

May 7, 2012

Ontario Energy Board
PO box 2319
27th Floor
2300 Yonge Street
Toronto ON M4P 1E4

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

***Kingston Hydro Corporation
Application for Rates
Application Board File no. EB-2011-0178***

In accordance with the Decision and Order in the above-reference case, we are submitting our response to Board Staff's comments with respect to our Draft Rate Order submitted on April 25, 2012.

PILS 1562 Disposition

Kingston Hydro has amended the tax rate that was input in cell E122 (2001-2004) and cell E123 (2005) and has submitted revised PILs models and a revised PILs Continuity Schedule. The revised rate riders have been included in the revised 2012 IRM3 Rate Generator and Revised Draft Rate Order submitted.

Revised Incremental Capital Model and Supporting Worksheet

The ICM Reduction is \$326,159. Kingston Hydro confirms that it is able to and plans to complete all four ICM projects despite the ICM reduction allowed in its rates.

Total ICM Projects originally as follows totaling \$3,500,000:

King Street 44kV Cable Re-build - \$1,860,000
Transformer Vault 11 - \$515,000
Municipal Substation # 15 - \$560,000
Transformer Vault 6 - \$565,000
Total - \$3,500,000

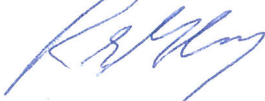
Revised ICM Projects with an even (proportional) distribution of the \$326,159 reduction:

King Street 44kV Cable Re-build - \$1,686,670
Transformer Vault 11 - \$467,008
Municipal Substation # 15 - \$507,815
Transformer Vault 6 - \$512,348
Total - \$3,173,841

Kingston Hydro has submitted supporting worksheets for each project to reflect a proportional reduction for each project as well as a revised ICM module.

With respect to Board Staff's comments in their last paragraph of their submission, the difference of approximately \$4,000 for Transformer Vault 11 is the depreciation expense for 2012. The total cost of the project was correctly input as \$188,841 in the green cells, where the total cost is to be input. It is this amount that is to be transferred to the ICM workform; not the 2012 depreciated value. Kingston Hydro has appropriately transferred the total capital costs of each project to the ICM Workform. This amount adds up to the total approved ICM amount in the Decision.

Respectfully submitted,



Randy Murphy, CA
Chief Financial Officer