

February 24, 2010

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
PO Box 2319
27th Floor
2300 Yonge Street
Toronto ON M4P 1E4

Dear Ms. Walli:

**Re: Kingston Hydro Reply to Board Staff Submission on 2010 Electricity
Distribution Rates Application Board File No. EB-2009-0201**

We are writing to comment on the Board Staff submission dated February 3, 2010.

Disposition of Deferral and Variance Accounts as per the EDDVAR Report

Kingston Hydro still believes that the repayment of these balances should be over a 2 year period. We do not believe it is unreasonable to repay balances over one-half of the period to which the balances were built up.

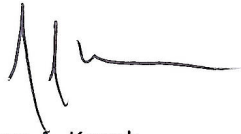
In addition, Kingston Hydro is incurring a very large amount of regulatory expenses relating to Smart Meters which the Corporation had funded on behalf of ratepayers. The Corporation needs to utilize its current financing facilities for its own infrastructure renewal as opposed to funding regulatory expenses. To repay the balances over a one year period would affect the plans regarding our financing facilities.

Kingston Hydro believes that a one year disposition of these balances is not in the best interest of our customers who we believe prefer rate stability, or the Corporation, which manages cash flow on the basis of variance account dispositions over a 2-4 year period, similar to our December 31, 2004 dispositions.

Accounting for the Implementation of the Harmonized Sales Tax

Kingston Hydro would like to reiterate that the additional cost of analyzing expenses and breaking out expenses for additional reporting would be extremely onerous. The extra work that this would create would require Kingston Hydro to employ an additional accounting analyst, which could cost upwards of \$100,000 per year including benefits. Kingston Hydro still believes this commodity tax change should be accounted for prospectively for the purposes of setting rates. However, if the Board decides that the differences between the current PST and the PST portion of the HST needs to be segregated, Kingston Hydro purports that the additional staff costs required to do the analysis and the reporting would also be recorded in the same variance account so the ratepayer would benefit from the net savings to the Corporation.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'J. Keech', with a long horizontal stroke extending to the right.

James A. Keech
President and CEO