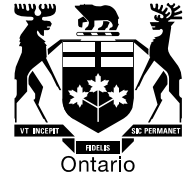


**Ontario Energy  
Board**  
P.O. Box 2319  
27th. Floor  
2300 Yonge Street  
Toronto ON M4P 1E4  
Telephone: 416- 481-1967  
Facsimile: 416- 440-7656  
Toll free: 1-888-632-6273

**Commission de l'Énergie  
de l'Ontario**  
C.P. 2319  
27e étage  
2300, rue Yonge  
Toronto ON M4P 1E4  
Téléphone: 416- 481-1967  
Télécopieur: 416- 440-7656  
Numéro sans frais: 1-888-632-6273



**BY E-MAIL**

July 5, 2011

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

Dear Ms. Walli:

**Re: Kingston Hydro Corporation  
2011 Distribution Rates Application  
Board Staff Comments on the Draft Rate Order  
Board File No. EB-2010- 0136**

On June 30, 2011 Kingston Hydro Corporation ("Kingston Hydro") filed a draft Rate Order as directed by the Ontario Energy Board (the "Board") in its EB-2010-0136 Decision and Order (the "Decision and Order") dated June 23, 2011.

Board staff has reviewed Kingston Hydro's draft Rate Order and has the following comments:

- i. **Rate of Return used when calculating the Working Capital Allowance:**  
Board staff notes that Kingston Hydro has used their applied-for Rate of Return of 7.07% in the calculations for Working Capital impacts of Cost of Power, half-year rule Rate Base impacts and Working Capital impacts of the OM&A reduction, rather than the approved rate of return of 6.74%. Board staff request that Kingston Hydro explain why the applied-for rate was used and also provide an alternate calculation using the approved rate of return.
- ii. **Rate Rider Calculations – end date May 31, 2012:** Board staff notes that Kingston has used a period of 10 months for calculations of certain rate riders, as per the Board's Decision and Order. Board staff requests that Kingston Hydro provide an alternative proposal for the Board's consideration where these riders to be in effect over a 9 month period, thereby concluding on April 30, 2012 in conjunction with the end of Kingston Hydro's rate year.

- iii. **PILS:** Board staff notes that in the Decision and Order, the Board directed Kingston Hydro to include the tax credits associated with the Co-op Education Tax Credit, the Apprenticeship Training Tax Credit and the Federal Tax Credit in Kingston Hydro's PILs provision, if any are expected to be received in 2011 from hiring new apprentices. Board staff notes that Kingston Hydro has been silent on this issue in the draft rate order. Board staff requests Kingston Hydro to explicitly state whether or not any such tax credits are expected to be received in 2011 from hiring new apprentices. If any such tax credits are expected to be received, Board staff requests Kingston Hydro to recalculate its level of 2011 income tax PILs expense and provide sufficient details of the calculation.

Yours truly,

*Original Signed by*

Harold Thiessen  
Case Manager – EB-2010-0136  
Board Staff