



**BY EMAIL AND RESS**

February 4, 2011

Ms. Kirsten Walli, Board Secretary  
Ontario Energy Board  
2300 Yonge Street  
27<sup>th</sup> Floor  
Toronto ON M4P 1E4

Dear Ms. Walli:

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

As per Procedural Order # 2, please find attached updated evidence for Kingston Hydro for its 2011 Cost of Service application.

Specifically, Kingston Hydro has attached the information as Appendices A through E.

**Appendix A** includes an additional capital project description for an added capital project for 2011 due to the availability of funds that were not required to be spent in 2010. The result is an increase in the 2011 Capital budget of \$858,000. This increase, when combined with the capitalization of the Enterprise Asset Management System implementation (from 2010 CWIP), results in an addition to capital assets of \$920,500 for 2011 for total capital asset additions for 2011 of \$5,433,500.

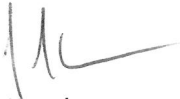
**Appendix B** includes explanations and rationale for updating the amount of revenue offset projected in account 4405 – Interest and Dividend Income. This effectively increases the Revenue offset amount by \$58,271 to a total revenue offset of \$683,596. Appendix B also includes explanations and rationale for updating the amounts in OM&A account numbers 5630 – Outside Services Employed, 5635 – Property Insurance, and 5645 – Employee Pensions and Benefits. The total amount of these updates results in an increase in projected 2011 OM&A of \$102,734 to a total of \$7,083,641.

**Appendix C** is an updated Revenue Requirement Work Form that reflects the accepted partial Settlement Agreement and the updated evidence filed in Appendices A and B. The revenue requirement is proposed to increase by \$162,374 to \$12,825,298. The previous revenue requirement filed in the partial settlement agreement was \$12,662,924.

**Appendix D** is an updated Cost of Service PILS model that reflects the accepted partial Settlement agreement and the updated evidence herein.

**Appendix E** is additional evidence to support Kingston Hydro's position on item # 6 of the unsettled issues list.

Sincerely,

A handwritten signature in dark ink, appearing to be 'J.A. Keech', with a stylized, sweeping flourish extending to the right.

J.A. Keech  
President and CEO

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)

## APPENDIX A

### 2011 Capital Project Description

## Revision to Forecast Capital Expenditures 2011 Projects

Kingston Hydro is providing as new evidence for the Forecast 2011 Capital Expenditures, the addition of the “Substation No.3 Circuit Breakers” project; the description of which is attached. At the Settlement Hearing, it was agreed that as the “Enterprise Asset Management System Implementation” project would not be in-service by year-end, that it would be removed from the Forecast 2010 Capital Expenditures. As such, the Applicant has moved that project into the Forecast 2011 Capital Expenditures in anticipation of it being in-service during this year. The “Fairway Hills - Poletrans Replacement” project has been deleted from the Forecast 2011 Capital Expenditures, as this was agreed at Settlement to be included in the Forecast 2010 Capital Expenditures instead. Table 1 below contains a breakdown of the estimated capital expenditures by project, and attached is a revised Appendix 2-A, 2011 Capital Projects Table by USofA account.

**Table 1: 2011 Forecast Capital Project Expenditures (Revised February 4, 2011)**

<b>Project</b>	<b>Value</b>
Substation No.11 Circuit Breakers	\$584,000
Substation No.12 Relays	\$100,000
Substation No.8 Transformer	\$453,000
Substation No.9 Protection Upgrades	\$40,000
Substation No.5 Relays	\$39,000
Transformer Vault 7 (TV7)	\$112,000
Transformer Vault 41 (TV41)	\$230,000
Transformer Vault 18 (TV18)	\$50,000
Westdale	\$171,000
Motorized 44kV Disconnect	\$55,000
Alfred Street	\$549,000
Annual Substation Battery Replacement	\$60,000
Annual Overhead & Underground Services	\$60,000
Annual Underground Cable Rebuilds	\$200,000
Annual Overhead Line Rebuilds	\$1,300,000
Annual RFP for Structural Engineering Services	\$20,000
SCADA	\$127,000
Meters	\$100,000
Tools & Equipment	\$153,000
Substation No.3 Circuit Breakers	\$968,000
Enterprise Asset Management System Implementation	\$62,500
<b>Total</b>	<b>\$5,433,500</b>

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**Project:** Substation No.3 Circuit Breakers**Category:** Operations**Driver:** Asset Failure**Capital:** \$968,000**Commencement Date:** January 2011**In-Service Date:** September 2011

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### **Project Description**

This capital project involves retrofitting replacement breakers at Substation No.3 and improving the insulation/ventilation/cooling of the metalclad walk-in enclosure. Kingston Hydro was advised in Fall 2010 that the 5kV breakers at this substation were obsolete and not repairable. This breaker assessment was made by the manufacturer more than 1 year after a 5kV breaker was sent out for repair. The mechanical operating mechanism has been deemed unreliable and difficult to calibrate both in the field and at the factory. The uninsulated and poorly ventilated walk-in metalclad enclosure suffers from excessive heat gain during the summer months which has led to premature failure of the SCADA electronics located inside.

Substation switchgear is considered to have significant impact on reliability and operability, and with this 5kV switchgear being obsolete and not repairable, Kingston Hydro considers that this would be a prudent project to undertake. Substation No.3 normally serves approximately 1170 customers with a peak demand of 5.5MW. Customers include the Kingston Police Headquarters, City Public Works, Kingston Fire Station & Ambulance Station, as well as two Schools. The feeders from this substation serve as backup to Substations No.8, No.10, No.17, No.14 and No.13. This project would involve the replacement of all 11 circuit breakers; two main breakers supplying each transformer bus, eight feeder breakers and one tie breaker. It would also involve insulation, ventilation and cooling upgrades to the walk-in metalclad enclosure.

All solid-state protection relays at this substation will be replaced with micro-processor-based Intelligent Electronic Device (IED) protection relays and SCADA communication features, thus facilitating the replacement of the existing SCADA Remote Telemetry Units (RTU) hardware. Once decommissioned, SCADA hardware from Substation No.3 may be used for critical spare replacements at other substations until they are upgraded, as it is difficult to repair or source obsolete parts for microprocessor boards in existing SCADA RTUs. The budget for this project includes replacement of the SCADA components with new SCADA components integrated directly into the new protection relays and therefore has not been duplicated in the annual SCADA budget for this rate application.

**Cost Breakdown**

Labour and Vehicles .....	\$39,000
Materials .....	\$857,000
Contracts .....	<u>\$72,000</u>
Total.....	\$968,000

Appendix 2-A (Amended February 4, 2011)  
Capital Projects Table

Year : 2011 (Test)

USA Account #	Description	CCA Class	Substation No.11 Circuit Breakers	Substation No.12 Relays	Substation No.8 Transformer	Substation No. 9 Protection Upgrades	Substation No.5 Relays	Transformer Vault 7 (TV7)	Transformer Vault 41 (TV41)	Transformer Vault 18 (TV18)	Westdale	Motorized 44kV Disconnect	Alfred Street	Annual Substation Battery Replacement	Annual Overhead & Underground Services	Annual Underground Cable Rebuilds	Annual Overhead Line Rebuilds	Annual RFP for Structural Engineering Services	SCADA	Meters	Tools & Equipment	Substation No.3 Circuit Breakers	Enterprise Asset Management System Implementation	Total	
1610	Misc. Intangible Plant		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
1805	Land		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
1806	Land Rights		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
1808	Buildings and Fixtures	3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	20,000	-	-	20,000	
1810	Leasehold Improvements		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
1815	Transformer Station Equipment - Normally Primary above 50 kV		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
1820	Distribution Station Equipment - Normally Primary below 50 kV	47	584,000	70,000	453,000	40,000	39,000	-	-	-	-	-	-	60,000	-	-	-	-	-	-	-	968,000	-	-	2,214,000
1830	Poles, Towers and Fixtures	47	-	-	-	-	-	-	-	-	-	7,000	-	-	-	-	265,000	-	-	-	-	-	-	-	272,000
1835	Overhead Conductors and Devices	47	-	-	-	-	-	-	-	-	-	-	-	-	-	-	815,000	-	-	-	-	-	-	-	815,000
1840	Underground Conduit	47	-	-	-	-	-	16,000	13,000	50,000	44,000	-	380,000	-	-	30,000	-	20,000	-	-	-	-	-	-	553,000
1845	Underground Conductors and Devices	47	-	-	-	-	-	63,000	217,000	-	91,000	48,000	169,000	-	-	170,000	-	-	-	-	-	-	-	-	758,000
1850	Line Transformers	47	-	-	-	-	-	33,000	-	-	36,000	-	-	-	-	-	130,000	-	-	-	-	-	-	-	199,000
1855	Services	47	-	-	-	-	-	-	-	-	-	-	-	-	60,000	-	90,000	-	-	-	-	-	-	-	150,000
1860	Meters	47	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100,000	-	-	-	-	100,000
1905	Land		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1906	Land Rights		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1908	Buildings and Fixtures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1910	Leasehold Improvements		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1915	Office Furniture and Equipment		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1920	Computer Equipment - Hardware		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1925	Computer Software	12	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	62,500	-	62,500
1930	Transportation Equipment		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1935	Stores Equipment		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1940	Tools, Shop and Garage Equipment	8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	133,000	-	-	-	133,000
1945	Measurement and Testing Equipment		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1950	Power Operated Equipment		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1955	Communication Equipment		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1960	Miscellaneous Equipment		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1965	Water Heater Rental Units		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1970	Load Management Controls - Customer Premises		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1975	Load Management Controls - Utility Premises		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1980	System Supervisory Equipment	45	-	30,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	127,000	-	-	-	-	-	157,000
1985	Sentinel Lighting Rental Units		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1990	Other Tangible Property		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1995	Contributions and Grants - Credit		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2005	Property Under Capital Leases		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total			584,000	100,000	453,000	40,000	39,000	112,000	230,000	50,000	171,000	55,000	549,000	60,000	60,000	200,000	1,300,000	20,000	127,000	100,000	153,000	968,000	62,500	5,433,500	

## APPENDIX B

### Updated Revenue Offset and OM&A



The Applicant is proposing adjustments to update projections for the following accounts:

- 4405 Interest and Dividend income
- 5630 Outside Services Employed
- 5635 Property Insurance
- 5645 Employee Pensions and Benefits

The following accounts are being adjusted to reflect information that became available during the Interrogatory process.

### ***Revenue Offsets***

#### **4405 – Interest and Dividend income**

The Applicant is proposing to increase the amount of interest income on the average balance of the Applicant's funds that is in the City of Kingston's bank account for 2011. The original amount reported was \$17,050 and was based on preliminary balances and rates. Please refer to Energy Probe interrogatory 15 h). The average amount of Kingston Hydro funds in the City's bank account is \$5,579,323 as reported in Exhibit 1, Tab 4, Schedule 6 Attachment 1. The Applicant expects to earn 1.35% (Prime of 3.00 % less 1.65%) on the average balance in 2011. This amounts to interest income for the year of \$75,321. The amount originally reported was \$17,050.

### ***Operating, Maintenance and Administration expenses***

#### **5630 – Outside Services Employed**

The Applicant is proposing to increase the amount of outside services employed by an amount of \$131,433 to reflect the information reported in the answer to Board Staff Second Round Interrogatory 7 b) and 7 c).

In addition, the Applicant is proposing to decrease the amount of Outside Services employed by \$40,500 to reflect the information reported in the answer to Board Staff Interrogatory #17.

Based on the above adjustments, the Applicant is proposing to increase the amount reported in Outside Services Employed by a total of \$90,933 from \$490,922 to \$581,855.

#### **5635 – Property Insurance**

The Applicant is proposing to increase Property Insurance by \$25,523 from \$130,718 to \$156,241 to reflect the latest invoices received for insurance expense for the 2011 Test Year.

#### **5645 – Employee Pensions and Benefits**

The Applicant is proposing to lower the amount of Employee Pensions and Benefits by an amount of \$13,722 from \$178,094 to \$164,372. This adjustment is being requested to reflect the information reported in response to Board Staff Interrogatory #26.

## APPENDIX C

### Updated Revenue Requirement Work Form



## Revenue Requirement Work Form

Name of LDC: Kingston Hydro Corporation (1)  
 File Number: EB-2010-0136  
 Rate Year: 2011 Version: 2.11

### Table of Content

<u>Sheet</u>	<u>Name</u>
A	<a href="#"><u>Data Input Sheet</u></a>
1	<a href="#"><u>Rate Base</u></a>
2	<a href="#"><u>Utility Income</u></a>
3	<a href="#"><u>Taxes/PILS</u></a>
4	<a href="#"><u>Capitalization/Cost of Capital</u></a>
5	<a href="#"><u>Revenue Sufficiency/Deficiency</u></a>
6	<a href="#"><u>Revenue Requirement</u></a>
7A	<a href="#"><u>Bill Impacts -Residential</u></a>
7B	<a href="#"><u>Bill Impacts - GS &lt; 50 kW</u></a>

#### Notes:

- (1) Pale green cells represent inputs
- (2) Pale yellow cells represent drop=down lists
- (3) **Please note that this model uses MACROS. Before starting, please ensure that macros have been enabled.**
- (4) **Completed versions of the Revenue Requirement Work Form are required to be filed in working Microsoft Excel format.**

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# Revenue Requirement Work Form

Version: 2.11

Name of LDC: Kingston Hydro Corporation

File Number: EB-2010-0136

Rate Year: 2011

Data Input										(1)
	Initial Application		Combined Adjustments		Settlement & Re-Filed Evidence	(7)			Per Board Decision	
<b>1 Rate Base</b>										
Gross Fixed Assets (average)	\$49,850,935		(\$770,725)		\$ 49,080,210				\$49,080,210	
Accumulated Depreciation (average)	(\$16,983,278)	(5)	\$40,752		-\$ 16,942,526				(\$16,942,526)	
Allowance for Working Capital:										
Controllable Expenses	\$6,980,907		\$102,734		\$ 7,083,641				\$7,083,641	
Cost of Power	\$61,518,323		(\$67,773)		\$ 61,450,550				\$61,450,550	
Working Capital Rate (%)	15.00%				15.00%				15.00%	
<b>2 Utility Income</b>										
Operating Revenues:										
Distribution Revenue at Current Rates	\$9,540,655		\$10,120		\$9,550,775					
Distribution Revenue at Proposed Rates	\$12,174,156		(\$32,454)		\$12,141,702					
Other Revenue:										
Specific Service Charges	\$268,031		\$0		\$268,031					
Late Payment Charges	\$37,901		\$0		\$37,901					
Other Distribution Revenue	\$105,546		\$0		\$105,546					
Other Income and Deductions	\$213,847		\$58,271		\$272,118					
Operating Expenses:										
OM+A Expenses	\$6,850,907		\$102,734		\$ 6,953,641				\$6,953,641	
Depreciation/Amortization	\$2,042,875		(\$30,660)		\$ 2,012,215				\$2,012,215	
Property taxes	\$130,000		\$ -		\$ 130,000				\$130,000	
Capital taxes	\$0		\$ -		\$0				\$0	
Other expenses	\$ -		\$ -		0				\$0	
<b>3 Taxes/PILs</b>										
Taxable Income:										
Adjustments required to arrive at taxable income	\$188,000	(3)			\$214,136					
Utility Income Taxes and Rates:										
Income taxes (not grossed up)	\$497,058				\$496,375					
Income taxes (grossed up)	\$692,764				\$691,812					
Capital Taxes	\$ -	(6)			\$ -	(6)				(6)
Federal tax (%)	16.50%				16.50%					
Provincial tax (%)	11.75%				11.75%					
Income Tax Credits	\$ -				\$ -					
<b>4 Capitalization/Cost of Capital</b>										
Capital Structure:										
Long-term debt Capitalization Ratio (%)	56.0%				56.0%					
Short-term debt Capitalization Ratio (%)	4.0%	(2)			4.0%	(2)				(2)
Common Equity Capitalization Ratio (%)	40.0%				40.0%					
Preferred Shares Capitalization Ratio (%)										
	100.0%				100.0%					
Cost of Capital										
Long-term debt Cost Rate (%)	5.65%				5.60%				5.60%	
Short-term debt Cost Rate (%)	2.07%				2.07%				2.07%	
Common Equity Cost Rate (%)	9.85%				9.85%				9.85%	
Preferred Shares Cost Rate (%)										

## Notes:

(Rate Base through Revenue Requirement), except for Notes that the utility may wish to use to support the data. Notes should be put on the applicable pages to explain numbers shown.

(1) All inputs are in dollars (\$) except where inputs are individually identified as percentages (%)

(2) 4.0% unless an Applicant has proposed or been approved for another amount.

(3) Net of addbacks and deductions to arrive at taxable income.

(4) Average of Gross Fixed Assets at beginning and end of the Test Year

(5) Average of Accumulated Depreciation at the beginning and end of the Test Year. Enter as a negative amount.

(6) Not applicable as of July 1, 2010

(7) Select option from drop-down list by clicking on cell M10. This column allows for the application update reflecting the end of discovery or Argument-in-Chief. Also, the outcome of any Settlement Process can be reflected.

(7) NOTE: Column M above reflects both the outcome of the Settlement Process and Re-Filed Evidence - combined adjustments are shown in Column I. In Sheet 'A1. Settlement&Re-Filed Evidence' we have separately shown Settlement Outcome and Re-Filed Evidence adjustments.

# Revenue Requirement Work Form

Version: 2.11

Name of LDC: Kingston Hydro Corporation  
File Number: EB-2010-0136  
Rate Year: 2011

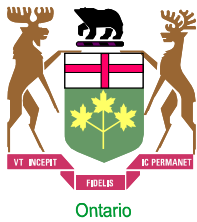
[Settlement and Re-filed Evidence shown in separate sequence](#)

Data Input											(1)
	Initial Application		Settlement			Re-filed Evidence				Per Board Decision	
			Adjustments	Settlement Agreement	(7)	Adjustments	Re-filed Evidence	(8)	Adjustments		
1	Rate Base										
	Gross Fixed Assets (average)	\$49,850,935		(\$1,230,975)	\$ 48,619,960	\$460,250	\$49,080,210			\$49,080,210	
	Accumulated Depreciation (average)	(\$16,983,278)	(5)	\$50,844	-\$ 16,932,434	(\$10,092)	(\$16,942,526)			(\$16,942,526)	
	Allowance for Working Capital:										
	Controllable Expenses	\$6,980,907		\$ -	\$ 6,980,907	\$102,734	\$7,083,641			\$7,083,641	
	Cost of Power	\$61,518,323		(\$67,773)	\$ 61,450,550	\$ -	\$61,450,550			\$61,450,550	
	Working Capital Rate (%)	15.00%			15.00%		15.00%			15.00%	
2	Utility Income										
	Operating Revenues:										
	Distribution Revenue at Current Rates	\$9,540,655		\$10,120	\$9,550,775	\$0	\$9,550,775				
	Distribution Revenue at Proposed Rates	\$12,174,156		(\$136,557)	\$12,037,599	\$104,103	\$12,141,702				
	Other Revenue:										
	Specific Service Charges	\$268,031		\$0	\$268,031	\$0	\$268,031				
	Late Payment Charges	\$37,901		\$0	\$37,901	\$0	\$37,901				
	Other Distribution Revenue	\$105,546		\$0	\$105,546	\$0	\$105,546				
	Other Income and Deductions	\$213,847		\$0	\$213,847	\$58,271	\$272,118				
	Operating Expenses:										
	OM+A Expenses	\$6,850,907		\$ -	\$ 6,850,907	\$102,734	\$6,953,641			\$6,953,641	
	Depreciation/Amortization	\$2,042,875		(\$50,843)	\$ 1,992,032	\$20,183	\$2,012,215			\$2,012,215	
	Property taxes	\$130,000		\$ -	\$ 130,000	\$ -	\$130,000			\$130,000	
	Capital taxes	\$ -		\$ -	\$ -	\$ -	\$ -			\$ -	
	Other expenses	\$ -		\$ -	\$ -	\$ -	\$ -			\$ -	
3	Taxes/PILs										
	Taxable Income:										
	Adjustments required to arrive at taxable income	\$188,000	(3)		\$216,948		\$214,136				
	Utility Income Taxes and Rates:										
	Income taxes (not grossed up)	\$497,058			\$491,987		\$496,375				
	Income taxes (grossed up)	\$692,764			\$685,696		\$691,812				
	Capital Taxes	\$ -	(6)		\$ -	(6)	\$ -	(6)		(6)	
	Federal tax (%)	16.50%			16.50%		16.50%				
	Provincial tax (%)	11.75%			11.75%		11.75%				
	Income Tax Credits	\$ -			\$ -		\$ -				
4	Capitalization/Cost of Capital										
	Capital Structure:										
	Long-term debt Capitalization Ratio (%)	56.0%			56.0%		56.0%				
	Short-term debt Capitalization Ratio (%)	4.0%	(2)		4.0%	(2)	4.0%	(2)		(2)	
	Common Equity Capitalization Ratio (%)	40.0%			40.0%		40.0%				
	Preferred Shares Capitalization Ratio (%)										
		100.0%			100.0%		100.0%				
	Cost of Capital										
	Long-term debt Cost Rate (%)	5.65%			5.60%		5.60%				
	Short-term debt Cost Rate (%)	2.07%			2.07%		2.07%				
	Common Equity Cost Rate (%)	9.85%			9.85%		9.85%				
	Preferred Shares Cost Rate (%)										

## Notes:

**This Sheet is provided to show separately the Settlement Process adjustments and then the Re-filed Evidence adjustments**

- (1) All inputs are in dollars (\$) except where inputs are individually identified as percentages (%)
- (2) 4.0% unless an Applicant has proposed or been approved for another amount.
- (3) Net of addbacks and deductions to arrive at taxable income.
- (4) Average of Gross Fixed Assets at beginning and end of the Test Year
- (5) Average of Accumulated Depreciation at the beginning and end of the Test Year. Enter as a negative amount.
- (6) Not applicable as of July 1, 2010
- (7) **Reflects outcome of Settlement Process**
- (8) **Reflects Re-filed Evidence**



## Revenue Requirement Work Form

Version: 2.11

Name of LDC: Kingston Hydro Corporation  
File Number: EB-2010-0136  
Rate Year: 2011

### Rate Base

Line No.	Particulars	Initial Application						Per Board Decision
1	Gross Fixed Assets (average) (3)	\$49,850,935		(\$770,725)		\$49,080,210	\$ -	\$49,080,210
2	Accumulated Depreciation (average) (3)	(\$16,983,278)		\$40,752		(\$16,942,526)	\$ -	(\$16,942,526)
3	Net Fixed Assets (average) (3)	\$32,867,657		(\$729,973)		\$32,137,684	\$ -	\$32,137,684
4	Allowance for Working Capital (1)	\$10,274,885		\$5,244		\$10,280,129	\$ -	\$10,280,129
5	<b>Total Rate Base</b>	<b>\$43,142,542</b>		<b>(\$724,729)</b>		<b>\$42,417,813</b>	<b>\$ -</b>	<b>\$42,417,813</b>

<b>(1) Allowance for Working Capital - Derivation</b>								
6	Controllable Expenses	\$6,980,907		\$102,734		\$7,083,641	\$ -	\$7,083,641
7	Cost of Power	\$61,518,323		(\$67,773)		\$61,450,550	\$ -	\$61,450,550
8	Working Capital Base	\$68,499,230		\$34,961		\$68,534,191	\$ -	\$68,534,191
9	Working Capital Rate % (2)	15.00%		0.00%		15.00%	0.00%	15.00%
10	Working Capital Allowance	\$10,274,885		\$5,244		\$10,280,129	\$ -	\$10,280,129

### Notes

- (2) Generally 15%. Some distributors may have a unique rate due as a result of a lead-lag study.  
(3) Average of opening and closing balances for the year.



## Revenue Requirement Work Form

Version: 2.11

Name of LDC: Kingston Hydro Corporation  
File Number: EB-2010-0136  
Rate Year: 2011

		Utility income						
Line No.	Particulars	Initial Application				Per Board Decision		
<u>Operating Revenues:</u>								
1	Distribution Revenue (at Proposed Rates)	\$12,174,156		(\$32,454)		\$12,141,702	\$ -	\$12,141,702
2	Other Revenue	(1) \$625,325		(\$1,308,921)		\$683,596	\$ -	\$683,596
3	Total Operating Revenues	\$12,799,481		(\$1,341,375)		\$12,825,298	\$ -	\$12,825,298
<u>Operating Expenses:</u>								
4	OM+A Expenses	\$6,850,907		\$102,734		\$6,953,641	\$ -	\$6,953,641
5	Depreciation/Amortization	\$2,042,875		(\$30,660)		\$2,012,215	\$ -	\$2,012,215
6	Property taxes	\$130,000		\$ -		\$130,000	\$ -	\$130,000
7	Capital taxes	\$ -		\$ -		\$ -	\$ -	\$ -
8	Other expense	\$ -		\$ -		\$ -	\$ -	\$ -
9	Subtotal (lines 4 to 8)	\$9,023,782		\$72,074		\$9,095,856	\$ -	\$9,095,856
10	Deemed Interest Expense	\$1,401,176		(\$34,809)		\$1,366,368	\$ -	\$1,366,368
11	Total Expenses (lines 9 to 10)	\$10,424,958		\$37,266		\$10,462,224	\$ -	\$10,462,224
12	Utility income before income taxes	\$2,374,523		(\$1,378,641)		\$2,363,074	\$ -	\$2,363,074
13	Income taxes (grossed-up)	\$692,764		(\$952)		\$691,812	\$ -	\$691,812
14	Utility net income	\$1,681,759		(\$1,377,689)		\$1,671,262	\$ -	\$1,671,262

### Notes

(1)	<b>Other Revenues / Revenue Offsets</b>							
	Specific Service Charges	\$268,031		\$ -		\$268,031		\$268,031
	Late Payment Charges	\$37,901		\$ -		\$37,901		\$37,901
	Other Distribution Revenue	\$105,546		\$ -		\$105,546		\$105,546
	Other Income and Deductions	\$213,847		\$58,271		\$272,118		\$272,118
	Total Revenue Offsets	\$625,325		\$58,271		\$683,596	\$ -	\$683,596



## Revenue Requirement Work Form

Version: 2.11

Name of LDC: Kingston Hydro Corporation  
 File Number: EB-2010-0136  
 Rate Year: 2011

### Taxes/PILs

Line No.	Particulars	Application		Per Board Decision	
<u>Determination of Taxable Income</u>					
1	Utility net income before taxes	\$1,699,816		\$1,671,262	\$1,671,262
2	Adjustments required to arrive at taxable utility income	\$188,000		\$214,136	\$188,000
3	Taxable income	\$1,887,816		\$1,885,398	\$1,859,262
<u>Calculation of Utility income Taxes</u>					
4	Income taxes	\$497,058		\$496,375	\$496,375
5	Capital taxes	\$ - (1)		\$ - (1)	\$ - (1)
6	Total taxes	\$497,058		\$496,375	\$496,375
7	Gross-up of Income Taxes	\$195,706		\$195,437	\$195,437
8	Grossed-up Income Taxes	\$692,764		\$691,812	\$691,812
9	PILs / tax Allowance (Grossed-up Income taxes + Capital taxes)	\$692,764		\$691,812	\$691,812
10	Other tax Credits	\$ -		\$ -	\$ -
<u>Tax Rates</u>					
11	Federal tax (%)	16.50%		16.50%	16.50%
12	Provincial tax (%)	11.75%		11.75%	11.75%
13	Total tax rate (%)	28.25%		28.25%	28.25%

### Notes

(1) Capital Taxes not applicable after July 1, 2010 (i.e. for 2011 and later test years)





## Revenue Requirement Work Form

Version: 2.11

Name of LDC: Kingston Hydro Corporation

File Number: EB-2010-0136

Rate Year: 2011

### Capitalization/Cost of Capital

Line No.	Particulars	Capitalization Ratio		Cost Rate	Return
Initial Application					
		(%)	(\$)	(%)	(\$)
Debt					
1	Long-term Debt	56.00%	\$24,159,823	5.65%	\$1,365,454
2	Short-term Debt	4.00%	\$1,725,702	2.07%	\$35,722
3	Total Debt	60.00%	\$25,885,525	5.41%	\$1,401,176
Equity					
4	Common Equity	40.00%	\$17,257,017	9.85%	\$1,699,816
5	Preferred Shares	0.00%	\$ -	0.00%	\$ -
6	Total Equity	40.00%	\$17,257,017	9.85%	\$1,699,816
7	Total	100.00%	\$43,142,542	7.19%	\$3,100,992

		(%)	(\$)	(%)	(\$)
Debt					
1	Long-term Debt	56.00%	\$23,753,975	5.60%	\$1,331,246
2	Short-term Debt	4.00%	\$1,696,713	2.07%	\$35,122
3	Total Debt	60.00%	\$25,450,688	5.37%	\$1,366,368
Equity					
4	Common Equity	40.00%	\$16,967,125	9.85%	\$1,671,262
5	Preferred Shares	0.00%	\$ -	0.00%	\$ -
6	Total Equity	40.00%	\$16,967,125	9.85%	\$1,671,262
7	Total	100.00%	\$42,417,813	7.16%	\$3,037,629

Per Board Decision					
		(%)	(\$)	(%)	(\$)
Debt					
8	Long-term Debt	56.00%	\$23,753,975	5.60%	\$1,331,246
9	Short-term Debt	4.00%	\$1,696,713	2.07%	\$35,122
10	Total Debt	60.00%	\$25,450,688	5.37%	\$1,366,368
Equity					
11	Common Equity	40.00%	\$16,967,125	9.85%	\$1,671,262
12	Preferred Shares	0.00%	\$ -	0.00%	\$ -
13	Total Equity	40.00%	\$16,967,125	9.85%	\$1,671,262
14	Total	100.00%	\$42,417,813	7.16%	\$3,037,629

#### Notes

(1) 4.0% unless an Applicant has proposed or been approved for another amount.



# Revenue Requirement Work Form

Version: 2.11

Name of LDC: Kingston Hydro Corporation  
File Number: EB-2010-0136  
Rate Year: 2011

## Revenue Sufficiency/Deficiency

Line No.	Particulars	Initial Application		Per Board Decision	
		At Current Approved Rates	At Proposed Rates	At Current Approved Rates	At Proposed Rates
1	Revenue Deficiency from Below		\$2,702,081		\$2,641,449
2	Distribution Revenue	\$9,540,655	\$9,472,075	\$9,550,775	\$9,500,253
3	Other Operating Revenue Offsets - net	\$625,325	\$625,325	\$683,596	\$683,596
4	<b>Total Revenue</b>	<b>\$10,165,980</b>	<b>\$12,799,481</b>	<b>\$10,234,371</b>	<b>\$12,825,298</b>
5	Operating Expenses	\$9,023,782	\$9,023,782	\$9,095,856	\$9,095,856
6	Deemed Interest Expense	\$1,401,176	\$1,401,176	\$1,366,368	\$1,366,368
	<b>Total Cost and Expenses</b>	<b>\$10,424,958</b>	<b>\$10,424,958</b>	<b>\$10,462,224</b>	<b>\$10,462,224</b>
7	<b>Utility Income Before Income Taxes</b>	<b>(\$258,978)</b>	<b>\$2,374,523</b>	<b>(\$227,853)</b>	<b>\$2,363,074</b>
8	Tax Adjustments to Accounting Income per 2009 PILs	\$188,000	\$188,000	\$214,136	\$214,136
9	<b>Taxable Income</b>	<b>(\$70,978)</b>	<b>\$2,562,523</b>	<b>(\$13,717)</b>	<b>\$2,577,210</b>
10	Income Tax Rate	28.25%	28.25%	28.25%	28.25%
11	<b>Income Tax on Taxable Income</b>	<b>(\$20,051)</b>	<b>\$723,913</b>	<b>(\$3,875)</b>	<b>\$728,062</b>
12	<b>Income Tax Credits</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
13	<b>Utility Net Income</b>	<b>(\$238,927)</b>	<b>\$1,681,759</b>	<b>(\$223,978)</b>	<b>\$1,671,262</b>
14	<b>Utility Rate Base</b>	<b>\$43,142,542</b>	<b>\$43,142,542</b>	<b>\$42,417,813</b>	<b>\$42,417,813</b>
	Deemed Equity Portion of Rate Base	\$17,257,017	\$17,257,017	\$16,967,125	\$16,967,125
15	Income/Equity Rate Base (%)	-1.38%	9.75%	-1.32%	9.85%
16	Target Return - Equity on Rate Base	9.85%	9.85%	9.85%	9.85%
17	Sufficiency/Deficiency in Return on Equity	-11.23%	-0.10%	-11.17%	0.00%
18	Indicated Rate of Return	2.69%	7.15%	2.69%	7.16%
19	Requested Rate of Return on Rate Base	7.19%	7.19%	7.16%	7.16%
20	Sufficiency/Deficiency in Rate of Return	-4.49%	-0.04%	-4.47%	0.00%
21	Target Return on Equity	\$1,699,816	\$1,699,816	\$1,671,262	\$1,671,262
22	Revenue Deficiency/(Sufficiency)	\$1,938,743	(\$18,057)	\$1,895,240	\$0
23	<b>Gross Revenue</b>	<b>\$2,702,081</b>	<b>(1)</b>	<b>\$2,641,449</b>	<b>(1)</b>
	<b>Deficiency/(Sufficiency)</b>				

### Notes:

(1) Revenue Sufficiency/Deficiency divided by (1 - Tax Rate)



## Revenue Requirement Work Form

Version: 2.11

Name of LDC: Kingston Hydro Corporation  
 File Number: EB-2010-0136  
 Rate Year: 2011

### Revenue Requirement

Line No.	Particulars	Application				Per Board Decision	
1	OM&A Expenses	\$6,850,907		\$6,953,641		\$6,953,641	
2	Amortization/Depreciation	\$2,042,875		\$2,012,215		\$2,012,215	
3	Property Taxes	\$130,000		\$130,000		\$130,000	
4	Capital Taxes	\$ -		\$ -		\$ -	
5	Income Taxes (Grossed up)	\$692,764		\$691,812		\$691,812	
6	Other Expenses	\$ -		\$ -		\$ -	
7	Return						
	Deemed Interest Expense	\$1,401,176		\$1,366,368		\$1,366,368	
	Return on Deemed Equity	\$1,699,816		\$1,671,262		\$1,671,262	
8	Distribution Revenue Requirement before Revenues	<u>\$12,817,538</u>		<u>\$12,825,298</u>		<u>\$12,825,298</u>	
9	Distribution revenue	\$12,174,156		\$12,141,702		\$12,141,702	
10	Other revenue	<u>\$625,325</u>		<u>\$683,596</u>		<u>\$683,596</u>	
11	<b>Total revenue</b>	<u>\$12,799,481</u>		<u>\$12,825,298</u>		<u>\$12,825,298</u>	
12	<b>Difference (Total Revenue Less Distribution Revenue Requirement before Revenues)</b>	<u>(\$18,057)</u>	(1)	<u>\$0</u>	(1)	<u>\$0</u>	(1)

#### Notes

(1) Line 11 - Line 8



# Revenue Requirement Work Form

Version: 2.11

Name of LDC: Kingston Hydro Corporation  
File Number: EB-2010-0136  
Rate Year: 2011

## Residential

Consumption **800** kWh

	Charge Unit	Current Board-Approved			Proposed			Impact	
		Rate (\$)	Volume	Charge (\$)	Rate (\$)	Volume	Charge (\$)	\$ Change	% Change
1 Monthly Service Charge	monthly	\$ 10.1200	1	\$ 10.12	\$ 13.2000	1	\$ 13.20	\$ 3.08	30.43%
2 Smart Meter Rate Adder	monthly	\$ 1.0000	1	\$ 1.00	\$ 1.0000	1	\$ 1.00	\$ -	0.00%
3 Service Charge Rate Adder(s)			1	\$ -		1	\$ -	\$ -	
4 Service Charge Rate Rider(s)			1	\$ -		1	\$ -	\$ -	
5 Distribution Volumetric Rate	per kWh	\$ 0.0124	800	\$ 9.92	\$ 0.0162	800	\$ 12.96	\$ 3.04	30.65%
6 Low Voltage Rate Adder	per kWh	\$ 0.0002	800	\$ 0.16	\$ 0.0007	800	\$ 0.56	\$ 0.40	250.00%
7 Volumetric Rate Adder(s)			800	\$ -		800	\$ -	\$ -	
8 Volumetric Rate Rider(s)			800	\$ -		800	\$ -	\$ -	
9 Smart Meter Disposition Rider			800	\$ -		800	\$ -	\$ -	
10 LRAM & SSM Rate Rider	per kWh		800	\$ -	\$ 0.0010	800	\$ 0.80	\$ 0.80	
11 Deferral/Variance Account	per kWh	-\$ 0.0031	800	-\$ 2.48	-\$ 0.0031	800	-\$ 2.48	\$ -	0.00%
Disposition Rate Rider									
12 Deferral/Variance Acct (2011) Rate	per kWh			\$ -	\$ 0.0010	800	\$ 0.80	\$ 0.80	
13 GA Rate Rider (2010) Non-RPP	per kWh	\$ 0.0015		\$ -	\$ 0.0015		\$ -	\$ -	
14 GA Rate Rider (2011) Non-RPP	per kWh			\$ -	\$ 0.0012		\$ -	\$ -	
15				\$ -			\$ -	\$ -	
16 Sub-Total A - Distribution				\$ 18.72			\$ 26.84	\$ 8.12	43.38%
17 RTSR - Network	per kWh	\$ 0.0055	830	\$ 4.57	\$ 0.0057	827.52	\$ 4.72	\$ 0.15	3.33%
18 RTSR - Line and Transformation Connection	per kWh	\$ 0.0046	830	\$ 3.82	\$ 0.0050	827.52	\$ 4.14	\$ 0.32	8.37%
19 Sub-Total B - Delivery (including Sub-Total A)				\$ 27.10			\$ 35.69	\$ 8.59	31.70%
20 Wholesale Market Service Charge (WMSC)	per kWh	\$ 0.0052	830	\$ 4.32	\$ 0.0052	827.52	\$ 4.30	-\$ 0.01	-0.30%
21 Rural and Remote Rate Protection (RRRP)	per kWh	\$ 0.0013	830	\$ 1.08	\$ 0.0013	827.52	\$ 1.08	-\$ 0.00	-0.30%
22 Special Purpose Charge	per kWh	\$ 0.0003725	830	\$ 0.31		827.52	\$ -	-\$ 0.31	-100.00%
23 Standard Supply Service Charge	monthly	\$ 0.2500	1	\$ 0.25	\$ 0.2500	1	\$ 0.25	\$ -	0.00%
24 Debt Retirement Charge (DRC)	per kWh	\$ 0.0070	830	\$ 5.81	\$ 0.0070	827.52	\$ 5.79	-\$ 0.02	-0.30%
25 Energy	per kWh	\$ 0.0650	830	\$ 53.95	\$ 0.0650	827.52	\$ 53.79	-\$ 0.16	-0.30%
26				\$ -			\$ -	\$ -	
27				\$ -			\$ -	\$ -	
28 Total Bill (before Taxes)				\$ 92.82			\$ 100.90	\$ 8.09	8.71%
29 HST		13%		\$ 12.07	13%		\$ 13.12	\$ 1.05	8.71%
30 Total Bill (including Sub-total B)				\$ 104.88			\$ 114.02	\$ 9.14	8.71%
31 Loss Factor (%)	Note 1		3.75%			3.44%			

### Notes:

**Note 1:** Enter existing and proposed total loss factor (Secondary Metered Customer < 5,000 kW) as a percentage.

This bill impact includes the Special Purpose Charge and Standard Supply Service Administrative Charge whereas bill impacts provided in the Application Exhibit 8 Tab 4 Schedule 4 Attachment 2 do not include these charges. Furthermore, in this bill impact the loss factor has been applied to the volume used in the calculation for Debt Retirement Charge however the loss factor should not be applicable for this charge.

Existing Total Loss Factor = 1.0375 and Proposed Total Loss Factor = 1.0344

This bill impact is for an RPP customer in Winter.



# Revenue Requirement Work Form

Version: 2.11

Name of LDC: Kingston Hydro Corporation  
File Number: EB-2010-0136  
Rate Year: 2011

## General Service < 50 kW

Consumption **2000** kWh

	Charge Unit	Current Board-Approved			Proposed			Impact	
		Rate (\$)	Volume	Charge (\$)	Rate (\$)	Volume	Charge (\$)	\$ Change	% Change
1 Monthly Service Charge	monthly	\$ 23.3900	1	\$ 23.39	\$ 27.0900	1	\$ 27.09	\$ 3.70	15.82%
2 Smart Meter Rate Adder	monthly	\$ 1.0000	1	\$ 1.00	\$ 1.0000	1	\$ 1.00	\$ -	0.00%
3 Service Charge Rate Adder(s)			1	\$ -		1	\$ -	\$ -	
4 Service Charge Rate Rider(s)			1	\$ -		1	\$ -	\$ -	
5 Distribution Volumetric Rate	per kWh	\$ 0.0097	2000	\$ 19.40	\$ 0.0112	2000	\$ 22.40	\$ 3.00	15.46%
6 Low Voltage Rate Adder	per kWh	\$ 0.0002	2000	\$ 0.40	\$ 0.0006	2000	\$ 1.20	\$ 0.80	200.00%
7 Volumetric Rate Adder(s)			2000	\$ -		2000	\$ -	\$ -	
8 Volumetric Rate Rider(s)			2000	\$ -		2000	\$ -	\$ -	
9 Smart Meter Disposition Rider			2000	\$ -		2000	\$ -	\$ -	
10 LRAM & SSM Rider	monthly		2000	\$ -	\$ 0.0004	2000	\$ 0.80	\$ 0.80	
11 Deferral/Variance Account Disposition Rate Rider	per kWh	-\$ 0.0020	2000	-\$ 4.00	-\$ 0.0020	2000	-\$ 4.00	\$ -	0.00%
12 Deferral/Variance Acct (2011) Rate	per kWh			\$ -	\$ 0.0003	2000	\$ 0.60	\$ 0.60	
13 GA Rate Rider (2010) Non-RPP	per kWh	\$ 0.0015		\$ -	\$ 0.0015		\$ -	\$ -	
14 GA Rate Rider (2011) Non-RPP	per kWh			\$ -	\$ 0.0012		\$ -	\$ -	
15				\$ -			\$ -	\$ -	
16 Sub-Total A - Distribution				\$ 40.19			\$ 49.09	\$ 8.90	22.14%
17 RTSR - Network	per kWh	\$ 0.0050	2075	\$ 10.38	\$ 0.0052	2068.8	\$ 10.76	\$ 0.38	3.69%
18 RTSR - Line and Transformation Connection	per kWh	\$ 0.0042	2075	\$ 8.72	\$ 0.0046	2068.8	\$ 9.52	\$ 0.80	9.20%
19 Sub-Total B - Delivery (including Sub-Total A)				\$ 59.28			\$ 69.36	\$ 10.08	17.01%
20 Wholesale Market Service Charge (WMSC)	per kWh	\$ 0.0052	2075	\$ 10.79	\$ 0.0052	2068.8	\$ 10.76	-\$ 0.03	-0.30%
21 Rural and Remote Rate Protection (RRRP)	per kWh	\$ 0.0013	2075	\$ 2.70	\$ 0.0013	2068.8	\$ 2.69	-\$ 0.01	-0.30%
22 Special Purpose Charge	per kWh	\$ 0.0003725	2075	\$ 0.77		2068.8	\$ -	-\$ 0.77	-100.00%
23 Standard Supply Service Charge	monthly	\$ 0.2500	1	\$ 0.25	\$ 0.2500	1	\$ 0.25	\$ -	0.00%
24 Debt Retirement Charge (DRC)	per kWh	\$ 0.0070	2075	\$ 14.53	\$ 0.0070	2068.8	\$ 14.48	-\$ 0.04	-0.30%
25 Energy	per kWh	\$ 0.0714	2075	\$ 148.13	\$ 0.0714	2068.8	\$ 147.66	-\$ 0.46	-0.31%
26				\$ -			\$ -	\$ -	
27				\$ -			\$ -	\$ -	
28 Total Bill (before Taxes)				\$ 236.44			\$ 245.20	\$ 8.76	3.71%
29 HST		13%		\$ 30.74	13%		\$ 31.88	\$ 1.14	3.71%
30 Total Bill (including Sub-total B)				\$ 267.18			\$ 277.08	\$ 9.90	3.71%
31 Loss Factor	Note 1		3.75%				3.44%		

### Notes:

Note 1: See Note 1 from Sheet 1A. Bill Impacts - Residential

This bill impact includes the Special Purpose Charge and Standard Supply Service Administrative Charge whereas bill impacts provided in the Application Exhibit 8 Tab 4 Schedule 4 Attachment 2 do not include these charges. Furthermore, in this bill impact the loss factor has been applied to the volume used in the calculation for Debt Retirement Charge however the loss factor should not be applicable for this charge.  
Existing Total Loss Factor = 1.0375 and Proposed Total Loss Factor = 1.0344  
This bill impact is for an RPP customer.

MODIFIED: Loss Factor not applied to volume used to calculate Debt Retirement Charge

Customer Class:		Residential (RPP customer Winter)									
Consumption		800 kWh									
Charge Unit		Current Board-Approved			Proposed			Impact			
		Rate (\$)	Volume	Charge (\$)	Rate (\$)	Volume	Charge (\$)	\$ Change	% Change		
Monthly Service Charge	monthly	\$ 10.1200	1	\$ 10.12	\$ 13.2000	1	\$ 13.20	\$ 3.08	30.43%		
Smart Meter Rate Adder	monthly	\$ 1.0000	1	\$ 1.00	\$ 1.0000	1	\$ 1.00	\$ -	0.00%		
Service Charge Rate Adder(s)			1	\$ -		1	\$ -	\$ -			
Service Charge Rate Rider(s)			1	\$ -		1	\$ -	\$ -			
Distribution Volumetric Rate	per kWh	\$ 0.0124	800	\$ 9.92	\$ 0.0162	800	\$ 12.96	\$ 3.04	30.65%		
Low Voltage Service Rate	per kWh	\$ 0.0002	800	\$ 0.16	\$ 0.0007	800	\$ 0.56	\$ 0.40	250.00%		
Volumetric Rate Adder(s)			800	\$ -		800	\$ -	\$ -			
Volumetric Rate Rider(s)			800	\$ -		800	\$ -	\$ -			
Smart Meter Disposition Rider			800	\$ -		800	\$ -	\$ -			
LRAM Rate Rider (2011)			800	\$ -	\$ 0.0010	800	\$ 0.80	\$ 0.80			
Deferral/Variance Account	per kWh	-\$ 0.0031	800	-\$ 2.48	-\$ 0.0031	800	-\$ 2.48	\$ -	0.00%		
Disposition Rate Rider (2010)											
Deferral/Variance Account	per kWh			\$ -	\$ 0.0010	800	\$ 0.80	\$ 0.80			
Disposition Rate Rider (2011)											
Rate Rider Global Adjustment	per kWh	\$ 0.0015	0	\$ -	\$ 0.0015	0	\$ -	\$ -			
Sub-Acct Disposition (2010)											
Non-RPP customers only											
Rate Rider Global Adjustment	per kWh	\$ -	0	\$ -	\$ 0.0012	0	\$ -	\$ -			
Sub-Acct Disposition (2011)											
Non-RPP customers only				\$ -			\$ -	\$ -			
<b>Sub-Total A - Distribution</b>				<b>\$ 18.72</b>			<b>\$ 26.84</b>	<b>\$ 8.12</b>	<b>43.38%</b>		
RTSR - Network	per kWh	\$ 0.0055	830	\$ 4.57	\$ 0.0057	827.52	\$ 4.72	\$ 0.15	3.33%		
RTSR - Line and Transformation Connection	per kWh	\$ 0.0046	830	\$ 3.82	\$ 0.0050	827.52	\$ 4.14	\$ 0.32	8.37%		
<b>Sub-Total B - Delivery (including Sub-Total A)</b>				<b>\$ 27.10</b>			<b>\$ 35.69</b>	<b>\$ 8.59</b>	<b>31.70%</b>		
Wholesale Market Service Charge (WMSC)	per kWh	\$ 0.0052	830	\$ 4.32	\$ 0.0052	827.52	\$ 4.30	-\$ 0.01	-0.30%		
Rural and Remote Rate Protection (RRRP)	per kWh	\$ 0.0013	830	\$ 1.08	\$ 0.0013	827.52	\$ 1.08	-\$ 0.00	-0.30%		
Special Purpose Charge	per kWh	\$ 0.0003725	830	\$ 0.31	\$ -	827.52	\$ -	-\$ 0.31	-100.00%		
Standard Supply Service Charge	monthly	\$ 0.2500	1	\$ 0.25	\$ 0.2500	1	\$ 0.25	\$ -	0.00%		
Debt Retirement Charge (DRC)	per kWh	\$ 0.0070	800	\$ 5.60	\$ 0.0070	800	\$ 5.60	\$ -	0.00%		
Energy	per kWh	\$ 0.0650	830	\$ 53.95	\$ 0.0650	827.52	\$ 53.79	-\$ 0.16	-0.30%		
				\$ -			\$ -	\$ -			
				\$ -			\$ -	\$ -			
<b>Total Bill (before Taxes)</b>				<b>\$ 92.61</b>			<b>\$ 100.71</b>	<b>\$ 8.10</b>	<b>8.75%</b>		
HST		13%		\$ 12.04	13%		\$ 13.09	\$ 1.05	8.75%		
<b>Total Bill (including Sub-total B)</b>				<b>\$ 104.65</b>			<b>\$ 113.80</b>	<b>\$ 9.15</b>	<b>8.74%</b>		
Loss Factor (%)		3.75%			3.44%						

**Notes:**

**Modified Revenue Requirement Work Form Tab 7A. Bill Impacts - Residential: re: No loss factor applied for Debt Retirement Charge**

This bill impact includes SPC and SSS charges whereas Exhibit 8 Tab 4 Schedule 4 Attachment 2 detailed impact does not includes these charges.

Furthermore, this bill impact includes Low Voltage Service Rate in Sub-Total A Distribution whereas Exhibit 8 Tab 4 Schedule 4 Attachment 2 bill impact includes Low Voltage Service Rate in Delivery however not in Distribution.

Existing Total Loss Factor = 1.0375 and Proposed Total Loss Factor = 1.0344

MODIFIED: Loss Factor not applied to volume used to calculate Debt Retirement Charge

Customer Class: **GS < 50 kW (RPP customer)**

Consumption **2000** kWh

	Charge Unit	Current Board-Approved			Proposed			Impact	
		Rate (\$)	Volume	Charge (\$)	Rate (\$)	Volume	Charge (\$)	\$ Change	% Change
Monthly Service Charge	monthly	\$ 23.3900	1	\$ 23.39	\$ 27.0900	1	\$ 27.09	\$ 3.70	15.82%
Smart Meter Rate Adder	monthly	\$ 1.0000	1	\$ 1.00	\$ 1.0000	1	\$ 1.00	\$ -	0.00%
Service Charge Rate Adder(s)			1	\$ -		1	\$ -	\$ -	
Service Charge Rate Rider(s)			1	\$ -		1	\$ -	\$ -	
Distribution Volumetric Rate	per kWh	\$ 0.0097	2000	\$ 19.40	\$ 0.0112	2000	\$ 22.40	\$ 3.00	15.46%
Low Voltage Service Rate	per kWh	\$ 0.0002	2000	\$ 0.40	\$ 0.0006	2000	\$ 1.20	\$ 0.80	200.00%
Volumetric Rate Adder(s)			2000	\$ -		2000	\$ -	\$ -	
Volumetric Rate Rider(s)			2000	\$ -		2000	\$ -	\$ -	
Smart Meter Disposition Rider			2000	\$ -		2000	\$ -	\$ -	
LRAM Rate Rider (2011)			2000	\$ -	\$ 0.0004	2000	\$ 0.80	\$ 0.80	
Deferral/Variance Account	per kWh	-\$ 0.0020	2000	-\$ 4.00	-\$ 0.0020	2000	-\$ 4.00	\$ -	0.00%
Disposition Rate Rider (2010)									
Deferral/Variance Account	per kWh			\$ -	\$ 0.0003	2000	\$ 0.60	\$ 0.60	
Disposition Rate Rider (2011)									
Rate Rider Global Adjustment	per kWh	\$ 0.0015	0	\$ -	\$ 0.0015	0	\$ -	\$ -	
Sub-Acct Disposition (2010)									
Non-RPP customers only									
Rate Rider Global Adjustment	per kWh	\$ -	0	\$ -	\$ 0.0012	0	\$ -	\$ -	
Sub-Acct Disposition (2011)									
Non-RPP customers only				\$ -			\$ -	\$ -	
<b>Sub-Total A - Distribution</b>				<b>\$ 40.19</b>			<b>\$ 49.09</b>	<b>\$ 8.90</b>	<b>22.14%</b>
RTSR - Network	per kWh	\$ 0.0050	2075	\$ 10.38	\$ 0.0052	2068.8	\$ 10.76	\$ 0.38	3.69%
RTSR - Line and Transformation Connection	per kWh	\$ 0.0042	2075	\$ 8.72	\$ 0.0046	2068.8	\$ 9.52	\$ 0.80	9.20%
<b>Sub-Total B - Delivery (including Sub-Total A)</b>				<b>\$ 59.28</b>			<b>\$ 69.36</b>	<b>\$ 10.08</b>	<b>17.01%</b>
Wholesale Market Service Charge (WMSC)	per kWh	\$ 0.0052	2075	\$ 10.79	\$ 0.0052	2068.8	\$ 10.76	-\$ 0.03	-0.30%
Rural and Remote Rate Protection (RRRP)	per kWh	\$ 0.0013	2075	\$ 2.70	\$ 0.0013	2068.8	\$ 2.69	-\$ 0.01	-0.30%
Special Purpose Charge	per kWh	\$ 0.0003725	2075	\$ 0.77	\$ -	2068.8	\$ -	-\$ 0.77	-100.00%
Standard Supply Service Charge	monthly	\$ 0.2500	1	\$ 0.25	\$ 0.2500	1	\$ 0.25	\$ -	0.00%
Debt Retirement Charge (DRC)	per kWh	\$ 0.0070	2000	\$ 14.00	\$ 0.0070	2000	\$ 14.00	\$ -	0.00%
Energy	per kWh	\$ 0.0714	2075	\$ 148.13	\$ 0.0714	2068.8	\$ 147.66	-\$ 0.46	-0.31%
				\$ -			\$ -	\$ -	
				\$ -			\$ -	\$ -	
<b>Total Bill (before Taxes)</b>				<b>\$ 235.92</b>			<b>\$ 244.72</b>	<b>\$ 8.81</b>	<b>3.73%</b>
HST		13%		\$ 30.67	13%		\$ 31.81	\$ 1.14	3.73%
<b>Total Bill (including Sub-total B)</b>				<b>\$ 266.58</b>			<b>\$ 276.54</b>	<b>\$ 9.96</b>	<b>3.74%</b>

Loss Factor (%)

3.75%

3.44%

**Notes:**

**Modified Revenue Requirement Work Form Tab 7B. Bill Impacts GS\_LT\_50 re: No loss factor applied to Debt Retirement Charge**

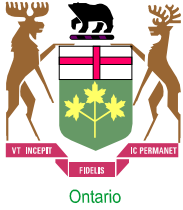
This bill impact includes SPC and SSS charges whereas Exhibit 8 Tab 4 Schedule 4 Attachment 2 detailed bill impact does not include these charges. Furthermore, this bill impact includes Low Voltage Service Rate in Sub-Total A Distribution whereas Exhibit 8 Tab 4 Schedule 4 Attachment 2 bill impact includes Low Voltage Service Rate in Delivery however not in Distribution.

Existing Total Loss Factor = 1.0375 and Proposed Loss Factor = 1.0344

## APPENDIX D

### Updated PILs Model





## PILs or Income Taxes Work Form

Name of LDC:

Kingston Hydro Corporation

File Number:

EB-2010-0136

Rate Year:

2011

Version: 1.0

### Table of Content

<u>Sheet</u>	<u>Name</u>
A	<a href="#">A. Data Input Sheet</a>
B	<a href="#">B. Tax Rates &amp; Exemptions</a>
C	<a href="#">C. Sch 8 and 10 UCC&amp;CEC Hist</a>
D	<a href="#">D. Sch 13 Tax Reserves Hist</a>
E	<a href="#">E. Sch 7-1 Loss Cfwd Hist</a>
F	<a href="#">F. Adjusted Taxable Income Hist</a>
G	<a href="#">G. Schedule 8 CCA Bridge Year</a>
H	<a href="#">H. Schedule 10 CEC Bridge Year</a>
I	<a href="#">I. Sch 13 Tax Reserves Bridge</a>
J	<a href="#">J. Sch 7-1 Loss Cfwd Bridge</a>
K	<a href="#">K. Adjusted Taxable Income Brid</a>
L	<a href="#">L. Schedule 8 CCA Test Year</a>
M	<a href="#">M. Schedule 10 CEC Test Year</a>
N	<a href="#">N. Sch 7-1 Loss Cfwd</a>
O	<a href="#">O. Taxable Income Test Year</a>
P	<a href="#">P. OCT</a>
Q	<a href="#">Q. PILs,Tax Provision</a>

#### Notes:

- (1) Pale green cells represent inputs
- (2) **Please note that this model uses MACROS. Before starting, please ensure that macros have been enabled.**
- (3) **Completed versions of the PILs or Income Taxes Work Form are required to be filed in working Microsoft Excel format.**

#### Copyright

This PILs or Income Taxes Work Form Model is protected by copyright and is being made available to you solely for the purpose of preparing or reviewing your PILs or Income Taxes. You may use and copy this model for that purpose, and provide a copy of this model to any person that is advising or assisting you in that regard. Except as indicated above, any copying, reproduction, publication, sale, adaptation, translation, modification, reverse engineering or other use or dissemination of this model without the express written consent of the Ontario Energy Board is prohibited. If you provide a copy of this model to a person that is advising or assisting you in preparing or reviewing your draft rate order, you must ensure that the person understands and agrees to the restrictions noted above.



## PILs or Income Taxes Work Form

Name of LDC: Kingston Hydro Corporation

File Number: EB-2010-0136

Rate Year: 2011

### Data Input Sheet

Applicants Rate Base	Rate Re-Basing Amount
<b>Average Net Fixed Assets</b>	
Gross Fixed Assets - Re-Basing Opening	\$ 46,363,460 A
Add: CWIP Re-Basing Opening	\$ 62,500 B
Re-Basing Capital Additions	\$ 5,371,000 C
Re-Basing Capital Disposals	D
Re-Basing Capital Retirements	E
Deduct: CWIP Re-Basing Closing	F
Gross Fixed Assets - Re-Basing Closing	\$ 51,796,960 G
Average Gross Fixed Assets	\$ 49,080,210 $H = (A + G) / 2$
Accumulated Depreciation - Re-Basing Opening	\$ 15,936,418 I
Re-Basing Depreciation Expense	\$ 2,012,215 J
Re-Basing Disposals	K
Re-Basing Retirements	L
Accumulated Depreciation - Re-Basing Closing	\$ 17,948,633 M
Average Accumulated Depreciation	\$ 16,942,526 $N = (I + M) / 2$
<b>Average Net Fixed Assets</b>	\$ 32,137,684 $O = H - M$
<b>Working Capital Allowance</b>	
Working Capital Allowance Base	\$ 68,534,191 P
Working Capital Allowance Rate	15.0% Q
<b>Working Capital Allowance</b>	\$ 10,280,129 $R = P * Q$
<b>Rate Base</b>	\$ 42,417,813 $S = O + R$

<b>Return on Rate Base</b>
----------------------------

Deemed ShortTerm Debt %	4.00%	T	\$ 1,696,713	$W = S * T$
Deemed Long Term Debt %	56.00%	U	\$ 23,753,975	$X = S * U$
Deemed Equity %	40.00%	V	\$ 16,967,125	$Y = S * V$
Short Term Interest	2.07%	Z	\$ 35,122	$AC = W * Z$
Long Term Interest	5.60%	AA	\$ 1,331,246	$AD = X * AA$
<b>Return on Equity (Regulatory Income)</b>	9.85%	AB	\$ 1,671,262	$AE = Y * AB$
<b>Return on Rate Base</b>			<b>\$ 3,037,629</b>	$AF = AC + AD + AE$

**Questions that must be answered**

	Historic Yes or No	Bridge Yes or No	Test Year Yes or No
1. Does the applicant have any Investment Tax Credits (ITC)?	No	No	No
2. Does the applicant have any Scientific Research and Experimental	No	No	No
3. Does the applicant have any Capital Gains or Losses for tax purposes?	No	No	No
4. Does the applicant have any Capital Leases?	No	No	No
5. Does the applicant have any Loss Carry-Forwards (non-capital or net capital)?	No	No	No
6. Since 1999, has the applicant acquired another regulated applicant's assets?	No	No	No
7. Did the applicant pay dividends? <i>If Yes, please describe what was the tax treatment in the manager's summary.</i>	Yes	No	No
8. Did the applicant elect to capitalize interest incurred on CWIP for tax purposes?	Yes	No	No



## PILs or Income Taxes Work Form

Name of LDC: Kingston Hydro Corporation

File Number: EB-2010-0136

Rate Year: 2011

## Tax Rates & Exemptions

### Tax Rates

#### Federal & Provincial As of March 26, 2009

#### Federal income tax

General corporate rate

Federal tax abatement

Adjusted federal rate

Surtax (4% of line 3)

Rate reduction

#### Ontario income tax

#### Combined federal and Ontario

#### Federal & Ontario Small Business

Federal small business threshold

Ontario Small Business Threshold

Federal small business rate

Ontario small business rate

Ontario surtax claw-back starts at \$500,000 and eliminates the SBC at \$1,500,000.

#### Ontario Capital Tax

Capital deduction

Capital tax rate

OCT will be eliminated on July 1, 2010 but tax will be prorated for the first 6 months in 2010.

#### NOTES:

1. Based on the federal government's October 30, 2007 Economic Statement.

Bill C-28 received Royal Assent on December 14, 2007.

2. Ontario Economic Statement of December 13, 2007 became Bill 44 and received Royal Assent on May 14, 2008.

Capital tax rate changes and small business deduction income thresholds made retroactive to January 1, 2007.

3. Federal Budget of January 27, 2009. The federal small business limit was increased from \$400,000 to \$500,000 on January 1, 2009.

4. Provincial Budget of March 26, 2009. The provincial corporate tax rate was reduced.

	Effective January 1, 2006	Effective January 1, 2007	Effective January 1, 2008	Effective January 1, 2009	Effective January 1, 2010	Effective January 1, 2011	Effective January 1, 2012	Effective January 1, 2013	Effective January 1, 2014
1	38.00%	38.00%	38.00%	38.00%	38.00%	38.00%	38.00%	38.00%	38.00%
2	-10.00%	-10.00%	-10.00%	-10.00%	-10.00%	-10.00%	-10.00%	-10.00%	-10.00%
3	28.00%	28.00%	28.00%	28.00%	28.00%	28.00%	28.00%	28.00%	28.00%
4	1.12%	1.12%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
	29.12%	29.12%	28.00%	28.00%	28.00%	28.00%	28.00%	28.00%	28.00%
	-7.00%	-7.00%	-8.50%	-9.00%	-10.00%	-11.50%	-13.00%	-13.00%	-13.00%
	22.12%	22.12%	19.50%	19.00%	18.00%	16.50%	15.00%	15.00%	15.00%
	14.00%	14.00%	14.00%	14.00%	13.00%	11.75%	11.25%	10.50%	10.00%
	36.12%	36.12%	33.50%	33.00%	31.00%	28.25%	26.25%	25.50%	25.00%
	400,000	400,000	400,000	500,000	500,000	500,000	500,000	500,000	500,000
	400,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
	13.12%	13.12%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%
	5.50%	5.50%	5.50%	5.50%	5.00%	4.50%	4.50%	4.50%	4.50%
	4.25%	4.25%	4.25%	4.25%	4.25%				
	10,000,000	12,500,000	15,000,000	15,000,000	15,000,000				
	0.300%	0.225%	0.225%	0.225%	0.075%				



## PILs or Income Taxes Work Form

Name of LDC: Kingston Hydro Corporation

File Number: EB-2010-0136

Rate Year: 2011

### Schedule 8 and 10 UCC and CEC

Historic				
Class	Class Description	UCC End of Year Historic per tax returns	Less: Non-Distribution Portion	UCC Test Year Opening Balance
1	Distribution System - post 1987	26,663,720	0	26,663,720
2	Distribution System - pre 1988	0	0	0
8	General Office/Stores Equip	350,467	0	350,467
10	Computer Hardware/ Vehicles	32,129	0	32,129
10.1	Certain Automobiles	0	0	0
12	Computer Software	0	0	0
13 <sub>1</sub>	Lease # 1	75,933	0	75,933
13 <sub>2</sub>	Lease #2	0	0	0
13 <sub>3</sub>	Lease # 3	0	0	0
13 <sub>4</sub>	Lease # 4	0	0	0
14	Franchise	0	0	0
17	New Electrical Generating Equipment Acq'd after Feb 27/00 Other Than Bldgs	0	0	0
43.1	Certain Energy-Efficient Electrical Generating Equipment	0	0	0
45	Computers & Systems Software acq'd post Mar 22/04	3,211	0	3,211
46	Data Network Infrastructure Equipment (acq'd post Mar 22/04)	0	0	0
47	Distribution System - post February 2005	4,808,255	0	4,808,255
50	Data Network Infrastructure Equipment - post Mar 2007	0	0	0
3	Buildings	403,497	0	403,497
	Smart Meters	1,351,290	0	1,351,290
		0	0	0
		0	0	0
		0	0	0
	<b>SUB-TOTAL - UCC</b>	<b>33,688,502</b>	<b>0</b>	<b>33,688,502</b>
CEC	Goodwill	0	0	0
CEC	Land Rights	0	0	0
CEC	FMV Bump-up	0	0	0
CEC	Incorporation Costs and Intangible Plant	264,728	0	264,728
		0	0	0
	<b>SUB-TOTAL - CEC</b>	<b>264,728</b>	<b>0</b>	<b>264,728</b>



## PILs or Income Taxes Work Form

Name of LDC: Kingston Hydro Corporation

File Number: EB-2010-0136

Rate Year: 2011

Ontario

### Schedule 13 Tax Reserves Historical

#### CONTINUITY OF RESERVES

Description	Historical Balance as per tax returns	Non-Distribution Eliminations	Utility Only
Capital Gains Reserves ss.40(1)			0
<b>Tax Reserves Not Deducted for accounting purposes</b>			
Reserve for doubtful accounts ss. 20(1)(l)			0
Reserve for goods and services not delivered ss. 20(1)(m)			0
Reserve for unpaid amounts ss. 20(1)(n)			0
Debt & Share Issue Expenses ss. 20(1)(e)			0
Other tax reserves			0
			0
			0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Financial Statement Reserves (not deductible for Tax Purposes)</b>			
General Reserve for Inventory Obsolescence (non-specific)			0
General reserve for bad debts			0
Accrued Employee Future Benefits:			0
- Medical and Life Insurance	1,006,338		1,006,338
-Short & Long-term Disability			0
-Accumulated Sick Leave			0
- Termination Cost			0
- Other Post-Employment Benefits	168,549		168,549
Provision for Environmental Costs			0
Restructuring Costs			0
Accrued Contingent Litigation Costs			0
Accrued Self-Insurance Costs			0
Other Contingent Liabilities			0
Bonuses Accrued and Not Paid Within 180 Days of Year-End ss. 78(4)			0
Unpaid Amounts to Related Person and Not Paid Within 3 Taxation Years ss. 78(1)			0
Other			0
			0
			0
<b>Total</b>	<b>1,174,887</b>	<b>0</b>	<b>1,174,887</b>



## PILs or Income Taxes Work Form

Name of LDC: Kingston Hydro Corporation

File Number: EB-2010-0136

Rate Year: 2011

### Sch 7-1 Loss Carry Forward Historic

#### Corporation Loss Continuity and Application

	Total	Non-Distribution Portion	Utility Balance
<b>Non-Capital Loss Carry Forward Deduction</b>			
Actual Historic			0

	Total	Non-Distribution Portion	Utility Balance
<b>Net Capital Loss Carry Forward Deduction</b>			
Actual Historic			0



## PILs or Income Taxes Work Form

Name of LDC: Kingston Hydro Corporation

File Number: EB-2010-0136

Rate Year: 2011

## Historic Year Adjusted Taxable Income

Historic				
	T2S1 line #	Total for Legal Entity	Non-Distribution Eliminations	Historic Wires Only
<b>Income before PILs/Taxes</b>	<b>A</b>	2,147,562	0	2,147,562
<b>Additions:</b>				
Interest and penalties on taxes	103	0	0	0
Amortization of tangible assets	104	2,068,652	0	2,068,652
Amortization of intangible assets	106	17,820	0	17,820
Recapture of capital cost allowance from Schedule 8	107	0	0	0
Gain on sale of eligible capital property from Schedule 10	108	0	0	0
Income or loss for tax purposes- joint ventures or partnerships	109	0	0	0
Loss in equity of subsidiaries and affiliates	110	0	0	0
Loss on disposal of assets	111	0	0	0
Charitable donations	112	0	0	0
Taxable Capital Gains	113	0	0	0
Political Donations	114	0	0	0
Deferred and prepaid expenses	116	0	0	0
Scientific research expenditures deducted on financial statements	118	0	0	0
Capitalized interest	119	0	0	0
Non-deductible club dues and fees	120	0	0	0
Non-deductible meals and entertainment expense	121	1,013	0	1,013
Non-deductible automobile expenses	122	0	0	0
Non-deductible life insurance premiums	123	0	0	0
Non-deductible company pension plans	124	0	0	0
Tax reserves deducted in prior year	125	0	0	0
Reserves from financial statements- balance at end of year	126	1,174,887	0	1,174,887
Soft costs on construction and renovation of buildings	127	0	0	0
Book loss on joint ventures or partnerships	205	0	0	0
Capital items expensed	206	0	0	0
Debt issue expense	208	0	0	0
Development expenses claimed in current year	212	0	0	0
Financing fees deducted in books	216	6,215	0	6,215
Gain on settlement of debt	220	0	0	0
Non-deductible advertising	226	0	0	0
Non-deductible interest	227	0	0	0
Non-deductible legal and accounting fees	228	0	0	0
Recapture of SR&ED expenditures	231	0	0	0
Share issue expense	235	0	0	0
Write down of capital property	236	0	0	0
Amounts received in respect of qualifying environment trust per paragraphs 12(1)(z.1) and 12(1)(z.2)	237	0	0	0
<b>Other Additions</b>				
Interest Expensed on Capital Leases	290	0	0	0
Realized Income from Deferred Credit Accounts	291	0	0	0
Pensions	292	0	0	0
Non-deductible penalties	293	0	0	0
Revenue credited to regulatory asset account recovery	294	304,836	0	304,836
	295	0	0	0
<b>Total Additions</b>		<b>3,573,423</b>	<b>0</b>	<b>3,573,423</b>
<b>Deductions:</b>				
Gain on disposal of assets per financial statements	401	0	0	0
Dividends not taxable under section 83	402	0	0	0
Capital cost allowance from Schedule 8	403	1,684,188	0	1,684,188
Terminal loss from Schedule 8	404	0	0	0
Cumulative eligible capital deduction from Schedule 10	405	19,926	0	19,926
Allowable business investment loss	406	0	0	0
Deferred and prepaid expenses	409	0	0	0
Scientific research expenses claimed in year	411	0	0	0
Tax reserves claimed in current year	413	0	0	0
Reserves from financial statements - balance at beginning of year	414	1,140,247	0	1,140,247
Contributions to deferred income plans	416	0	0	0
Book income of joint venture or partnership	305	0	0	0
Equity in income from subsidiary or affiliates	306	0	0	0



Other deductions: (Please explain in detail the nature of the item)				
Interest capitalized for accounting deducted for tax	390	0	0	0
Capital Lease Payments	391	0	0	0
Non-taxable imputed interest income on deferral and variance accounts	392	0	0	0
Kingston Hydro financing fees 2009-2013 20% deduction	393	1,243	0	1,243
Ontario Capital Tax	394	49,455	0	49,455
<b>Total Deductions</b>		<b>2,895,059</b>	<b>0</b>	<b>2,895,059</b>
<b>Net Income for Tax Purposes</b>		<b>2,825,926</b>	<b>0</b>	<b>2,825,926</b>
Charitable donations from Schedule 2	311	0	0	0
Taxable dividends deductible under section 112 or 113, from Schedule 3 (item 82)	320	0	0	0
Non-capital losses of preceding taxation years from Schedule 4	331	0	0	0
Net-capital losses of preceding taxation years from Schedule 4 (Please include explanation and calculation in Manager's summary)	332	0	0	0
Limited partnership losses of preceding taxation years from Schedule 4	335	0	0	0
<b>TAXABLE INCOME</b>		<b>2,825,926</b>	<b>0</b>	<b>2,825,926</b>

## PILs or Income Taxes Work Form

Name of LDC: Kingston Hydro Corporation

File Number: EB-2010-0136

Rate Year: 2011

### Schedule 8 CCA Bridge Year

Class	Class Description	UCC Bridge Year Opening Balance	Additions	Disposals	UCC Before 1/2 Yr Adjustment	1/2 Year Rule (1/2 Additions Less Disposals)	Reduced UCC	Rate %	Bridge Year CCA	UCC End of Bridge Year
1	Distribution System - post 1987	\$ 26,663,720	\$ -	\$ -	\$ 26,663,720	\$ -	\$ 26,663,720	4%	\$ 1,066,549	\$ 25,597,171
2	Distribution System - pre 1988	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	6%	\$ -	\$ -
8	General Office/Stores Equip	\$ 350,467	\$ 154,028	\$ -	\$ 504,495	\$ 77,014	\$ 427,481	20%	\$ 85,496	\$ 418,999
10	Computer Hardware/ Vehicles	\$ 32,129	\$ -	\$ -	\$ 32,129	\$ -	\$ 32,129	30%	\$ 9,639	\$ 22,490
10.1	Certain Automobiles	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	30%	\$ -	\$ -
12	Computer Software	\$ -	\$ 72,000	\$ -	\$ 72,000	\$ 36,000	\$ 36,000	100%	\$ 36,000	\$ 36,000
13.1	Lease # 1	\$ 75,933	\$ -	\$ -	\$ 75,933	\$ -	\$ 75,933	5	\$ 15,187	\$ 60,746
13.2	Lease #2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	4	\$ -	\$ -
13.3	Lease # 3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	3	\$ -	\$ -
13.4	Lease # 4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	4	\$ -	\$ -
14	Franchise	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	7	\$ -	\$ -
17	New Electrical Generating Equipment Acq'd after Feb 27/00 Other Than Bldgs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	8%	\$ -	\$ -
43.1	Certain Energy-Efficient Electrical Generating Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	30%	\$ -	\$ -
45	Computers & Systems Software acq'd post Mar 22/04	\$ 3,211	\$ 98,605	\$ -	\$ 101,816	\$ 49,303	\$ 52,514	45%	\$ 23,631	\$ 78,185
46	Data Network Infrastructure Equipment (acq'd post Mar 22/04)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	30%	\$ -	\$ -
47	Distribution System - post February 2005	\$ 4,808,255	\$ 3,011,392	\$ -	\$ 7,819,647	\$ 1,505,696	\$ 6,313,951	8%	\$ 505,116	\$ 7,314,531
50	Data Network Infrastructure Equipment - post Mar 2007	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	55%	\$ -	\$ -
3	Buildings	\$ 403,497	\$ -	\$ -	\$ 403,497	\$ -	\$ 403,497	5%	\$ 20,175	\$ 383,322
				\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
	SUB-TOTAL - UCC	\$ 32,337,212	\$ 3,336,025	\$ -	\$ 35,673,237	\$ 1,668,013	\$ 34,005,225		\$ 1,761,793	\$ 33,911,444
		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
	TOTAL	\$ 32,337,212	\$ 3,336,025	\$ -	\$ 35,673,237	\$ 1,668,013	\$ 34,005,225	\$ -	\$ 1,761,793	\$ 33,911,444



## PILs or Income Taxes Work

Name of LDC: Kingston Hydro Corporation

File Number: EB-2010-0136

Rate Year: 2011

### Schedule 10 CEC Bridge Year

#### Cumulative Eligible Capital

**264,728**

##### Additions

Cost of Eligible Capital Property Acquired during Bridge Year

0

Other Adjustments

0

Subtotal

0

x 3/4 =

0

Non-taxable portion of a non-arm's length transferor's gain realized on the transfer of an ECP to the Corporation after Friday, December 20, 2002

0

x 1/2 =

0

0

0

Amount transferred on amalgamation or wind-up of subsidiary

0

0

Subtotal

**264,728**

##### Deductions

Proceeds of sale (less outlays and expenses not otherwise deductible) from the disposition of all ECP during Test Year

0

Other Adjustments

121,000

Subtotal

121,000

x 3/4 =

90,750

**90,750**

#### Cumulative Eligible Capital Balance

**173,978**

#### Current Year Deduction

**173,978**

x 7% =

**12,178**

#### Cumulative Eligible Capital - Closing Balance

**161,800**



## PILs or Income Taxes Work Form

Name of LDC: Kingston Hydro Corporation

File Number: EB-2010-0136

Rate Year: 2011

### Schedule 13 Tax Reserves Bridge

#### CONTINUITY OF RESERVES

Description	Historic Utility Only	Eliminate Amounts Not Relevant for Bridge Year	Adjusted Utility Balance	Bridge Year Adjustments		Balance for Bridge Year	Change During the Year	Disallowed Expenses
				Additions	Disposals			
Capital Gains Reserves ss.40(1)	0		0			0	0	
<b>Tax Reserves Not Deducted for accounting purposes</b>								
Reserve for doubtful accounts ss. 20(1)(l)	0		0			0	0	
Reserve for goods and services not delivered ss. 20(1)(m)	0		0			0	0	
Reserve for unpaid amounts ss. 20(1)(n)	0		0			0	0	
Debt & Share Issue Expenses ss. 20(1)(e)	0		0			0	0	
Other tax reserves	0		0			0	0	
	0		0			0	0	
	0		0			0	0	
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Financial Statement Reserves (not deductible for Tax Purposes)</b>								
General Reserve for Inventory Obsolescence (non-specific)	0		0			0	0	
General reserve for bad debts	0		0			0	0	
Accrued Employee Future Benefits:	0		0			0	0	
- Medical and Life Insurance	1,006,338		1,006,338			1,006,338	0	
- Short & Long-term Disability	0		0			0	0	
- Accumulated Sick Leave	0		0			0	0	
- Termination Cost	0		0			0	0	
- Other Post-Employment Benefits	168,549		168,549			168,549	0	
Provision for Environmental Costs	0		0			0	0	
Restructuring Costs	0		0			0	0	
Accrued Contingent Litigation Costs	0		0			0	0	
Accrued Self-Insurance Costs	0		0			0	0	
Other Contingent Liabilities	0		0			0	0	
Bonuses Accrued and Not Paid Within 180 Days of Year-End ss. 78(4)	0		0			0	0	
Unpaid Amounts to Related Person and Not Paid Within 3 Taxation Years ss. 78(1)	0		0			0	0	
Other	0		0			0	0	
	0		0			0	0	
	0		0			0	0	
<b>Total</b>	<b>1,174,887</b>	<b>0</b>	<b>1,174,887</b>	<b>0</b>	<b>0</b>	<b>1,174,887</b>	<b>0</b>	<b>0</b>



## PILs or Income Taxes Work Form

Name of LDC: Kingston Hydro Corporation

File Number: EB-2010-0136

Rate Year: 2011

### Sch 7-1 Loss Carry Forward Bridge

#### Corporation Loss Continuity and Application

Non-Capital Loss Carry Forward Deduction	Total
Actual Historic	0
Application of Loss Carry Forward to reduce taxable income in Bridge Year	
Other Adjustments Add (+) Deduct (-)	
Balance available for use in Test Year	0
<b>Amount to be used in Bridge Year</b>	
Balance available for use post Bridge Year	0

Net Capital Loss Carry Forward Deduction	Total
Actual Historic	0
Application of Loss Carry Forward to reduce taxable income in Bridge Year	
Other Adjustments Add (+) Deduct (-)	
Balance available for use in Test Year	0
<b>Amount to be used in Bridge Year</b>	
Balance available for use post Bridge Year	0



## PILs or Income Taxes Work Form

Name of LDC: Kingston Hydro Corporation

File Number: EB-2010-0136

Rate Year: 2011

# Bridge Year Adjusted Taxable Income

Bridge		
	T2S1 line #	Total for Legal Entity
<b>Income before PILs/Taxes</b>	<b>A</b>	1,143,936
<b>Additions:</b>		
Interest and penalties on taxes	103	0
Amortization of tangible assets	104	1,871,061
Amortization of intangible assets	106	16,852
Recapture of capital cost allowance from Schedule 8	107	0
Gain on sale of eligible capital property from Schedule 10	108	0
Income or loss for tax purposes- joint ventures or partnerships	109	0
Loss in equity of subsidiaries and affiliates	110	0
Loss on disposal of assets	111	0
Charitable donations	112	0
Taxable Capital Gains	113	0
Political Donations	114	0
Deferred and prepaid expenses	116	0
Scientific research expenditures deducted on financial statements	118	0
Capitalized interest	119	0
Non-deductible club dues and fees	120	0
Non-deductible meals and entertainment expense	121	1,013
Non-deductible automobile expenses	122	0
Non-deductible life insurance premiums	123	0
Non-deductible company pension plans	124	0
Tax reserves deducted in prior year	125	0
Reserves from financial statements- balance at end of year	126	1,254,336
Soft costs on construction and renovation of buildings	127	0
Book loss on joint ventures or partnerships	205	0
Capital items expensed	206	0

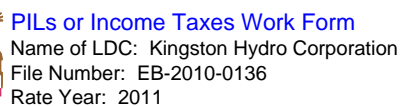
Debt issue expense	208	0
Development expenses claimed in current year	212	0
Financing fees deducted in books	216	0
Gain on settlement of debt	220	0
Non-deductible advertising	226	0
Non-deductible interest	227	0
Non-deductible legal and accounting fees	228	0
Recapture of SR&ED expenditures	231	0
Share issue expense	235	0
Write down of capital property	236	0
Amounts received in respect of qualifying environment trust per paragraphs 12(1)(z.1) and 12(1)(z.2)	237	0
<b>Other Additions</b>		
Interest Expensed on Capital Leases	290	0
Realized Income from Deferred Credit Accounts	291	0
Pensions	292	0
Non-deductible penalties	293	0
	294	0
	295	0
<b>Total Additions</b>		<b>3,143,263</b>

**Deductions:**

Gain on disposal of assets per financial statements	401	0
Dividends not taxable under section 83	402	0
Capital cost allowance from Schedule 8	403	1,761,793
Terminal loss from Schedule 8	404	0
Cumulative eligible capital deduction from Schedule 10	405	12,178
Allowable business investment loss	406	0
Deferred and prepaid expenses	409	0
Scientific research expenses claimed in year	411	0
Tax reserves claimed in current year	413	0
Reserves from financial statements - balance at beginning of year	414	1,174,887
Contributions to deferred income plans	416	0
Book income of joint venture or partnership	305	0
Equity in income from subsidiary or affiliates	306	0
<i>Other deductions: (Please explain in detail the nature of the item)</i>		
Interest capitalized for accounting deducted for tax	390	0
Capital Lease Payments	391	0
Non-taxable imputed interest income on deferral and variance accounts	392	0

Kingston Hydro financing fees 2009-2013 20% deduction	393	1,243
	394	0
<b>Total Deductions</b>		<b>2,950,101</b>
<b>Net Income for Tax Purposes</b>		<b>1,337,097</b>
Charitable donations from Schedule 2	311	0
Taxable dividends deductible under section 112 or 113, from Schedule 3 (item 82)	320	0
Non-capital losses of preceding taxation years from Schedule 4	331	0
Net-capital losses of preceding taxation years from Schedule 4 <i>(Please include explanation and calculation in Manager's summary)</i>	332	0
Limited partnership losses of preceding taxation years from Schedule 4	335	0
<b>TAXABLE INCOME</b>		<b>1,337,097</b>





### Schedule 8 CCA Test Year

Class	Class Description	UCC Test Year Opening Balance	Additions	Disposals	UCC Before 1/2 Yr Adjustment	1/2 Year Rule (1/2 Additions Less Disposals)	Reduced UCC	Rate %	Test Year CCA	UCC End of Test Year
1	Distribution System - post 1987	\$ 25,597,171	\$ -	\$ -	\$ 25,597,171	\$ -	\$ 25,597,171	4%	\$ 1,023,887	\$ 24,573,284
2	Distribution System - pre 1988	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	6%	\$ -	\$ -
8	General Office/Stores Equip	\$ 418,999	\$ 133,000	\$ -	\$ 551,999	\$ 66,500	\$ 485,499	20%	\$ 97,100	\$ 454,899
10	Computer Hardware/ Vehicles	\$ 22,490	\$ -	\$ -	\$ 22,490	\$ -	\$ 22,490	30%	\$ 6,747	\$ 15,743
10.1	Certain Automobiles	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	30%	\$ -	\$ -
12	Computer Software	\$ 36,000	\$ 62,500	\$ -	\$ 98,500	\$ 31,250	\$ 67,250	100%	\$ 67,250	\$ 31,250
13.1	Lease # 1	\$ 60,746	\$ -	\$ -	\$ 60,746	\$ -	\$ 60,746	5	\$ 15,187	\$ 45,559
13.2	Lease #2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0	\$ -	\$ -
13.3	Lease # 3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0	\$ -	\$ -
13.4	Lease # 4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0	\$ -	\$ -
14	Franchise	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0	\$ -	\$ -
17	New Electrical Generating Equipment Acq'd after Feb 27/00 Other Than Bldgs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	8%	\$ -	\$ -
43.1	Certain Energy-Efficient Electrical Generating Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	30%	\$ -	\$ -
45	Computers & Systems Software acq'd post Mar 22/04	\$ 78,185	\$ 157,000	\$ -	\$ 235,185	\$ 78,500	\$ 156,685	45%	\$ 70,508	\$ 164,677
46	Data Network Infrastructure Equipment (acq'd post Mar 22/04)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	30%	\$ -	\$ -
47	Distribution System - post February 2005	\$ 7,314,531	\$ 5,061,000	\$ -	\$ 12,375,531	\$ 2,530,500	\$ 9,845,031	8%	\$ 787,602	\$ 11,587,928
50	Data Network Infrastructure Equipment - post Mar 2007	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	55%	\$ -	\$ -
3	Buildings	\$ 383,322	\$ 20,000	\$ -	\$ 403,322	\$ 10,000	\$ 393,322	5%	\$ 19,666	\$ 383,656
		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
	SUB-TOTAL - UCC	\$ 33,911,444	\$ 5,433,500	\$ -	\$ 39,344,944	\$ 2,716,750	\$ 36,628,194		\$ -	\$ 39,344,944
		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
	TOTAL	\$ 33,911,444	\$ 5,433,500	\$ -	\$ 39,344,944	\$ 5,433,500	\$ 36,628,194		\$ 2,087,947	\$ 39,344,944



## PILs or Income Taxes Work Form

Name of LDC: Kingston Hydro Corporation

File Number: EB-2010-0136

Rate Year: 2011

### Schedule 10 CEC Test Year

#### Cumulative Eligible Capital

161,800

##### Additions

Cost of Eligible Capital Property Acquired during Test Year

0

Other Adjustments

0

Subtotal 0

x 3/4 = 0

Non-taxable portion of a non-arm's length transferor's gain realized on the transfer of an ECP to the Corporation after Friday, December 20, 2002

0

x 1/2 = 0

0

0

Amount transferred on amalgamation or wind-up of subsidiary

0

0

Subtotal

161,800

##### Deductions

Proceeds of sale (less outlays and expenses not otherwise deductible) from the disposition of all ECP during Test Year

0

Other Adjustments

0

Subtotal 0

x 3/4 = 0

0

Cumulative Eligible Capital Balance

161,800

Current Year Deduction (Carry Forward to Tab "Test Year Taxable Income")

161,800

x 7% =

11,326

Cumulative Eligible Capital - Closing Balance

150,474



## PILs or Income Taxes Work Form

Name of LDC: Kingston Hydro Corporation

File Number: EB-2010-0136

Rate Year: 2011

### Sch 7-1 Loss Carry Forward Bridge

#### Corporation Loss Continuity and Application

	Total	Non-Distribution Portion	Utility Balance
<b>Non-Capital Loss Carry Forward Deduction</b>			
Actual/Estimated Bridge Year			0
Application of Loss Carry Forward to reduce taxable income in 2005			0
Other Adjustments Add (+) Deduct (-)			0
Balance available for use in Test Year	0	0	0
<b>Amount to be used in Test Year</b>			0
Balance available for use post Test Year	0	0	0

	Total	Non-Distribution Portion	Utility Balance
<b>Net Capital Loss Carry Forward Deduction</b>			
Actual/Estimated Bridge Year			0
Application of Loss Carry Forward to reduce taxable income in 2005			0
Other Adjustments Add (+) Deduct (-)			0
Balance available for use in Test Year	0	0	0
<b>Amount to be used in Test Year</b>			0
Balance available for use post Test Year	0	0	0



## PILs or Income Taxes Work Form

Name of LDC: Kingston Hydro Corporation

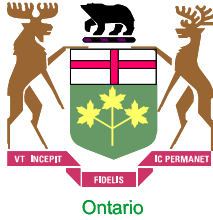
File Number: EB-2010-0136

Rate Year: 2011

### Taxable Income Test Year

	T2 S1 line #	Test Year Taxable Income
<b>Net Income Before Taxes</b>		1,671,262
<b>Additions:</b>		
Interest and penalties on taxes	103	
Amortization of tangible assets 2-4 ADJUSTED ACCOUNTING DATA P489	104	2,006,000
Amortization of intangible assets 2-4 ADJUSTED ACCOUNTING DATA P490	106	6,215
Recapture of capital cost allowance from Schedule 8	107	
Gain on sale of eligible capital property from Schedule 10	108	
Income or loss for tax purposes- joint ventures or partnerships	109	
Loss in equity of subsidiaries and affiliates	110	
Loss on disposal of assets	111	
Charitable donations	112	
Taxable Capital Gains	113	
Political Donations	114	
Deferred and prepaid expenses	116	
Scientific research expenditures deducted on financial statements	118	
Capitalized interest	119	
Non-deductible club dues and fees	120	
Non-deductible meals and entertainment expense	121	1,013
Non-deductible automobile expenses	122	
Non-deductible life insurance premiums	123	
Non-deductible company pension plans	124	
Tax reserves beginning of year	125	
Reserves from financial statements- balance at end of year	126	1,544,435
Soft costs on construction and renovation of buildings	127	
Book loss on joint ventures or partnerships	205	
Capital items expensed	206	
Debt issue expense	208	
Development expenses claimed in current year	212	
Financing fees deducted in books	216	
Gain on settlement of debt	220	
Non-deductible advertising	226	
Non-deductible interest	227	
Non-deductible legal and accounting fees	228	
Recapture of SR&ED expenditures	231	
Share issue expense	235	
Write down of capital property	236	
Amounts received in respect of qualifying environment trust per paragraphs 12(1)(z.1) and 12(1)(z.2)	237	
Other Additions: (please explain in detail the nature of the item)		
Interest Expensed on Capital Leases	290	
Realized Income from Deferred Credit Accounts	291	
Pensions	292	

Non-deductible penalties	293	
	294	
	295	
	296	
	297	
<b>Total Additions</b>		<b>3,557,663</b>
<b>Deductions:</b>		
Gain on disposal of assets per financial statements	401	
Dividends not taxable under section 83	402	
Capital cost allowance from Schedule 8	403	2,087,947
Terminal loss from Schedule 8	404	
Cumulative eligible capital deduction from Schedule 10 CEC	405	
Allowable business investment loss	406	
Deferred and prepaid expenses	409	
Scientific research expenses claimed in year	411	
Tax reserves end of year	413	
Reserves from financial statements - balance at beginning of year	414	1,254,336
Contributions to deferred income plans	416	
Book income of joint venture or partnership	305	
Equity in income from subsidiary or affiliates	306	
<i>Other deductions: (Please explain in detail the nature of the item)</i>		
Interest capitalized for accounting deducted for tax	390	
Capital Lease Payments	391	
Non-taxable imputed interest income on deferral and variance accounts	392	
Kingston Hydro financing fees 2009-2013 20% deduction	393	1,243
	394	
	395	
	396	
	397	
<b>Total Deductions</b>		<b>3,343,526</b>
<b>NET INCOME FOR TAX PURPOSES</b>		<b>1,885,398</b>
Charitable donations	311	
Taxable dividends received under section 112 or 113	320	
Non-capital losses of preceding taxation years from Schedule 7-1	331	
Net-capital losses of preceding taxation years (Please show calculation)	332	
Limited partnership losses of preceding taxation years from Schedule 4	335	
<b>REGULATORY TAXABLE INCOME</b>		<b>1,885,398</b>



## PILs or

Name of LDC: Kingston Hydro Corporation

File Number: EB-2010-0136

Rate Year: 2011

## Ontario Capital Tax

Applicant	Rate Base	OCT Exemption
		15,000,000
Kingston Hydro Corpora	\$ -	\$ -
Affiliates (if applicable)		
1		\$ -
2		\$ -
3		\$ -
4		\$ -
5		\$ -
<b>Total</b>	\$ -	\$ -

### Section A

### Wires Only

#### ONTARIO CAPITAL TAX

Rate Base	\$ 42,417,813
Less: Exemption	\$ -
Deemed Taxable Capital	\$ 42,417,813
Rate in Test Year	0.000%
Net Amount (Taxable Capital x Rate)	\$ -



## PILs or Income Taxes Work Form

Name of LDC: Kingston Hydro Corporation

File Number: EB-2010-0136

Rate Year: 2011

### PILs,Tax Provision

				Wires Only		
Regulatory Taxable Income				\$ 1,885,398		A
Ontario Income Taxes						
Income tax payable	Ontario income tax	11.75%	B	\$ 221,534	C = A * B	
Small business credit	Ontario Small Business Threshold	\$ 500,000	D			
	Rate reduction	-7.25%	E	-\$ 36,250	F = D * E	
Ontario Income tax				\$ 185,284	J = C + F	
Combined Tax Rate and PILs		Effective Ontario Tax Rate		9.83%	K = J / A	
		Federal tax rate		16.50%	L	
		Combined tax rate		26.33%	M = L + L	
Total Income Taxes				\$ 496,375	N = A * M	
Investment Tax Credits					O	
Miscellaneous Tax Credits					P	
Total Tax Credits				\$ -	Q = O + P	
Corporate PILs/Income Tax Provision for Test Year				\$ 496,375	R = N - Q	
Corporate PILs/Income Tax Provision Gross Up				71.75%	S = 1 - M	
				\$ 195,437	T = R / S - N	
Income Tax (grossed-up)				\$ 691,812	U = R + T	
Ontario Capital Tax (not grossed-up)				\$ -	V	
Tax Provision for Test Year Rate Recovery				\$ 691,812	W = U + V	

## APPENDIX E

### Additional Evidence (Unsettled Issue #6)





**KPMG LLP**  
**Chartered Accountants**  
Suite 400  
863 Princess Street  
Kingston Ontario K7L 5N4  
Canada

Telephone (613) 549-1550  
Telefax (613) 549-6349  
[www.kpmg.ca](http://www.kpmg.ca)

Mr. Randy Murphy  
Treasurer  
Kingston Hydro Corporation  
1211 John Counter Blvd.  
Kingston ON K7L 4X7

December 17, 2010

Dear Mr. Murphy:

**Tax Treatment for PILS - Future Benefit Liabilities**

You have requested our view on the appropriate tax treatment of a financial statement item labeled *Future benefit liabilities* which consists of liabilities accrued in the annual financial statements for anticipated future pension, extended health care, dental and life insurance benefits. It is our understanding that these accruals represent actuarial estimates of projected future costs to the company to provide these contractually obligated benefits to employees or former employees of the corporation, or individuals that have historically provided services to the company under a services contract.

In our view, this accrual would be considered a contingent liability and, as such, would not be deductible under Subsection 18(1)(e) of the *Income Tax Act* (Canada) in the computation of taxable income. These expenses are deductible on a paid (or payable) basis, once the liability is known and no longer contingent on future events. This type of expense is more often casually described as a deduction on a cash-paid basis.

An appropriate adjustment on the tax return for the company to calculate taxable income on this paid basis would be to add-back the end-of-year accrual and deduct the previous year ending accrual on the Schedule 1 to the tax return; tracked on an annual basis through the use of Schedule 13. This effectively would convert the expense reported on the tax return to a cash-paid basis.

We would note that our view is consistent with publications produced by the Canada Revenue Agency (for example, see 2005-0155961E5 attached) and other tax literature published by the Canadian Tax Foundation.



The annual accounting expense reflected in the income statement for the company represents the net change in the actuarial estimate of future projected costs of providing these benefits, and therefore represents an expense determined with reference to a contingent liability. The accounting expense is not necessarily reflective of the actual costs paid by the company in that year. Not making an adjustment on Schedule 1 of the tax return for the company would lead to an inappropriate tax result.

If you have any questions on the above, please do not hesitate to contact the writer.

Yours truly,

Jonathan C. Warren, CA  
Senior Manager, Tax  
613-541-7352

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Encl.

*The advice contained in this correspondence is based on the facts, assumptions and representations stated herein. You have represented to us that you have provided us with all facts and circumstances that you know or have reason to know are pertinent to this correspondence. If any of these facts, assumptions or representations are not entirely complete or accurate, it could have a material affect on our advice. Our advice takes into account the applicable provisions and judicial and administrative interpretations of the relevant taxing statutes, the regulations thereunder and applicable tax treaties. Our advice also takes into account all specific proposals to amend these authorities or other relevant statutes and tax treaties publicly announced prior to the date of our advice, based on the assumption that these amendments will be enacted substantially as proposed. Our advice does not otherwise take into account or anticipate any changes in law or practice, by way of judicial, governmental or legislative action or interpretation. These authorities are subject to change, retroactively and/or prospectively, and any such changes could have an effect on the validity of our advice and may result in incremental taxes, interest or penalties. Unless you specifically request otherwise, we will not update our advice to take any such changes into account.*

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**Interpretation — external 2005-0155961E5 — Private health services plan****Date:** April 20, 2006**Reference:** 18(1)(e), 6(1)(a)(i), 118.2(2)

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SUMMARY: Private health services plan — ITA-18(1)(e), 6(1)(a)(i), 118.2(2) — Whether an employer's contribution to a claim stabilization fund, maintained in a separate bank account as required by a contract with a third-party plan administrator of a private health services plan, is deductible.

Please note that the following document, although believed to be correct at the time of issue, may not represent the current position of the CRA.

Prenez note que ce document, bien qu'exact au moment émis, peut ne pas représenter la position actuelle de l'ARC.

PRINCIPAL ISSUES: Whether an employer's contribution to a claim stabilization fund (a separate bank account), as required by a contract with a third-party plan administrator of a PHSP, is deductible.

POSITION: No.

REASONS: Paragraph 18(1)(e). Also, the fund is maintained for the ultimate benefit of the employer; no expense is incurred until an amount is paid or payable from the fund pursuant to the terms of the PHSP.

2005-015596

XXXXXXXXXX Eliza Erskine

(613) 954-3199

April 20, 2006

Dear XXXXXXXXXXXX:

Re: Private Health Services Plan ("PHSP") and Claim Stabilization Fund

We are writing in reply to your facsimile of October 25, 2005, regarding the above-noted subject matter. You requested our comments about the deductibility and reasonableness of a "claim stabilization fund" set aside by an employer pursuant to an agreement with the plan administrator of an employee health and dental plan. We also acknowledge our telephone conversations with you of February 22 and March 24, 2006 (XXXXXXXXXX/Erskine).

Our Comments

Written confirmation of the tax consequences inherent in a particular transaction or series of transactions are given by this Directorate only where the transactions are proposed and are the



subject matter of an advance ruling request submitted in the manner set out in Information Circular 70-6R5. Notwithstanding the foregoing, we are prepared to provide the following general comments.

A PHSP is defined in subsection 248(1) of the *Income Tax Act* (the “Act”), as a contract of insurance in respect of hospital expenses, medical expenses or any combination of such expenses, or a medical care insurance plan or hospital care insurance plan or any combination of such plans. A plan in the nature of insurance, in this respect, must contain the following basic elements:

- (a) an undertaking by one person,
- (b) to indemnify another person,
- (c) for an agreed consideration,
- (d) from a loss or liability in respect of an event,
- (e) the happening of which is uncertain.

An arrangement where an employer reimburses its employees for medical or hospital expenses may come within the definition of a PHSP where the employer is required by the employment contract to pay such expenses. For more information in this regard, please refer to Interpretation Bulletin IT-339R2, Meaning of “Private Health Services Plan”. The benefit enjoyed by an employee as a result of contributions made by the employer to or under a PHSP is excluded from the employee's income by virtue of subparagraph 6(1)(a)(i) of the Act. Such contributions by the employer to or under a PHSP generally constitute business outlays or expenses of the employer for purposes of paragraph 18(1)(a) of the Act.

The situation described in your facsimile involves an employer (or “plan sponsor”) contracting with an arm's length plan administrator to administer a PHSP. You advise that the arrangement is similar to what insurance companies refer to as an “Administrative Services Only” (an “ASO”) contract. An ASO contract is not a contract of insurance, as the insurance company is not actually bearing any risk. Similarly, the plan administrator in your situation is not providing insurance. Rather, the employer is assuming the risk with respect to the employees' health and dental costs, within the limits set out in the plan, and the plan administrator is providing administration services for a fee.

Generally, under these types of arrangements, the employer regularly deposits pre-determined amounts into a bank account (the “PHSP account”) that the plan administrator can draw upon to pay out claims. You advise that it is also common for the contract between the employer and the plan administrator to require the employer to maintain a separate account, referred to as a “claim stabilization fund”, to act as a reserve that the plan administrator can draw upon whenever there are insufficient funds in the PHSP account to meet current claims. This situation might arise because of unforeseen or unusually high claims during a particular year, or where the employer fails to meet its obligation to maintain the PHSP account. Generally, the reserve account exists solely for the convenience of the plan administrator; the employer is liable to meet all valid claims arising under the terms of the plan regardless of the amount in either the PHSP account or



the reserve account.

Where a PHSP is set up as described above, the employer can deduct in computing its income:

- (i) reasonable fees paid to the plan administrator; and
- (ii) amounts that are determined by the plan administrator to be payable under the plan in respect of a valid claim.

The employer cannot deduct its regular deposits to the PHSP account, even though these are sometimes referred to as “contributions”, because these amounts either remain wholly within the control of the employer or are maintained solely for the benefit of the employer to be used to meet the employer's obligations under the PHSP. Until an amount is paid or payable, the employer has not actually incurred an expense. Moreover, paragraph 18(1)(e) of the Act prohibits the deduction of any amount “as, or on account of, a reserve, a contingent liability or amount or a sinking fund except as expressly permitted in [Part I of the Act]”. Amounts deposited into the PHSP account are amounts on account of a contingent liability. For the same reasons, amounts paid into a “claim stabilization fund” cannot be deducted from income until they are paid or payable to meet valid claims under the PHSP.

The Act does specifically allow certain deductions in respect of reserves maintained by insurance companies. However, we have assumed that the employers involved in the PHSP arrangements you have described are not insurance companies as that term is used in the Act.

We note that the tax consequences are somewhat different where a PHSP is set up as a “health and welfare trust” (a “HWT”). Generally, contributions to a HWT are deductible by the employer when they are made, regardless of whether amounts are paid or payable from the trust during the year with respect to actual claims. However, an employer cannot retain any interest in amounts contributed to a HWT. Further, contributions by an employer to a HWT for a particular year that exceed the amount that the HWT can reasonably be considered to require to meet claims for that year cannot be deducted by the employer. For more information on HWTs, please refer to Interpretation Bulletin IT-85R2, Health and Welfare Trusts.

The foregoing comments represent our general views with respect to the subject matter. As indicated in paragraph 22 of Information Circular 70-6R5, these comments do not constitute an income tax ruling and accordingly are not binding on the Canada Revenue Agency.

We trust that our comments are of assistance to you.

Yours truly,

Robin Maley

Manager

Partnerships and Health Section

Business and Partnerships Division

Income Tax Rulings Directorate