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By Email and RESS

August 20, 2015

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

**Re: Kingston Hydro Corporation Distribution Rates 2016-2020 (EB-2015-0083) -
SIA Interrogatories**

Dear Ms. Walli,

Please find attached the interrogatories of the Sustainable Infrastructure Alliance of Ontario (the "SIA") in the above noted proceeding.

Sincerely,

[original signed by]

Dionisio Rivera

EB-2015-0083

Kingston Hydro Corporation Application for electricity distribution rates for the period from January 1, 2016 to December 31, 2020.

Interrogatories on behalf of the Sustainable Infrastructure Alliance of Ontario

Exhibit 1 – Administration

1-SIA-1

[Ref: Exhibit 1, Tab 2, Schedule 1, page 12]

Kingston Hydro notes that “At the time of preparing this rate submission, the expansion of the Utilities Kingston service delivery model to all utility customers within the City of Kingston remains one of the key strategic goals for the City, Kingston Hydro and Utilities Kingston.”

To what extent is Kingston Hydro actively pursuing acquiring control of the remainder of the service territory within the city boundaries? Without disclosing any confidential details, please detail any steps Kingston Hydro has taken or intends to take in order to achieve this objective.

1-SIA-2

[Ref: Exhibit 1, Tab 2, Schedule 1, page 24]

Kingston Hydro notes that it “continues to pursue all opportunities to increase its customer base.” Please elaborate on this statement. Other than the acquisition of additional service territory within the City of Kingston (as noted in Exhibit 1, Tab 2, Schedule 1, page 12), what other opportunities for growth is Kingston Hydro referencing?

1-SIA-3

[Ref: Exhibit 1, Tab 3, Schedule 1, pages 14 to 16]

In this section, Kingston Hydro discusses its proposed CIR rate framework, identifying 2016 as a standard rebasing year, with rates for 2017-2020 to incorporate elements that would be subject to annual adjustment. Please elaborate on the proposed mechanics of rate setting over 2017-2020. Specifically, is Kingston Hydro planning to file updated Draft Rate Orders for OEB approval in

each year, incorporating values approved in this proceeding for all the items listed on page 15 (lines 17-24), and making adjustments only for the six specific elements noted on page 16 (lines 5-15)?

Exhibit 2 – Rate Base

2-SIA-4

[Ref: Exhibit 2, Tab: 2, Schedule 2, DSP Section 5.2.3]

Kingston Hydro describes a number of monitoring methods that it uses to gauge the effectiveness of its performance and planning objectives. Please summarize what specifically Kingston Hydro plans to track and report to the OEB on an annual basis (or at the end of the term) as part of its reporting commitment for this CIR application. In responding, please specifically address the proposed format and level of detail for capital spending reporting needed to satisfy the OEB's RRFE requirement to "monitor capital spending against the approved plan by requiring distributors to report annually on actual amounts spent"¹

2-SIA-5

[Ref: Exhibit 2, Tab 2, Schedule 2, DSP Section 5.4.2]

In this section, Kingston Hydro describes the process it undertakes to develop its capital program budget, noting among other things that “A balance of 'Bottom up' project identification and 'Top Down' project prioritization/selection is commonly used when developing a capital expenditure plan.”

To what extent did the “top down” approach reduce the proposed capital budget? That is, in the absence of any top down restrictions, what levels of incremental spending did Kingston Hydro consider to undertake over the term of this application?

2-SIA-6

[Ref: Exhibit 2, Tab 2, Schedule 2, DSP Section 5.4.2]

Kingston Hydro provided an example of its capital expenditure planning process: “a team comprised of Field Staff, Engineering Staff, an Operator, a Supervisor, a Manager and a Director reviews the list of potential capital expenditure projects then informally discuss and compare projects using the objectives, criteria and assumptions outlined in 5.4.2a. Projects are then prioritized and annual capital expenditures are optimized.”

Please provide the list of capital projects that were considered through this process but ultimately not included as part of this rate application. Please list the general reasons why these projects were deemed to be of a lower priority than those ultimately included.

¹ RRFE Report, page 20.

Exhibit 4 – Operating Costs

4-SIA-7

[Ref: Exhibit 4, Tab 3, Schedule 1]

In describing its OM&A budget trends, Kingston Hydro notes that “The majority of the decrease is related to an increase in customer-funded recoverable work due to a Bell Canada initiative in Kingston called 'Fibre to the Home'. This caused staff time to shift from both operations and maintenance to recoverable in order to complete this recoverable work. Appendix 2-JC shows 'Overhead System' costs reduced because of this work.”

- a) What specific non-rate recoverable activities were reduced or otherwise deferred due to the shift in resources towards the Bell Canada initiative over this time period?
- b) To what extent did the deferral of this work increase the risks to reliability and or maintenance quality of Kingston Hydro’s distribution system over this period?

4-SIA-8

[Ref: Exhibit 4, Tab 2, Schedule 1, page 1]

Kingston Hydro notes that “Overall operation costs have decrease from 2011. This is mainly attributable to a decrease in operation overhead system work. Staff involved with the construction and maintenance of the electricity infrastructure apportion their time as required between operating and maintenance work, capital work, or customer-recoverable work. Generally, an increase in capital work or customer-recoverable work can induce a corresponding decrease in operating and maintenance work.”

- a) As a policy, does Kingston Hydro consider engaging additional part-time resources or authorizing overtime in order to allow for the completion of all planned operating and maintenance work, regardless of the demands of customer-recoverable work? Why or why not?
- b) To what extent does Kingston Hydro consider the need and or urgency of the operating and maintenance work that it defers due to resource limitations?
- c) Does customer-recoverable work generally always take priority over all other types of work? If so, why?

4-SIA-9

[Ref: Exhibit 4, Tab: 2, Schedule 1, Page 9, lines 3-9]

Kingston Hydro describes the reasons for its increase in Administration and General expenses between 2013 to 2014, noting two factors: additional work involved in producing the DSP, and a reporting change re-categorizing certain costs from Billing and Collecting expenses to Administration and General expenses.

Please detail how much of the approximately \$0.5M increase is attributable to each of these two factors.

4-SIA-10

[Ref: Exhibit 4, Tab 2, Schedule 1, page 5]

Kingston Hydro notes the success of its tree trimming activities in mitigating the effects of the ice storm in 2013. Please outline Kingston Hydro's tree trimming policy in addition detail, identified the frequency of its tree trimming activities. Does Kingston Hydro maintain a uniform cycle of clearing all lines, or target certain areas more frequently than others?

Exhibit 8 – Rate Design

8-SIA-11

[Ref: Exhibit 8, Tab 2, Schedule 5]

With regard to specific service charges, Kingston Hydro notes that it "is not proposing any changes to current approved specific service charges. Kingston is seeking approval to maintain its existing approved specific service charges and level of charges for each of test years 2016 through 2020."

Given increased funding needs during the rate term, please explain why Kingston Hydro does not believe it to be appropriate to consider updating its specific service charges, both for cost causality reasons and/or as an additional source of revenue?

8-SIA-12

[Ref: Exhibit 8, Tab 2, Schedule 5, Table 1]

- a) Please recalculate the table of service charges using current cost inputs, and following the calculation methodology included in Schedule 11-2 of the Distribution Rate Handbook, updating for Kingston Hydro's current actual vehicle and labour rates.
- b) Please provide a comparison of the annual specific service charge revenue forecast under existing specific service charge rates, and the potential revenue under the updated rates in a) above.
- c) Would Kingston Hydro have any objections or concerns were it to be directed to implement the new rates calculated in a) above during the term of the rate plan?