



February 24, 2012

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
P.O. Box 2319  
2300 Yonge Street, 27<sup>th</sup> Floor  
Toronto, ON  
M4P 1E4

Dear Ms. Walli,

**RE: Kingston Hydro Corporation-EB-2011-0178 Cost of Service Rate Application  
Reply Submission of the Applicant**

Please find attached the Reply Submission of the Applicant, Kingston Hydro Corporation.

The foregoing has also been filed electronically through the Board's RESS filing system and emailed to intervenors of record.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Nancy Taylor".

Nancy Taylor, Vice President  
Kingston Hydro Corporation

Copy: Interested Parties (by email)

**ONTARIO ENERGY BOARD**

**IN THE MATTER OF** The *Ontario Energy Board Act, 1998*, S.O. 1998,c.15 (Sched. B)

**AND IN THE MATTER OF** an application by Kingston Hydro Corporation for an Order or Orders pursuant to section 78 of the *Ontario Energy Board Act, 1998* approving or fixing just and reasonable rates and other service charges for the distribution of electricity and related matters.

**REPLY SUBMISSION OF THE APPLICANT**

**Kingston Hydro Corporation**

**EB-2011-0178**

## **Introduction**

Kingston Hydro's submits comments on the following issues:

- 1) Shared Tax Savings Workform
- 2) Group 1 Deferral and Variance Account Balances
- 3) RTSR model and rates
- 4) Disposition of Account 1521
- 5) Disposition of Account 1562
- 6) LRAM
- 7) 2012 Incremental Capital Expenditures

### **1. Shared Tax Savings Workform**

Kingston Hydro stands by its submission and agrees with Board staff's submission that the amount to be refunded to customers is \$34,075.

### **2. Group 1 Deferral and Variance Account Balances**

Kingston Hydro stands by its submission and agrees with Board staff's submission that the balances do not meet the threshold test for disposition at this time.

### **3. RTSR model and rates**

Kingston Hydro stands by its submission and agrees with Board staff's submission that the model is appropriate and that the RTSRs will be updated at the time of the Decision based on the January 1, 2012 approved Uniform Transmission Rates.

### **4. Disposition of Account 1521**

In any of its submissions to the Board, Kingston Hydro is very cautious to report the most accurate financial information possible. In that respect, Kingston Hydro felt that it could not do so with respect to account 1521 due to limited input availability on the Deferral and Variance account model.

At this time, and in accordance with Board Staff's suggestion, Kingston Hydro requests to dispose of this account as part of this proceeding.

In that respect please find included in this submission, as requested by Board Staff, an update to the balance of this account to include actual principal and interest balances as at December 31, 2011 and interest to April 30, 2012.

Following is the table showing the continuity of account 1521. The applied for amount is the sum of the December 31, 2011 Year End Principal Balance, the December 31, 2011 Year End Carrying Charges Balance and the Forecasted Carrying Charges for 2012 (Jan 1 to April 30).

SPC Assessment (Principal Balance)	Amount Recovered from customers in 2010	December 31, 2010 Year End Principal Balance	Amount Recovered from Customers in 2011	Forecasted December 31, 2011 Year End Principal Balance
277,459.00	(144,923.62)	132,535.38	(123,648.67)	8,886.71
Carrying Charges for 2010	December 31, 2010 Year End Carrying Charges Balance	Carrying Charges for 2011	Forecasted December 31, 2011 Year End Carrying Charges Balance	Forecasted Carrying Charges for 2012 (Jan 1 to April 30)
1,055.82	1,055.82	575.18	1,631.00	43.31
				<b>Total for Disposition (Principal and Interest)</b>
				10,561.02

#### 5. Disposition of Account 1562

The Applicant makes comments on the following issues as it pertains to the Disposition of account 1562:

- a) Components of interest expense
- b) Correct income tax rates to use, including the effect of the small business deduction

#### ***Components of Interest Expense***

Kingston Hydro agrees with Board Staff that interest on customer deposits, regulatory asset and liability interest, capitalized interest should not be included in the components of interest expense in the true up calculations.

Kingston Hydro confirms that the IESO has never drawn on its Letter of Guarantee issued by the TD Bank in favour of the IESO.

The “interest charges” are standby fees to keep the Letter of Credit current.

Board staff suggests that IESO prudential interest should be included in the component of interest expense.

Kingston Hydro believes that IESO Prudential interest should not be included in the component of interest expense.

Board Staff’s assertion is inconsistent with the methodology of the Board in Hydro One Brampton’s IRM Decision (EB-2011-0174). In that Decision, the Board makes reference to consistency with Cost of Service Applications. This reference is made not once, but twice. For other issues related to what is included or excluded in interest expense, the Board stated:

“the Board is not persuaded that interest income should be netted against interest expense in the SIMPIL true-up calculations since this treatment is not consistent with cost of service filing instructions.”

The Board also stated:

“Interest expense related to customer deposits is not recovered in cost of service applications and therefore should be excluded in the SIMPIL calculations.”

So the issue at hand in this proceeding is to ensure that prudential costs are properly classified for purposes of the SIMPIL true-up calculations.

The determining factor of the Board in the above-noted decision is whether or not the treatment as interest expense is consistent with cost of service proceedings.

The IESO Prudential costs are not and were never part of long term debt for Kingston Hydro’s cost of service proceedings. In its latest cost of service proceeding these costs formed part of regulatory costs, not interest expense.

Further, Board Staff are implying that this is a “line of credit”. This is not a line of credit, but rather a letter of guarantee from a banking institution. This is not debt in that it does not form part of Kingston Hydro’s debt for rate making purposes and is also not available to fund short term or long term capital expenditures.

Therefore the standby fees to have the letter of guarantee are not interest expense and should not be included as such for the purposes of the true-up calculations.

In that respect and at Board staff's request, Kingston Hydro's interest expense components should be revised to the following:

Interest Expense Components	2001	2002	2003	2004	2005
Interest expense on debt	924,752	983,338	1,126,901	950,285	928,484
Bank interest and service charges		166	8,945	4,393	-
Total	924,752	983,504	1,135,846	954,678	928,484

***Correct income tax rates to use***

The Board, in Combined PILs proceeding EB-2008-0381 stated:

“Accounting for changes in tax legislation has been in place since 2002 for electricity distributors. Income tax rates have been declining steadily since 2001 and the Board's SIMPIL methodology was created to deal with the recordkeeping associated with changes in tax legislation”.

Therefore, the purpose of the SIMPIL models and the Account 1562 methodology is and always has been, to deal with changes in tax legislation. It was and is not to deal with the effects that certain deductions or additions to taxable income may have on taxes payable, which inevitably affects the actual effective income tax rate.

With respect to the comment by Board Staff that

“in its cost of service case EB-2010-0136, Kingston used an income tax rate that was less than the maximum”.

Kingston Hydro wishes to clarify this statement. The income tax rate used to calculate the PILs gross up in its 2011 Cost of service proceeding was the maximum income tax rate of 28.25%. This is due to the fact that the additional revenue for PILs that comes into income is all taxed at the maximum tax rate. It is not taxed at the average tax rate. Therefore, because the highest rate is used to calculate the PILs recovery, the highest legislated rate should also be used in the true-up calculations. This would ensure that the change in income tax legislation is properly accounted for. This is the purpose of account 1562 as the Board noted above.

The Board has already accepted that the tax effect of regulatory assets and liabilities should be excluded from the PILS true up calculations. The tax effect of regulatory assets and liabilities affects taxes payable which also affects the calculation of the effective tax rates to be used. For Kingston, the effective tax rate of 12.5% for 2002 is due to the deduction of regulatory assets in its calculation of taxes payable.

In the Combined PILs proceeding (EB-2008-0381), the Board stated that

“The Board recognizes that this has been a very lengthy and complicated proceeding and appreciates the degree to which the participants have assisted the Board in achieving its broader objective.”

Kingston Hydro asserts that the term “broader objective” meant that other distributors and the Board could rely on this Decision with respect to the same issues or similar issues and the when disposing of Account 1562.

This assertion is confirmed in the Decision in EB-2008-0381 whereby the Board stated

“The Board intends, where appropriate, to apply such principles when considering applications from the remaining distributors; that is, those that were not parties to this proceeding.”

Kingston Hydro believes it is appropriate to apply the principles in that proceeding to its case. This was the intended result of EB-2008-0381 as evidenced when the Board made the following statement:

“If the distributor files evidence in accordance with all the various decisions made in the course of this proceeding, including the use of the updated model referenced above and certifies to that effect, the distributor may expect that the determination of the final account balance will be handled expeditiously and in a largely administrative manner.”

Board Staff has suggested the Kingston Hydro should adjust each of its tax returns to recalculate another imputed tax rate which would have no bearing on actual taxes paid or the actual effective tax rate that was actually in place when the actual tax returns were filed. This request also does not take into account the implications of the triggering of Ontario Corporate Minimum Tax and the effect that this additional tax would have on Kingston Hydro. To ask Kingston Hydro to provide a hypothetical what-if scenario is completely out of the realm of having the final 1562 account balance “handled expeditiously and in a largely administrative manner”. This would also provide the Board with completely irrelevant data. In addition, the applicability of the Ontario Corporate Minimum tax would need to be considered in any recalculations.

Kingston Hydro reiterates to the Board that its effective rate of 12.5% tax rate in 2002 is due to the fact the regulatory assets were deducted in computing taxable income. This tax rate should not be used in the determination of the final 1562 account balance for disposition. Further, in 2002, Ontario Corporate minimum tax would have been triggered had the taxable income been lowered.

Board staff is implying that the effective tax rate as opposed to the legislated tax rate should be used. This appears to be different than the final recommendation of Board staff in EB-2008-0381 whereby they concluded that the Applicants should use the combined and gross up income tax rates shown in the table "Maximum Income Tax Rates in Percentages". To change the methodology for the remaining distributors would contravene the Board's intended disposition of account 1562 to be "handled expeditiously and in a largely administrative manner". The Board's Decision in EB-2008-0381 stated:

"that the Applicants are to use the applicable tax rate percentages from the applicable table above for the purposes proposed by Board staff in its reply submission".

Kingston Hydro asserts it has used the same percentages for the same purposes as the Board decided in EB-2008-0381.

Kingston Hydro submits that to use the effective tax rate would constitute a change in methodology that existed at the time. The maximum income tax rates should be used as per the Decision in the Combined Proceeding EB-2008-0381. Using the maximum income tax rates is also consistent with the PILs Proxy models that were used to calculate the PILS included in rates. These models used the maximum rate. Changing the methodology after the fact is not appropriate.

Kingston Hydro submits that the maximum tax rates should be used in the 1562 true-up calculations consistent with the Decision in EB-2008-0381.

## **6. LRAM**

Kingston Hydro stands by its submission and reply comments with respect to its LRAM submission and agrees with Board Staff, Energy Probe and VECC submission's that the request for a rate rider is appropriate and has been appropriately demonstrated. We note that SEC did not comment on this aspect of our submission and that it appears that Energy Probes submission may have meant to refer to the recovery period as being May 1, 2012 to April 30, 2013 (not 2012).



## **7. 2012 Incremental Capital Expenditures**

### ***Threshold***

With respect to the calculation of the applicable ICM threshold, Kingston Hydro makes the following comments and arguments:

In its Submission, Board Staff requests Kingston Hydro to provide a detailed explanation of how it views it has met the materiality threshold. Kingston Hydro is perplexed at this request given the fact that the materiality threshold is a calculated amount based on the Board's own formulae and the ICM model. It is not based on the amount of capital spending in any given previous year, but is based on rate base, depreciation expense and a number of other variables such as price escalator, productivity and stretch factors and growth.

Kingston Hydro has reviewed Sections 2.2, 2.2.1 and 2.2.2 of the Chapter 3 Updated Filing requirements.

Kingston Hydro has also reviewed the ICM model as it relates to the calculation of the ICM threshold and the growth factor.

Kingston Hydro has recalculated the Materiality threshold and agrees with the Submission of Energy Probe and the calculation of the ICM threshold of \$2,723,741.

### ***PILs***

Board Staff asserts that the blended rate of 24.06% should be utilized to calculate incremental PILs. However, as the Applicant successfully demonstrated in its Proceeding EB-2010-0136, this logic is flawed. The additional revenue subject to PILs all comes in to income at the maximum tax rate as the small business deduction is already fully utilized. The tax rate that should be used is the maximum tax rate in effect for 2012 which is expected to be 26.25%. The blended rate would result in an insufficient recovery of PILs. Again, this was illustrated on pages 88-89 in Kingston Hydro's response to Board Staff Interrogatory 40 a) in proceeding EB-2010-0136 filed November 15, 2010.

### ***IFRS Costs***

The total estimated cost for each of the four ICM projects will increase as a result of the IFRS requirement to include the estimated cost to dismantle and remove the assets and restore the sites. There will be no cost reductions associated with the conversion to IFRS. Therefore, the

differences between the two amounts below relate to estimated costs to dismantle and remove the assets and restore the sites.

Estimated costs of the projects under both CGAAP and IFRS:

***King Street 44kv Underground Rebuild***

CGAAP - \$1,860,000

IFRS - \$2,110,000

***Transformer Vault (TV 6) Rebuild***

CGAAP - \$565,000

IFRS - \$650,000

***Substation no. 15 Circuit Breakers Retrofit***

CGAAP - \$560,000

IFRS - \$635,000

***Transformer Vault 11 (TV11) Rebuild***

CGAAP - \$515,000

IFRS - \$600,000

### ***Recovery of Incremental Revenue Requirement***

Please find attached an analysis of the proposed impacts of the two methodologies to recover the Incremental Revenue requirement. Kingston Hydro has no preference on how this is collected but was trying to be consistent with current fixed/variable splits. If the Board would prefer that all ICM funding for distributors is collected by means of variable rate riders only, then Kingston Hydro would have no issue implementing that directive.

Attached is a table showing the effects of a fixed/variable rate rider and a variable rate rider only:

Customer	Unit	Fixed and Variable	Variable only
<b>Residential</b>			
Service Charge	\$	12.08	12.08
Rate Rider for Incremental Capital (2012) - Effective Until April 30, 2015	\$	0.29	0
Rate Rider for Incremental Capital (2012) - Effective Until April 30, 2015	\$/kWh	0.0004	0.0008
<b>General Services &lt; 50</b>			
Service Charge	\$	24.87	24.87
Rate Rider for Incremental Capital (2012) - Effective Until April 30, 2015	\$	0.59	0
Rate Rider for Incremental Capital (2012) - Effective Until April 30, 2015	\$/kWh	0.0002	0.0005
<b>General Services &gt;50</b>			
Service Charge	\$	269.49	269.49
Rate Rider for Incremental Capital (2012) - Effective Until April 30, 2015	\$	6.39	0
Rate Rider for Incremental Capital (2012) - Effective Until April 30, 2015	\$/kW	0.0458	0.0836
<b>Large Users</b>			
Service Charge	\$	4968.61	4968.61
Rate Rider for Incremental Capital (2012) - Effective Until April 30, 2015	\$	117.75	0
Rate Rider for Incremental Capital (2012) - Effective Until April 30, 2015	\$/kW	0.0240	0.0383
<b>Unmetered Scattered</b>			
Service Charge	\$	11.11	11.11
Rate Rider for Incremental Capital (2012) - Effective Until April 30, 2015	\$	0.26	0
Rate Rider for Incremental Capital (2012) - Effective Until April 30, 2015	\$/kWh	0.0003	0.0005
<b>Streetlights</b>			
Service Charge	\$	0.99	0.99
Rate Rider for Incremental Capital (2012) - Effective Until April 30, 2015	\$	0.02	0
Rate Rider for Incremental Capital (2012) - Effective Until April 30, 2015	\$/kW	0.1066	0.2349

***Materiality, Need and Prudence***

With respect to the specific four ICM projects Kingston Hydro makes the following comments and arguments:

Kingston Hydro stands by its submission and reply comments to the Interrogatories received with respect to the information and position taken on the four Incremental Capital Module projects identified.

It is Kingston Hydro's position that the four projects satisfy the eligibility criteria of materiality, need and prudence to be considered for recovery prior to rebasing. Kingston Hydro has appropriately demonstrated that the amount requested exceeds the materiality threshold, that the projects have a significant influence on the operation of the distributor and are clearly non-discretionary.

Kingston Hydro submits that it has demonstrated in its evidence that the four Incremental Projects are outside the base upon which our rates are derived and are therefore incremental in nature and are unusual and unanticipated as to their timing and impact on the distributor for 2012. Kingston Hydro has undertaken due diligence and proper planning in evaluating risk, impact to customers, and health and safety matters in monitoring these projects; however in each case we have appropriately justified the incremental need, criticality and prudence of undertaking this work in 2012. As noted in our response to Board Staff Interrogatory 5(c), we have elaborated on the circumstances of unusual and unanticipated as it relates to the four projects. Kingston Hydro submits that given the base upon which our rates were recently established, these incremental projects are not part of normal capital spending and exceed the materiality threshold. In addition, in response to several interrogatories Kingston Hydro has confirmed that all projects within the 2012 Electric Capital plan are non discretionary.

Kingston Hydro notes in the reply argument received from SEC, the reference to the Supplemental Report of the Board (EB-2007-0673) on 3<sup>rd</sup> Generation Incentive Regulation for Ontario's Electricity Distributors dated September 17, 2008. Kingston Hydro also notes, with interest, that the argument presented by SEC is taken from the discussion by the Board, found in Section 2; Sub-section 2.3 entitled Incremental Capital Module Materiality Threshold. The applicant believes as do Board Staff, VECC and Energy Probe, that the materiality threshold test has been met with this application. We further note that in SEC's comments on page 1, 3<sup>rd</sup> paragraph, of their written argument dated February, 14<sup>th</sup>, 2012 that ...*"in general, SEC agrees that the incremental capital in this Application meets the monetary threshold..."* which would seem to imply the materiality threshold.

Kingston Hydro notes that immediately following the quoted paragraph's in SEC's submission (EB-2007-0673) is the following opinion of the Board taken from page 31 of the Supplemental Report:

*"A review of an application will test whether the applicant has passed the materiality threshold, and, if it does, will scrutinize the need for the requested incremental capital relief. Such scrutiny will entail reviewing the distributor's assumptions and planning and examining alternative options, and its overall CAPEX plan. If the application succeeds, in whole or in part, the Board will adjust rates to reflect a higher CAPEX as appropriate. It is important to note that the adjustment in rates will be linked solely to the costs of the incremental capital. Therefore, distributors should not perceive this activity as an opportunity to true up rate base for any other reason."*

In that regard Kingston Hydro notes, as did the Board in EB-2008-0187 p. 7 & 8 that each application stands on its merits and while past decisions of the Board may provide guidance and assistance, the facts of each application must be evaluated. Still the Board's opinion on the use of the ICM in EB-2008-0187 is of assistance here:

*"The Board's objective in establishing the incremental capital module was to enhance the regulatory efficiency of the incentive rate mechanism, which is intended to be formulaic and simplistic in its application, by adding a method to accommodate extraordinary capital spending requirements should they arise during the term of the incentive rate mechanism. The ability to address extraordinary capital spending requirements within the IRM framework increases the efficiency opportunities without requiring a full cost of service rebasing review"*

Kingston Hydro believes that in its submission it has demonstrated these extraordinary capital spending requirements involving the four projects. Kingston Hydro would reiterate that the ICM application is driven by the need for incremental capital investment activity. Kingston Hydro further notes the Board's following comments found on page 31, EB-2007-0673.

*"The incremental capital for which the Board may provide rate relief is the new capital sought in excess of the materiality threshold. The proceeding to consider an eligible distributor's application for rate relief would examine the reasonableness of the distributor's increased spending plan. If the application is approved, a rate rider would be established to reflect an amount sufficient to accommodate the portion of the approved incremental spending that exceeds the threshold amount. In calculating the rate relief, the Board has determined not to apply the half-year rule so as not to build in a deficiency for subsequent years in the term of the plan."*

Kingston Hydro submits that its application before the Board is indeed reasonable and appropriate given the circumstances.

***Specific ICM Project Comments:***

**1. *King Street 44kv Underground Rebuild***

Kingston Hydro stands by its submission and reply comments to the Interrogatories received with respect to the information and position taken on King Street 44Kv Underground Rebuild. Kingston Hydro notes that this project is a priority, incremental and non-discretionary and would concur with the positions taken by VECC, Energy Probe and Board Staff on this submission. Kingston Hydro submits that it is in the best position to evaluate risk, liability, health and safety matters relative to its assets and after several years of repair and monitoring this asset has reached a point of criticality and can no longer be delayed. It is Kingston Hydro's position that we have appropriately justified the priority of this project, its need and prudence and that it is incremental and non discretionary.

**2. *Transformer Vault (TV 6) Rebuild***

Kingston Hydro stands by its submission and reply comments to the Interrogatories received with respect to the information and position taken on the TV6 Rebuild. Kingston Hydro notes that this project is a priority, incremental and non-discretionary. In response to Board staff comments dated February 14, 2012, pg 10, under Prudence, Kingston Hydro can confirm that the TV 6 project is planned to coincide with the City of Kingston's work on Princess Street. We note general support for this project from the various submissions received.

**3. *Substation No. 15 Circuit Breakers Retrofit***

Kingston Hydro stands by its submission and reply comments to the Interrogatories received with respect to the information and position taken on Substation No. 15 Circuit breaker retrofit project. Kingston Hydro notes that this project is a priority, incremental and non-discretionary.

Kingston Hydro has in its submissions identified this project as a priority with no discretion to delay this project. Kingston Hydro has monitored this facility for some time and has enabled "work around solutions" in order to avoid capital expenditures at this facility in the face of other competing priorities. In its COS application (EB-2010-0136) Kingston Hydro noted the need for reinvestment in capital infrastructure is greater than the ability to fund and consequently only those projects or items of the greatest priority are brought forward in any given year for capital expenditure. Consequently in 2011 during the cost of service application other competing capital priorities took precedence over Substation 15.

As Kingston Hydro has noted but would like to emphasize to the Board, clips and other parts are dislodging from the switchgear during maintenance and operation. There is a potential safety risk of exposing workers to an arc flash hazard in the event that a part dislodges while the breaker is closing or in-service and causes a flash-over within a breaker cell. Kingston

Hydro considers this to be a serious issue that has now elevated this project for priority action and cannot be delayed further. Two circuit breakers at Substation 15 have consistently failed to close when operated from the open position in the past. This type of defect is not tracked as a reportable outage but has the potential to delay power restoration activities and create issues with our customers.

Kingston Hydro respectfully submits that the need for this project has been justified, that the course of action identified is prudent and that while Kingston Hydro in fact exercised discretion in the past over this particular project it can no longer reasonably take that position given the condition of the asset and the potential liability present and therefore Kingston Hydro deems this project non- discretionary.

Kingston Hydro believes the impacts of delaying these projects by one year, and/or until the next COS Rate Application, exposes the utility to the same level of risk of the consequences described in the original submission and noted in the foregoing comments.

Delaying the Substation 15 project poses potential risk to Worker Safety and extended power outages if the remaining circuit breakers (1501/1502) fail during switching operations. As a further note, Substation 15 backs up feeders from Substation 10 which is heavily loaded. Delaying the Substation 15 retrofit will continue to place additional strain on Substation 10 and associated feeder cables/conductors.

It is Kingston Hydro's position that we have appropriately justified the priority of this project, its need and prudence and that it is incremental and non discretionary.

#### **4. *Transformer Vault 11 (TV11) Rebuild***

Kingston Hydro stands by its submission and reply comments to the Interrogatories received with respect to the information and position taken on the TV11 Rebuild. Kingston Hydro notes that this project is a priority, incremental and non-discretionary and would concur with the positions taken by VECC, Energy Probe and Board Staff on this submission. The information filed appropriately justifies the need of this project and have demonstrated prudence with respect to finding a cost effective solution. We reject the assumption that work on this facility could be easily delayed until 2014 or 2015 as such an assertion ignores the condition assessment performed on the civil works, worker safety issues and the reliability of the current electrical equipment. Kingston Hydro submits that this project meets the requirements of need and prudence and has been correctly identified as non-discretionary.

**General Comments on ICM made by SEC**

Further to SEC comments filed under General Comments, Kingston Hydro submits for the Board's consideration that such arguments and opinions are irrelevant to the facts provided to the Board as part of this Application. Kingston Hydro has not requested nor does it expect changes in policy or regulation to accommodate this application. Kingston Hydro does not believe that any on-going discussion between the Chair of the Board and industry representatives such as the EDA is of any particular relevance to this application and therefore should be disregarded. In addition, references to the Toronto Hydro case (EB-2011-0144) are also irrelevant and should be disregarded.

Kingston Hydro has filed an application under the current regulatory rules and guidelines provided by the Board and would reasonably expect a decision to be made based on that framework.

**Cost Awards**

Kingston Hydro makes no comment on the reasonableness of intervenor costs at this time. Kingston Hydro requests a separate decision on cost awards once the claims have been submitted and Kingston Hydro has had the opportunity to comment on the cost claims.

**Conclusion**

Kingston Hydro believes that it has complied with all the requirements of the regulations and has submitted its evidence in good faith within the timeframes required by the Board.

Kingston Hydro notes that the deadline for receipt of final arguments required by the Board in the Notice of Application was not met by some parties. Kingston Hydro questions whether these late filings raise an issue of fairness in this proceeding. When one party to a proceeding does not meet a deadline, they may be advantaged by having more than the allotted time to prepare their submission and some other party may be disadvantaged by having less than the allotted time to prepare their submission. Kingston Hydro respectfully requests the Board's comments on the applicability of its deadlines set out in the Notice of Application and the potential consequences, if any, of not meeting these deadlines.

All of which is respectfully submitted.

February 24, 2012



Nancy Taylor  
Vice President  
Kingston Hydro Corporation