

**Ontario Energy Board**

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

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

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**ENERGY PROBE RESEARCH FOUNDATION  
("ENERGY PROBE")  
CROSS-EXAMINATION COMPENDIUM**

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- 1       • Correct the classification of capital asset additions
- 2       • Correct the classification of other revenue accounts
- 3       • Corrections to ensure consistent reporting of operating expenses from 2005 to
- 4       2009

5       **Amortization Adjustment for Half Year Rule**

6       For financial statement purposes, Kingston Hydro applies the full year of amortization  
7       expense in the year of acquisition in accordance with Canadian Generally Accepted  
8       Accounting Principles. To comply with regulatory accounting for rate making purposes,  
9       the amortization expense calculated in the year of acquisition should follow the half year  
10      rule. Therefore the amortization expense for the historical years 2005 through to 2009  
11      has been adjusted to reflect the half year amortization rule.

12      Other adjustments are listed by year as follows:

13      **2005**

- 14       • Amount due from City of Kingston of \$7,063,675 filed in account 1200, should  
15       have been account 1040, Other Special Deposits.
- 16       • Retailer revenue was included in 4006 Residential Energy Sales, 4010  
17       Commercial Energy Sales, and 4020 Energy Sales to Large Users. The retailer  
18       revenue was removed from these accounts and entered in account 4055 Energy  
19       Sales for Resale.
- 20       • Retail Services Revenue was filed in account 4084 in error, it should have been  
21       4082. Service Transaction Requests (STR) revenue was filed in 4082 in error, it  
22       should have been 4084.

accretion expenses in relation to the AROs, including the basis and calculation of how these amounts were derived;

- The applicant must provide a statement as to whether it adheres to the Board's guidelines on amortization/depreciation rates (currently Appendix B of the *2006 Electricity Distribution Rate Handbook*, or as updated). If not, the applicant must summarize the differences, and indicate whether these have been previously reviewed and approved by the Board (if so, relevant references);
- In particular, the Board's general policy for electricity distribution rate setting is that capital additions would normally attract six months (i.e. half-year) of depreciation expense in the year that they enter service. The applicant should identify its historical practice and its proposal for the test year. Variances from this "half-year" rule must be documented with supporting rationale.
- Where the applicant is proposing new or changed depreciation/amortization rates, supporting documentation, preferably a depreciation study, must be provided;
- The applicant must provide a copy of its depreciation/amortization policy, if available. If not, the applicant should provide a written description of the depreciation practices followed and used in preparing the application.

Appendix 2-M should be completed.

### **2.5.8 Taxes (PILs, Capital Tax and Property Taxes)**

The applicant must provide the information outlined below:

- Detailed calculations of PILs, or actual Provincial and Federal taxes, as applicable, including derivation of adjustments (e.g., Tax credits, CCA adjustments) for the Historical, Bridge and Test Years;
- Supporting schedules and calculations identifying reconciling items;
- Copies of most recent Federal and Provincial tax returns (non-utility tax items should be separated if material);
- Ontario Capital Tax for the historical and bridge years; and
- Calculation of tax credits (e.g., apprenticeship tax credits, education tax credits);
- Financial statements included with tax returns, if different from the financial statements filed in support of the application (section 2.2.3).

### **2.5.9 Green Energy Plan O&M Costs**

Any Operations and Maintenance Costs to address Renewable Generation Connection or Smart Grid development as per the Green Energy Act and the Board's EB-2009-0397 Filing Requirements of March 25, 2010, should be outlined including a proposal, where applicable, to divide the costs of eligible renewable generation connection investments between the applicant's ratepayers and all Ontario ratepayers as per Regulation 330/09 and taking into account the Board's Report on the determination of direct benefits (EB-2009-0349).

**Interrogatory # 2**

***Ref: Exhibit 1, Tab 4, Schedule 3, page 2***

***The evidence at lines 5 through 11 indicates that Kingston has adjusted its amortization expense for the years 2005 through 2009 to reflect the half year rule for assets in the year of acquisition.***

***a) Was the amortization expense for assets added in 2004 based on the half year or full year methodology?***

Amortization expense for assets added in 2004 was based on full year methodology.

***b) How was the amortization expense related to additions in the test year that was included in the 2006 revenue requirement calculated?***

Amortization expense related to additions in the 2004 that was included in the 2006 revenue requirement was calculated based on the full year methodology.

**Interrogatory # 5**

***Ref: Exhibit 2, Tab 1, Schedule 2, Attachment 1 & Exhibit 1, Tab 4, Schedule 3***

***a) Does the Rate Base Trend Table include net assets based on the half year rule for depreciation for assets added in the current year for 2005 through 2010 as indicated in Exhibit 1, Tab 4, Schedule 3, page 2?***

The Rate Base Trend Table includes net assets based on the half year rule for depreciation.

***b) How was the depreciation expense for 2006 calculated as part of the 2006 Approved EDR? If the depreciation expense for 2006 was based on the 2004 depreciation cost, please indicate if the 2004 expense used the half year, full year or some other methodology for assets added in 2004.***

Amortization expense for 2006 that was included in the 2006 revenue requirement was calculated based on the full year methodology.

Amortization expense related to additions in the 2004 that was included in the 2006 revenue requirement was calculated based on the full year methodology.

***c) If the 2004 depreciation expense did not use the half year rule for 2004, please provide a revised rate base trend table showing the net capital assets using the same method for calculating depreciation in the years 2005 through 2010 as used in 2010. Please use the half year rule for the 2011 test year.***

Please find attached a revised rate base trend table showing the net capital assets using the same method for calculating depreciation in the years 2005 through 2010 as used in 2004. The half year rule was used for the 2011 test year.

## X22 Rate Base Trend

EProbe - Page 7

	2006 EDR Approved	2006□ Actual	2007□ Actual	2008□ Actual	2009□ Actual	2010□ Projection
<i>Net Capital Assets in Service:</i>						
Opening Balance		20,786,739	22,082,158	25,040,288	25,907,752	28,719,436
Ending Balance		22,082,158	25,040,288	25,907,752	28,719,436	31,173,214
Average Balance	19,517,282	21,434,449	23,561,223	25,474,020	27,313,594	29,946,325
Working Capital Allowance (see below)	8,275,271	8,147,683	8,329,019	8,160,507	8,906,246	10,077,151
<b>Total Rate Base</b>	<b>27,792,554</b>	<b>29,582,132</b>	<b>31,890,242</b>	<b>33,634,527</b>	<b>36,219,840</b>	<b>40,023,476</b>
<i>Expenses for Working Capital</i>						
<i>Eligible Distribution Expenses:</i>						
3500-Distribution Expenses - Operation	988,566	978,901	1,237,794	1,857,541	2,284,260	2,502,904
3550-Distribution Expenses - Maintenance	1,324,768	898,832	991,615	850,416	776,254	930,012
3650-Billing and Collecting	1,230,573	831,733	729,219	666,337	434,268	622,503
3700-Community Relations	0	159,120	261,138	156,184	200,686	240,014
3800-Administrative and General Expenses	1,997,995	1,750,166	1,576,034	1,669,824	1,579,504	1,716,984
3950-Taxes Other Than Income Taxes	147,554	177,138	163,365	162,083	151,661	135,045
<b>Total Eligible Distribution Expenses</b>	<b>5,689,456</b>	<b>4,795,890</b>	<b>4,959,165</b>	<b>5,362,386</b>	<b>5,426,634</b>	<b>6,147,462</b>
3350-Power Supply Expenses	49,479,018	49,521,999	50,567,631	49,040,997	53,948,337	61,033,542
<b>Total Expenses for Working Capital</b>	<b>55,168,474</b>	<b>54,317,889</b>	<b>55,526,797</b>	<b>54,403,383</b>	<b>59,374,970</b>	<b>67,181,004</b>
Working Capital factor	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
<b>Working Capital Allowance</b>	<b>8,275,271</b>	<b>8,147,683</b>	<b>8,329,019</b>	<b>8,160,507</b>	<b>8,906,246</b>	<b>10,077,151</b>

EProbe - Page 8

**X22 Rate Base Trend**

	<b>2011□ Projection</b>
<i>Net Capital Assets in Service:</i>	
Opening Balance	31,173,214
Ending Balance	33,643,339
Average Balance	32,408,277
Working Capital Allowance (see below)	10,274,884
<b>Total Rate Base</b>	<b>42,683,161</b>

**Expenses for Working Capital**

<u>Eligible Distribution Expenses:</u>	
3500-Distribution Expenses - Operation	2,627,053
3550-Distribution Expenses - Maintenance	1,093,763
3650-Billing and Collecting	643,543
3700-Community Relations	413,492
3800-Administrative and General Expenses	2,073,056
3950-Taxes Other Than Income Taxes	130,000
Total Eligible Distribution Expenses	6,980,907
3350-Power Supply Expenses	61,518,323
Total Expenses for Working Capital	68,499,230
Working Capital factor	15.0%
<b>Working Capital Allowance</b>	<b>10,274,884</b>



# **Regulated Price Plan Price Report**

**November 1, 2010  
to  
October 31, 2011**

**Ontario Energy Board**

**October 18, 2010**



Table ES-1: Average RPP Supply Cost Summary (for the 12 months from November 1, 2010)

<b>RPP Supply Cost Summary</b>		
for the period from November 1, 2010 through October 31, 2011		
Forecast Wholesale Electricity Price		\$39.23
Load-Weighted Price for RPP Consumers (\$ / MWh)		\$42.16
Impact of the Global Adjustment (\$ / MWh)	+	\$26.38
Total Contract Cost		\$72.67
Market Value		(\$46.29)
Adjustment to Address Bias Towards Unfavourable Variance (\$ / MWh)	+	\$1.00
Adjustment to Clear Existing Variance (\$ / MWh)	+	(\$1.16)
Average Supply Cost for RPP Consumers (\$ / MWh)	=	<b>\$68.38</b>

Inevitably, there will be a difference between the actual and forecast cost of supplying electricity to all RPP consumers. This difference is referred to as the unexpected variance and will be included in the RPP supply cost for the next RPP period.

RPP consumers are not charged the average RPP supply cost (or the RPA). Rather, they pay prices under price structures that are designed to make their consumption weighted average price equal to the RPA. There are two RPP price structures, one for consumers with conventional meters (Tier Pricing) and one for consumers with eligible time-of-use (or "smart") meters who pay time-of-use (TOU) prices.

### Conventional Meter Regulated Price Plan (Tier Pricing)

The conventional meter RPP has prices in two tiers, one price (referred to as  $RPCMT_1$ ) for monthly consumption under a tier threshold and a higher price (referred to as  $RPCMT_2$ ) for consumption over the threshold. The threshold for residential consumers changes twice a year on a seasonal basis: to 600 kWh per month during the summer season (May 1 to October 31) and to 1000 kWh per month during the winter season (November 1 to April 30). The threshold for non-residential RPP consumers remains constant at 750 kWh per month for the entire year.

The resulting **tier prices** for consumers with conventional meters are:

- $RPCMT_1$  = 6.4 cents per kWh, and.
- $RPCMT_2$  = 7.4 cents per kWh.

Based on consumption over the 12 month period ending August 31, 2010, approximately 56% of RPP consumption was at the lower tier price ( $RPCMT_1$ ) and 44% was at the higher tier price ( $RPCMT_2$ ). This ratio is expected to remain the same in the upcoming RPP period. Given this split, the average price for conventional meter RPP consumption is forecast to be equal to the RPA.

The forecast cost of supply to RPP consumers under the Market Rules depends on two forecasts:

- The forecast of the simple average hourly Ontario electricity price (HOEP) in the IESO-administered market over all hours in each month of the year; and
- The forecast of the ratio of the load-weighted average market price paid by RPP consumers in each month to the simple average HOEP in that month.

The forecast of HOEP is taken directly from the Market Price Forecast Report. That report also contains a detailed explanation of the assumptions that underpin the forecast such as generator fuel prices (e.g., coal and natural gas). Table 1 below shows forecast seasonal on-peak, off-peak, and average prices. The prices provided in Table 1 are simple averages over all of the hours in the specified period (i.e., they are not load-weighted). These on-peak and off-peak periods differ from and should not be confused with the TOU periods associated with the RPP TOU prices discussed later in this report.

**Table 1: Ontario Electricity Market Price Forecast (\$ per MWh)**

Term	Quarter	Calendar Period	On-Peak	Off-Peak	Average	Term Average
RPP Year	Q1	Nov 10 - Jan 11	\$51.91	\$36.64	\$43.59	\$39.23
	Q2	Feb 11 - Apr 11	\$48.79	\$33.64	\$40.59	
	Q3	May 11 - Jul 11	\$44.52	\$27.21	\$35.20	
	Q4	Aug 11 - Oct 11	\$47.66	\$29.17	\$37.57	
Other	Q1	Nov 11 - Jan 12	\$46.77	\$30.42	\$37.87	\$35.88
	Q2	Feb 12 - Apr 12	\$42.27	\$26.70	\$33.85	

Source: Navigant Consulting, *Wholesale Electricity Market Price Forecast Report*

Note: On-peak hours include the hours ending at 8 a.m. through 11 p.m. Eastern Standard Time (EST) on working weekdays and off-peak hours include all other hours.

The forecasts of the monthly ratios of load-weighted vs. simple average HOEP are based on actual prices between April 2005 and September 2010.

As shown in Table 1, the forecast simple average HOEP for the period November 1, 2010 to October 31, 2011, is \$39.23 / MWh (3.923 cents per kWh). The forecast of the load weighted average price for RPP consumers ("M" in Equation 1) is \$42.16 / MWh (4.216 cents per kWh), or \$2.4 billion in total.

### 2.2.2 RPP Share of the Global Adjustment

Alpha (" $\alpha$ ") in Equation 1 represents the share of the Global Adjustment paid (or credited to) RPP consumers. Currently, the Global Adjustment is allocated based on each consumer's energy consumption. The first step in determining alpha is therefore to estimate RPP consumers' share of total consumption. Since the RPP was introduced, some consumers have chosen to leave the RPP program to sign competitive retail supply contracts. Some RPP consumers with interval meters have also chosen to purchase power in the spot market instead of under the RPP. Some consumers have also returned to the RPP from retail contracts. The

**Interrogatory # 13****Ref: Exhibit 3, Tab 1, Schedule 3**

**a) Please provide the prices for RPP and non-RPP customers used in the calculation of the weighted average price of \$0.06679.**

Please find below the prices for RPP and non-RPP customers used in the calculation of the weighted average price of \$0.06679.

**Table 1: Commodity Price – Weighted Average Price Calculation**  
**Forecast Prices based on RPP Report issued by OEB April 15, 2010**

Customer Class Name	2009 ACTUAL kWh's		
	Total	non-RPP	RPP
Residential	196,461,750	20,046,075	176,415,675
General Service Less Than 50 kW	93,350,687	19,270,681	74,080,006
General Service 50 to 4,999 kW	270,117,290	177,820,062	92,297,228
Large Use	148,002,869	148,002,869	
Unmetered Scattered Load	2,256,949	1,092,553	1,164,396
Street Lighting	3,992,185	3,992,185	
<b>TOTAL</b>	<b>714,181,730</b>	<b>370,224,425</b>	<b>343,957,305</b>
<b>%</b>	<b>100.00%</b>	<b>51.84%</b>	<b>48.16%</b>
<b><u>Forecast Price</u></b>			
HOEP (\$/MWh)		\$36.66	
Global Adjustment (\$/MWh)		\$27.72	
<b>TOTAL (\$/MWh)</b>		<b>\$64.38</b>	<b>\$69.38</b>
<b>\$/kWh</b>		<b>\$0.06438</b>	<b>\$0.06938</b>
<b>%</b>		<b>51.84%</b>	<b>48.16%</b>
<b>WEIGHTED AVERAGE PRICE</b>	<b>\$0.06679</b>	<b>\$0.0334</b>	<b>\$0.0334</b>

**Note:** The above table was to have appeared in the Application as Exhibit 3/Tab 1/Schedule 3 Attachment 2 however was erroneously left out during publication.

**b) Please provide the percentage of RPP and non-RPP volumes used to weight the price.**

See Interrogatory Response to #13 part a).

**c) Please explain why the Adjustment to Address Bias Towards Unfavourable Variance and the Adjustment to Clear Existing Variance charges are not included in the non-RPP price.**

The forecasts presented in the OEB Regulated Price Plan Price Reports are for RPP customers not non-RPP customers. The two variances - Adjustment to Address Bias Towards Unfavourable Variance and the Adjustment to Clear Existing Variance appear to be unique to the RPP pricing mechanism and therefore excluded from the calculation for non-RPP forecasted prices. The inclusion of these variables in the non-RPP price would confuse the results.

**d) Please update the cost of power to reflect the figures in the Regulated Price Plan Report issued by the OEB October 18, 2010. Please show all calculations used to generate the weighted average price.**

Please find in Table 2 below the weighted average price forecast based on RPP Report issued by OEB on October 18, 2010.

**Table 2: Commodity Price – Weighted Average Price Calculation**  
Forecast Prices based on RPP Report issued by OEB October 18, 2010

Customer Class Name	2009 ACTUAL kWh's		
	Total	non-RPP	RPP
Residential	196,461,750	20,046,075	176,415,675
General Service Less Than 50 kW	93,350,687	19,270,681	74,080,006
General Service 50 to 4,999 kW	270,117,290	177,820,062	92,297,228
Large Use	148,002,869	148,002,869	
Unmetered Scattered Load	2,256,949	1,092,553	1,164,396
Street Lighting	3,992,185	3,992,185	
<b>TOTAL</b>	<b>714,181,730</b>	<b>370,224,425</b>	<b>343,957,305</b>
<b>%</b>	<b>100.00%</b>	<b>51.84%</b>	<b>48.16%</b>
<b>Forecast Price</b>			
HOEP (\$/MWh)		\$39.23	
Global Adjustment (\$/MWh)		\$26.38	
<b>TOTAL (\$/MWh)</b>		<b>\$65.61</b>	<b>\$68.38</b>
<b>\$/kWh</b>		<b>\$0.06561</b>	<b>\$0.06838</b>
<b>%</b>		<b>51.84%</b>	<b>48.16%</b>
<b>WEIGHTED AVERAGE PRICE</b>	<b>\$0.06694</b>	<b>\$0.0340</b>	<b>\$0.0329</b>

Please find below in Table 3 an updated 2011 cost of power (re: Ex 3/Tab 1/Sch 3 Att 1) that reflects the figures in the RPP Report issued by the OEB October 18, 2010.

**Table 3: Projected Power Supply Expenses- 2011 Electricity (commodity) updated**

<b>Projected Power Supply Expenses</b>									
<i>2011 Electricity (Commodity) Updated to reflect OEB's RPP Report issued October 18, 2010</i>									
<b>Electricity (Commodity)</b>	<b>Customer Class Name</b>	<b>Revenue USA #</b>	<b>Expense USA #</b>	<b>2010 rate (\$/kWh): \$0.06679</b>			<b>2011 rate (\$/kWh): \$0.06694</b>		
				<b>Volume</b>	<b>Rate</b>	<b>Amount</b>	<b>Volume</b>	<b>Rate</b>	<b>Amount</b>
kWh	Residential	4006	4705	202,426,346		13,519,661	201,040,239		13,458,450
kWh	General Service Less Than 50 kW	4035	4705	94,902,657		6,338,364	95,947,998		6,423,149
kWh	General Service 50 to 4,999 kW	4035	4705	271,068,607		18,104,144	267,940,113		17,936,999
kWh	Large Use	4015	4705	156,192,477		10,431,791	156,792,113		10,496,301
kWh	Unmetered Scattered Load	4035	4705	2,343,927		156,546	2,353,301		157,540
kWh	Street Lighting	4025	4705	4,146,033		276,905	4,162,618		278,663
	<b>TOTAL</b>			<b>731,080,048</b>		<b>48,827,412</b>	<b>728,236,382</b>		<b>48,751,100</b>
<b>Transmission - Network</b>	<b>Customer Class Name</b>	<b>Revenue USA #</b>	<b>Expense USA #</b>	<b>2010</b>			<b>2011</b>		
				<b>Volume</b>	<b>Rate</b>	<b>Amount</b>	<b>Volume</b>	<b>Rate</b>	<b>Amount</b>
kWh	Residential	4066	4714	202,426,346	\$0.0055	1,113,345	201,040,239	\$0.0057	1,145,929
kWh	General Service Less Than 50 kW	4066	4714	94,902,657	\$0.0050	474,513	95,947,998	\$0.0052	498,930
kWh	General Service 50 to 4,999 kW	4066	4714	708,464	\$2.1925	1,553,307	700,287	\$2.2797	1,596,444
kWh	Large Use	4066	4714	300,505	\$2.6418	793,874	301,658	\$2.7466	828,594
kWh	Unmetered Scattered Load	4066	4714	2,343,927	\$0.0055	12,892	2,353,301	\$0.0057	13,414
kWh	Street Lighting	4066	4714	11,291	\$1.5837	17,882	11,336	\$1.6467	18,667
	<b>TOTAL</b>			<b>300,693,190</b>		<b>3,965,813</b>	<b>300,354,819</b>		<b>4,101,978</b>
<b>Transmission - Connection</b>	<b>Customer Class Name</b>	<b>Revenue USA #</b>	<b>Expense USA #</b>	<b>2010</b>			<b>2011</b>		
				<b>Volume</b>	<b>Rate</b>	<b>Amount</b>	<b>Volume</b>	<b>Rate</b>	<b>Amount</b>
kWh	Residential	4068	4716	202,426,346	\$0.0046	931,161	201,040,239	\$0.0050	1,005,201
kWh	General Service Less Than 50 kW	4068	4716	94,902,657	\$0.0042	398,591	95,947,998	\$0.0046	441,361
kWh	General Service 50 to 4,999 kW	4068	4716	708,464	\$1.8244	1,292,522	700,287	\$1.9813	1,387,479
kWh	Large Use	4068	4716	300,505	\$2.1984	660,630	301,658	\$2.3874	720,178
kWh	Unmetered Scattered Load	4068	4716	2,343,927	\$0.0046	10,782	2,353,301	\$0.0050	11,767
kWh	Street Lighting	4068	4716	11,291	\$1.3178	14,879	11,336	\$1.4311	16,223
	<b>TOTAL</b>			<b>300,693,190</b>		<b>3,308,566</b>	<b>300,354,819</b>		<b>3,582,208</b>
<b>Wholesale Market Service</b>	<b>Customer Class Name</b>	<b>Revenue USA #</b>	<b>Expense USA #</b>	<b>2010 rate (\$/kWh): \$0.00520</b>			<b>2011 rate (\$/kWh): \$0.00520</b>		
				<b>Volume</b>	<b>Rate</b>	<b>Amount</b>	<b>Volume</b>	<b>Rate</b>	<b>Amount</b>
kWh	Residential	4062	4708	202,426,346		1,052,617	201,040,239		1,045,409
kWh	General Service Less Than 50 kW	4062	4708	94,902,657		493,494	95,947,998		498,930
kWh	General Service 50 to 4,999 kW	4062	4708	271,068,607		1,409,557	267,940,113		1,393,289
kWh	Large Use	4062	4708	156,192,477		812,201	156,792,113		815,319
kWh	Unmetered Scattered Load	4062	4708	2,343,927		12,188	2,353,301		12,237
kWh	Street Lighting	4062	4708	4,146,033		21,559	4,162,618		21,646
	<b>TOTAL</b>			<b>731,080,048</b>		<b>3,801,616</b>	<b>728,236,382</b>		<b>3,786,829</b>
<b>Rural Rate Protection</b>	<b>Customer Class Name</b>	<b>Revenue USA #</b>	<b>Expense USA #</b>	<b>2010 rate (\$/kWh): \$0.00130</b>			<b>2011 rate (\$/kWh): \$0.00130</b>		
				<b>Volume</b>	<b>Rate</b>	<b>Amount</b>	<b>Volume</b>	<b>Rate</b>	<b>Amount</b>
kWh	Residential	4062	4730	202,426,346		263,154	201,040,239		261,352
kWh	General Service Less Than 50 kW	4062	4730	94,902,657		123,373	95,947,998		124,732
kWh	General Service 50 to 4,999 kW	4062	4730	271,068,607		352,389	267,940,113		348,322
kWh	Large Use	4062	4730	156,192,477		203,050	156,792,113		203,830
kWh	Unmetered Scattered Load	4062	4730	2,343,927		3,047	2,353,301		3,059
kWh	Street Lighting	4062	4730	4,146,033		5,390	4,162,618		5,411
	<b>TOTAL</b>			<b>731,080,048</b>		<b>950,404</b>	<b>728,236,382</b>		<b>946,707</b>
<b>Debt Retirement Charge</b>	<b>Customer Class Name</b>	<b>Revenue USA #</b>	<b>Expense USA #</b>	<b>2010 rate (\$/kWh): \$0.00700</b>			<b>2011 rate (\$/kWh): \$0.00700</b>		
				<b>Volume</b>	<b>Rate</b>	<b>Amount</b>	<b>Volume</b>	<b>Rate</b>	<b>Amount</b>
	<b>TOTAL</b>								
<b>Low Voltage Charges</b>	<b>Customer Class Name</b>	<b>Revenue USA #</b>	<b>Expense USA #</b>	<b>2010</b>			<b>2011</b>		
				<b>Volume</b>	<b>Rate</b>	<b>Amount</b>	<b>Volume</b>	<b>Rate</b>	<b>Amount</b>
kWh	Residential	4075	4750	195,694,457	\$0.0002	39,139	194,354,446	\$0.0007	136,048
kWh	General Service Less Than 50 kW	4075	4750	91,746,575	\$0.0002	18,349	92,757,152	\$0.0006	55,654
kWh	General Service 50 to 4,999 kW	4075	4750	708,464	\$0.1070	75,806	700,287	\$0.2517	176,262
kWh	Large Use	4075	4750	300,505	\$0.1506	45,256	301,658	\$0.3033	91,493
kWh	Unmetered Scattered Load	4075	4750	2,265,977	\$0.0002	453	2,275,040	\$0.0007	1,593
kWh	Street Lighting	4075	4750	11,291	\$0.0645	728	11,336	\$0.1818	2,061
	<b>TOTAL</b>			<b>290,727,269</b>		<b>179,731</b>	<b>290,399,919</b>		<b>463,111</b>
<b>GRAND TOTAL</b>						<b>61,033,542</b>			<b>61,631,935</b>

***e) If the weighted average price calculated in (d) above is based on the November, 2010 through October, 2011 prices, please explain why it would not be more appropriate to use the May, 2011 through April, 2012 prices to match the period for which rates are being requested.***

The November, 2010 through October 2011 prices are the most suitable reflection of the 2011 Test year, which serves as the basis for rates for the 2011 rate year.

<u>May, 2011 - April, 2012</u>			<u>January, 2011 - December, 2011</u>		
Months	Price		Months	Price	
May-Jul	3	35.20	Jan	1	43.59
Aug-Oct	3	37.57	Feb-Apr	3	40.59
Nov-Jan	3	37.87	May-Jul	3	35.20
Feb-Apr	3	33.85	Aug-Oct	3	37.57
			Nov-Dec	2	37.87
Weighted Average		36.12	Weighted Average		38.28
Global Adjustment		<u>26.38</u>	Global Adjustment		<u>26.38</u>
Non-RPP Price		62.50	Non-RPP Price		64.66
Load Weighted Price for RPP Consumers		42.16	Load Weighted Price for RPP Consumers		42.16
Forecast Wholesale Electricity Price		39.23	Forecast Wholesale Electricity Price		39.23
Ratio		1.0746877	Ratio		1.074688
May-Apr Weighted Average		36.12	Jan-Dec Weighted Average		38.28
May-Apr Load Weighted Price for RPP Consumers		38.82	Jan-Dec Load Weighted Price for RPP Consumers		41.14
Global Adjustment		26.38	Global Adjustment		26.38
Adjustment to Address Bias		1.00	Adjustment to Address Bias		1.00
Adjustment to Clear Existing Variance		<u>-1.16</u>	Adjustment to Clear Existing Variance		<u>-1.16</u>
RPP Price		65.04	RPP Price		67.36
Weighted Average		63.72	Weighted Average		65.96
(51.84% non-RPP, 48.16% RPP)			(51.84% non-RPP, 48.16% RPP)		
Difference in Average Rate from 66.94		-3.22	Difference in Average Rate from 66.94		-0.98
Difference in Gas Costs (728,236,382 kWh)		-2,344,921	Difference in Gas Costs (728,236,382 kWh)		-713,672

CAPITAL ADDITIONS

2005	2006	2007	2008	2009	2010	2011
2,202,712	2,673,516	4,513,916	2,519,141	4,648,288	4,446,000	4,513,000
					3,215,025	5,433,500
Average of three highest years (2007, 2009, 2010)						4,125,743

Sources:

- (1) Exhibit 2, Tab 4, Schedule 1, Attachment 1
- (2) Settlement Sgreement dated January 12, 2011
- (3) Updated evidence letter dated February 4, 2011



Kingston Hydro Corporation		
Summary Forecast of 2012 and 2013 Expenditures	2012	2013
1820 - DISTRIBUTION STATION EQUIPMENT	\$1,500,000	\$9,450,000
1830 - POLES, TOWERS AND FIXTURES	\$284,000	\$284,000
1835 - OVERHEAD CONDUCTORS AND DEVICES	\$759,000	\$759,000
1840 - UNDERGROUND CONDUIT	\$642,000	\$642,000
1845 - UNDERGROUND CONDUCTORS AND DEVICES	\$730,000	\$730,000
1850 - LINE TRANSFORMERS	\$192,000	\$192,000
1855 - SERVICES	\$124,000	\$124,000
1860 - METERS	\$100,000	\$100,000
1925 - COMPUTER SOFTWARE	\$146,000	\$146,000
1940 - TOOLS, SHOP AND GARAGE EQPT	\$66,000	\$66,000
1980 - SYSTEMS SUPERVISORY EQUIPMENT	\$157,000	\$157,000
<b>Estimated Totals</b>	<b>\$4,700,000</b>	<b>\$12,650,000</b>

***Interrogatory # 53***

***Ref: Updated Evidence of February 4, 2011, Appendix B***

- a) Please provide the monthly balances forecast that result in the average amount of Kingston Hydro funds in the City's bank account of \$5,579,323.***

The average amount of Kingston Hydro's funds in the City's bank account was based on an estimated beginning of year (January 1, 2011) amount of \$5,423,936 and the end of year (December 31, 2011) amount of \$5,734,709. Kingston Hydro has not estimated balances for each month of 2011.

- b) What was the amount of Kingston Hydro funds in the City's bank account at the end of 2010?***

Approximately \$2,100,000 was in Kingston Hydro's bank account at December 31, 2010.

- c) Has Kingston Hydro sought to place some of the funds held in the City's bank account into short term investments that pay a rate higher than price less 165 basis points? If not, why not?***

Kingston Hydro has not sought to place any funds into short term investments. Kingston Hydro believes that it does not have excess funds to invest outside of a bank account. The amount planned to be in the bank account plus the amount of accounts receivable that is collected in a month, is needed to pay for the following month's IESO invoice plus current expenditures coming due in a month.

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## Weighted Average Cost of Debt

### DEBT OUTSTANDING IN 2011

Description	Amount	Issue Date (dd-mmm-yyyy)	Term Date (dd-mmm-yyyy)	Interest Rate (a)	Other Costs (b)	Annual Cost
City of Kingston	10,880,619	1-Jan-2000		7.25%		788,845
TD Bank Capital Loan	2,452,652	20-May-2009	20-May-2019	3.25%		79,711
TD Bank Smart Meters	6,000,000	1-Dec-2010	31-Dec-2020	4.50%		270,000
TD Bank 2009 Capital Loan	2,213,216	1-Dec-2010	1-Dec-2030	4.84%		107,120
TD Bank 2010 Capital Loan	2,557,493	1-Dec-2010	1-Dec-2030	4.84%		123,783
TD Bank 2011 Capital Loan	2,167,550	30-Jun-2011	30-Jun-2031	5.00%		108,378

### DEBT OUTSTANDING IN 2011

Description	Effective Rate	Days o/s in 2011	Average Balance	2011 Cost	2011 Ending Balance	Debt o/s USA #	Int. Expense USA #
City of Kingston	7.25%	365	10,880,619	788,845	10,880,619	2525	6030
TD Bank Capital Loan	3.25%	365	2,452,652	79,711	2,452,652	2550	6005
TD Bank Smart Meters	4.50%	365	6,000,000	270,000	6,000,000	2550	6005
TD Bank 2009 Capital Loan	4.84%	365	2,213,216	107,120	2,213,216	2550	6005
TD Bank 2010 Capital Loan	4.84%	365	2,557,493	123,783	2,557,493	2550	6005
TD Bank 2011 Capital Loan	5.00%	185	1,098,621	54,931	2,167,550	2550	6005
<b>TOTAL</b>	<b>5.65%</b>		<b>25,202,601</b>	<b>1,424,389</b>	<b>26,271,530</b>		

(a) Rate applicable for rate-setting purposes (note: current deemed rate is 5.87%)

(b) If actual interest rate applies, enter annual charges other than interest (e.g. commitment fees, amortization of issuance costs, etc.)

OPERATING, MAINTENANCE AND ADMINISTRATIVE EXPENSES

	Actual <u>2006</u>	Actual <u>2007</u>	Actual <u>2008</u>	Actual <u>2009</u>	Bridge <u>2010</u>	Test <u>2011</u>	Average Annual Variance
Operations	978,901	1,237,794	1,857,541	2,284,260	2,502,904	2,627,053	21.8%
Maintenance	898,832	991,615	850,416	776,254	930,012	1,093,763	4.0%
Billing and Collecting	831,733	729,219	666,337	434,268	622,503	643,543	-5.0%
Community Relations	159,120	261,138	156,184	200,686	240,014	413,492	21.0%
Administrative and General	<u>1,750,166</u>	<u>1,576,034</u>	<u>1,669,824</u>	<u>1,579,504</u>	<u>1,716,984</u>	<u>2,073,056</u>	3.4%
Updated Evidence						<u>102,734</u>	
Total OM&A Expenses	4,618,752	4,795,800	5,200,302	5,274,972	6,012,417	6,953,641	8.5%
% Change		3.8%	8.4%	1.4%	14.0%	15.7%	
Inflation Rate - Ontario		1.8%	1.5%	1.2%	2.0%	2.0%	1.7%

Sources:

(1) Exhibit 4, Tab 2, Schedule 1, Tables 2-6

(2) Updated evidence letter dated February 4, 2011

OM&A COST PER FTE

	<u>2006</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	Average Annual Variance
Customers	26,166	26,724	26,845	26,977	
% change (annualized)		0.7%	0.5%	0.5%	0.6%
FTEs	38.74	43.79	48.17	60.91	
% change (annualized)		4.2%	10.0%	26.4%	9.5%
Customers/FTE	675	610	557	443	
% change (annualized)		-3.3%	-8.7%	-20.5%	-8.1%
2006 - 2010					-4.7%
2006 - 2009					-3.3%

Sources:

(1) Exhibit 3, Tab 1, Schedule 1, Attachment 1 (excludes USL and street lighting)

(2) Exhibit 4, Tab 4, Schedule 1, Table 1

**Interrogatory # 20****Ref: Exhibit 4, Tab 2, Schedule 1*****Please provide a table in the same format as Table 5 that shows the most recent year-to-date actual expenditures for 2010 to the corresponding year-to-date period for 2009.***

Below is a table comparing actual expenditures as of September 30, 2009 to September 30, 2010.

OM&A Expenses	2009 Actuals as of September 30, 2009	2010 Actuals as of September 30, 2010	Variance \$	Variance %
Operations	1,658,311	1,711,543	53,232	3%
Maintenance	538,189	574,142	35,952	7%
Billing and Collecting	437,928	445,456	7,528	2%
Community Relations	137,100	156,605	19,505	14%
Administrative and General	1,194,350	1,260,048	65,699	6%
<b>Total OM&amp;A Expenses</b>	<b>3,965,878</b>	<b>4,147,794</b>	<b>181,915</b>	<b>5%</b>

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

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

**Second Round Interrogatory #9**

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

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

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

**a. Please confirm that for the historic, bridge, and test years 2009 through 2011 the number of full time employees actually directly employed or forecasted to be directly employed by Kingston Hydro, the regulated utility, is zero. If this is not the case, please provide the relevant numbers.**

Confirmed.

**b. Please confirm that for 2009, the number of full time employees for which Kingston Hydro issued the federal government Statement of Remuneration Paid (T4s) is zero. If this is not the case, please provide the relevant number.**

Confirmed.

**c. Please explain why the dollar value of the additions and deductions of other post-employment benefit reserves are correct in relation to the actual number of employees directly employed by Kingston Hydro, the regulated utility.**

The dollar value of the additions and deductions of other future benefit liability reserves are correct in relation to the actual number of employees who service Kingston Hydro. An actuarial report is used to arrive at the numbers based on an identified number of employees that are employed by Utilities Kingston but perform work for Kingston Hydro. Kingston Hydro is responsible for these charges in accordance with the UK/KH agreement included in the application at Exhibit 1 Tab 2 Schedule 3 Attachment 3. For tax purposes, the accrued future benefit liabilities are considered a contingent liability and are not deductible as accrued, but rather deductible when the expense is

actually paid. The PILs adjustment made through Schedule 1 to the tax return effectively converts the expense from being deducted on an accrual basis to a deduction on a cash paid basis.

- d. Please provide a schedule with an updated 2011 test year PILs provision and the relevant tables and schedules excluding the addition and deduction of book to tax adjustments of end of year (\$1,544,435) and beginning of year (\$1,254,336) post-employment benefit reserves.**

Please find schedule attached.

- e. Please provide the most recent actuarial valuations of other post-employment benefits for Kingston Hydro, the regulated utility, for the period 2009.**

The following table is included in Actuarial Update of the City of Kingston's December 31, 2007 Retirement Benefit and Accumulated Sick Leave PSAB Valuation Results to December 31, 2009.

### Utilities

	2009	2008	2007
Accrued Benefit Obligation January 1st	\$ 4,305,007	\$ 4,239,741	\$ 3,769,248
Add: Benefit/Service Cost	\$ 159,245	\$ 148,688	\$ 73,231
Increase due to plan amendment	\$ -	\$ -	\$ -
Interest	\$ 210,255	\$ 208,408	\$ 218,983
Less: Expected Benefit Payments	\$ 359,044	\$ 291,831	\$ 312,306
Expected Accrued Benefit Obligation at December 31st	\$ 4,315,463	\$ 4,305,007	\$ 3,749,155
Actual Accrued Benefit Obligation at December 31st	\$ 4,315,463	\$ 4,305,007	\$ 4,239,741
Unamortized actuarial gain / (loss) from 2007 Valuation	\$ (518,727)	\$ (452,848)	\$ (490,585)
Unamortized actuarial gain / (loss) from 2004 Valuation	\$ (415,111)	\$ (605,182)	\$ (691,636)
Liability at December 31st (to be reported on Balance Sheet)	\$ 3,381,625	\$ 3,246,977	\$ 3,057,519

Please see attachment for excerpt from the City's 2009 report.

Note 5 (a) of the December 31, 2009 audited financial statements of 1425445 Ontario Limited (Operating as Utilities Kingston) reflect the 2009 liability at December 31<sup>st</sup> of \$3,381,625 per the above table.

***Attachment 3 (of 5):***

***Service Level Agreement between 1425446 Ontario  
Limited (now Kingston Hydro Corporation) and 1425445  
Ontario Limited***



**MANAGEMENT AGREEMENT**

This Agreement made this 1<sup>st</sup> day of November, 2000.

**BETWEEN:**

**1425446 Ontario Limited (Wires Co)**

and

**1425445 Ontario Limited (Services Co)**

WHEREAS Wires Co has been incorporated as a business corporation pursuant to the provisions of Section 142 of the Electricity Act, 1998;

AND WHEREAS Services Co has been incorporated as an affiliated business corporation of Wires Co, as defined in the Business Corporations Act (Ontario), pursuant to Sections 71 and 73 of the Ontario Energy Board Act, 1998;

AND WHEREAS Wires Co will be carrying on an electricity distribution business pursuant to the Electricity Act, 1998, and the Ontario Energy Board Act, 1998;

AND WHEREAS Wires Co wishes to contract with Services Co to manage and operate the electricity distribution business, and to provide certain services to Wires Co as described in Schedule "A" attached hereto as part of this Agreement;

AND WHEREAS Services Co has agreed to manage and operate the said electricity distribution business, and provide the services as described in Schedule "A" in a diligent and timely manner in accordance with this Agreement;

THIS AGREEMENT WITNESSES that, in consideration of the mutual covenants and agreements herein contained, the parties hereby covenant and agree with each other as follows:

**1. DEFINITIONS**

- (a) "City" means the Corporation of the City of Kingston.
- (b) "Code" means the Affiliate Relationships Code issued by the Ontario Energy Board.
- (c) "Licence" means the Transitional Distribution Licence dated April 1, 1999, issued by the Ontario Energy Board and any subsequent licence issued by the Ontario Energy Board.
- (d) "Records" means the bookkeeping, accounting and record keeping system to be established and maintained by Services Co.

**2. RETAINER**

Wires Co hereby retains Services Co for the purpose of managing and operating its electricity distribution business, and providing the services described in Schedule "A" of this Agreement.

**3. SERVICES CO's OBLIGATIONS**

(a) Services Co shall manage and operate the electricity distribution business and provide the services described in Schedule "A" attached hereto in a diligent and timely manner, in accordance with the terms and conditions of this Agreement.

(b) In fulfilling its duties and responsibilities pursuant to this Agreement Services Co agrees to comply with all reasonable instructions received from Wires Co.

**4. TERM**

The term of this Agreement shall commence on November 7, 2000, and continue thereafter until terminated as provided herein.

**5. BUDGET**

Services Co's budget with respect to the projected revenue and cost of the services to be provided by it pursuant to this Agreement, including Services Co's compensation for the services provided herein, shall be set annually by Wires Co, in consultation with Services Co.

**6. RECORDS**

- (a) Services Co shall keep records conforming to the requirements prescribed from time to time by Wires Co.
- (b) Services Co shall keep its records associated with the services to be provided to Wires Co separate from any records associated with any other business activities to be carried on by Services Co, as required by section 72 of the Electricity Act, 1998, and the Licence.
- (c) Services Co shall furnish Wires Co with access to such records, including copies of documents therefrom, as Wires Co may require from time to time.
- (d) Services Co agrees that Wires Co shall have the right, upon twelve (12) hours notice to Services Co, to enter Services Co's premises during business hours to

conduct an audit of Services Co's records in respect of the management of the electricity distribution business and the provision of services pursuant to this Agreement.

**7. RATES & CHARGES**

The rates and charges for services provided to customers in the City of Kingston by Services Co pursuant to this Agreement will be determined by Wires Co in consultation with Services Co, and be subject to any limits imposed by the Ontario Energy Board.

**8. MANAGEMENT AND PERSONNEL**

- (a) Services Co acknowledges that it is solely responsible for the control and management of its employees.
- (b) Services Co shall provide sufficient and qualified management, supervisory and operations personnel, and support services to provide the management and delivery of the services under this Agreement, including the appropriate supervision for all such personnel.



- (c) Services Co shall be solely responsible for all employees on its payroll, and shall comply with applicable collective agreements, provincial legislation, and payroll obligations, including without limitation, federal and provincial income taxes, insurance premiums, contributions to benefit and compensation plans and similar obligations. Services Co shall maintain in good standing workers' compensation, pursuant to provincial law, covering all its employees who may be employed to provide services under this Agreement.

**9. COMPLIANCE WITH LEGISLATION, LICENCE AND AFFILIATE'S CODE**

- (a) Services Co shall abide by, and ensure that its officers, employees, agents and representatives abide by the provisions of all applicable municipal, provincial and federal legislation, including, without limitation, the by-laws and resolutions of the City of Kingston, the Electricity Act, 1998, the Ontario Energy Board Act, 1998, relevant provisions of the Licence, and future licences issued by the Ontario Energy Board, the Code and the other codes referred to in the Licence or future licences, and any directives which may be issued by Wires Co from time to time with regard to the electricity distribution business and the services described in Schedule "A" attached hereto. The foregoing obligations shall survive the termination of this Agreement and shall continue until any applicable statutory limitation period has expired.

- (b) Services Co shall perform periodic reviews to ensure compliance with the Code and provide Wires Co with copies of those reviews at its request. Wires Co shall co-operate as necessary with Services Co's compliance initiatives.

**10. NON DISCLOSURE OF AGREEMENT**

The parties acknowledge and agree that the provisions of this Agreement are confidential to the parties, and that they will keep the provisions of this Agreement confidential. Without limiting the foregoing, the parties acknowledge and agree that the provisions of this Agreement constitute commercial and financial information which has been supplied in confidence, and that disclosure of the provisions of this Agreement can reasonably be expected to harm significantly the financial and/or economic interests of the parties. The parties agree that they will use reasonable efforts to keep any confidential information that comes to the attention of a party as a result of this Agreement as confidential. Despite the foregoing, the parties may disclose provisions of this Agreement, including such confidential information:

- (a) To their employees, agents, representatives, legal counsel and other professional advisors, to the extent reasonably necessary for them to carry out their duties;
- (b) As required by law;

- (c) To Wires Co's Shareholder, the City, during the normal course of reporting and providing information to the City; and
- (d) As required by order of a Court or government authority.

## 11 CONFIDENTIAL INFORMATION

The parties recognize that in accordance with the Code, all information Services Co receives from Wires Co relating to specific customers, retailers, or generators is confidential information, and Services Co undertakes that such confidential information shall not be disclosed by it, except as may be necessary in the proper discharge of its duties under this Agreement, or used for any purpose other than the specific business purposes for which it has received the confidential information. Services Co shall ensure that those employees who have access to such confidential information agree to abide by the Code and Services Co's undertaking. The foregoing obligation shall survive the termination of this Agreement.

## 12. INSURANCE

Services Co shall obtain and keep in force during the term of this Agreement, for the protection of Services Co and Wires Co, insurance coverage as follows:



- (a) Comprehensive general, bodily injury, and property damage liability insurance with limits of not less than \$5,000,000 inclusive per occurrence for bodily injury, death, and damage to property including loss thereof.
- (b) Umbrella coverage with limits of not less than \$10,000,000 per occurrence.
- (c) Automobile liability insurance with respect to the licensed vehicles which have limits of not less than \$5,000,000 per occurrence in the following forms endorsed to provide both parties with not less than 15 days notice in advance of any cancellation, change or amendment respecting coverage:
  - (i) Standard non-owned automobile policy including standard contractual liability endorsement.
  - (ii) Standard owner's form automobile policy providing third party liability and accident benefits insurance, and covering licensed vehicles owned or operated by or on behalf of Services Co.
- (d) All Risks Contractors' Equipment Insurance covering construction machinery and equipment used by Services Co for maintenance and repair of Wires Co's distribution lines, poles and installations, and extensions and additions thereto.
- (e) Such other coverage as may be agreed upon by the parties.

- (f) Such coverages shall be in the joint names of Services Co and Wires Co, with loss payable to Services Co and Wires Co, as their respective interests may appear.

**13. INDEMNIFICATION**

The parties shall defend, fully indemnify and hold harmless each other, and their respective officers, employees, agents and representatives, from any and all manner of actions, causes of action, proceedings, claims, demands, penalties, fines, and costs, including without limitation, all legal costs and disbursements that might be incurred, which the other party may suffer, or which may hereafter be sustained or incurred by reason of, or in any way arising out of such damage, loss, or injury, including death, to any property or person, as a result of its failure or negligence, or its failure to comply at any time with the provisions of this Agreement.

**14. TERMINATION**

(a) EVENTS OF TERMINATION

- (i) If either party breaches a material term of this Agreement, the non-breaching party shall give written notice to other of such breach; if the breach is remedied within 15 days, the notice shall be null and void; if the breach is not or cannot be remedied by the breaching party within

the 15 days as aforesaid, or within such longer period as may have been stipulated for in such notice, this Agreement may be terminated at the discretion of the non-breaching party. Said termination shall take effect 30 days from the end of the notice period.

- (ii) If Services Co goes into receivership or makes an assignment of bankruptcy, or gives notice of insolvency or pending insolvency, Wires Co may elect to terminate this Agreement immediately.

(b) NOTICE OF TERMINATION

Either party may terminate this Agreement at any time upon six months prior written notice to the other party.

**15. PROPRIETARY INFORMATION.**

Services Co agrees that in accordance with the provisions of the Code respecting Equal Access to Services, it will not:

- (a) use the name, logo or other distinguishing characteristics of Wires Co in association with the services it supplies pursuant to this Agreement in a way which would mislead customers as to the distinction between Wires Co. and Services Co; and

- (b) make reference to Wires Co in its marketing material or indicate to its customers, expressly or by implication, that its customers will receive favoured treatment by or preferential access to Wires Co's system.

**16. AUTHORIZED REPRESENTATIVES**

- (a) Wires Co hereby appoints the Chair of Wires Co as its authorized representative to deal with Services Co, with authority to act for and on behalf of Wires Co respecting the day to day administration of this Agreement.
- (b) Services Co hereby appoints the President and Chief Executive Officer of Services Co as its authorized representative to deal with Wires Co, with authority to act for and on behalf of Services Co respecting the day to day administration of this Agreement.

**17. FAILURE TO COMPLY**

The failure of either party to enforce or insist upon compliance with any of the terms and conditions of this Agreement, or a waiver of any default under this Agreement, shall not constitute a general waiver or relinquishment of any such term or condition, or of any subsequent default of the same or any other term or condition of this Agreement, but the same shall be and remain at all times in full force and effect.

**18. FORCE MAJEURE**

Neither of the parties shall be liable for delay in or failure to perform their respective obligations under this Agreement when such failure is caused by events beyond the reasonable control of either party, such as fire, explosion, flood, act of God or inevitable accident, civil disorder or disturbance, vandalism, war, riot, sabotage, weather or energy related closings, governmental actions or regulations, nor for real or personal property destroyed or damaged due to such events; in the event of such catastrophe, the parties' obligations shall cease until the cause of such delay or failure is resolved or repaired. The parties shall explore all reasonable avenues available to avoid or resolve events of force majeure in the shortest possible time.

**19. STRIKES**

In the event of a strike, the parties shall use reasonable efforts to perform their obligations under this Agreement at a satisfactory level as mutually agreed upon by them. The compensation terms of this Agreement may be modified to allow for changes in service or requirements during the period of the strike.



**20. NOTICES**

Any notice or communication required or permitted to be given under this Agreement shall be valid only if delivered in writing in accordance with this clause.

Notices can be provided as follows:

Wires Co: The Mayor  
The Corporation of the City of Kingston  
City Hall  
216 Ontario Street  
Kingston, Ontario K7L 2Z3

Services Co: The President and Chief Executive Officer  
Services Co  
211 Counter Street  
Kingston, Ontario K7L 4X7

**21. AMENDMENTS**

No amendment to this Agreement shall be of any force or effect unless by writing and signed by both parties.

**22. SEVERABILITY**

If any term or provision of this Agreement is held by competent authority to be invalid, illegal or unenforceable for any reason, the remaining provisions of this Agreement, and its Schedule shall continue in full force and effect.

**23. ASSIGNMENT**

This Agreement may not be assigned by either party to a third party, without the written consent of the other party.

**24. GOVERNING LAW**

This Agreement shall be construed and enforced in accordance with the laws of the Province of Ontario.

**25. TIME OF THE ESSENCE**

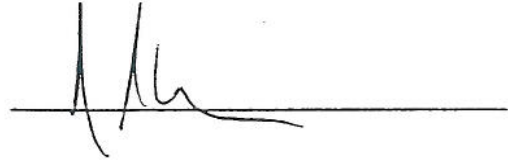
Time is of the essence in this Agreement and all of the provisions of it.

**26. ENTIRE AGREEMENT**

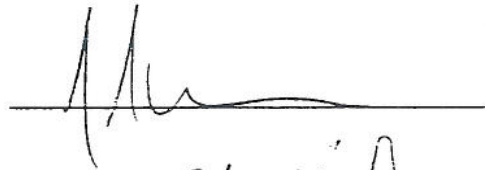
This Agreement, together with the Schedule attached hereto, constitutes the entire agreement between the parties with respect to the matters herein, and supersedes all prior oral or written representations and agreements.

IN WITNESS WHEREOF, the parties have duly executed this Agreement

1425446 Ontario Limited

A handwritten signature in black ink, consisting of a stylized 'M' followed by a horizontal line, positioned above a horizontal line.A handwritten signature in black ink, featuring a large circular loop followed by a horizontal line, positioned above a horizontal line.

1425445 Ontario Limited

A handwritten signature in black ink, consisting of a stylized 'M' followed by a horizontal line, positioned above a horizontal line.A handwritten signature in black ink, featuring a stylized 'M' followed by a horizontal line, positioned above a horizontal line.



17

**SCHEDULE "A"**

**SCOPE OF SERVICES**

## **Scope of Services**

1425445 Ontario Limited will provide all services related to the Management, Engineering, Business Administration, Operations and Maintenance of the Wires Corporation. This will include, but not be limited to, items of Overhead and Underground Subtransmission and Distribution, Transformation, System Monitoring and Operations, and providing service to customers.



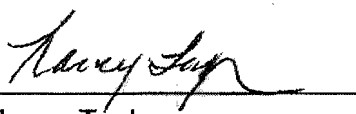
## Memorandum

To: R. Murphy, Treasurer  
From: N. Taylor, Corporate Secretary  
Date: 7 July 2010  
Subject: Resolution regarding Debt

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This will confirm that at the Annual General meeting of the Shareholder of Kingston Hydro Corporation held on 6 July 2010 that the following resolution was approved:

*That the Shareholder of Kingston Hydro Corporation receive the  
report on the balance of debt of Kingston Hydro Corporation  
~and further~  
resolve that the debt in place between Kingston Hydro Corporation  
and the City of Kingston will not be called by the Shareholder on  
less than 366 days notice  
~and further~  
resolve that the interest rate of 7.25% that has been in effect since  
the loan was made in the year 2000 be re-affirmed and stay in place  
~and further~  
resolve that this debt will not be callable before 2012.*

  
Nancy Taylor  
Corporate Secretary