)</td>
<td>(1,518,671)</td>
</tr>
<tr>
<td>Variance WMS - Sub-account CBR Class B</td>
<td>1580</td>
<td>(27,224)</td>
<td>(385)</td>
<td>(27,609)</td>
</tr>
<tr>
<td>RSVA - Retail Transmission Network Charge</td>
<td>1584</td>
<td>(780,807)</td>
<td>(25,115)</td>
<td>(805,921)</td>
</tr>
<tr>
<td>RSVA - Retail Transmission Connection Charge</td>
<td>1586</td>
<td>(371,524)</td>
<td>(12,503)</td>
<td>(384,027)</td>
</tr>
<tr>
<td>RSVA - Power</td>
<td>1588</td>
<td>2,266,889</td>
<td>66,067</td>
<td>2,332,956</td>
</tr>
<tr>
<td>RSVA - Global Adjustment</td>
<td>1589</td>
<td>179,597</td>
<td>122,904</td>
<td>302,500</td>
</tr>
</tbody>
</table>
The balance of each of the Group 1 accounts approved for disposition shall be transferred to the applicable principal and interest carrying charge sub-accounts of Account 1595. Such transfer shall be pursuant to the requirements specified in Article 220, Account Descriptions, of the Accounting Procedures Handbook for Electricity Distributors. The date of the transfer must be the same as the effective date for the associated rates, which is, generally, the start of the rate year. Kingston Hydro shall ensure these adjustments are included in the reporting period ending March 31, 2019 (Quarter 1).

The OEB is satisfied that Kingston Hydro has made the appropriate corrections to Account 1588 and will allow disposition given that: the IESO agreed to make the adjustment; the adjustment was made in 2016 (a period in which rates are not yet final); and, the disposition approved as part of this proceeding is on an interim basis. However, the OEB is concerned with the magnitude and nature of the error and is of the view that this warrants further review. As a result, the OEB will refer this matter to the OEB’s Audit & Investigations unit for consideration of Kingston Hydro’s processes regarding RPP settlement claims and true-ups of claims with the IESO.

The OEB approves these balances to be disposed through interim rate riders and charges as calculated in the Rate Generator Model. The interim rate riders and charges, will be in effect over a one-year period from January 1, 2019 to December 31, 2019.

### Group 2 Accounts

**Capital Investment Variance Account**

As part of the approved settlement proposal, the OEB approved a Capital Investment Variance Account to track the difference in the cumulative revenue requirement arising from variances in three distinct capital forecasts (System Renewal/System Service;...

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16 Accounting Procedures Handbook for Electricity Distributors, effective January 1, 2012
17 EB-2018-0047, Kingston _IRR Update_2019_DVA_Condition_Schedule_RRR_20181023, Tab 6.1a “GA Allocation” and Tab 7 “Calculation of Def-Var RR”

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System Access and General Plant). If Kingston Hydro adds to rate base less than its forecast cumulative amount in any of the three categories, the corresponding reduction in revenue requirement will be credited to the variance account and any cumulative reduction in revenue requirement in any of the three categories will be disposed at the end of the term of the Custom IR Plan. The cumulative capital investment variance for the two year period ending December 31, 2017 is a credit balance of $20,400.

**Earnings Sharing Mechanism**

Kingston Hydro stated that it did not trigger the ESM that was also established in its Custom IR proceeding.\(^ {18} \) Kingston Hydro reported a ROE of 7.82%, which is 137 basis point below the deemed ROE of 9.19% based on the 2017 revenue requirement approved as part of Kingston Hydro’s Custom IR proceeding. Any balance reflected in this account will be reviewed at the end of the Custom IR term.

**Efficiency Adjustment Mechanism**

The Efficiency Adjustment Mechanism was established to credit ratepayers with the difference between the 2014 starting point and current year ending point stretch factor as multiplied by the rate year plan revenue requirement for the relevant rate year for the purpose of calculating rates for that year.

Kingston Hydro was in cohort 3 at the time of the approved settlement proposal and it is still in cohort 3. The efficiency adjustment is not triggered.

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\(^ {18} \) EB-2015-0083
8. SPECIFIC SERVICE CHARGES

Kingston Hydro requested the continuation of all other Specific Service Charges, Retail Service Charges and its Loss Factor. Kingston Hydro further requested the continuation of the microFit rate as a monthly service charge of $5.40 as well as the continued rate rider for the new Smart Metering Entity charge of $0.57.

On March 22, 2018 the OEB issued a report on Wireline Pole Attachment Charges\(^{19}\), which set a provincial-wide wireline pole attachment charge of $43.63 effective January 1, 2019. This charge is applied to all utilities that do not have a specifically approved OEB charge in place.

In the approved settlement proposal, the parties accepted the proposed specific service charges over the 2016-2020 period and established a new variance account to capture any increase or decrease in revenue caused by OEB imposed changes to Specific Service Charges, including any change to the prevailing wireless or pole attachment rate.\(^{20}\) The OEB notes that Kingston Hydro reflected the OEB’s direction arising from the settlement proposal and the OEB’s Wireline Pole Attachment Charge report by including the updated pole attachment charge of $43.63 on its proposed 2019 Tariff of Rates and Charges.

Findings

The OEB approves the Specific Service Charges proposed by Kingston Hydro for 2019. Kingston Hydro shall record the revenue variances in Account 1508 in accordance with the accounting order established in its Custom IR decision for its pole attachment charge.\(^{21}\)

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\(^{19}\) EB-2015-0304, Report of the OEB – Wireline Pole Attachment Charges, March 22, 2018

\(^{20}\) EB-2015-0083, Settlement Proposal, November 3, 2015, p. 17, 52

\(^{21}\) EB-2015-0083, Decision and Rate Order (Schedule C - Accounting Orders), November 26, 2015
9. IMPLEMENTATION AND ORDER

This Decision and Rate Order is accompanied by applicable supporting models, and a Tariff of Rates and Charges (Schedule A).

Model entries were reviewed in order to ensure that they are in accordance with Kingston Hydro’s original Custom IR decision, and to ensure that the 2018 OEB-approved Tariff of Rates and Charges, as well as the cost, revenue and consumption results from 2017, are as reported by Kingston Hydro to the OEB.

The rate models were adjusted, where applicable, to correct any discrepancies. The Tariff Schedule and Bill Impacts Model incorporates the rates set out in the following table.

<table>
<thead>
<tr>
<th>Rate</th>
<th>per kWh</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural or Remote Electricity Rate Protection (RRRP)</td>
<td>$0.0003</td>
</tr>
<tr>
<td>Wholesale Market Service (WMS) billed to Class A and B Customers</td>
<td>$0.0032</td>
</tr>
<tr>
<td>Capacity Based Recovery (CBR) billed to Class B Customers</td>
<td>$0.0004</td>
</tr>
</tbody>
</table>

Each of these rates is a component of the “Regulatory Charge” on a customer’s bill, established annually by the OEB through a separate generic order. The RRRP, WMS, and CBR rates were set by the OEB on December 20, 2017.22

22 Decision and Order, EB-2017-0333, December 20, 2017
THE ONTARIO ENERGY BOARD ORDERS THAT

1. The Tariff of Rates and Charges set out in Schedule A of this Decision and Rate Order is approved effective January 1, 2019 for electricity consumed or estimated to have been consumed on and after such date. Kingston Hydro shall notify its customers of the rate changes no later than the delivery of the first bill reflecting the new rates.

DATED at Toronto, December 13, 2018

ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary
Schedule A

To Decision and Rate Order

Tariff of Rates and Charges

OEB File No: EB-2018-0047

DATED: December 13, 2018
RESIDENTIAL SERVICE CLASSIFICATION
This classification applies to an account taking electricity at 750 volts or less where the electricity is used exclusively in a separate metered living accommodation. Customers shall be residing in single-dwelling units that consist of a detached house or one unit of a semi-detached, duplex, triplex or quadruplex house, with a residential zoning. Separately metered dwellings within a town house complex or apartment building also qualify as residential customers. All customers are single-phase. Class B consumers are defined in accordance with O. Reg. 429/04. Further servicing details are available in the distributor’s Conditions of Service.

APPLICATION
The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable. In addition, the charges in the MONTHLY RATES AND CHARGES - Regulatory Component of this schedule do not apply to a customer that is an embedded wholesale market participant.

It should be noted that this schedule does not list any changes, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Ontario Energy Board approval, such as the Debt Retirement Charge, the Global Adjustment, and the HST.

MONTHLY RATES AND CHARGES - Delivery Component

| Service Charge | $ 25.35 |
| Smart Metering Entity Charge - effective until December 31, 2022 | $ 0.57 |
| Low Voltage Service Rate | $/kWh 0.0014 |
| Rate Rider for Disposition of Group 1 Deferral/Variance Accounts excluding Global Adjustment (2019) - effective until December 31, 2019 - Approved on an Interim Basis | $/kWh (0.0014) |
| Rate Rider for Disposition of Global Adjustment Account (2019) - effective until December 31, 2019 - Approved on an Interim Basis | $/kWh 0.0013 |
| Retail Transmission Rate - Network Service Rate | $/kWh 0.0068 |
| Retail Transmission Rate - Line and Transformation Connection Service Rate | $/kWh 0.0061 |

MONTHLY RATES AND CHARGES - Regulatory Component

| Wholesale Market Service Rate (WMS) - not including CBR | $/kWh 0.0032 |
| Capacity Based Recovery (CBR) - Applicable for Class B Customers | $/kWh 0.0004 |
| Rural or Remote Electricity Rate Protection Charge (RRRP) | $/kWh 0.0003 |
| Standard Supply Service - Administrative Charge (if applicable) | $ 0.25 |
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION

This classification refers to a non residential account taking electricity at 750 volts or less whose monthly average peak demand is less than, or is forecast to be less than, 50 kW. Class B consumers are defined in accordance with O. Reg. 429/04. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, or as specified herein.

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It should be noted that this schedule does not list any changes, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Ontario Energy Board approval, such as the Debt Retirement Charge, the Global Adjustment, and the HST.

MONTHLY RATES AND CHARGES - Delivery Component

<table>
<thead>
<tr>
<th>Description</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service Charge</td>
<td>$ 15.22</td>
</tr>
<tr>
<td>Smart Metering Entity Charge - effective until December 31, 2022</td>
<td>$ 0.57</td>
</tr>
<tr>
<td>Distribution Volumetric Rate</td>
<td>$/kWh 0.0161</td>
</tr>
<tr>
<td>Low Voltage Service Rate</td>
<td>$/kWh 0.0013</td>
</tr>
<tr>
<td>Rate Rider for Disposition of Group 1 Deferral/Variance Accounts excluding Global Adjustment (2019) - effective until December 31, 2019 - Approved on an Interim Basis</td>
<td>$/kWh (0.0007)</td>
</tr>
<tr>
<td>Rate Rider for Disposition of Global Adjustment Account (2019) - effective until December 31, 2019 - Approved on an Interim Basis</td>
<td>$/kWh 0.0013</td>
</tr>
<tr>
<td>Retail Transmission Rate - Network Service Rate</td>
<td>$/kWh 0.0060</td>
</tr>
<tr>
<td>Retail Transmission Rate - Line and Transformation Connection Service Rate</td>
<td>$/kWh 0.0055</td>
</tr>
</tbody>
</table>

MONTHLY RATES AND CHARGES - Regulatory Component

<table>
<thead>
<tr>
<th>Description</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wholesale Market Service Rate (WMS) - not including CBR</td>
<td>$/kWh 0.0032</td>
</tr>
<tr>
<td>Capacity Based Recovery (CBR) - Applicable for Class B Customers</td>
<td>$/kWh 0.0004</td>
</tr>
<tr>
<td>Rural or Remote Electricity Rate Protection Charge (RRRPP)</td>
<td>$/kWh 0.0003</td>
</tr>
<tr>
<td>Standard Supply Service - Administrative Charge (if applicable)</td>
<td>$ 0.25</td>
</tr>
</tbody>
</table>
Kingston Hydro Corporation  
TARIFF OF RATES AND CHARGES  
Effective and Implementation Date January 1, 2019  
This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors  
EB-2018-0047

GENERAL SERVICE 50 TO 4,999 KW SERVICE CLASSIFICATION  
This classification refers to a non residential account whose monthly average peak demand is equal to or greater than, or is forecast to be equal to or greater than, 50 kW but less than 5,000 kW. Class A and Class B consumers are defined in accordance with O. Reg. 429/04. Further servicing details are available in the distributor’s Conditions of Service.

APPLICATION  
The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

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Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable. In addition, the charges in the MONTHLY RATES AND CHARGES - Regulatory Component of this schedule do not apply to a customer that is an embedded wholesale market participant.

The rate rider for the disposition of Global Adjustment is only applicable to non-RPP Class B customers. It is not applicable to WMP, customers that transitioned between Class A and Class B during the variance account accumulation period, or to customers that were in Class A for the entire period. Customers who transitioned are to be charged or refunded their share of the variance disposed through customer specific billing adjustments. This rate rider is to be consistently applied for the entire period to the sunset date of the rate rider. In addition, this rate rider is applicable to all new non-RPP Class B customers.

It should be noted that this schedule does not list any changes, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Ontario Energy Board approval, such as the Debt Retirement Charge, the Global Adjustment, and the HST.

MONTHLY RATES AND CHARGES - Delivery Component  
Service Charge $ 110.99  
Distribution Volumetric Rate $/kW 3.3261  
Low Voltage Service Rate $/kW 0.5477  
Rate Rider for Disposition of Group 1 Deferral/Variance Accounts excluding Global Adjustment (2019) - effective until December 31, 2019 - Approved on an Interim Basis $/kW 0.0013  
Rate Rider for Disposition of Group 1 Deferral/Variance Accounts excluding Global Adjustment - for Non-Wholesale Market Participants (2019) - effective until December 31, 2019 - Approved on an Interim Basis $/kW 0.4805  
Rate Rider for Disposition of Global Adjustment Account (2019) - effective until December 31, 2019 - Approved on an Interim Basis $/kWh 0.0004  
Retail Transmission Rate - Network Service Rate $/kW 2.6695  
Retail Transmission Rate - Line and Transformation Connection Service Rate $/kW 2.4116

MONTHLY RATES AND CHARGES - Regulatory Component  
Wholesale Market Service Rate (WMS) - not including CBR $/kWh 0.0032  
Capacity Based Recovery (CBR) - Applicable for Class B Customers $/kWh 0.0003  
Rural or Remote Electricity Rate Protection Charge (RRRP) $/kWh 0.25
Kingston Hydro Corporation
TARIFF OF RATES AND CHARGES
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LARGE USE SERVICE CLASSIFICATION
This classification refers to an account whose monthly average peak demand is equal to or greater than, or is forecast to be equal to or greater than, 5,000 kW. Class A and Class B consumers are defined in accordance with O. Reg. 429/04. Further servicing details are available in the distributor’s Conditions of Service.

APPLICATION
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MONTHLY RATES AND CHARGES - Delivery Component

| Service Charge                                     | $ | 5,164.00 |
| Distribution Volumetric Rate                       |$/kW | 1.3339 |
| Low Voltage Service Rate                           |$/kW | 0.6599 |
| Rate Rider for Disposition of Group 1 Deferral/Variance Accounts excluding Global Adjustment (2019) - effective until December 31, 2019 - Approved on an Interim Basis |$/kW | (0.0259) |
| Retail Transmission Rate - Network Service Rate    |$/kW | 3.2164 |
| Retail Transmission Rate - Line and Transformation Connection Service Rate |$/kW | 2.9057 |

MONTHLY RATES AND CHARGES - Regulatory Component

| Wholesale Market Service Rate (WMS) - not including CBR | $/kWh | 0.0032 |
| Capacity Based Recovery (CBR) - Applicable for Class B Customers | $/kWh | 0.0004 |
| Rural or Remote Electricity Rate Protection Charge (RRRP) | $/kWh | 0.0003 |
| Standard Supply Service - Administrative Charge (if applicable) | $ | 0.25 |

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Kingston Hydro Corporation
TARIFF OF RATES AND CHARGES
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UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION
This classification refers to an account taking electricity at 750 volts or less whose monthly average peak demand is less than, or is forecast to be less than, 50 kW and the consumption is unmetered. Such connections include cable TV power packs, bus shelters, telephone booths, traffic lights, railway crossings, etc. The customer will provide detailed manufacturer information/documentation with regard to electrical demand/consumption of the proposed unmetered load. Class B consumers are defined in accordance with O. Reg. 429/04. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION
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MONTHLY RATES AND CHARGES - Delivery Component

<table>
<thead>
<tr>
<th>Description</th>
<th>Rate ($/kWh)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service Charge (per customer)</td>
<td>$</td>
</tr>
<tr>
<td>Distribution Volumetric Rate</td>
<td>0.0125</td>
</tr>
<tr>
<td>Low Voltage Service Rate</td>
<td>0.0014</td>
</tr>
<tr>
<td>Rate Rider for Disposition of Group 1 Deferral/Variance Accounts excluding Global Adjustment (2019) - effective until December 31, 2019 - Approved on an Interim Basis</td>
<td>0.0014</td>
</tr>
<tr>
<td>Rate Rider for Disposition of Global Adjustment Account (2019) - effective until December 31, 2019 - Approved on an Interim Basis</td>
<td>0.0013</td>
</tr>
<tr>
<td>Retail Transmission Rate - Network Service Rate</td>
<td>0.0088</td>
</tr>
<tr>
<td>Retail Transmission Rate - Line and Transformation Connection Service Rate</td>
<td>0.0061</td>
</tr>
</tbody>
</table>

MONTHLY RATES AND CHARGES - Regulatory Component

<table>
<thead>
<tr>
<th>Description</th>
<th>Rate ($/kWh)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wholesale Market Service Rate (WMS) - not including CBR</td>
<td>0.0032</td>
</tr>
<tr>
<td>Capacity Based Recovery (CBR) - Applicable for Class B Customers</td>
<td>0.0004</td>
</tr>
<tr>
<td>Rural or Remote Electricity Rate Protection Charge (RRRRP)</td>
<td>0.0003</td>
</tr>
<tr>
<td>Standard Supply Service - Administrative Charge (if applicable)</td>
<td>0.25</td>
</tr>
</tbody>
</table>

Issued December 13, 2018
Kingston Hydro Corporation

TARIFF OF RATES AND CHARGES

Effective and Implementation Date January 1, 2019

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EB-2018-0047

STANDBY POWER SERVICE CLASSIFICATION

This classification refers to an account that has Load Displacement Generation and requires Kingston Hydro Corporation to provide back-up service. Standby Charges are to be applied to behind-the-meter generators that are not IESO market participants, FIT program participants, net-metered generators or retail generators, which have their own metering and settlement conventions as per regulation and legislation. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

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MONTHLY RATES AND CHARGES

Standby Charges are based on applicable monthly General Service < 50kW, General Service > 50kW to 4,999 kW or Large Use Distribution Volumetric Charges, depending on the rate classification of the generator host facility.

In the case where utility grade metering is not installed on the generator, Distribution Charges on the generator host facility's load account will be determined by multiplying the peak hourly delivered load as measured by the load account meter in kW by applicable variable charges for the rate class. Standby Charges are determined by multiplying the nameplate capacity of the behind the meter generator in KW by applicable Standby Power charges in each month.

This type of scenario is preferable for our customers if the generator is a “baseload” or “24-7-365” generator such as a fuel cell CHP unit or pressure-drop turbine unit. It may also be preferable to the customer where the cost of utility grade metering is high or the size of the generator is very small relative to the demand of the host load customer.

In the case where utility grade metering is installed on the generator, Distribution Charges on the generator host facility's load account will be determined by multiplying the peak hourly delivered load as measured by the load account meter in kW by applicable variable charges for the rate class. Standby Charges will be determined by multiplying the peak coincident combined kW delivered by both the distribution system and the generator, less the peak hourly delivered load in kW of the host customer facility as measured by the generator host load account meter.

This type of scenario is preferable for customers who wish to use generators or electricity storage facilities to participate in provincial conservation initiatives such as the IESO’s Demand Response or Industrial Conservation Initiatives, or reduce kWh consumption to contribute towards Kingston Hydro’s 2020 Conservation Targets, but are not able to operate their generators “24-7-365”.

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STREET LIGHTING SERVICE CLASSIFICATION
This classification refers to an account for roadway lighting with a Municipality, Regional Municipality, Ministry of
Transportation and private roadway lighting operation, controlled by photo cells. The consumption for these customers will be
based on the calculated connected load times the required lighting times established in the approved Ontario Energy Board
street lighting load shape template. Class B consumers are defined in accordance with O. Reg. 429/04. Further servicing
details are available in the distributor's Conditions of Service.

APPLICATION
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by a distributor and that are not subject to Ontario Energy Board approval, such as the Debt Retirement Charge, the Global
Adjustment, and the HST.

MONTHLY RATES AND CHARGES - Delivery Component

| Service Charge (per light) | $ |
| Distribution Volumetric Rate | $/kW 14.5188 |
| Low Voltage Service Rate | $/kW 0.3956 |
| Rate Rider for Disposition of Group 1 Deferral/ Variance Accounts excluding Global Adjustment (2019) - effective until December 31, 2019 - Approved on an Interim Basis | $/kW (4.7236) |
| Rate Rider for Disposition of Global Adjustment Account (2019) - effective until December 31, 2019 - Approved on an Interim Basis | $/kWh 0.0013 |
| Retail Transmission Rate - Network Service Rate | $/kW 1.9282 |
| Retail Transmission Rate - Line and Transformation Connection Service Rate | $/kW 1.7418 |

MONTHLY RATES AND CHARGES - Regulatory Component

| Wholesale Market Service Rate (WMS) - not including CBR | $/kWh 0.0032 |
| Capacity Based Recovery (CBR) - Applicable for Class B Customers | $/kWh 0.0004 |
| Rural or Remote Electricity Rate Protection Charge (RRRP) | $/kWh 0.0003 |
| Standard Supply Service - Administrative Charge (if applicable) | $ 0.25 |
Kingston Hydro Corporation
TARIFF OF RATES AND CHARGES
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EB-2018-0047

microFIT SERVICE CLASSIFICATION
This classification applies to an electricity generation facility contracted under the Independent Electricity System Operator's microFIT program and connected to the distributor's distribution system. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION
The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

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MONTHLY RATES AND CHARGES - Delivery Component

Service Charge  $  5.40

ALLOWANCES

Transformer Allowance for Ownership - per kW of billing demand/month  $/kW (0.60)
Primary Metering Allowance for Transformer Losses - applied to measured demand & energy  % (1.00)
Kingston Hydro Corporation
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SPECIFIC SERVICE CHARGES

APPLICATION

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No charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor’s Licence or a Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, or as specified herein.

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Customer Administration

<table>
<thead>
<tr>
<th>Description</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arrears certificate</td>
<td>$15.00</td>
</tr>
<tr>
<td>Statement of account</td>
<td>$15.00</td>
</tr>
<tr>
<td>Request for other billing information</td>
<td>$15.00</td>
</tr>
<tr>
<td>Account history</td>
<td>$15.00</td>
</tr>
<tr>
<td>Returned cheque (plus bank charges)</td>
<td>$15.00</td>
</tr>
<tr>
<td>Legal letter</td>
<td>$15.00</td>
</tr>
<tr>
<td>Account set up charge/change of occupancy charge (plus credit agency costs if applicable)</td>
<td>$15.00</td>
</tr>
<tr>
<td>Special meter reads</td>
<td>$30.00</td>
</tr>
<tr>
<td>Meter dispute charge plus Measurement Canada fees (if meter found correct)</td>
<td>$30.00</td>
</tr>
</tbody>
</table>

Non-Payment of Account

<table>
<thead>
<tr>
<th>Description</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late payment - per month</td>
<td>%1.50</td>
</tr>
<tr>
<td>Late payment - per annum</td>
<td>%19.56</td>
</tr>
<tr>
<td>Disconnect/reconnect at meter - during regular hours</td>
<td>$65.00</td>
</tr>
<tr>
<td>Disconnect/reconnect at meter - after regular hours</td>
<td>$185.00</td>
</tr>
<tr>
<td>Disconnect/reconnect at pole - during regular hours</td>
<td>$185.00</td>
</tr>
<tr>
<td>Disconnect/reconnect at pole - after regular hours</td>
<td>$415.00</td>
</tr>
<tr>
<td>Install/remove load control device - during regular hours</td>
<td>$65.00</td>
</tr>
<tr>
<td>Install/remove load control device - after regular hours</td>
<td>$185.00</td>
</tr>
</tbody>
</table>

Other

<table>
<thead>
<tr>
<th>Description</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Specific charge for access to the power poles (with the exception of wireless connections) - $/pole/year</td>
<td>$43.63</td>
</tr>
<tr>
<td>Layout fees</td>
<td>$200.00</td>
</tr>
</tbody>
</table>

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TARIFF OF RATES AND CHARGES
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RETAIL SERVICE CHARGES (if applicable)

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Retail Service Charges refer to services provided by a distributor to retailers or customers related to the supply of competitive electricity.

One-time charge, per retailer, to establish the service agreement between the distributor and the retailer $ 100.00
Monthly fixed charge, per retailer $ 20.00
Monthly variable charge, per customer, per retailer $/cust. 0.50
Distributor-consolidated billing monthly charge, per customer, per retailer $/cust. 0.30
Retailer-consolidated billing monthly credit, per customer, per retailer $/cust. (0.30)
Service Transaction Requests (STR)
Request fee, per request, applied to the requesting party $ 0.25
Processing fee, per request, applied to the requesting party $ 0.50
Request for customer information as outlined in Section 10.6.3 and Chapter 11 of the Retail Settlement Code directly to retailers and customers, if not delivered electronically through the Electronic Business Transaction (EBT) system, applied to the requesting party
Up to twice a year $ no charge
More than twice a year, per request (plus incremental delivery costs) $ 2.00

LOSS FACTORS

If the distributor is not capable of prorating changed loss factors jointly with distribution rates, the revised loss factors will be implemented upon the first subsequent billing for each billing cycle.

Total Loss Factor - Secondary Metered Customer < 5,000 kW 1.0393
Total Loss Factor - Secondary Metered Customer > 5,000 kW 1.0188
Total Loss Factor - Primary Metered Customer < 5,000 kW 1.0289
Total Loss Factor - Primary Metered Customer > 5,000 kW 1.0086

Issued December 13, 2018