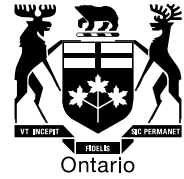


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BY E-MAIL

November 12, 2012

Ontario Energy Board
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto ON M4P 1E4

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

**Re: Kingston Hydro Corporation
2013 IRM3 Rate Application
Board Staff Submission
Application Board File Number EB-2012-0142**

In accordance with the Notice of Application and Hearing, please find attached the Board Staff Submission in the above proceeding.

As a reminder, Kingston Hydro Corporation's Reply Submission is due by Monday, November 26, 2012.

Yours truly,

Original signed by

Josh Wasylyk
Advisor, Applications & Regulatory Audit

Encl.



ONTARIO ENERGY BOARD

STAFF SUBMISSION

2013 ELECTRICITY DISTRIBUTION RATES

Kingston Hydro Corporation

EB-2012-0142

November 12, 2012

**Board staff Submission
Kingston Hydro Corporation ("Kingston")
2013 IRM3 Rate Application
EB-2012-0142**

Introduction

Kingston Hydro Corporation ("Kingston") filed an application (the "Application") with the Ontario Energy Board (the "Board"), on August 31, 2012 seeking approval for changes to the distribution rates that Kingston charges for electricity distribution, to be effective May 1, 2013. The application is based on the 2013 3rd Generation Incentive Regulation Mechanism ("IRM").

These are the submissions of Board staff based on its review of the evidence submitted by Kingston.

Deferral and Variance Accounts

Kingston completed the Deferral and Variance Account continuity schedule included in the Rate Generator Model at Tab 5 for its Group 1 Deferral and Variance Accounts. Kingston's total Group 1 Deferral and Variance Account balances amount to a debit of \$2,107,667. Based on the disposition threshold test calculation, the Group 1 Deferral and Variance Account balances equate to \$0.0030 per kWh which exceeds the threshold of +/- \$0.001 per kWh. As such, Kingston has requested disposition of its Group 1 Deferral and Variance Account balances over a one-year period.

Board staff has reviewed the Model for Kingston's Group 1 Account balances and notes that the principal balances as of December 31, 2011 reconcile with the balances as reported as part of the 2.1.7 Reporting and Record-Keeping Requirements ("RRR"). Also, the disposition threshold has been exceeded. Board staff has no issue with Kingston's request to dispose of its 2011 Group 1 Deferral and Variance Account balances at this time. Board staff further notes that the requested disposition period of one year is in accordance with the *Electricity Distributors' Deferral and Variance Account Review Initiative* (EB-2008-0046) ("the EDDVAR Report"). Kingston originally proposed to use the billing determinants underpinning its 2011 cost of service application. For the Non-RPP billed kWh, Kingston used the 2010 2.1.5 billed kWh

percentage split between RPP and Non-RPP and applied that percentage to the 2011 cost of service kWh for each customer rate classes. In response to interrogatory 1(a), Kingston proposed to update this percentage to reflect 2011 actuals instead of 2010. Kingston noted some shifts in Non-RPP percentages and stated that it believed that most recent available year-end actual Non-RPP percentage splits should be applied to the 2011 cost of service volumes so as to most appropriately recover the balance in account 1588 global adjustment sub-account.

Board staff notes that the EDDVAR Report states that with respect to the volume that should be used to calculate the rate riders, most recent Board-approved volumetric forecast should be used. Where there are material differences between the latest Board-approved volumetric forecast and the more recent volumetric data, a distributor should use the most recent 12-month of actual data. Board staff agrees with Kingston that more current volumetric splits between RPP and Non RPP would enhance cost causality between these types of customers. However, for consistency across customer rate classes, and in accordance to the EDDVAR Report, Board staff submits that 2011 volumes should be used for RPP and Non RPP customers for all customer rate classes.

Retail Transmission Service Rates ("RTSR") Workform

Kingston has completed the RTSR Workform and has proposed RTSRs consistent with the methodology outlined in Guideline G-2008-0001 Revision 4.0. Board staff has reviewed the RTSR Workform and reconciled the figures included with both Kingston's last RRR report 2.1.5 as well as Kingston's last Board-approved Tariff of Rates and Charges. Board staff notes that Kingston has calculated its proposed RTSRs consistent with the methodology outlined in Guideline G-2008-0001 Revision 4.0. Board staff will adjust Kingston's RTSR Workform to incorporate the changes to the Uniform Transmission Rates, as appropriate.

Shared Tax Savings Workform

Kingston has not included any rate riders for 2013 for shared tax savings as the amount of tax to be shared is not enough to trigger a valid rate rider. Kingston has requested this amount be transferred to Account 1595 as outlined in the filing requirements.

Board staff has reviewed the Workform for Kingston's shared tax savings amount and notes that the amounts reconcile with Kingston's last cost of service Board-approved Revenue Requirement Workform. Board staff agrees with Kingston that the amounts

are insignificant and may be transferred to Account 1595 is in accordance with the section 2.5 – Tax Changes of the Chapter 3 Filing Requirements, June 28, 2012.

- All of which is respectfully submitted -