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BY EMAIL and RESS

January 12, 2011

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

Dear Ms. Walli:

Re: EB-2010-0136 – Kingston Hydro Corporation ("Kingston Hydro")

In accordance with the Board's letter dated January 5, 2011 in the above-referenced matter, we have attached a Settlement Proposal for the Board's review. A partial settlement was achieved by the parties.

We understand that Board staff is in the process of scheduling dates for an oral hearing. We wish to advise the Board that some of Kingston Hydro's witnesses will be unavailable during the week of January 24, 2011, as they will be attending utility budget meetings with City Council. The witnesses will also be unavailable on February 3 and 4, but are available for the remainder of that week (January 31, February 1 and 2). If it assists the Board, Kingston Hydro is willing to host the oral hearing in Kingston.

Kingston Hydro intends to file a minimal amount of updated evidence prior to the oral hearing. Specifically, Kingston Hydro intends to file a revised 2011 OM&A amount based on updates described in the interrogatory responses, as well as an increase in Kingston Hydro's MEARIE insurance cost that became known subsequent to filing the application. Further, Kingston Hydro intends to file a capital project description for one new project that will be in-service in the Test Year. This project was described on the record in response to Board staff interrogatory #31. This project is being added to the application at this time due to the recent availability of incremental funds. The sources of these funds were described on the record in the responses to Energy Probe interrogatories #6d (a capital contribution) and #36 (a credit from HONI instead of the expected amount owed to HONI). As set out in the response to Energy Probe interrogatory #36 below, Kingston Hydro explained that with the additional funds now available, it intends to increase capital spending by the difference:

"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.**" [emphasis added]

As such, the source of the funds, Kingston Hydro's intention to spend them, and the nature of the project have been known to the intervenors and Board staff. Kingston Hydro will file a further description for the additional project as referenced in the response to Board staff interrogatory #31 no later than five days before the oral hearing. We believe that this should give the intervenors and Board staff more than enough time to prepare cross-examination prior to the oral hearing.

Should the intervenors or Board staff request another round of interrogatories on the new project description, we request that the Board deny such requests. We respectfully submit that it would be unreasonable to extend the proceeding's schedule and potentially jeopardize the May 1, 2011 implementation date to allow for interrogatories on a single project description that will be available in advance of the oral hearing.

Sincerely,

A handwritten signature in black ink, appearing to read "Andrew Taylor", with a stylized, cursive script.

Andrew Taylor