

December 7, 2010

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

Dear Ms. Walli,

**RE: Kingston Hydro Corporation
EB-2010-0136 Cost of Service Rate Application
Responses to Energy Probe Research Foundation Second Round
Interrogatories**

Pursuant to the Board's Procedural Order No. 1, issued on October 12, 2010, please find attached Kingston Hydro Corporation responses to Energy Probe Research Foundation second round interrogatories for this rate proceeding which have been filed electronically through the Board's RESS filing system and emailed to intervenors in the proceeding.

Yours truly,



J.A. Keech, President & CEO
Kingston Hydro Corporation

Copy: Andrew Taylor, Energy Law (by email)
Energy Probe Research Foundation, Randy Aiken (by email)
School Energy Coalition, Jay Shepherd (by email)
Vulnerable Energy Consumers Coalition, Michael Buonaguro (by email)

IN THE MATTER OF the *Ontario Energy Board Act*,
1998, S.O. 1998, c. 15, (Schedule B);

AND IN THE MATTER OF an application by
Kingston Hydro Corporation for an order
approving just and reasonable rates and other
charges for electricity distribution to be effective
May 1, 2011.

**SECOND ROUND INTERROGATORIES OF
ENERGY PROBE RESEARCH FOUNDATION**

Second Round Interrogatory #33

Ref: Energy Probe Interrogatory # 6c & # 6d

a) Is the reduction of \$100,000 annual underground cable rebuilds a deferral from 2010 to 2011? If yes, please explain why this is an annual amount.

It is not a deferral; it is an amount established in the capital budget to account for capital expenditures that arise over the course of the year from urgent/emergency work related to underground cable plant, (as an example, cable faults).

b) Is the Fairway Hills - Poletrans Replacement in the amount of \$110,000 an acceleration of a project that is included in the 2011 capital expenditure forecast?

This project was included in the 2011 capital expenditure forecast, but as a result of budget room in the current year, has been moved up in schedule to be completed in 2010. The Applicant selected the Fairway Hills project due to its priority and the relative ease at which it could be completed in the current year.

c) Will all the projects shown in the table be in service by the end of 2010? If not, please indicate which projects will not be in service before the beginning of 2011.

The following projects are now not expected to be in-service by the end of the year:

- Princess St. Condition Assessment (postponed to 2011)
- Transformer Vault 5 (TV5) (scope change to abandonment/removal)
- Annual Underground Cable Rebuilds (not expected to be required)
- Annual RFP for Structural Engineering Services (not required)
- Enterprise Asset Management System Implementation (behind schedule)

d) Is the \$300,000 contribution from the city reflected in the \$752,330 cost of the Princess St. reconstruction project?

The contribution from the City of Kingston effectively reduces the net cost of the project from \$1,052,330 to \$752,330.

e) Where has the \$333,188.92 supplementary capital contribution been reflected in the table in the response to part (c)?

It is not reflected in the table.

Second Round Interrogatory #34

**Ref: Energy Probe Interrogatory # 3 &
Exhibit 1, Tab 4, Schedule 7**

a) Please update the amounts (if necessary) and the rates for the 20 year capital loan of \$2,250,000 and \$2,600,000 noted in the evidence to reflect current information from the lender.

Based on information from our lender received on November 29, 2010, the latest interest rates are 5.22% for the loans to be taken out in December, 2010 and 5.36% for the loan to be taken out in mid 2011.

b) Please provide the current interest rate forecast for the \$2,200,000 loan that will be obtained in mid-2011. Please explain how this forecast has been derived.

The current interest rate for the \$2,200,000 loan to be taken out in mid-2011 is 5.36% as described in part (a) above.

Second Round Interrogatory #35

***Ref: Energy Probe Interrogatory # 7 & # 6c &
Exhibit 2, Tab 4, Schedule 1, Attachment 1, Appendix 2-B***

Please update the 2010 fixed asset continuity schedule (by account) to reflect the figures provided in the response to Energy Probe interrogatory # 6c.

See updated schedule on the following page.

Appendix 2-B, Fixed Asset Continuity Schedule

Year 2010 Sept 30 actuals

CCA Class	OEB	Description	Depreciation Rate	Cost			
				Opening Balance	Additions	Disposals	Closing Balance
	1610	Miscellaneous Intangible Plant	40	\$ 369,597			\$ 369,597
N/A	1805	Land	-	\$ 197,343			\$ 197,343
47	1808	Buildings	50	\$ 537,107			\$ 537,107
13	1810	Leasehold Improvements	-	\$ -			\$ -
47	1815	Transformer Station Equipment >50 kV	-	\$ -			\$ -
47	1820	Substation Equipment	30	\$ 5,603,127	\$ 11,138		\$ 5,614,265
47	1825	Storage Battery Equipment	-	\$ -			\$ -
47	1830	Poles, Towers & Fixtures	25	\$ 11,236,831	\$ 148,424		\$ 11,385,255
47	1835	OH Conductors & Devices	25	\$ 2,400,489	\$ 401,452		\$ 2,801,941
47	1840	UG Conduit	25	\$ 5,597,569	\$ 783,919		\$ 6,381,488
47	1845	UG Conductors & Devices	25	\$ 4,883,001	\$ 276,799		\$ 5,159,800
47	1850	Line Transformers	25	\$ 3,363,445	\$ 283,031		\$ 3,646,476
47	1855	Services (OH & UG)	25	\$ 1,779,228	\$ 56,080		\$ 1,835,308
47	1860	Meters	25	\$ 4,189,887	\$ 217,345		\$ 4,407,232
47	1861	Smart Meters	-	\$ -			\$ -
47	1861	Smart Meters/Communication Systems	-	\$ -			\$ -
N/A	1905	Land	-	\$ -			\$ -
CEC	1906	Land Rights	-	\$ -			\$ -
47	1908	Buildings & Fixtures	-	\$ -			\$ -
13	1910	Leasehold Improvements	10	\$ 296,062	\$ 6,527		\$ 302,589
8	1915	Office Furniture & Equipment 10yr	10	\$ 1,887			\$ 1,887
8	1915	Office Furniture & Equipment 5yr	-	\$ -			\$ -
10	1920	Computer - Hardware	5	\$ 108,238	\$ 9,787		\$ 118,025
45	1921	Computer - Hardware post Mar 22/04	-	\$ -			\$ -
45.1	1921	Computer - Hardware post Mar 19/07	-	\$ -			\$ -
12	1925	Computer Software	5	\$ 143,660	\$ 62,516		\$ 206,176
10	1930	Transportation Equipment	5	\$ 73,317	\$ 6,151		\$ 79,468
8	1935	Stores Equipment	10	\$ 56,201			\$ 56,201
8	1940	Tools, Shop & Garage Equipment	10	\$ 742,359	\$ 8,823		\$ 751,182
8	1945	Measurement & Testing Equipment	10	\$ 36,629			\$ 36,629
8	1950	Power operated Equipment	-	\$ -			\$ -
8	1955	Communications Equipment	10	\$ 17,794	\$ 25,380		\$ 43,174
8	1960	Graphics Equipment	-	\$ -			\$ -
47	1965	Water Heater Rental Units	-	\$ -			\$ -
47	1970	Load Management Controls	-	\$ -			\$ -
47	1975	Load Management Controls Utility Premises	-	\$ -			\$ -
47	1980	System Supervisor Equipment	15	\$ 2,110,790	\$ 3,029		\$ 2,113,819
47	1985	Miscellaneous Fixed Assets	-	\$ -			\$ -
47	1995	Contributions & Grants	25	\$ 596,128			\$ 596,128
			-				\$ -
		Total		\$ 43,148,433	\$ 2,300,399	\$ -	\$ 45,448,832

Accumulated Depreciation					Net Book Value
Opening Balance	Additions	Disposals	Closing Balance		
-\$ 4,620	-\$ 6,930		-\$ 11,550	\$	358,047
\$ -				\$	197,343
-\$ 126,058	-\$ 8,057		-\$ 134,115	\$	402,992
\$ -			\$ -	\$	-
\$ -			\$ -	\$	-
-\$ 1,236,048	-\$ 140,217		-\$ 1,376,265	\$	4,238,000
\$ -			\$ -	\$	-
-\$ 3,401,469	-\$ 339,331		-\$ 3,740,800	\$	7,644,454
-\$ 525,057	-\$ 78,036		-\$ 603,094	\$	2,198,847
-\$ 1,748,821	-\$ 179,686		-\$ 1,928,507	\$	4,452,980
-\$ 1,335,732	-\$ 150,642		-\$ 1,486,374	\$	3,673,426
-\$ 1,352,945	-\$ 105,149		-\$ 1,458,094	\$	2,188,382
-\$ 665,458	-\$ 54,218		-\$ 719,676	\$	1,115,632
-\$ 1,401,397	-\$ 128,957		-\$ 1,530,353	\$	2,876,879
\$ -			\$ -	\$	-
\$ -			\$ -	\$	-
\$ -			\$ -	\$	-
\$ -			\$ -	\$	-
\$ -			\$ -	\$	-
-\$ 100,789	-\$ 22,449		-\$ 123,239	\$	179,350
-\$ 94	-\$ 142		-\$ 236	\$	1,651
\$ -			\$ -	\$	-
-\$ 95,568	-\$ 9,025		-\$ 104,593	\$	13,432
\$ -			\$ -	\$	-
\$ -			\$ -	\$	-
-\$ 131,391	-\$ 10,823		-\$ 142,214	\$	63,962
-\$ 40,940	-\$ 7,576		-\$ 48,516	\$	30,952
-\$ 2,810	-\$ 4,215		-\$ 7,025	\$	49,176
-\$ 536,252	-\$ 39,617		-\$ 575,869	\$	175,313
-\$ 1,831	-\$ 2,747		-\$ 4,579	\$	32,050
\$ -			\$ -	\$	-
-\$ 890	-\$ 2,286		-\$ 3,176	\$	39,998
\$ -			\$ -	\$	-
\$ -			\$ -	\$	-
\$ -			\$ -	\$	-
\$ -			\$ -	\$	-
-\$ 1,418,162	-\$ 105,615		-\$ 1,523,777	\$	590,042
\$ -			\$ -	\$	-
\$ 52,406	\$ 17,884		\$ 70,290	-\$	525,838
\$ -			\$ -	\$	-
-\$ 14,073,926	-\$ 1,377,835	\$ -	-\$ 15,451,761	\$	29,997,071

Second Round Interrogatory #36

Ref: Energy Probe Interrogatory # 8

Please provide the response from Hydro One on the final calculation of the capital contribution as soon as it is received.

Kingston Hydro contacted Hydro One again and received confirmation from Hydro One late December 6, 2010 that the final costing for this project will result in a refund of \$121,000 as opposed to another payment of \$609,000. Hydro One indicated that the reason for the change in the amount was due to a change in project costing methodology. Because of the short time frame, Kingston Hydro has not had an opportunity to analyze the effects. With the additional funds now available, Kingston Hydro expects to increase its capital spending in 2011 by the amount of the difference.

Second Round Interrogatory #37

Ref: Energy Probe Interrogatory # 9

Has the expenditure related to the Enterprise Asset Management System of \$125,000 been included in the forecast for rate base as if it was in service before the end of 2010?

Yes.

Second Round Interrogatory #38

**Ref: Energy Probe Interrogatory # 11 &
Exhibit 3, Tab 1, Schedule 1, Attachment 1**

Please provide the January through October (or through November if that data is available) average customer count for 2010 for each rate class shown in Exhibit 3, Tab 1, Schedule 1, Attachment 1.

The following table provides the actual January through November average customer count for 2010 for each rate class shown in Exhibit 3, Schedule 1, Attachment 1:

2010 Average Customer Count (January through November)	
<u>Customer Class</u>	<u>Customers (*Connections)</u>
Residential	23,139
General Service Less Than 50 kW	3,245
General Service 50 to 4,999 kW	347
Large Use	3
Unmetered Scattered Load	158
Street Lighting	<u>5,117</u> *
TOTAL	32,010

Second Round Interrogatory #39

Ref: Energy Probe Interrogatory # 12i

- a) Please explain why there is no change in the kW forecast shown for the GS 50 to 4,999 kW class despite an increase in the kWh forecast.**

The response to EP #12(i), as requested, was based on the data provided in the response to EP #12(h). In part (h) an update of kWh forecast was requested and was provided. An update of kW was not requested in part (h) and the response to EP #12(i) inadvertently did not reflect any update to the kW forecast for this rate class. The updated kW forecast data for this rate class was provided in SEC #13, first round interrogatory response.

- b) Please provide an updated calculation of the revenues, if required, to reflect a change in the GS 50 to 4,999 kW class.**

The following table provides an updated 2011 revenue forecast using current distribution charges that reflects both the updated kWh and kW forecasts.

Pro-forma Revenue from Current Distribution Charges

Customer Class Name	2011 PROJECTED REVENUE FROM EXISTING VARIABLE CHARGES							
	Variable Distribution Rate	per	Volume	Gross Variable Revenue	Transform. Allowance Rate	Transform. Allowance kW's	Transform. Allowance \$'s	Net Variable Revenue
Residential	\$0.0124	kWh	194,606,362	2,413,119	\$0.00		0	2,413,119
General Service Less Than 50 kW	\$0.0097	kWh	93,096,784	903,039	\$0.00		0	903,039
General Service 50 to 4,999 kW	\$1.6891	kW	701,859	1,185,510	(\$0.60)	237,084	(142,250)	1,043,260
Large Use	\$0.8371	kW	297,737	249,236	(\$0.60)	109,658	(65,795)	183,441
Unmetered Scattered Load	\$0.0118	kWh	2,275,040	26,845	\$0.00		0	26,845
Street Lighting	\$3.9127	kW	11,336	44,354	(\$0.60)	0	0	44,354
TOTAL VARIABLE REVENUE				4,822,103		346,742	(208,045)	4,614,058

Customer Class Name	2011 PROJECTED DISTRIBUTION REVENUE AT EXISTING RATES							
	Fixed Rate	Customers (Connections)	Fixed Charge Revenue	Variable Revenue	TOTAL	% Fixed Revenue	% Variable Revenue	% Total Revenue
Residential	\$10.1200	23,386	2,839,996	2,413,119	5,253,115	54.06%	45.94%	55.00%
General Service Less Than 50 kW	\$23.3900	3,244	910,526	903,039	1,813,565	50.21%	49.79%	18.99%
General Service 50 to 4,999 kW	\$234.1000	347	974,792	1,043,260	2,018,052	48.30%	51.70%	21.13%
Large Use	\$3,864.2700	3	139,114	183,441	322,555	43.13%	56.87%	3.38%
Unmetered Scattered Load	\$9.7000	164	19,090	26,845	45,935	41.56%	58.44%	0.48%
Street Lighting	\$0.8600	5,155	53,200	44,354	97,554	54.53%	45.47%	1.02%
DISTRIBUTION REVENUE			4,936,717	4,614,058	9,550,775	51.69%	48.31%	100.00%

Second Round Interrogatory #40

Ref: Energy Probe Interrogatory # 12j

Please confirm that the only explanatory variables that have been changed in the calculations shown in part (j) are the change from actual heating and cooling degree days to normal (i.e. 10 year average) heating and cooling degree days. If this cannot be confirmed, please indicate what other explanatory variables have been changed in the estimation of the weather normal figures.

The calculations shown in response to EP IR #12j are identical to the calculations in the load forecast report as filed, as are the results. In order to estimate weather normal figures, weather normal degree days were incorporated into the regression equations. No data have been changed. The question asked for an illustration of the calculations and this was provided.

Second Round Interrogatory #41

**Ref: Energy Probe Interrogatory # 12k &
Exhibit 3, Tab 1, Schedule 2, Attachment 1, Tables 1 & 4**

The normalized GS>50 kW value is less than the actual value for 2009 (266,919,070 kWh vs. 270,117,290 kWh). This is in contrast to the residential figures, for example, which show normalized figures higher than actual figures for 2009. The interrogatory response indicates that this result is due to the different weather sensitivity to heating and cooling degree days of the classes.

a) Please confirm that the total normal degree days used in the response to part (j) of the interrogatory are 4,141.17 heating degree days and 245.62 degrees days. If this cannot be confirmed, please provide the annual figures.

Confirmed.

b) Please confirm that the actual 2009 degree days were 4,192.1 heating degree days and 158.8 cooling degree days. If this cannot be confirmed, please provide the actual 2009 figures.

Confirmed.

c) Please confirm the figures in the following table, or provide an updated table.

	Normal DD	Actual DD	Difference	Coefficient	Volume Impact
Heating DD	4141.17	4192.1	(50.93)	10139.5	(516,405)
Cooling DD	245.62	158.8	86.82	33913.8	2,944,396
Total					2,427,991

Annual normal heating and cooling degree days and actual heating degree days and cooling degree days for 2009 shown are confirmed, as are the differences between them. We can also confirm that the coefficients shown for heating degree days and cooling degree days are correct for the GS > 50 kW class. However, the value termed "Volume Impact" is incorrect. This is because Energy Probe is applying only two parameters from a multi-parameter model that includes factors such as a constant term, time trend, dummy variables, employment peak days and customer numbers, in the case of the GS<50 kW class.

d) Please explain why the predicted kWh figures shown in Table 1 of Attachment 1 are the same for the GS> 50 kW class as those shown as weather normal figures in Table 4 of Attachment 1, whereas the corresponding figures for the other rate classes shown in the tables are different.

The incorrect values were inadvertently copied into Table 1 for the predicted historical values for the GS>50 kW class.

e) Please provide the correct predicted kWh for the GS > 50 kW class shown in Table 1.

The correct predicted kWh for the GS>50 kW class that should have been shown in Table 1 are displayed below.

	Actual GS>50 kWh	Predicted kWh	Error
2003	297,965,658	295,106,322	1.0%
2004	282,637,528	281,722,431	0.3%
2005	280,428,685	286,552,856	2.2%
2006	281,992,976	279,002,923	1.1%
2007	275,557,420	279,845,884	1.6%
2008	274,569,665	276,545,214	0.7%
2009	270,117,290	264,491,079	2.1%
		Mean Absolute % Error	1.3%

Second Round Interrogatory #42

**Ref: Energy Probe Interrogatory # 13d &
Exhibit 3, Tab 1, Schedule 3, Attachment 1**

Please explain the significant increase low voltage costs shown in Table 3 of the response as compared to the \$179,731 shown on page 3 of Attachment 1 of Exhibit 3, Tab 1, Schedule 3.

The 2010 low voltage recovery amount that is based on low voltage recovery charges at current rates shown in Table 3 of the response is \$179,731 and this is the same amount shown on page 3 of Attachment 1 of Exhibit 3, Tab 1, Schedule 3, for 2010.

The current low voltage recovery rates were established in 2006 EDR (with minor IRM price cap adjustments in 2007-2009 and no price cap adjustment in 2010) and the level of these current low voltage recovery rates is not sufficient to recover forecast low voltage costs. The 2011 low voltage recovery amount from customers of \$463,111 using the proposed 2011 low voltage recovery rates is the amount required to recover the forecast Hydro One Networks Inc. low voltage costs. Please refer to Exhibit 8 Tab 3 Schedule 2 for further detail regarding forecast low voltage charges and methodology.

Second Round Interrogatory #43

Ref: Energy Probe Interrogatory # 14

Please explain why the most recent year-to-date figures for other revenues are only up to the end of August 2010? If Kingston now has more recent information please update the table with the most recent information available, along with the corresponding period for 2009.

The August 2010 figures were the most recent year-to-date figures available at the time of the submission deadline for first round interrogatory responses. Below please find an updated table that provides the most recent year-to-date figures available that are as of October 31, 2010, along with the corresponding period for 2009.

Uniform System of Account #	Description	As of October 31, 2009	As of October 31, 2010
4082	Retail Services Revenues	24,149	23,435
4084	Service Transaction Requests (STR) Revenues	1,012	1,846
4210	Rent from Electric Property	134,233	114,967
4225	Late Payment Charges	35,708	29,470
4235	Miscellaneous Service Revenues	87,470	89,599
4325	Revenues from Merchandise, Jobbing, Etc.	136,113	111,294
4375	Revenues from Non-Utility Operations	16,452	30,941
4390	Miscellaneous Non-Operating Income	42,146	59,602
4405	Interest and Dividend Income	22,982	35,680
	Specific Service Charges	87,470	89,599
	Late Payment Charges	35,708	29,470
	Other Distribution Revenues	159,393	140,249
	Other Income and Expenses	217,693	237,517

A comparison of account #4375 year-to-date figures as of August 31, 2009 with the original table provided in EP #14 response to that of the updated table (above) containing year-to-date figures as of October 31, 2009 reveals a decrease in this account which is attributed to an overstated amount of \$67,904.12 recorded in August 2009 and then later reversed out in September 2009 to correct.

Second Round Interrogatory #44

Ref: Energy Probe Interrogatory # 15h

- a) Please confirm that the interest rate that generates interest of \$2,640 on an average bank balance of \$5,579,323 is approximately 0.047%. If this cannot be confirmed, please provide the interest rate that is forecast to be applicable to the average bank balance in 2011.***

The \$2,640 does not relate to the average bank balance of \$5,579,323. Please see the response to Energy Probe's interrogatory #48 for details on the \$2,640.

- b) Please confirm that an interest rate of 0.5% applied to an average bank balance of \$5,579,323 would generate approximately \$27,900 in interest.***

Confirmed.

- c) What is the 2011 amount owed from the city and what is the forecasted rate that is applied to this loan to the city?***

The original estimate of interest of \$17,050 was calculated on an average balance of \$3,100,000 and a forecasted rate of 0.55% (Prime of 2.25% less 1.70%). The final estimated average balance owing from the City for 2011 is \$5,579,323. This estimated average balance would yield forecasted interest of \$30,686 at an interest rate of 0.55%. Current Prime of 3.00% would yield interest income of \$72,531 (\$5,579,323 X (3.00% minus 1.70%).

Second Round Interrogatory #45

**Ref: Energy Probe Interrogatory # 21i &
Exhibit 4, Tab 2, Schedule 3, pages 2 & 10**

The \$100,000 shown in 2009 actuals for the 2011 cost of service application is located on page 10 of Exhibit 4, Tab 2, Schedule 3 at lines 14 through 20. This figure is also shown in the OM&A cost driver table on page 2 in the 2009 column on the 2011 cost of service application line. Please provide a response to the original interrogatory.

Kingston Hydro staff continued to work on the COS application throughout 2010. For 2011, staff time for the manager and engineer referred to in the evidence have been allocated between operating and capital expenditures based on an estimate of the type of work they will be involved in for 2011.

Second Round Interrogatory #46

**Ref: Exhibit 4, Tab 2, Schedule 4, Table 1 &
Energy Probe Interrogatory # 23 &
Board Staff Interrogatory # 21**

For both (a) and (b) below, please provide the updated forecasts assuming agreement is reached on most issues at the settlement conference with any remaining unsettled issues dealt with through written submissions.

a) The total legal costs associated with the COS application are \$100,000 with total costs invoiced to date of \$18,625. Does Kingston still expect the legal costs associated with the COS application to total \$100,000? If not, please provide an updated forecast.

The forecast for legal costs remains at \$100,000, assuming an agreement is reached on most issues at the settlement conference with any remaining unsettled issues dealt with through written submissions. We note that settlement conferences can take longer than the time allotted by the Board, the Applicant's counsel is usually responsible for preparing the initial draft of the settlement proposal, there is often back-and-forth between the intervenors and the Applicant's counsel on the wording in the settlement proposal, and the Board could require that that settlement proposal be presented. If the unsettled issues were dealt with by way of oral hearing, the \$100,000 legal budget would likely be deficient.

b) The total consulting costs associated with the COS application are \$125,000 with total costs invoiced to date of \$65,246. Does Kingston still expect the consulting costs associated with the COS application to total \$125,000? If not, please provide an updated forecast.

The forecast for consulting costs approximate \$110,000, assuming an agreement is reached on most issues at the settlement conference with any remaining unsettled issues dealt with through written submissions. If the unsettled issues were dealt with by way of oral hearing, the original budget of \$125,000 would likely be required.

c) Kingston has forecast an amount of approximately \$104,600 in operating expenses associated with other resources allocated to regulatory matters. Please explain what these regulatory matters are, what the resources that have been allocated to them are and why this cost is shown as a one-time cost amortized over 4 years.

These are costs for the Recovery of Late Payment Penalty Litigation Costs, a one-time expense expected to be paid June 30, 2011. This is further explained in Exhibit 4, Tab 2, Schedule 4, page 3. It is amortized over 4 years the expected period to which this COS application will cover.

Second Round Interrogatory #47

Ref: Energy Probe Interrogatory # 29

a) What is the impact on the calculation of income taxes in 2011 if the conventional meters are placed in CCA Class 47 rather than in CCA Class 1 for 2010 and 2011?

Taxable Income would decrease by \$11,889 in the Test year. "Corporate PILs/Income Tax Provision for Test Year" would decrease by \$3,359. The resultant "Tax Provision for Test Year Rate Recovery" would then be \$4,681 lower.

b) Is Kingston Hydro aware of any other electricity distributor in Ontario placing conventional meters in Class 1 rather than Class 47?

Kingston Hydro is not aware if any other electricity distributor in Ontario places conventional meters in Class 1 rather than Class 47.

c) Has Kingston Hydro and/or its tax preparer/advisor sought any clarification from the tax authorities on this issue?

No.

Second Round Interrogatory #48

**Ref: Energy Probe Interrogatory #15h &
SEC Interrogatory # 2b**

The response to the SEC interrogatory indicates that the interest on the on the funds held in the bank account total \$17,050 in 2011. Please indicate what the interest of \$2,640 shown as interest related to investment and bank interest in the Energy Probe interrogatory is related to.

The interest of \$2,640 shown in the table below is estimated interest that is calculated on miscellaneous receivables that are billed to customers.

4405 – Interest and Dividend Income	Bridge Year 2010	Test Year 2011
Investment and bank interest	2,320	2,640
Interest and service charges	4,800	4,800
Interest on amount owed from City (bank balance)	18,150	17,050
Net interest on regulatory assets/liabilities	-	-
Interest on loan to Utilities Kingston	6,875	-
Total	32,145	24,490

Second Round Interrogatory #49

Ref: SEC Interrogatory # 6e

- a) Please provide the number of customers for each of the four entities (electric, gas, sewer, water) upon which the allocation of the billing and collecting costs are based.***

As noted on page 2 of Exhibit 4, Tab 5 Schedule 1, Utilities Kingston services 27,003 electric customers, 13,465 natural gas customers, 35,740 water customers and 34,592 sewer customers.

- b) Please explain why all community relations costs are allocated to the electricity business while no customer service costs appear to be allocated to the electricity business.***

All Community Relation costs incurred by Utilities Kingston are not allocated to the electricity business.

In our response to SEC #6 (e), for the electric utility, the category of 'Community Relations' includes customer service and energy conservation expenses in accordance with the Accounting Procedures Handbook for Electric Distribution Utilities, specifically for category 3700-Community Relations.

For the gas, sewer and water utilities, the customer service category includes customer service, energy conservation plus other operational type programs specific to those utilities. For municipal reporting purposes they have been categorized as 'Customer Service'.