

**BOARD STAFF SUPPLEMENTAL INTERROGATORIES**  
**Kingston Hydro Corporation**  
**2011 Electricity Distribution Rates Application**  
**EB-2010-0136**

***NOVEMBER 24, 2010***

**GENERAL**

**Responses to Letters of Comment**

**Ref: Response to Board staff IR#1**

1. In response to Board staff Interrogatory #1, Kingston Hydro indicated that it did not receive any letters of comment in response to the Notice of Application. Board staff is aware that a number of these letters were submitted to the Board Secretary and that the Board Secretary has now forwarded these letters to Kingston Hydro.

As a result, please respond to the original interrogatory, and confirm whether a reply was sent from Kingston Hydro to the author of any letters. If confirmed, please file these replies with the Board. If not confirmed, please explain why a response was not sent and confirm if Kingston Hydro intends to respond.

**LOAD FORECAST**

**Ref: Response to Board staff IR#7**

2. In this response, Kingston Hydro explained that the negative time variable obtained from the multiple regression analysis for the Residential and GS>50kW classes may be related to CDM-type effects. While conceptually plausible, a measure of the reasonableness of this explanation would be helpful.
  - a. Please define separately for each of the two classes, the unit of measurement for the "Time" variable (for example, might it be the month number in the 2003-2009 data series (and therefore likely have a value in the 1 – 84 range), the year number in the 2003-2009 data series (and therefore likely have a value in the 1-7 range), etc?), or explain.
  - b. Please calculate for each of the two classes, the average annual percent decrease over the multi-year data period used in the multiple regression analysis (or, alternatively, the annual percent decrease for a typical year in the data series – please specify what period is being reported on) suggested by the respective magnitudes of the negative "Time" variables."

## **OPERATIONS, MAINTENANCE & ADMINISTRATION EXPENSES**

### **Ref: Response to Board staff IR#10**

3. In this response, Kingston Hydro provided Year-to-date (September 30) OM&A expenses. In comparison to the test year evidence in the application, total OM&A expenses are tracking at 69% of forecast levels. Particular areas that are significantly lower than forecast are Maintenance at 62%, Community Relations at 65% and Operations at 68%. Please provide a summary of the major reasons that actual expenses are tracking lower than forecast and if Kingston Hydro still expects bridge year forecast levels to be achieved.

## **COMPENSATION AND STAFFING**

### **Ref: Response to Board staff IR#13**

4. In this response, Kingston Hydro indicated that \$38,900 (or 46%) of the \$85,000 compensatory increase for the test year 2011 is attributable to Union wage increases with the remainder being non- union compensation increases. Please provide both the Union and Non-Union annual wage increase percentages from 2008 to 2011.

### **Ref: Response to Board staff IR#18**

5. In this response, Kingston Hydro indicated that the current staffing for Community Relations under the 2010 \$240,000 budget is \$44,000 made up of \$14,000 for a 0.23 FTE Conservation and demand management position and a 0.45 of an FTE for a Service Advisor approximately \$30,000>. Board staff understands that the Conservation and Demand Management position is funded by the OPA or through the global adjustment mechanism for Board-approved programs (Board staff IR #11). Why does this funding also appear under the Community Relations budget as well?

### **Ref: Response to Board staff IR#20**

6. In this response, Kingston Hydro refers to an explanation in the evidence at Exhibit 4/Tab2/Sch 3/page 20. In this exhibit, Kingston refers to the addition of a communications/customer liaison professional for the corporation to work in the areas of CDM, smart metering FIT and microFIT and changes in customer bills. Despite some explanation provided in response to Board staff IR #18, why does Kingston Hydro feel that a full FTE is needed for these duties when Kingston is also increasing its CDM resources from .23 to a full FTE in the test year?

## **SHARED SERVICE AND CORPORATE COST ALLOCATION**

### **Ref: Response to Board staff IR#28**

7. In this response Kingston Hydro provided the "Study of Affiliate Service Costs and Cost Allocation" prepared by BDR on November 22, 2010.

- a. Please provide a summary of the credentials, qualifications and history of BDR.
- b. What is Kingston Hydro's response to the recommendations that were made by BDR as summarized on pages 4 – 6 of this document? Please provide specific response to each major area listed.
- c. When does Kingston Hydro anticipate that the recommended changes could be implemented?
- d. On page 3, the report indicates that, "For finance, call centre, communications and human resources/payroll, the City charges UK based on employee time. The charge includes a 25% increment to wages and salaries to allow for employee benefits." On what basis is the 25% determined and how often is this percentage adjusted? Please provide a record of how this percentage was adjusted from 2000 on.
- e. On page 10, with regard to system design and construction, operations and maintenance services, it is reported that "UK management advised that there is no local third party provider of the services." On what basis is this statement made? Please provide further evidence to underpin this statement.

## **CAPITAL EXPENDITURES**

### **Ref: Response to Board staff IR#33**

8. In this response Kingston Hydro provided Year-to-date (September 30) capital expenditures. In comparison to the test year evidence in the application, total capital expenditures are tracking at slightly half of forecast levels. Please provide a summary of the major reasons that actual expenditures are tracking lower than forecast and if Kingston Hydro still expects bridge year forecast levels to be achieved.

## **PAYMENTS IN LIEU OF TAXES (PILS)**

### **Ref: Response to Board staff IR #44, PILs or Income Taxes Work Form, Exhibit 4/ Tab 8/Schedule 1/Attachement 3, Exhibit 4/Tab 5/Schedule 1/Page 1**

9. As per the PILs or Income Taxes Work Form and Exhibit 4/ Tab 8/Schedule 1/Attachement 3, Kingston Hydro provided the historic and bridge Schedule 13 Tax Reserves. Kingston Hydro updated the bridge year and provided the test year Schedule 13 Tax Reserves in the response to Board staff Interrogatory #44.

For the calculation of the 2011 test year PILs provision, \$1,544,435 of post-employment benefit reserves (end of year reserves) was included as an addition to book to tax adjustments and \$1,254,336 (beginning of year reserves) of post-employment benefit reserves was included as a deduction to book to tax adjustments.

As per Exhibit 4/Tab 5/Schedule 1/Page 1, Kingston Hydro does not have any employees. Kingston Hydro, the regulated utility, has an agreement with Utilities Kingston to manage the electricity distribution business.

- a. Please confirm that for the historic, bridge, and test years 2009 through 2011 the number of full time employees actually directly employed or forecasted to be directly employed by Kingston Hydro, the regulated utility, is zero. If this is not the case, please provide the relevant numbers.
- b. Please confirm that for 2009, the number of full time employees for which Kingston Hydro issued the federal government Statement of Remuneration Paid (T4s) is zero. If this is not the case, please provide the relevant number.
- c. Please explain why the dollar value of the additions and deductions of other post-employment benefit reserves are correct in relation to the actual number of employees directly employed by Kingston Hydro, the regulated utility.
- d. Please provide a schedule with an updated 2011 test year PILs provision and the relevant tables and schedules excluding the addition and deduction of book to tax adjustments of end of year (\$1,544,435) and beginning of year (\$1,254,336) post-employment benefit reserves.
- e. Please provide the most recent actuarial valuations of other post-employment benefits for Kingston Hydro, the regulated utility, for the period 2009.
- f. Does the burden rate charged by Utilities Kingston to Kingston Hydro include a component for post employment benefits? Please explain if this is or is not the case.
- g. If a regulated distributor has a service company or parent company that provides services to the LDC, and the service company or parent charges the distribution utility for labour including all overhead burdens, does Kingston Hydro believe that the change in the post-employment benefit liability of the service company or parent company should be reflected in the distributor's PILs provision? Please explain.
- h. Should the post employment benefit obligations be shown in the records of the company that directly employs the people and issues the federal government Statement of Remuneration Paid (T4s)? Please explain.
- i. Should the movement in any post-employment benefit liability be used in the PILs provision methodology only if the people are directly employed by the regulated distributor and the distributor issues the T4s for these people? Please explain.
- j. Does Kingston Hydro agree that any post-employment benefit liabilities for staff employed by service companies, or other affiliated or associated non-regulated companies, should not be used in the distributor's PILs provision calculations? Please explain.