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BY E-MAIL

January 17, 2012

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

Dear Ms. Walli:

**Re: Kingston Hydro Corporation
Application Board File Number EB-2011-0178
Board Staff Interrogatories**

In accordance with the Notice of Application and Hearing, please find attached Board Staff Interrogatories in the above proceeding. Please forward the following to Kingston Hydro Corporation and to all other registered parties to this proceeding.

In addition, please advise Kingston Hydro Corporation that responses to interrogatories are due by January 31, 2012.

Yours truly,

Original Signed By

Martha McQuat
Project Advisor, Applications

Encl.

**Board Staff Interrogatories
2012 Electricity Distribution Rates
Kingston Hydro Corporation
EB-2011-0178**

Special Purpose Charge

1. Ref: 2012 Manager's Summary, page 3

**Ref: Filing Requirements for Transmission and Distribution
Applications, Chapter 3, s.3.1.1**

The Filing requirements note that Section 8 of the SPC Regulation requires Distributors to apply no later than April 15, 2012 for an order authorizing disposition of residual balances in the SPC Assessment Variance Account, and that the Board expects that disposition will be addressed as part of the proceedings to set rates for the 2012 rate year. Board staff notes that Kingston has not applied to dispose of the balance in Account 1521 in this proceeding.

- a) Please explain why Kingston has not applied for disposition of Account 1521.
- b) Please provide a copy of Kingston's original SPC invoice.
- c) Please complete the following table related to the SPC:

SPC Assessment (Principal balance)	Amount recovered from customers in 2010	Carrying Charges for 2010	December 31, 2010 Year End Principal Balance	December 31, 2010 Year End Carrying Charges Balance	Amount recovered from customers in 2011	Carrying Charges for 2011	Forecasted December 31, 2011 Year End Principal Balance	Forecasted December 31, 2011 Year End Carrying Charges Balance	Forecasted Carrying Charges for 2012 (Jan.1 to Apr.30)	Total for Disposition (Principal & Interest)

Shared Tax Savings

2. Ref: 2012 IRM3 Tax Savings Workform, page 5

Ref: Draft Rate Order EB-2010-0136

Board Staff notes some discrepancies in the tax rates entered into the 2012 Tax Savings Workform.

- a) Please confirm that Kingston's 2011 rates were set on the basis of a 28.25% tax rate.
- b) Please provide a reconciliation of the 2011 tax rate of 25.90% entered in the workform with the 2011 approved rate of 28.25%

- c) Please provide a reconciliation of the 2012 tax rate of 24.06% entered in the workform with the combined 2012 federal/provincial rate of 26.50%.
- d) Based on the above reconciliations, please confirm the appropriate rates for 2011 and 2012. If required, Board staff will update the models accordingly.

Retail Transmission Service Rates

3. Ref: RTSR Workform, page 6

Board Staff notes that amounts billed by Hydro One for the months of January and May appear to be inconsistent with amounts billed throughout the rest of the year.

- a) Please confirm the amounts billed by Hydro One in January and May 2010. If these are errors, please provide corrected amounts and Board staff will make the necessary adjustments to the models.
- a) If these are correct, please provide an explanation for the inconsistency.

4. Ref: RTSR Workform, page 6

Board Staff notes that amounts billed by IESO for the months of April and October appear to be inconsistent with amounts billed throughout the rest of the year.

- b) Please confirm the amounts billed by IESO in April and October 2010. If these are errors, please provide corrected amounts and Board staff will make the necessary adjustments to the models.
- c) If these are correct, please provide an explanation for the inconsistency.

Incremental Capital

5. Ref: Filing Requirements, Transmission and Distribution Applications, Chapter 3, s.2.2.5 Ref: Exhibit 6, Table 1

The ICM Filing Guidelines state that distributors must include comprehensive evidence to support the claimed need for incremental capital spending, including segregation between discretionary and non-discretionary projects. Distributors must also demonstrate that non-discretionary projects are unusual and unanticipated.

- a) Please identify which, if any, of the incremental capital projects described in Exhibit 6 are discretionary.
- b) For each of Kingston's non-discretionary incremental projects, please describe the "trigger" that has determined the project to be non-discretionary, as described on page 33 of the Filing Requirements.
- c) For each of the projects described in Exhibit 6, please describe the circumstances causing the project to be unusual or unanticipated.
- d) For each of the projects described in Exhibit 6, please provide historical information regarding failures or outages in terms of both frequency and duration that have occurred as a direct result of the condition of these facilities.
- e) For each of the projects described in Exhibit 6, please discuss the impact of delaying the project i) by one year; and ii) until Kingston's next cost of service rate application.

6. Ref: Exhibit 8, page 1

- a) Please describe the process by which Kingston prioritizes its capital projects.
- b) Please provide a revised 2012 Capital Plan list, as at Exhibit 8, page 1, shown in order of priority.

**7. Ref: Exhibit 6, Appendix A
Ref: Exhibit 7, page 9**

Board staff notes that both Vaults TV06 and TV07 were included in the review of vaults and electrical manholes conducted in 2010.

- a) Please confirm that upgrades to vault TV07 were included in Kingston's 2011 capital budget, which was reviewed and approved by the Board, and were subsequently deferred to 2012.
- b) Please explain why Vault TV06 was not included in the 2011 or 2012 capital budgets shown in EB-2010-0136, and has instead been identified as incremental spending.

**8. Ref: Exhibit 6, Appendix A, page 6
Ref: Exhibit 6, page 10**

Kingston's project description for Vault TV06 states that "...rebuilding the vault or significant remediation was recommended". Board staff notes that the recommendations section of the engineer's report states that while the north wall was of particular concern, "temporary shoring for the wall is not currently envisioned, though conditions could change if the deterioration of the wall continues, as it inevitably will. The wall of the vault should be periodically inspected until such time as the vault is either remediated or replaced".

- a) Please reconcile these conflicting statements.

9. Ref: Exhibit 6, Appendix A, page 3

Ref: Exhibit 8, pages 1-3

The introduction to the Engineer's report states that Kingston's terms of reference for the assessment included the physical assessment of Vaults TV04, TV06, TV07, TV11, TV 18, TV 37 and TV 62. Board staff notes that, although significant concerns appear to have been expressed in the report regarding TV04 and TV18 in particular, neither of these vaults appear to have been included in Kingston's capital plans for 2012, 2013 or 2014. Furthermore, work has been identified over this three year period on Vaults TV41, TV03, TV08 and TV09, which were not included in the terms of reference for the 2010 structural assessment.

- a) Please outline the criteria used by Kingston to develop its terms of reference for the 2010 structural assessment.
- b) Please outline the criteria used by Kingston to prioritize its vault rebuilds.
- c) Please provide a prioritized list of Kingston's planned vault work as a result of the structural assessment, and the years in which Kingston plans to undertake this work.

10. Ref: Exhibit 6, Appendix A, page 16

Ref: Exhibit 8, pages 1-3

The Engineer's report recommends that walls of Manhole EM261 are damaged to the point where replacement is warranted. Board staff notes that this project does not appear to be reflected as a standalone project in Kingston's capital plans for 2012, 2013 or 2014.

- a) Does Kingston intend to undertake the recommended replacement? If so, where has it been included in Kingston's capital plans?

11. Ref: Exhibit 6, page 3**Ref: EB-2010-0136 Exhibit 2, Tab 4, Schedule 8, page 9**

- a) Please confirm that Kingston's planned rebuild of Substation 1 is included in the list of planned 2013 expenditures provided in Kingston's 2011 cost of service proceeding in 2010.
- b) When is replacement of M454 required to occur to support the rebuild of Substation 1?
- c) Please explain why replacement of M454 was not identified for inclusion in Kingston's 2011, 2012 or 2013 capital budgets at the time the Substation 1 rebuild was initially planned.

12. Ref: Exhibit 6, page 2

Kingston states that one of the factors indicative of the need to replace the M454 cable is congestion in the manholes shared with embedded customers' circuits. Kingston is proposing to relocate the M454 cable to new, dedicated manholes.

- a) Does Kingston own the existing manholes which are used by the embedded customers?
- b) If so, does Kingston receive any compensation from the embedded customers for the use of the manholes?
- c) Will Kingston require a capital contribution from the embedded customers toward the cost of the new dedicated manholes?

13. Ref: Exhibit 6, page 14**Ref: Exhibit 6, Appendix B**

Kingston states that the scope of the proposed Substation 15 Circuit Breakers Retrofit is similar to the Substation 3 Circuit Breakers project included in Kingston's 2011 cost of service proceeding. Kingston included \$968,000 in the 2011 capital budget for Substation 3. Board staff notes that Kingston was advised by the breaker manufacturer on October 6, 2010 that its 5kV breakers were obsolete and not repairable.

- a) Please explain why the Substation 15 project was not included in the 2011 capital budget, similar to Substation 3.
- b) What were the actual costs incurred for the Substation 3 project? Please provide an explanation for any variances from budget.

- c) Please provide an explanation for the variance between the \$560,000 budgeted for Substation 15 and the \$968,000 budgeted for Substation 3.

14. Ref: Exhibit 6, page 14

Kingston states that solid state protection relays at Substation 15 will be replaced with modern microprocessor-based protection relays and SCADA communication equipment. Board staff notes that Kingston has included \$285,000 in its 2012 Capital Plan for SCADA.

- a) Please provide a breakdown of the budgeted cost for this project, showing the portion related to upgrading the SCADA electronics.
- b) If SCADA electronics replacement costs are included in the project costs, please explain why they would not instead be included in the budget for Kingston's system-wide SCADA upgrade.

15. Ref: Incremental Capital Workform, Sheet F.1.1

Ref: 2012 IRM3 Rate Generator, Tariff of Rates and Charges

- a) Please explain Kingston's rationale for selecting Option A: Fixed and Variable for calculating its Incremental Capital Rate Riders.

LRAM

16. Ref: Exhibit 9 / LRAM

Kingston has requested an LRAM recovery for a total amount of \$175,754.

- a) Please provide a description on the scope (e.g. applicable program years) of the claim for LRAM.
- b) Please confirm that Kingston has used final 2010 program evaluation results from the OPA to calculate its LRAM amount.
- c) If Kingston did not use final 2010 program evaluation results from the OPA, please explain why and update the LRAM amount accordingly.
- d) Please provide a table that shows the LRAM amounts Kingston has collected historically.
- e) Please confirm that Kingston has not received any of the lost revenues requested in this application in the past. If Kingston has collected lost revenues related to programs applied for in this application, please discuss the appropriateness of this request.

- f) Please identify the CDM savings that were proposed to be included in Kingston's last Board approved load forecast for CDM programs deployed from 2006-2011 inclusive.
- g) Please provide a table that shows the LRAM amounts requested in this application by the year they are associated with and the year the lost revenues took place, divided by rate class within each year. Use the table below as an example and continue for all the years LRAM is requested:

Program Years (Divided by rate class)	Years that lost revenues took place			
	2009	2010	2011	2012
2006	\$xxx	\$xxx	\$xxx	\$xxx
2007	\$xxx	\$xxx	\$xxx	\$xxx
2008	\$xxx	\$xxx	\$xxx	\$xxx
2009	\$xxx	\$xxx	\$xxx	\$xxx
2010		\$xxx	\$xxx	\$xxx

- h) Please provide all supporting documentation used in calculating the lost revenues.
- i) Please discuss if Kingston had a third party review its LRAM claim for consistency with the Board's CDM Guidelines and the most current input assumptions. If Kingston has a report from third party on its LRAM claim, please provide it as an appendix to the application.

PILs Recoveries

Ref: APPL_PILS Recovery Summary_Final_20111130.XLS

17. The 2002, 2004 and 2005 application rate adjustment models ("RAM") provided worksheets that calculated the PILs rate slivers associated with the PILs proxy amounts approved by the Board for recovery from customers. These rate slivers had both fixed customer charge and volumetric charge elements. In order to correctly determine the amounts recovered from customers, the Applicant must multiply the rate slivers by the appropriate billing determinants.

The Board's rate order identified the residential class as the rate class that would be applicable to Kingston's unmetered scattered load (USL) accounts. However, it does not appear that Kingston calculated recoveries from USL customers in its PILS recovery summary.

Please explain how Kingston dealt with USL customers in the PILs recovery summary and make any changes that may be necessary.

18. Kingston has hidden many rows in the worksheets that calculate the amounts recovered from customers. Please identify the data that are hidden. If Kingston is unable to comply, please explain.
19. How did Kingston handle the unbilled consumption prior to May 1, 2006 that was billed after April 30, 2006 in its recoveries from customers? Please provide the PILs amounts contained in billed consumption after April 30th that relates to the period before May 1st.
20. The calculated PILs amounts recovered from customers in each year seem to be lower than might have been expected in a city the size of Kingston. The sheets in the application models for 2002, 2004 and 2005 that calculated the PILs rate slivers used historical billing determinants for 2001, 2002 and 2003.
 - a) Please explain briefly what happened to customer counts, demand and energy deliveries in Kingston's service area during the years 2001 to 2006 with reference to the billing determinant statistics contained in the applications for 2002, 2004 and 2005 rate adjustments compared with the statistics used in the PILs recovery worksheets.
 - b) Did local economic factors reduce demand in the period 2001 to 2006?
 - c) Are the billing determinant data used for PILs recovery consistent with the load forecast data contained in the relevant cost of service applications?

Income Tax Rates

Ref: 2001 to 2005 SIMPIL Models

21. The three applicants in the combined PILs proceeding EB-2008-0381 were all subject to the maximum blended income tax rate. Staff notes that the combined proceeding was not a generic proceeding. Each remaining distributor must justify the income tax rates used to calculate the true-up variances based on its own tax facts as evidenced in its tax returns.

In the SIMPIL models for 2001 through 2005, Kingston chose the maximum blended income tax rates. In some cases Kingston did not include the surtax rate of 1.12% as specified in the Board's decision. However, Kingston's tax evidence indicates that it was eligible for a small business deduction in those tax years and therefore, would have been subject to a lower income tax rate.

- a) Please explain why Kingston did not use the blended income tax rate for each year based on its own tax evidence.
- b) Please correct the evidence by inserting the appropriate tax rates in sheet TAXCALC in the SIMPIL models.

Interest Expense

22. When the actual interest expense, as reflected in the financial statements and tax returns, exceeds the maximum deemed interest amount approved by the Board, the excess amount is subject to a claw-back penalty and is shown in sheet TAXCALC as an extra deduction in the true-up calculations.

For the tax years 2001 to 2005:

- a) Did Kingston have interest expense related to liabilities other than debt that is disclosed as interest expense in its financial statements?
- b) Did Kingston net interest income against interest expense in deriving the amount it shows as interest expense in its financial statements and tax returns? If yes, please provide details to what the interest income relates.
- c) Did Kingston include interest expense on customer security deposits in interest expense for purposes of the interest true-up calculation?
- d) Did Kingston include interest income on customer security deposits in the disclosed amount of interest expense in its financial statements and tax returns?
- e) Did Kingston include interest expense on IESO prudentials in interest expense?
- f) Did Kingston include interest carrying charges on regulatory assets or liabilities in interest expense?
- g) Did Kingston include the amortization of debt issue costs, debt discounts or debt premiums in interest expense? If the answer is yes, did Kingston also include the difference between the accounting and tax amortization amounts in the interest true-up calculations? Please explain.
- h) Did Kingston deduct capitalized interest in deriving the interest expense disclosed in its financial statements? If the answer is yes, did Kingston add back the capitalized interest to the actual interest expense amount for purposes of the interest true-up calculations? Please explain.

- i) Please provide Kingston's views on which types of interest income and interest expense should be included in the excess interest true-up calculations.
- j) Please provide a table for the years 2001 to 2005 that shows all of the components of Kingston's interest expense and the amount associated with each type of interest.

Tax Years – Statute-barred

Ref: 2001 to 2005 Tax Returns

23. Please confirm that all tax years from 2001 to 2005 are now statute-barred.