

1 **EXHIBIT 4 - OPERATING COSTS**

2
3 **Response to Ontario Energy Board Staff Interrogatory 4-Staff-68**

4
5 **Ref: Exhibit 4, Tab 2, Schedule 1, pp. 1-9, Appendix 2-JB and Appendix2- JC**
6 **Exhibit 1, Tab 2, Schedule2, p.6**

7
8 **Interrogatory:**

- 9
- 10 a) Please confirm that the table below correctly represents a summary of OM&A
11 expenses from 2011-2016.
- 12
- 13 b) Confirm if Kingston Hydro is requesting approval of OM&A expenditures as shown
14 on exhibit 1 or if the OM&A budget will be adjusted year-over-year using the Price
15 Cap adjustment as set by the OEB for that given year.
- 16 i) If Kingston is proposing set OM&A budget over the next five year, please
17 provide a detailed explanation in how an adjustment of 1.72% was derived at.
18
- 19 c) Please provide a forecast for the 2016-2020 period based on:
- 20 i) Proposed OM&A updates as per the OEB's Price Cap adjustment mechanism
21 and Please provide the five year business plan as approved by Kingston
22 Hydro's Board of Directors.
- 23 ii) Please identify efficiencies over the custom IR term, in particular discuss any
24 OM&A savings as a result of Kingston Hydro's capital projects (i.e. overhead
25 infrastructure renewal).

26
27 **Response:**

28

-
- 29 a) Assuming that Board Staff is referring to Appendices 2-JB and 2-JC as referenced
30 above, Kingston Hydro confirms that the tables correctly represent summaries of
31 OM&A expenses from 2011-2016.
32
- 33 b) Kingston Hydro is requesting approval for total OM&A expenses of \$7,130,810 for
34 2016 as detailed in Appendix 2_JB and 2-JC.
35
- 36 i) Kingston is proposing an adjustment mechanism for its 2017-2020 OM&A
37 budgets whereby the previous year's OM&A budget would be adjusted by
38 inflation less a productivity factor. As set out at Exhibit 4, Tab 1, Schedule 1, for
39 illustrative purposes for the period 2017-2020 4GIRM period Kingston Hydro
40 estimated the annual adjustment to be 2% less the 0.3% productivity factor, for
41 an annual increase of 1.7%. Kingston Hydro has not proposed that its 2017-2020
42 OM&A budgets be set in this proceeding.
43
- 44 c)
- 45 i) Please reference 4-Staff-70 c)
- 46 ii) As also noted in 1-Staff-9, Kingston Hydro would refer to Appendix 9 of the
47 DSP, 2015 – 2020 Forecast Capital Project Description in which each project
48 description includes a summary “Consequence for System O&M Costs. In
49 summary, where possible Kingston Hydro has been able to quantify potential
50 O&M savings as in the case of Substation 1 with the future elimination of water
51 cooled transformers (\$33,000/year when replaced). In other capital projects
52 such as with the Deteriorated Overhead Infrastructure Program there is no
53 material impact on O&M costs. In still other areas such as the 44KV Motor
54 Operated Switch Upgrade where 2 switches are planned to be replaced
55 Kingston Hydro notes “motor operated switches will reduce switching times
56 and impacts to customers, however field staff will still need to patrol lines before

57 and after switching to verify the state of the distribution system so a reduction in
58 O&M costs is difficult to quantify” Similarly pad mount switch gear replacement
59 will decrease O&M costs by creating simplified switching procedures and
60 reduced inspection frequency, but is again difficult to quantify. Kingston Hydro,
61 however, submits that in recognition that the capital program will yield positive
62 outcomes in O&M activity and costs has stated that future increase in this area
63 will incorporate a productivity factor.

1 **EXHIBIT 4 – OPERATING COSTS**

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3 **Response to Ontario Energy Board Staff Interrogatory 4-Staff-69**

4

5 **Ref: Exhibit 4, Tab 2, Schedule 1, pp. 1-9**

6

7 **Interrogatory:**

8

9 In Kingston Hydro's last Cost-of-Service application (EB-2010-0136), Kingston
10 provided a table (E4/T2/S2, p. 2) that showed its historic, bridge and test year OM&A
11 expenses account-by-account. OEB staff notes that Kingston Hydro did not provide
12 the same detail in this custom IR application.

13

14 a) Please provide a detailed OM&A table account-by-account over the last 5
15 historical years.

16

17 **Response:**

18

19 a) Please see below table.

		Actuals 2010	Actuals 2011	Actuals 2012	Actuals 2013	Actuals 2014
Operations		2,404,495	2,605,493	2,338,944	2,904,286	2,013,677
5005	Operation Supervision and Engineering	746,809	672,447	539,357	757,739	326,733
5010	Load Dispatching	447,115	477,089	492,825	556,090	542,919
5012	Station Buildings and Fixtures Expense	78,737	81,795	86,702	74,184	92,827
5014	Transformer Station Equipment - Operation Labour	-	-	-	-	-
5015	Transformer Station Equipment - Operation Supplies and Expenses	-	-	-	-	-
5016	Distribution Station Equipment - Operation Labour	128,353	49,564	100,176	57,108	28,625
5017	Distribution Station Equipment - Operation Supplies and Expenses	60,750	40,355	35,239	(16,838)	19,664
5020	Overhead Distribution Lines and Feeders - Operation Labour	214,036	396,543	151,889	316,993	152,718
5025	Overhead Distribution Lines and Feeders - Operation Supplies and Expenses	123,540	206,112	141,527	79,561	29,265
5030	Overhead Subtransmission Feeders - Operation	-	-	-	-	-
5035	Overhead Distribution Transformers- Operation	4,545	11,326	1,109	8,375	4,072
5040	Underground Distribution Lines and Feeders - Operation Labour	5,360	4,189	9,847	7,958	92,541
5045	Underground Distribution Lines and Feeders - Operation Supplies and Expenses	20,810	25,905	26,411	15,350	13,607
5050	Underground Subtransmission Feeders - Operation	-	-	-	-	-
5055	Underground Distribution Transformers - Operation	7,821	5,144	572	4,792	9,707
5060	Street Lighting and Signal System Expense	-	-	-	-	-
5065	Meter Expense	248,700	349,454	494,086	564,964	408,043
5070	Customer Premises - Operation Labour	125,762	131,406	156,983	332,018	135,373
5075	Customer Premises - Materials and Expenses	16,755	3,511	14,697	23,184	16,288
5085	Miscellaneous Distribution Expense	145,403	100,491	35,011	121,363	113,494
5090	Underground Distribution Lines and Feeders - Rental Paid	-	-	-	-	-
5095	Overhead Distribution Lines and Feeders - Rental Paid	30,000	28,520	43,943	1,445	27,801
5096	Other Rent	-	21,641	8,571	-	-
Maintenance		940,361	810,263	873,655	983,794	1,037,661
5105	Maintenance Supervision and Engineering	34,036	1,269	12,155	3,860	40,434
5110	Maintenance of Buildings and Fixtures - Distribution Stations	46,052	36,319	36,002	41,360	60,735
5112	Maintenance of Transformer Station Equipment	-	-	-	-	-
5114	Maintenance of Distribution Station Equipment	129,069	85,357	156,554	148,541	272,378
5120	Maintenance of Poles, Towers and Fixtures	98,086	41,148	59,121	35,810	37,999
5125	Maintenance of Overhead Conductors and Devices	163,037	173,600	245,342	229,581	156,430
5130	Maintenance of Overhead Services	66,450	38,040	34,468	24,540	37,752
5135	Overhead Distribution Lines and Feeders - Right of Way	219,374	176,311	160,639	242,587	192,300
5145	Maintenance of Underground Conduit	38,767	45,957	52,436	86,720	63,339
5150	Maintenance of Underground Conductors and Devices	59,723	95,277	88,676	137,382	145,482
5155	Maintenance of Underground Services	30,713	72,841	24,130	15,146	20,154
5160	Maintenance of Line Transformers	9,290	7,567	6,276	1,497	4,507
5165	Maintenance of Street Lighting and Signal Systems	-	-	-	-	-
5170	Sentinel Lights - Labour	-	-	-	-	-
5172	Sentinel Lights - Materials and Expenses	-	-	-	-	-
5175	Maintenance of Meters	45,765	36,577	(2,144)	16,769	6,149
Billing And Collecting		743,812	829,561	954,712	1,013,374	840,791
5305	Supervision	-	-	-	-	-
5310	Meter Reading Expense	86,884	88,021	130,875	189,285	180,413
5315	Customer Billing	400,821	434,137	423,774	484,272	356,828
5320	Collecting	75,579	87,055	134,452	131,757	137,871
5325	Collecting- Cash Over and Short	-	-	-	-	-
5330	Collection Charges	-	-	-	-	-
5335	Bad Debt Expense	180,527	220,348	265,611	208,061	165,679
5340	Miscellaneous Customer Accounts Expenses	-	-	-	-	-
Community Relations		214,011	204,150	201,696	120,438	79,874
5405	Supervision	-	-	-	-	-
5410	Community Relations - Sundry	-	-	-	-	-
5415	Energy Conservation	31,808	22,812	7,331	8,353	11,552
5420	Community Safety Program	-	-	-	230	-
5425	Miscellaneous Customer Service and Informational Expenses	182,203	181,338	194,365	111,855	68,322
Administration and General		1,700,006	1,577,877	1,783,955	1,860,228	2,362,486
5605	Executive Salaries and Expenses	85,138	161,380	137,430	139,925	152,294
5610	Management Salaries and Expenses	107,436	81,908	81,737	79,426	85,293
5615	General Administrative Salaries and Expenses	202,330	51,051	232,173	284,880	718,152
5620	Office Supplies and Expenses	124,686	77,991	137,375	142,604	171,029
5625	Administrative Expense Transferred/Credit	-	-	-	-	-
5630	Outside Services Employed	380,735	339,972	453,319	481,854	479,241
5635	Property Insurance	137,136	182,556	170,740	225,001	183,348
5640	Injuries and Damages	36,994	43,677	46,022	34,304	36,557
5645	Employee Pensions and Benefits	56,620	64,010	95,381	54,265	52,394
5650	Franchise Requirements	-	-	-	-	-
5655	Regulatory Expenses	211,736	291,466	157,800	146,662	184,176
5660	General Advertising Expenses	8,059	8,265	5,866	5,311	7,425
5665	Miscellaneous General Expenses	2,807	3,325	5,311	4,864	31,138
5670	Rent	164,377	238,285	232,777	232,328	232,328
5675	Maintenance of General Plant	25,485	5,833	-	-	-
5680	Electrical Safety Authority Fees	11,543	12,556	12,425	11,678	13,111
5681	Special Purpose Charge Expense	144,924	-	-	-	-
5685	Independent Market Operator Fees and Penalties	-	-	-	-	-
5695	OM&A Contra	-	-	-	-	-
6205	Donations	-	15,600	15,600	15,600	16,000
6225	Other Deductions	-	-	-	1,528	-
6105	Taxes Other Than Income Taxes	155,272	133,047	129,781	133,226	133,671
Total OM&A Expenses		6,157,957	6,160,391	6,282,743	7,015,345	6,468,160

1 **EXHIBIT 4 – OPERATING COSTS**

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3 **Response to Ontario Energy Board Staff Interrogatory 4-Staff-70**

4

5 **Ref: Exhibit 4, Tab 2, Schedule 1, pp. 1-9, Appendix 2-J Band Appendix 2- JC**

6

7 **Interrogatory:**

8

9 In Appendix 2-JC Kingston Hydro provided its individual program costs prior to the
10 OM&A envelope reduction ordered by the OEB in its last CoS proceeding. The overall
11 total also includes taxes.

12

13 a) Please update Appendix-2-JC by applying the envelope reduction to the
14 applicable programs and remove the taxes amount included in the total
15 OM&A expenditures from 2011 Board-approved to 2016 Test Year.

16

17 b) Following the updates, please provide a table in the same format as
18 Appendix2-JC to include the most recent year-to-date OM&A expenditures for
19 the 2015 bridge year and provide corresponding year-to-date figures for the
20 2014 year.

21

22 c) Please update Appendix 2-JC to include a forecast for the 2016-2020
23 custom IR term.

24

25 d) Please provide more detail regarding the cost drivers for the 2016 test year
26 and provide details of the variances expected year-over-year for the custom
27 IR period.

28

29 e) What programs are included in the \$202,156 of miscellaneous cost shown in
30 Appendix 2-JB?

31

32 f) Please explain the under-spending in the following OM&A programs:

- 33 • Engineering
- 34 • Supervision
- 35 • Overhead System
- 36 • Substation
- 37 • Underground System

38

39 **Response:**

40

41 a) Kingston Hydro has adjusted the table below (Appendix 2-JC) to not include
42 taxes. Due to the fact that the OEB Decision provided an envelope reduction to
43 OM&A and did not state which programs should be reduced, Kingston Hydro is
44 unable to provide the envelope reduction to the applicable programs. The
45 decision in EB-2010-0136 (p. 30-31) with respect to Kingston Hydro's 2011 rates
46 was as follows:

47

48 "In recent decisions the Board has approved a total amount, commonly referred
49 to as the "envelope" to support the Company's OM&A activities. In this way, the
50 Board provides the Company with the funding it believes has been supported by
51 the evidence, without specifically directing the Company as to how the funds
52 should be allocated among the various categories of OM&A spending. It is the
53 Board's view that this approach allows for the ongoing management of the
54 company leaving the priority setting in response to daily ongoing responsibilities
55 to those charged with that responsibility."

56

57 "As such the Board has determined that it will reduce the OM&A by a total of
 58 \$700,000."

59
 60 In the table below, Kingston Hydro has shown the actual spending for 2011
 61 broken out by program.
 62

Programs	2011 Board Approved	2011 Actuals	2012 Actuals	2013 Actuals	2014 Actuals	Bridge Year 2015
<i>Reporting Basis</i>	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP	MIFRS
Management	866,228	626,799	825,705	713,216	627,213	636,996
Utility Administration	809,685	608,861	656,183	854,177	926,919	1,002,927
Billing and Collections	604,793	553,592	704,038	647,124	620,086	763,578
Customer Service and Information	201,029	181,338	194,365	111,855	68,322	90,693
Dispatch	228,574	216,069	241,067	273,539	270,836	252,619
Engineering	1,064,654	778,064	691,969	905,164	808,772	632,287
Supervision	76,625	1,269	12,155	3,860	40,434	84,219
Meter Reading	54,350	88,021	130,875	189,285	180,413	192,019
Metering	278,601	386,030	491,942	581,733	414,192	420,635
Operations Locates	86,949	64,385	92,570	96,262	100,013	156,459
Operations -SCADA	140,940	261,021	251,758	282,551	272,082	253,888
Overhead and Underground Services	84,749	70,532	79,109	79,311	113,104	103,964
Overhead System	930,203	874,335	682,961	697,802	450,544	590,811
Rate Application	-	189,785	17,514	2,420	39,275	-
Regulatory Requirements	218,354	113,038	151,843	155,844	156,863	181,753
Storms	-	-	-	179,629	6,932	-
Substation	552,295	293,390	414,672	304,355	474,230	472,592
System Support	147,251	187,949	119,799	188,226	212,949	144,178
Tree Trimming	62,162	176,311	160,639	242,587	192,300	286,938
Underground System	359,518	278,553	202,787	267,348	276,442	317,369
Conservation	112,308	22,812	7,331	8,353	11,552	7,658
Miscellaneous	48,234	39,592	8,080	80,349	55,016	115,956
LEAP Funding		15,600	15,600	17,128	16,000	17,000
OM&A "Envelope" Reduction	(700,000)					
Total OM&A	6,227,504	6,027,344	6,152,962	6,882,119	6,334,489	6,724,540

63

64 b) See below table

65

	2015 June Actuals	2014 June Actuals
Programs		
<i>Reporting Basis</i>	CGAAP	CGAAP
Management	292,344.86	309,968.69
Utility Administration	658,032.33	667,070.18
	.	
Billing and Collections	384,368.68	357,909.55
Customer Service and Information	47,524.04	52,767.89
Dispatch	123,063.85	131,571.45
Engineering	337,399.87	415,352.22
Meter Reading	86,045.47	79,476.03
Metering	181,719.48	161,961.17
Operations Locates	36,361.64	62,098.37
Operations -SCADA	113,428.83	120,488.17
Overhead and Underground Services	26,107.98	60,180.23
Overhead System	264,423.86	414,104.63
Rate Application	28,460.00	22,600.00
Regulatory Requirements	91,167.54	84,890.26
Storms	10,977.70	6,932.42
Substation	185,403.34	128,214.70
System Support	107,108.92	102,510.30
Tree Trimming	92,353.04	100,641.49
Underground System	108,878.92	145,781.89
Miscellaneous	34,251.47	72,322.14
LEAP	17,000.00	16,000.00
OM&A "Envelope" Reduction		
Total OM&A	3,226,422	3,512,842

66

67 c) See table below

68

Programs	2016 Test Year	2017 Test Year	2018 Test Year	2019 Test Year	2020 Test Year
<i>Reporting Basis</i>	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS
Management	656,105	667,259	678,603	690,139	701,871
Utility Administration	1,033,015	1,050,577	1,068,436	1,086,600	1,105,072
		0	0	0	0
Billing and Collections	784,292	797,625	811,185	824,975	838,999
Customer Service and Information	93,413	95,001	96,617	98,259	99,929
Dispatch	260,198	264,621	269,119	273,695	278,347
Engineering	651,256	662,327	673,587	685,038	696,683
Supervision	86,746	88,221	89,720	91,245	92,797
Meter Reading	197,779	201,142	204,561	208,039	211,575
Metering	433,254	440,619	448,110	455,728	463,475
Operations Locates	161,153	163,893	166,679	169,512	172,394
Operations -SCADA	261,504	265,950	270,471	275,069	279,745
Overhead and Underground Services	107,083	108,904	110,755	112,638	114,553
Overhead System	608,535	618,881	629,401	640,101	650,983
Rate Application	70,370	71,566	72,783	74,020	75,279
Regulatory Requirements	184,938	188,082	191,279	194,531	197,838
Storms	0	0	0	0	0
Substation	486,770	495,045	503,461	512,019	520,724
System Support	148,503	151,028	153,595	156,206	158,862
Tree Trimming	295,547	300,571	305,681	310,877	316,162
Underground System	326,890	332,447	338,099	343,847	349,692
Conservation	7,888	8,022	8,159	8,297	8,438
Miscellaneous	119,433	122,087	124,845	127,712	130,690
LEAP Funding	18,000	19,000	20,000	21,000	22,000
OM&A "Envelope" Reduction					
Total OM&A	6,992,675	7,112,867	7,235,146	7,359,548	7,486,110

69

70

71 d) The year over year cost drivers for 2015-2016 relates to an estimated 3%
72 inflationary increase from 2015 which impacts various programs. For example,
73 the contract with the IBEW has a stated increase of 2% and this increase would
74 form part of the increase noted above. The remainder of the increase is as
75 detailed in Appendix 2-M regulatory costs associated with this application.

76

77 e) See response to d) above.

78

79 f) Assuming the question is with respect to the line items recorded in Appendix 2-
80 JC column labeled “2011 Board Approved”, it must be noted that these lines are
81 in fact, 2011 figures submitted as part of EB-2010-0136 and were not adjusted
82 line by line after the “envelope” reduction as discussed in a) above. As the
83 decision in EB-2010-0136 was received at the end of June, Kingston Hydro
84 determined that an exercise in allocating line by line was not necessary to
85 manage to within the envelope and instead the actuals for 2011 have been
86 reported.

87

88 Kingston Hydro acknowledges that on an overall basis, approximately \$200,000
89 less than the total approved operating budget was actually spent. This is due to
90 the Company’s decision to manage to a moderate increase over 2010 operating
91 spending while the rate application was before the Board. The final rate order
92 was issued July 26, 2011, leaving less than 6 months to incorporate the new
93 operating dollars in the 2011 spending and instead the company focused on
94 incorporating the new revenue in 2012 and beyond.

1 **EXHIBIT 4 – OPERATING COSTS**

2

3 **Shared Services and Corporate Cost Allocation**

4

5 **Response to Ontario Energy Board Staff Interrogatory 4-Staff-71**

6

7 **Ref: Exhibit 4, Tab 3, Schedule 3 and Exhibit 4, Tab 3, Schedule 2, p.7 and**
8 **Appendix 2-N**

9

10 **Interrogatory:**

11

12 a) Please confirm that the variances in Kingston Hydro's shared services shown in
13 the table below are correct.

14

15 b) Kingston Hydro stated that the 3% increase for 2016 is based on the Bank of
16 Canada's targeted inflation.

17

18 On page 7 of E4/T3/S2, Kingston Hydro shows a union wage increase of 1.95%
19 in 2014 and 2% in 2015 and 2016.

20

21 i) Please explain a uniform 3% increase on all affiliate services for the 2016
22 test year.

23 ii) Please confirm if the 3% increase is based on a forecast of the Bank of
24 Canada's target.

25 iii) Please provide supporting documentation to support this increase.

26

27

28

	2011A	2012A	Variance	2013A	Variance	2014A	Variance	2015B	Variance	2016T	Variance
InformationServices	201,631	284,759	41.2%	301,715	6.0%	307,750	2.0%	310,459	0.9%	319,772	3.0%
ClientServices	152,946	163,340	6.8%	83,303	-49.0%	84,970	2.0%	86,669	2.0%	89,269	3.0%
HumanResources	39,960	48,788	22.1%	49,763	2.0%	50,759	2.0%	51,538	1.5%	53,084	3.0%
Communications	16,262	16,587	2.0%	16,919	2.0%	17,257	2.0%	12,509	-27.5%	12,885	3.0%
FinancialServices	36,129	67,420	86.6%	68,769	2.0%	70,144	2.0%	71,800	2.4%	73,954	3.0%
LegalServices	17,687	18,533	4.8%	18,904	2.0%	19,282	2.0%	19,668	2.0%	20,258	3.0%
Total	464,615	599,427	29.0%	539,373	-10.0%	550,162	2.0%	552,643	0.5%	569,222	3.0%

29

30 c) Please provide a forecast of shared services for each year during the custom IR
31 term 2017-2020.

32

33 **Response:**

34

35 a) Confirmed.

36

37 b)

38 i) The wage increases indicated at page 7 of E4/T3/S2 refers to the collective
39 agreement in place between Utilities Kingston and the IBEW 636. It does not
40 refer to union or non-union wage increases of City of Kingston employees. The
41 City of Kingston determines proposed increases to shared services annually
42 with the budget cycle. The value 3% was used as it is in line with the Bank of
43 Canada forecast of the range of inflation rates.

44 ii) We confirm that the 3% is based on the Bank of Canada inflation control target
45 which states:

46 iii) "The inflation-control target was adopted by the Bank and the Government of
47 Canada in 1991 and has been renewed five times since then, most recently
48 in November 2011 for the five years to the end of 2016. The target aims to
49 keep total CPI inflation at the 2 per cent midpoint of a target range of 1 to 3
50 per cent over the medium term." Reference

51 [http://www.bankofcanada.ca/rates/indicators/key-variables/inflation-control-](http://www.bankofcanada.ca/rates/indicators/key-variables/inflation-control-target/)
52 [target/](http://www.bankofcanada.ca/rates/indicators/key-variables/inflation-control-target/)

53

54 c) Forecast shared services table 2017-2020.

55

	2016 Test Year	2017 Test Year	% Variance	2018 Test Year	% Variance	2019 Test Year	% Variance	2020 Test Year	% Variance
Information Services	319,772	325,209	1.7%	330,737	1.7%	336,360	1.7%	342,078	1.7%
Client Services	89,269	90,787	1.7%	92,330	1.7%	93,900	1.7%	95,496	1.7%
Human Resources	53,084	53,986	1.7%	54,904	1.7%	55,837	1.7%	56,787	1.7%
Communications	12,885	13,104	1.7%	13,326	1.7%	13,553	1.7%	13,783	1.7%
Financial Services	73,954	75,211	1.7%	76,489	1.7%	77,790	1.7%	79,112	1.7%
Legal Services	20,258	20,602	1.7%	20,952	1.7%	21,309	1.7%	21,671	1.7%
Total	569,221	578,898		588,739		598,748		608,926	

56

1 **EXHIBIT 4 – OPERATING COSTS**

2

3 **Response to Ontario Energy Board Staff Interrogatory 4-Staff-72**

4

5 **Ref: Exhibit 4, Tab 3, Schedule 1, Appendix 2-JC**

6

7 **Interrogatory:**

8

9 Please explain the increase in meter reading expenses by 48.7% in 2012 and 44.6%
10 in 2013. Was this increase related to Kingston Hydro's smart meter initiative? If so,
11 how?

12

13 **Response:**

14

15 Kingston charged smart metering related expenses to the smart meter project until
16 June 30, 2012. Kingston dealt with smart meter expenses in proceeding EB-2012-
17 0310. Consequently in 2012, there was 6 months' worth of operating expenses related
18 to smart metering that was new to the operating budget. 2013 saw a similar increase
19 as a full 12 months of new smart metering operating costs were realized.

20

21 The costs introduced into the operating budget is the result of a per meter charge for
22 the on-going maintenance of the AMI head end system.

1 **EXHIBIT 4 – OPERATING COSTS**

2

3 **Response to Ontario Energy Board Staff Interrogatory 4-Staff-73**

4

5 **Ref: Exhibit 4, Tab 3, Schedule 1, p. 1**

6

7 **Interrogatory:**

8

9 Kingston Hydro shows an anticipated increase of OM&A expenses of 12% over the term
10 of the custom IR. Kingston Hydro noted that these costs are mainly attributable to
11 inflationary increases as well as increase in customer reliability areas such as tree
12 trimming.

13

14 a) Please provide further detail regarding Kingston Hydro's tree trimming program.

15

16 **Response:**

17

18 Kingston Hydro uses a 3-year pruning cycle. For the purposes of line-clearing
19 operations, the territory is divided geographically into thirds, with every year a
20 successive section being targeted, such that over a three year period, all areas are
21 completed. Line-clearing also occurs to allow for other line work and to deal with
22 problems that may arise. Work is carried out throughout the year with all lines checked
23 and cleared as required.

24

25 The 3-year cycle is consistent with the Infrastructure Health & Safety Association's Line
26 Clearing Operations Safe Practice Guide, which the Applicant uses. Using a longer
27 pruning cycle would require a harsher cutback on the trees to maintain the appropriate
28 clearances from the hydro lines, which would not be favourable to the residents.

29 Kingston Hydro's territory is entirely urban, and City Council and residents are quite
30 sensitive to the tree pruning activities within Kingston. This is evidenced by a
31 comprehensive Tree Bylaw (bylaw No. 2007-170) and a Guideline for Tree Preservation
32 and Protection, both promulgated by the City in 2007. Furthermore, on June 16, 2015,
33 Council established the strategic priorities for the City, of which one included
34 intensifying the urban forest by doubling the tree canopy by 2025.

35
36 During line-clearing operations, some trees cannot be simply cut back, and are required
37 to be removed entirely. Due to customer sensitivity to this, the Applicant plants two trees
38 to compensate for the loss of the (generally large) canopy of the removed tree.

39
40 Using the 3-year cycle is also advantageous as it coincides with the minimum inspection
41 cycle of 3 years as established by the OEB Distribution System Code. This provides
42 better visual access to the infrastructure and serves as an audit of the tree-trimming
43 work.

44
45 Kingston Hydro uses the City of Kingston Forestry department for tree-trimming work
46 required, on a cost-recovery basis. This change from using private commercially-
47 operated contractors was done in 2013 and at the same time, as noted at Exhibit 4/Tab
48 2/Sch 1 page 5, Kingston Hydro sought to intensify the trimming program.

49
50 It is widely accepted that maintaining appropriate clearances between tree branches
51 and hydro lines reduces the likelihood of electrical contacts – and therefore outages -
52 during storms. Upon review of outage data, staff did note a rise in 2012 with both the
53 number of outages and the total customer hours of interruption (TCHI) due to tree
54 contacts in conjunction with less stringent tree-trimming activity. Refer to response to 2-
55 Staff-40. Kingston Hydro expects that with climate change inducing more erratic

56 weather, intensifying the tree-trimming program will be necessary to minimize customer
57 power outages arising from these storms.

1 **EXHIBIT 4 – OPERATING COSTS**

2

3 **Employee Cost and Compensation**

4

5 **Response to Ontario Energy Board Staff Interrogatory 4-Staff-74**

6

7 **Ref: Appendix 2-JA**

8

9 **Interrogatory:**

10

11 Please provide a version of Appendix 2-JA that includes Kingston Hydro's 2011 OEB
12 approved OM&A expenditures by adding a column showing last OEB approved
13 amounts. Provide a variance analysis based on the last approved OM&A expenditures.

14

15 **Response:**

16

17 Please find attached a version of Appendix 2-JA that includes Kingston Hydro's applied
18 for OM&A in EB-2010-0136. Kingston is unable to provide the requested information
19 because the decision in EB-2010-0136 (p. 30-31) with respect to Kingston Hydro's 2011
20 rates was as follows:

21

22 “In recent decisions the Board has approved a total amount, commonly referred to as
23 the “envelope” to support the Company's OM&A activities. In this way, the Board
24 provides the Company with the funding it believes has been supported by the evidence,
25 without specifically directing the Company as to how the funds should be allocated
26 among the various categories of OM&A spending. It is the Board's view that this
27 approach allows for the ongoing management of the company leaving the priority

28 setting in response to daily ongoing responsibilities to those charged with that
29 responsibility.”

30

31 “As such the Board has determined that it will reduce the OM&A by a total of \$700,000.”

32

33 Therefore the decision itself did not allocate the envelope reduction as set out in Table
34 2-JA. The actual allocations in 2011 as recorded by Kingston Hydro have been provided
35 in this application for reference.

Response to Ontario Energy Board Staff
Interrogatory 4-Staff-74

Attachment 1

**Appendix 2-JA
Summary of Recoverable OM&A Expenses**

	Last Rebasement Year (2011 Board-Approved)	Last Rebasement Year (2011 Actuals)	2012 Actuals	2013 Actuals	2014 Actuals	2015 Bridge Year	2016 Test Year
Plus \$700,000							
Reporting Basis	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP	MIFRS	MIFRS
Operations	\$ 2,627,053	\$ 2,605,493	\$ 2,338,944	\$ 2,904,286	\$ 2,013,677	\$ 2,006,738	\$ 2,066,941
Maintenance	\$ 1,093,763	\$ 810,263	\$ 873,655	\$ 983,794	\$ 1,037,661	\$ 1,324,805	\$ 1,364,549
Sub-Total	\$ 3,720,816	\$ 3,415,756	\$ 3,212,599	\$ 3,888,080	\$ 3,051,338	\$ 3,331,543	\$ 3,431,490
%Change (year over year)			-5.9%	21.0%	-21.5%	9.2%	3.0%
%Change (Test Year vs Last Rebasement Year - Actual)							0.5%
Billing and Collecting	\$ 643,543	\$ 829,561	\$ 954,712	\$ 1,013,374	\$ 840,791	\$ 913,498	\$ 938,710
Community Relations	\$ 413,492	\$ 204,150	\$ 201,696	\$ 120,438	\$ 79,874	\$ 100,011	\$ 103,011
Administrative and General	\$ 2,149,652	\$ 1,577,877	\$ 1,783,955	\$ 1,860,228	\$ 2,362,486	\$ 2,379,487	\$ 2,519,464
Taxes and Other Income Tax	\$ 130,000	\$ 133,047	\$ 129,781	\$ 133,226	\$ 133,671	\$ 134,112	\$ 138,135
Sub-Total	\$ 3,336,687	\$ 2,744,635	\$ 3,070,143	\$ 3,127,265	\$ 3,416,822	\$ 3,527,108	\$ 3,699,320
%Change (year over year)			11.9%	1.9%	9.3%	3.2%	4.9%
%Change (Test Year vs Last Rebasement Year - Actual)							34.8%
Total	\$ 7,057,503	\$ 6,160,391	\$ 6,282,742	\$ 7,015,345	\$ 6,468,160	\$ 6,858,651	\$ 7,130,810
%Change (year over year)			2.0%	11.7%	-7.8%	6.0%	4.0%

		Last Rebasement Year (2011 Actuals)	2012 Actuals	2013 Actuals	2014 Actuals	2015 Bridge Year	2016 Test Year
Operations	\$	2,627,053	\$ 2,605,493	\$ 2,338,944	\$ 2,904,286	\$ 2,013,677	\$ 2,066,941
Maintenance	\$	1,093,763	\$ 810,263	\$ 873,655	\$ 983,794	\$ 1,037,661	\$ 1,364,549
Billing and Collecting	\$	643,543	\$ 829,561	\$ 954,712	\$ 1,013,374	\$ 840,791	\$ 913,498
Community Relations	\$	413,492	\$ 204,150	\$ 201,696	\$ 120,438	\$ 79,874	\$ 100,011
Administrative and General	\$	2,149,652	\$ 1,577,877	\$ 1,783,955	\$ 1,860,228	\$ 2,362,486	\$ 2,519,464
Taxes	\$	130,000	\$ 133,047	\$ 129,781	\$ 133,226	\$ 133,671	\$ 134,112
Total	\$	7,057,503	\$ 6,160,391	\$ 6,282,742	\$ 7,015,345	\$ 6,468,160	\$ 7,130,810
%Change (year over year)			2.0%	11.7%	-7.8%	6.0%	4.0%

		Last Rebasement Year (2011 Actuals)	2012 Actuals	Variance 2012 Actuals vs. 2011 Actuals	2013 Actuals	Variance 2013 Actuals vs. 2011 Actuals	2014 Actuals	Variance 2014 Actuals vs. 2013 Actuals	2015 Bridge Year	Variance 2015 Bridge vs. 2014 Actuals	2016 Test Year	Variance 2016 Test vs. 2015 Bridge
Operations		\$ 2,605,493	\$ 2,338,944	\$ -266,549	\$ 2,904,286	\$ 565,342	\$ 2,013,677	\$ -890,609	\$ 2,006,738	\$ -6,939	\$ 2,066,941	\$ 60,202
Maintenance		\$ 810,263	\$ 873,655	\$ 63,392	\$ 983,794	\$ 110,139	\$ 1,037,661	\$ 53,867	\$ 1,324,805	\$ 287,144	\$ 1,364,549	\$ 39,744
Billing and Collecting		\$ 829,561	\$ 954,712	\$ 125,151	\$ 1,013,374	\$ 58,662	\$ 840,791	\$ -172,583	\$ 913,498	\$ 72,707	\$ 938,710	\$ 25,212
Community Relations		\$ 204,150	\$ 201,696	\$ -2,454	\$ 120,438	\$ -81,258	\$ 79,874	\$ -40,564	\$ 100,011	\$ 20,137	\$ 103,011	\$ 3,000
Administrative and General		\$ 1,577,877	\$ 1,783,955	\$ 206,078	\$ 1,860,228	\$ 76,273	\$ 2,362,486	\$ 502,258	\$ 2,379,487	\$ 17,001	\$ 2,519,464	\$ 139,977
Taxes		\$ 133,047	\$ 129,781	\$ -3,266	\$ 133,226	\$ 3,445	\$ 133,671	\$ 445	\$ 134,112	\$ 441	\$ 138,135	\$ 4,023
Total OM&A Expenses		\$ 6,160,391	\$ 6,282,742	\$ 122,351	\$ 7,015,345	\$ 732,603	\$ 6,468,160	\$ -547,185	\$ 6,858,651	\$ 390,491	\$ 7,130,810	\$ 272,159
Adjustments for Total non-recoverable items (from Appendices 2-JA and 2-JB)												
Total Recoverable OM&A Expenses		\$ 6,160,391	\$ 6,282,742	\$ 122,351	\$ 7,015,345	\$ 732,603	\$ 6,468,160	\$ -547,185	\$ 6,858,651	\$ 390,491	\$ 7,130,810	\$ 272,159
Variance from previous year					\$ 854,954		\$ -547,185		\$ 390,491		\$ 272,159	
Percent change (year over year)					14%		-9%		6%		4%	
Percent Change:							10.24%					
Test year vs. Most Current Actual												
Simple average of % variance for all years							15.75%					4%
Compound Annual Growth Rate for all years												3.0%
Compound Growth Rate (2014 Actuals vs. 2011 Actuals)							1.64%					

Note:

- "BA" = Board-Approved
- If it has been more than three years since the applicant last filed a cost of service application, additional years of historical actuals should be incorporated into the table, as necessary, to go back to the last cost of service application. If the applicant last filed a cost of service application less than three years ago, a minimum of three years of actual information is required.
- Recoverable OM&A that is included on these tables should be identical to the recoverable OM&A that is shown for the corresponding periods on Appendix 2-JB.

1 **EXHIBIT 4 – OPERATING COSTS**

2
3 **Response to Ontario Energy Board Staff Interrogatory 4-Staff-75**

4
5 **Ref: Exhibit 4, Tab 3, Schedule 2, p. 1**

6
7 **Interrogatory:**

8
9 On page 1, Kingston Hydro states that staffing levels will increase from 47 FTEs to
10 50.3 FTE, which is a 7.02% increase. Kingston also shows a corresponding to a 17%
11 increase in employee compensation for the test year relative to the 2014 actual levels.

12
13 a) Please provide a detailed explanation of this increase in FTEs (i.e. what positions
14 are being filled, are they 100% attributable to Kingston Hydro, etc.)

15
16 b) What objectives has the applicant established for its operations?

17
18 c) Please provide specific information on why the proposed cost increases are
19 necessary for the applicant to achieve the objectives that the applicant has
20 targeted in the capital and operating expenditure sections of its application, and
21 the alternative methods for achieving these objectives that were considered and
22 rejected in favour of the proposed headcount and compensation increases.

23
24 **Response:**

25
26 a) Included in the 2015 operating budget there are the following positions added:
27 - Journeyperson Substation Maintenance (1 FTE)
28 - Metering Materials Technician (0.40 FTE)

29 - Autocad Technician (0.23 FTE)

30 - Service Advisor (0.01 FTE)

31

32 The apparent increase from 2014 to 2015 is due to 2014 FTEs falling below the
33 2013 level of 49.11 as a result of the impact due to customer funded recoverable
34 work (Bell project). It would be more appropriate to compare the 2013 FTEs of
35 49.11 to the 2015 FTEs of 50.34. This is a 2.5% increase, which is below the
36 3.3% inflation rate over that period.

37

38 b) Please see response to 1-Staff-12.

39

40 c) The proposed cost increase is necessary to achieve the capital work as set out in
41 the Distribution System Plan, which is the driver of this Custom IR application. On-
42 going review of the most cost effective means of completing work (i.e. internal
43 forces vs contracted work) is undertaken currently and will continue through the
44 term of the application.

1 **EXHIBIT 4 – OPERATING COSTS**

2
3 **Response to Ontario Energy Board Staff Interrogatory 4-Staff-76**

4
5 **Ref: Exhibit 4, Tab 3, Schedule 2**

6
7 **Interrogatory:**

8
9 a) Please provide a table showing full FTEs for all employees of the City providing
10 services to the Applicant, and break down those FTEs into the FTEs allocated to
11 the Applicant (through Utilities Kingston), and the FTEs allocated to other
12 activities of the City including other activities of Utilities Kingston.

13
14 b) Please provide a table showing full FTEs for all employees of Utilities Kingston
15 providing services to the Applicant, and break down those FTEs between the
16 FTEs allocated to the Applicant and the FTEs allocated to each of the other
17 business areas of Utilities Kingston.

18
19 c) Please provide a table showing full FTEs for all employees of the Applicant (if
20 any), and break down those FTEs between the FTEs allocated to the Applicant,
21 and the FTEs allocated to the provision of services to any related entity.

22
23 d) Please confirm Kingston Hydro's increase in FTEs by 13% over the five year
24 period ending in the Test Year and confirm that this level will be maintained over
25 the Custom IR term 2016-2020. Please disaggregate the increase in FTEs into
26 the numbers of:

27
28 i. additional persons hired solely to provide services to the applicant,

29 ii. additional persons hired to provide services to the applicant as well as
30 other activities of Utilities Kingston or the City, and

31

32 iii. re-allocations of the time spent by existing persons working for the City or
33 Utilities Kingston.

34

35 e) Please describe Kingston Hydro succession plan over the custom IR term.

36

37 **Response:**

38

39 a) Kingston Hydro does not have information with respect to the employees of the
40 City of Kingston. Further, the information is not available in the requested
41 format and this information may not form the basis for the charges for these
42 services.

- 43 b) Table below shows the FTEs for all employees of Utilities Kingston providing
 44 services to the Applicant (Note: Utilities Kingston's full staffing complement in
 45 2015 is 245 employees), with breakdown of those allocated to the Applicant and
 46 those allocated to each of the other business areas of Utilities Kingston.
 47

Total Utilities Kingston FTEs (including Part-Time) Providing Services to Applicant						
	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Bridge Year	2016 Test Year
Management	15.26	16.00	17.00	17.53	18.00	18.00
Non-Union	19.59	24.73	24.02	18.79	20.92	20.92
Union	80.51	84.55	87.39	87.69	86.87	86.87
Total	115.36	125.28	128.41	124.01	125.79	125.79

FTEs (including Part-Time) Allocated to Hydro						
	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Bridge Year	2016 Test Year
Management	3.95	5.28	5.10	4.72	4.90	4.90
Non-Union	6.02	7.65	6.79	7.09	6.04	6.04
Union	34.68	35.51	37.22	35.51	39.40	39.40
Total	44.65	48.45	49.11	47.32	50.34	50.34

FTEs (including Part-Time) Allocated to Other Business Areas of Utilities Kingston						
	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Bridge Year	2016 Test Year
Management	11.31	10.72	11.9	12.81	13.1	13.1
Non-Union	13.57	17.08	17.23	11.7	14.88	14.88
Union	45.83	49.04	50.17	52.18	47.47	47.47
Total	70.71	76.83	79.3	76.69	75.45	75.45

- 48
- 49 c) Kingston Hydro does not have any employees.
- 50
- 51 d) Kingston Hydro confirms that the increase in FTEs from 2011 to 2015 is 12.7%.
 52 Of the 5.69 FTE increase: 2 FTE's were hired solely to provide services to the
 53 applicant; 1.35 FTE's (5 employees) were hired to provide services to the
 54 applicant as well as other activities of Utilities Kingston; the remaining FTE's

55 are re-allocations of the time spent by existing persons working for Utilities
56 Kingston.
57

58 e) Kingston Hydro is able to forecast attrition rates over the course of the
59 application, anticipate vacancies and cross train to mitigate skill and/or
60 knowledge gaps. Where a significant knowledge gap is projected, recruitment
61 and selection processes are tailored to that skill set or knowledge to mitigate the
62 risk. The applicant believes for some positions it is beneficial to hire in advance
63 of expected turnover, however to control operating expenses this is carefully
64 considered and typically is used only for positions that have a low likelihood of
65 recruiting a trained person and where the training period is significant. Kingston
66 Hydro's attrition rate is historically low and the applicant believes succession
67 planning is manageable with the planned resources.

1 **EXHIBIT 4 – OPERATING COSTS**

2

3 **Response to Ontario Energy Board Staff Interrogatory 4-Staff-77**

4

5 **Ref: Exhibit 4, Tab 3, Schedule 2**

6

7 **Interrogatory:**

8

9 The applicant did not show any relevant studies of its proposed increases in
10 compensation/headcount on the basis of compensation benchmarking, or any other
11 external comparators, and appears to have justified its proposed increases solely on
12 the basis of its anticipated needs without any specific reference to any external
13 comparators. Please explain what analyses and data the Applicant has used to derive
14 its proposed compensation per headcount for the bridge and test years.

15

16 **Response:**

17

18 Compensation benchmarking studies have been provided in response to 1-Staff-15.

19

20 The compensation for unionized employees is governed by the Collective Agreement
21 that is in place between Utilities Kingston and the IBEW 636. This agreement
22 extends until the end of 2017.

23

24 Employee compensation is a large component of OM&A, a metric that is identified in
25 the Electricity Distributor Yearbook. This metric is closely monitored and influences
26 both total headcount and compensation/headcount.

1 **EXHIBIT 4 – OPERATING COSTS**

2

3 **Response to Ontario Energy Board Staff Interrogatory 4-Staff-78**

4

5 **Ref: Exhibit 4, Tab 3, Schedule 2, Exhibit 2, Tab 2, Schedule 1 (DSP), p. 15**
6 **and Appendix 2-K**

7

8 **Interrogatory:**

9

10 On page 15 of the DSP, Kingston Hydro states that the use of in-house hydro field
11 staff resources is a source of cost savings. Please confirm that the proposed
12 staffing levels are sufficient to complete the capital and OM&A projects included in
13 Kingston Hydro's 5 year plan and provide further detail regarding Kingston Hydro's
14 resourcing for the Substation No.1 rebuild.

15

16 **Response:**

17

18 On page 15 of the DSP, Kingston Hydro states that the use of in-house hydro field
19 staff resources is a source of cost savings as compared to the alternative use of
20 contracted services. Kingston Hydro confirms that staffing levels are appropriate for
21 the paced asset renewal activity associated with our capital program and OM&A
22 activities.

23

24 Kingston Hydro in deciding to pursue Option 2A carefully considered the
25 implications of undertaking this project with in house resources. The pacing of the
26 renewal of Substation 1, in addition to addressing customer concerns about pacing
27 and smoothing rates, also addresses our ability to assign staff to various
28 components of the project throughout the long term rebuild of this facility. It is

29 recognized that activity at Substation 1 will occur at differing times and intensity
30 throughout the 2016-2020 period. The scheduling and adjustments to work
31 programs has been considered by Kingston Hydro in it planning. The assignment of
32 resources to the Substation 1 project will primarily involve the allocation of
33 engineering and station journey person personnel.

1 **EXHIBIT 4 – OPERATING COSTS**

2

3 **Regulatory Costs**

4

5 **Response to Ontario Energy Board Staff Interrogatory 4-Staff-79**

6

7 **Ref: Exhibit 4, Tab 3, Schedule 7**

8

9 **Interrogatory:**

10

11 Kingston Hydro noted that 2014 regulatory costs increased due to the customer
12 satisfaction survey conducted in 2014. Please explain if Kingston Hydro has included
13 those costs as well as consultant cost incurred in the bridge year in its total one-time
14 cost amount of \$351,850 for recovery.

15

16 **Response:**

17

18 Kingston Hydro has not included customer satisfaction survey costs in the one-time
19 cost amount of \$351,850.

20

21 Kingston Hydro has included total consultant costs of \$102,091 (see 4-CCC-27) in its
22 one-time costs of \$351,850.

1 **EXHIBIT 4 – OPERATING COSTS**

2
3 **Response to Ontario Energy Board Staff Interrogatory 4-Staff-80**

4
5 **Ref: Exhibit 4, Tab 2, Schedule 2**

6
7 **Interrogatory:**

- 8
- 9 a) Please identify what improvements in services and outcomes the Applicant's
10 customers will experience in 2016 and during the subsequent term for the custom
11 IR as a result of increasing the provision for OM & A in 2016.
- 12
- 13 b) How has the Applicant communicated these benefits and the associated costs to
14 its customers, and how did customers respond? Please provide some examples,
15 including a synopsis of any customer feedback. If no communications took place,
16 please explain why not.

17
18 **Response:**

- 19
- 20 a) As outlined at Exhibit 1 Tab 8 Schedule 1 page 1, Kingston Hydro has focused on
21 the performance outcomes that were identified in the Renewed Regulatory
22 Framework for Electricity Distributors: A Performance-Based Approach dated
23 October 18, 2012. The requested OM&A is set to actual inflation less a
24 productivity factor and as such it is anticipated that the Scorecard metrics related
25 to "Customer Focus" will remain approximately at 2014 levels.
- 26
- 27 b) The Customer engagement process had a greater focus on communications
28 regarding the Distribution System Plan and less so on the operating expenses.

29 What was communicated was that Kingston Hydro was committed to keeping
30 operating expenses below the actual rate of inflation rate through the use of a
31 productivity factor. There was little feedback with respect to operating expenses
32 other than a sense that Kingston Hydro was making an effort and a commitment to
33 managing operating expenses and that Kingston Hydro rates benchmark
34 favourably to other LDC's.

1 **EXHIBIT 4 – OPERATING COSTS**

2

3 **Response to Ontario Energy Board Staff Interrogatory 4-Staff-81**

4

5 **Ref: Exhibit 1, Tab 5, Schedule 1, Attachment 4**

6

7 **1.5.1.4 - 2014 Financial Statements**

8

9 **Interrogatory:**

10

11 The 2014 financial statements report \$1,096,482 of liabilities related to employee
12 future benefits. Note10 (b) of the 2014 financial statements states:

13

14 The Company has an obligation with respect to post employment extended
15 health care, dental and life insurance benefits that are provided to employees of
16 Utilities Kingston through the service agreement with Utilities Kingston.

17

18 It is OEB staff's understanding that Kingston Hydro has no employees.

19

20 In 2011, in determining the appropriate PILs proxy to be included in rates, the OEB
21 noted Kingston Hydro was not liable for these liabilities under the terms of the
22 services agreement and denied Kingston Hydro's proposal to include OPEBs has an
23 add back to the PILs calculation. The June 23, 2011 Decision and Order of the
24 Ontario Energy Board states:

25

26 *Kingston Hydro is a virtual utility affiliated with the City of Kingston and Utilities*
27 *Kingston. Kingston Hydro does not directly employ any people and as a result*
28 *did not issue federal government T4s in 2009 and 20101 the services*

29 *agreement that sets out the employment relationship between Kingston Hydro*
30 *and Utilities Kingston does not specifically identify that liability for*
31 *postemployment benefits be maintained in the records of the regulated utility,*
32 *Kingston Hydro.*

33

34 a) Has the services agreement with Utilities Kingston been modified since 2011?

35

36 b) If not, please explain why Kingston Hydro Corporation has recorded a liability
37 related to the post-employment benefits of another entity's employees.

38

39 c) Please confirm whether or not the amounts paid by Kingston Hydro to Utilities
40 Kingston by way of the services agreement (since the onset of the agreement)
41 has included and continues to include amounts for OPEBs. If so, please respond
42 to part d) and e) below. If not, please explain why not.

43

44 d) Please indicate if OPEBs have been included in the services agreement billings
45 (and therefore recovered from its customers through distribution rates) on a cash
46 or accrual accounting basis for each year since Kingston Hydro started to
47 recover OPEBs.

48

49 e) Please complete the table below to show how much more than the actual cash
50 benefit payments, if any, have been recovered from ratepayers from the year
51 Kingston Hydro started recovering amounts for OPEBs. If it is easier to provide
52 the information below on a consolidated basis, please do so while also
53 identifying the percentage allocated to the wires company for each year.

54

OPEBs	First year of recovery to 2011	2012	2013	2014	2015	2016	Total
Amounts included In rates	\$600,507	\$146,716	\$131,559	\$74,683			
OM&A	\$600,507	\$146,716	\$131,559	\$74,683			
Capital	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Sub-total	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Paid benefit amounts	\$743,766	\$96,513	\$53,855	\$28,173			
Net excess amount included in rates greater than amounts actually paid	(\$143,259)	\$50,203	\$77,704	\$46,510	\$47,908	\$49,346	\$128,415

55

56 f) Please describe which entity makes the benefit payments and what that entity
57 has done with the recoveries in excess of cash benefit payments.

58

59 **Response:**

60

61 a) The service agreement was renewed in September 2012. The agreement is
62 included in this application at Exhibit 1 Tab 7 Schedule 17, Attachment 2.

63

64 b) Not applicable.

65

66 c) Confirmed. Kingston Hydro pays its portion of all costs related to employee
67 compensation and benefits for work done by Utilities Kingston employees on
68 behalf of Kingston Hydro.

69

70 d) The OPEBs included in the service agreement are on an accrual basis
71 consistent with accounting principles.

-
- 72 e) See above table completed. Note that the “amount included in rates” is the
73 actuarial expense for the year, which may or may not be “included in rates”.
74
- 75 f) Utilities Kingston makes the benefit payments. That entity has not collected any
76 recoveries in excess of cash benefit payments.

1 **EXHIBIT 4 – OPERATING COSTS**

2

3 **Response to The Consumers Council of Canada Interrogatory 4-CCC-23**

4

5 **(Ex.4/T3/S2/p. 4)**

6

7 **Interrogatory:**

8

9 Please provide copies of the industry and local market compensation surveys Kingston
10 Hydro has participated in.

11

12 **Response:**

13

14 Please see reply to 1-Staff-15.

1 **EXHIBIT 4 – OPERATING COSTS**

2

3 **Response to The Consumers Council of Canada Interrogatory 4-CCC-24**

4

5 **(Ex.4/T3/S2/p. 4)**

6

7 **Interrogatory:**

8

9 Please explain how Kingston Hydro evaluates whether the employees perceive that
10 they are being rewarded fairly either according to the relative value of their jobs within
11 the organization or in relation to those who perform similar jobs in other
12 organizations?

13

14 **Response:**

15

16 Kingston Hydro has no direct employees. Employees of Utilities Kingston are
17 primarily unionized and therefore rates of pay are negotiated over a four year term.
18 The applicant is not able to negotiate pay rates with individual members of the union
19 during the term of a collective agreement. The applicant utilizes industry and market
20 rates when preparing proposals for labour negotiations. Compensation at Utilities
21 Kingston generally meets the average of market rates in the electric industry. A
22 collective agreement cannot be ratified until the union membership votes in
23 agreement.

24

25 Utilities Kingston utilizes market and industry rates when preparing and adjusting
26 non-union salaries. New non-union hires of Utilities Kingston are able to negotiate
27 their salary prior to accepting an employment offer.

28

29 We strive to provide base salary that provides internal equity while matching the
30 external market (50th percentile) for our industry as much as possible without
31 jeopardizing internal equity.

32

33 We also monitor the local market for competitiveness for talent through our own and
34 other employer's advertised recruitment, by studying companies regarded as
35 employer of choice in Canada, and by monitoring our attrition rate and conducting exit
36 interviews.

37

38 Feedback generally received indicates employees feel their compensation is fair. In
39 additional generally employee feedback indicates the Kingston Hydro total
40 compensation package is generous; full health and dental coverage and a stable
41 pension plan.

42

43 Kingston Hydro does provide indirect rewards (i.e. gifts) and recognition
44 (acknowledgement of work well done) for all employees.

1 **EXHIBIT 4 – OPERATING COSTS**

2

3 **Response to The Consumers Council of Canada Interrogatory 4-CCC-25**

4

5 **(Ex.4/T3/S7)**

6

7 **Interrogatory:**

8

9 Please explain why the Customer Satisfaction survey conducted in 2014 has been
10 allocated to 2014 regulatory costs?

11

12 **Response:**

13

14 The Customer Satisfaction survey was allocated to regulatory costs as it is a regulatory
15 requirement under 2.1.19 of the Electricity Reporting and Record Keeping
16 Requirements.

1 **EXHIBIT 4 – OPERATING COSTS**

2

3 **Response to The Consumers Council of Canada Interrogatory 4-CCC-26**

4

5 **(Ex.4/T3/S7/Att. 1)**

6

7 **Interrogatory:**

8

9 Please identify the resources involved in operating expenses associated with other
10 resources (as asked for in Appendix 2#M).

11

12 **Response:**

13

14 Line 7 is staff costs for regulatory analyst.

15

16 Line 8 is for incremental costs associated with rate applications including newspaper
17 advertisement fees and customer satisfaction surveys as required by the OEB.

1 **EXHIBIT 4 – OPERATING COSTS**

2

3 **Response to The Consumers Council of Canada Interrogatory 4-CCC-27**

4

5 **(Ex.4/T3/S7/Att. 1)**

6

7 **Interrogatory:**

8

9 Please list and provide copies of the consultant studies that correspond to the \$102,091
10 shown in Appendix 2#M. Please include all details including for each study the hours
11 and hourly rates used to derive the \$102,091 amount.

12

13 **Response:**

14

15 The amount shown as consultant costs of \$102,091 is an estimate based on Kingston
16 Hydro's experience in the 2011 cost of service proceeding adjusted for inflation at 2%
17 per annum.

18

19 The fees are for advisory services, rate modeling license fees, load forecasting, and
20 cost allocation. In addition, lead lag study costs would be part of this expense category.

1 **EXHIBIT 4 – OPERATING COSTS**

2

3 **Response to The Consumers Council of Canada Interrogatory 4-CCC-28**

4

5 **(Ex.4/T3/S7/Att. 1)**

6

7 **Interrogatory:**

8

9 Please list the activities associated with the estimated legal fees for this application.

10 Please include all assumptions including hours and hourly rates used to derive the
11 \$120,428 amount.

12

13 **Response:**

14

15 The \$120,428 is derived from the actual costs from the 2011 rate application of
16 \$109,075 increased by 2% per annum for 5 years resulting in an estimated cost of
17 \$120,428.

18

19 The legal activities associated with the application include:

- 20 • Assistance with preparation of application and pre-filed evidence;
- 21 • Review of application and pre-filed evidence
- 22 • Assistance with preparation of overview of the application presentation for the
23 meeting with intervenors at the OEB's offices;
- 24 • Attendance at that meeting;
- 25 • Review of interrogatory responses
- 26 • Preparation of witnesses for the technical conference;
- 27 • Attendance at the technical conference;
- 28 • Preparation for the settlement conference;

-
- 29 • Attendance at the settlement conference;
- 30 • Preparation of a partial or full settlement agreement;
- 31 • Attendance at an oral hearing;
- 32 • Preparation of Argument-In-Chief; and
- 33 • Preparation of Reply Argument.
- 34

35 In Kingston Hydro's last COS application in 2010, Andrew Taylor's billing rate was

36 \$500/hour. When Kingston Hydro set the legal budget for this application, it incorrectly

37 assumed that Andrew Taylor's billing rate would have increased with the rate of inflation

38 to approximately \$550/hour. However, Andrew Taylor has maintained his \$500/hour

39 billing rate for this application. Therefore, Kingston Hydro's estimate using its

40 methodology would be approximately \$10,000 too high - an amount well below the

41 materiality threshold.

42

43 Nevertheless, the following factors that would increase legal costs were not factored

44 into Kingston Hydro's legal budget, potentially resulting in Kingston Hydro's legal budget

45 being too low:

46

- 47 • Kingston Hydro has filed a five-year Custom IR application, which is more
- 48 complicated and comprehensive than its previous single test-year COS application.
- 49 So, for example, this application involved more review of capital project descriptions
- 50 over the five-year test period. As well, Andrew Taylor's review of the pre-filed
- 51 evidence involved reviewing a comprehensive DSP unlike in the previous
- 52 application.
- 53
- 54 • In Kingston Hydro's last COS application proceeding, there were three intervenors,
- 55 whereas in this proceeding there are five. Therefore legal costs will be higher for
- 56 such things as interrogatory response review and preparation of Argument-In-Chief

57 and Reply Argument (i.e. there are more interrogatories and there will be more
58 arguments to address).

59

- 60 • The Board ordered a public meeting in Kingston. Andrew Taylor was involved in
61 reviewing the presentation, and he attended the presentation in Kingston.

62

63 For these reasons, Kingston Hydro's legal budget for this application is likely
64 understated.

1 **EXHIBIT 4 – OPERATING COSTS**

2

3 **Response to The Consumers Council of Canada Interrogatory 4-CCC-29**

4

5 **(Ex.4/T3/S7/Att. 1)**

6

7 **Interrogatory:**

8

9 What do the “other costs for on#going regulatory matters” refer to (App. 2#M/I.11)?

10

11 **Response:**

12

13 These costs are annual costs associated with the IESO Prudential requirements.

1 **EXHIBIT 4 – OPERATING COSTS**

2

3 **Response to Energy Probe Interrogatory 4-Energy Probe-22**

4

5 **Ref: Exhibit 4, Tab 2, Schedule 1, Attachment 3**

6

7 **Interrogatory:**

8

9 a) Please expand Appendix 2-L to include data for 2017 through 2020 based on
10 the OM&A forecast increase of 2.0% for inflation less 0.3% productivity. Please
11 ensure that the number of customers is consistent with the forecast in Exhibit 3.

12

13 b) Please provide the 2011 Board approved OM&A, number of customers and
14 FTEs.

15

16 **Response:**

17

18 a) Additional information provided as requested.

19

20 b) The 2011 Board approved OM&A and number of customers has been provided.
21 The Board did not approve FTEs as part of proceeding EB-2010-0136.

Response to Energy Probe Interrogatory
4-Energy Probe-22

Attachment 1

Appendix 2-L
Recoverable OM&A Cost per Customer and per FTE

	2011 Board Approved	Last Rebasings Year - 2011- Actual	2012 Actuals	2013 Actuals	2014 Actuals	2015 Bridge Year	2016 Test Year
Reporting Basis							
Number of Customers	27,145	26,961	26,906	27,154	27,380	27,484	27,588
Total Recoverable OM&A from Appendix 2-JB	\$ 6,357,503	\$ 6,160,391	\$ 6,282,743	\$ 7,015,345	\$ 6,468,160	\$ 6,858,652	\$ 7,130,810
OM&A cost per customer	234.21	228.49	233.51	258.35	236.24	249.55	258.48
Number of FTEs	N/A	44.65	48.45	49.11	47.32	50.34	50.34
Customers/FTEs	N/A	603.89	555.33	552.92	578.57	545.96	548.02
OM&A Cost per FTE	N/A	137,985.11	129,674.40	142,849.25	136,678.57	136,243.53	141,649.81

Notes:

- 1 If it has been more than three years since the applicant last filed a cost of service application, additional years of historical actuals should be incorporated into the table, as necessary, to go back to the last cost of service application. If the applicant last filed a cost of service application less than three years ago, a minimum of three years of actual information is required.
- 2 The method of calculating the number of customers must be identified.
- 3 The method of calculating the number of FTEs must be identified. See also Appendix 2-K
- 4 The number of customers and the number of FTEs should correspond to mid-year or average of January 1 and December 31 figures.

1 **EXHIBIT 4 – OPERATING COSTS**

2

3 **Response to Energy Probe Interrogatory 4-Energy Probe-23**

4

5 **Ref: Exhibit 4, Tab 1, Schedule 1**

6

7 **Interrogatory:**

8

9 a) Is there any difference in the OM&A expenses shown because of the movement
10 to MIFRS in 2015?

11

12 b) Please confirm that the \$6,858,652 figure shown for 2015 on page 1 includes
13 property taxes.

14

15 c) Please reconcile the 3% increase for 2016 above the \$6,858,652 figure, or
16 \$7,064,412, with the figure shown in Appendix 2-JA of Exhibit 4, Tab 2,
17 Schedule 1, Attachment 1, of a 4.0% increase in OM&A in 2016 over 2015.

18

19 d) Please confirm that the Bank of Canada aims to keep inflation at the 2%
20 midpoint of an inflation control target range of 1 to 3%.

21

22 **Response:**

23

24 a) There are no differences in the OM&A expenses shown because of the
25 movement to MIFRS in 2015.

26

27 b) Confirmed.

28

29 c) See below table.

30

2015 Budget	6,858,651.54
2016 Budget with a 3% Increase	7,064,411.09
2016 Budget proposed in Application	7,130,810.36
Variance	66,399.26
Bad Debt Expense	2,192.99
Regulatory Costs based on Appendix 2-M	(68,102.27)
Leap Funding	(490.00)
Total	(66,399.27)

31

32

33 d) See response to 4-Staff-71 b) iii).

1 **EXHIBIT 4 – OPERATING COSTS**

2

3 **Response to Energy Probe Interrogatory 4-Energy Probe-24**

4

5 **Ref: Exhibit 4, Tab 2, Schedule 1, Attachment 2**

6

7 **Interrogatory:**

8

9 For each of the following line items shown in Appendix 2-JB, please explain the cost
10 included in the line item, and explain the changes noted below and indicate whether
11 the change was a one-time cost or permanent change in the level of costs incurred:

12

13 a) \$110,000 in 2013 for Document Standard Operating Procedures in Operations;

14

15 b) \$147,000 in 2014 for Condition Assessment - Substation 1; and

16

17 c) \$300,000 decrease in 2014 (followed by \$300,000 increase in 2015) for Bell
18 "Bell Fibre at the home" labour.

19

20 **Response:**

21

22 a) This was a one-time cost and included all labour associated with the in-house
23 development and subsequent crew training of standard operating procedures for
24 the hydro group.

25

26 b) \$147,000 was a one-time cost paid to consultants to provide the condition
27 assessment on the substation.

28

-
- 29 c) Decreases here are attributed to resources being allocated to review, prepare
30 and perform make-ready work necessary for Bell to attach additional fibre strand
31 on poles throughout our distribution territory. This project is not a permanent
32 change to the level of costs.

1 **EXHIBIT 4 – OPERATING COSTS**

2

3 **Response to Energy Probe Interrogatory 4-Energy Probe-25**

4

5 **Ref: Exhibit 4, Tab 2, Schedule 1, Attachment 2**

6

7 **Interrogatory:**

8

9 a) There is an increase in 2013 of \$185,000 for recognition of smart meter costs.
10 Please provide a breakdown of the \$185,000 that was booked in 2013 that
11 shows the amounts incurred on an actual basis by year.

12

13 b) Please explain the \$71,000 increase in rent in 2015.

14

15 c) Please explain the \$53,000 increase in bad debt in 2015 and explain why it is
16 expected to remain at this level in 2016 and beyond.

17

18 d) There is a material increase of more than \$200,000 in the miscellaneous line in
19 2016. Please provide a more disaggregated breakdown of this amount.

20

21 **Response:**

22

23 a)

Recognition of Smart Meter Costs-OM&A	
2010	85,832
2011	55,204
2012	43,714
Total	184,750

24

25 b) Utilities Kingston now occupies a new larger office building (move-in Jan 2015),
26 as well as a portion of an adjacent building; both buildings being owned by the
27 City of Kingston.

28

29 For the new larger building, Kingston Hydro pays \$188,758 based on a rental
30 rate of \$20.50/sq.ft. The 9,208 sq.ft. that is allocated to Kingston Hydro is based
31 on the staff complement and represents 20.2% of the total space in that new
32 building.

33

34 For the other adjacent building, Kingston Hydro pays \$114,964 based on
35 utilizing 23.0% of the space with a total rental rate of \$13.37 (\$7.00/sq.ft plus an
36 operating cost recovery rent rate of \$6.37/sq.ft.).

37

38 This totals \$303,722 in 2015, an increase of \$71,000 from 2014.

39

40 c) The increase in bad debt expense is based on the historical four-year average
41 of uncollectible accounts from 2010-2014.

42

43 d) The amount in the miscellaneous expense line of \$202,156 is a result of an
44 estimated 3% inflationary increase from 2015 which impacts various programs.
45 For example the contract with the IBEW has a stated increase of 2% and this
46 increase would form part of the increase noted above.

1 **EXHIBIT 4 – OPERATING COSTS**

2

3 **Response to Energy Probe Interrogatory 4-Energy Probe-26**

4

5 **Ref: Exhibit 4, Tab 2, Schedule 1, Attachment 1**

6

7 **Interrogatory:**

8

9 Please provide the most recent year-to-date actuals available for 2015 in the same
10 level of detail as shown in Appendix 2-JA, along with the figures for the corresponding
11 period in 2014.

12

13 **Response:**

14

15 See 4-Staff-70 for the information in more detail than requested.

1 **EXHIBIT 4 – OPERATING COSTS**

2
3 **Response to Energy Probe Interrogatory 4-Energy Probe-27**

4
5 **Ref: Exhibit 4, Tab 3, Schedule 1, Attachment 1**

6
7 **Interrogatory:**

- 8
- 9 a) Please confirm that the total compensation charged to OM&A as shown in
10 Appendix 2-K represents all of the labour related charges included in the total
11 OM&A figures shown in Appendix 2-JA. If this cannot be confirmed, please
12 explain fully.
- 13
- 14 b) Kingston Hydro has not provided a forecast beyond 2016 for employee costs.
15 Please confirm that the ratio of total compensation charged to OM&A to total
16 OM&A in 2016 is a good forecast of the ratio in 2017 through 2020. If this
17 cannot be confirmed, please provide a forecast for this ratio and an explanation
18 of the forecast.
- 19
- 20 c) The ratio of total compensation charged to OM&A (Appendix 2 – k) to total
21 OM&A (Appendix 2-JA) appears to have been in the range of 46% to 49% in
22 2011 through 2014, but falls to a level of 41% in 2015 and 2016. Please explain
23 this decrease while at the same time the number of FTE's is forecast to rise
24 from 47.32 in 2014 to 50.34 in each of 2015 and 2016.
- 25
- 26 d) The percent of the total employee costs has ranged from 69% to 80% in 2011
27 through 2014, but is forecast to fall sharply in 2015 and 2016 to 60%. Please

28 explain what is driving the reduction in OM&A expenses and the corresponding
29 increase in capitalization.

30

31 **Response:**

32

33 a) Confirmed.

34

35 b) Confirmed – we anticipate that the 2016 forecast would be reasonable for the
36 term 2017 – 2020.

37

38 c) The 2015 ratio of total compensation charged to OM&A to total OM&A is 41.2%, a
39 reduction of 5.9% from 2014's ratio of 47.1%.

40

41 This is due to a number of factors, some of which are having the effect of
42 increasing the total OM&A: 1.5% is due to 2015 Administration expenditures that
43 have increased without corresponding labour (e.g. bad debt, rent). The increase
44 in 2015 tree-trimming accounts for 0.6% (no corresponding labour).

45

46 Other factors are having the effect of decreasing the compensation that is being
47 charged to OM&A: work done by the Engineering group in 2014 for the
48 Distribution System Plan accounts for a 0.8% decrease in 2015. The impact of
49 the Bell Fibre-to-the-Home project accounts for 0.4% decrease in 2015 over
50 2014. Finally, during a review of payroll allocations, it was determined that some
51 staff were not allocating direct labour costs to specific capital projects. This
52 impacts 2015 with a 1.6% reduction.

53

54 The 2011-2014 range for the ratio of OM&A compensation to total OM&A is
55 46.0% to 48.7%. Using the adjustments noted above provides a 2015 ratio of
56 45.8% - not a significant variance to the 2011-2014 range.

57

58 There are also adjustments to allocations of labour based on trades staff
59 expected to perform more capital work, which accounts for the remaining 1%
60 variance.

61

62 As noted in the Applicant's response to 4-Staff-75, a more appropriate
63 comparison for FTE's is 2013 to 2015, due to the impact of the customer funded
64 recoverable work (Bell project). The percentage of OM&A compensation to total
65 OM&A in 2013 was 48.7% with FTE's at 49.11. The ratio of FTE to the
66 percentage is 99%. The percentage of OM&A compensation to total OM&A in
67 2015 based on the adjustments (totaling 4.9%) noted above was 45.8% with
68 FTE's at 50.34. The ratio of FTE to the percentage is 91%. This is a variance of
69 only 8%.

70

71 d) The 2011-2014 range for the ratio of OM&A compensation to total
72 compensation is 69.3% to 79.5%. When adjusted based on the explanations
73 noted in (c) above, the 2015 ratio is 66.5%, which is down slightly from previous
74 years due to the allocations of the trades staff expected to perform more of the
75 capital work.

76

77 The 2011-2014 range for the ratio of capitalized compensation to total
78 compensation is 20.5% to 30.2%. When adjusted based on the explanations
79 noted in (c) above, the 2015 ratio is 30.9%, which is up slightly from previous
80 years due to the allocations of the trades staff expected to perform more of the
81 capital work.

1 **EXHIBIT 4 – OPERATING COSTS**

2

3 **Response to Energy Probe Interrogatory 4-Energy Probe-28**

4

5 **Ref: Exhibit 4, Tab 3, Schedule 7**

6

7 **Interrogatory:**

8

9 Please confirm that none of the \$351,850 has been included in the historical year or
10 2015 OM&A forecasts shown in Appendix 2-JA. If this cannot be confirmed, please
11 provide the amount included in each year.

12

13 **Response:**

14

15 \$16,675 of consultant costs related to the 2016 Custom IR application were incurred
16 in 2014 and shown on Line 6 in Appendix 2-M for 2014.

17

18 There are no costs included in the Appendix 2-JA or Appendix 2-M for 2015 for the
19 2016 Custom IR application.

20

21 The 2016 forecast for one-time regulatory costs includes all estimated costs related to
22 the 2016 rate application and would include the \$16,675 referred to above.

1 **EXHIBIT 4 – OPERATING COSTS**

2

3 **Response to Energy Probe Interrogatory 4-Energy Probe-29**

4

5 **Ref: Exhibit 4, Tab 3, Schedule 9**

6

7 **Interrogatory:**

8

9 Are the costs associated with any charitable donations other than LEAP included in
10 the historical OM&A figures shown in Appendix 2-JA? If yes, please quantify by year.

11

12 **Response:**

13

14 Kingston Hydro has no charitable donations other than LEAP.

1 **EXHIBIT 4 – OPERATING COSTS**

2

3 **Response to Energy Probe Interrogatory 4-Energy Probe-30**

4

5 **Ref: PILs Worksheet**

6

7 **Interrogatory:**

8

9 a) Please explain why Kingston Hydro has placed the capital additions for meters
10 in CCA Class 1 rather than Class 47 in each of 2015 through 2020.

11

12 b) Please explain why Kingston Hydro has placed the capital additions for
13 computer software in CCA Class 50 rather than Class 12. Please explain what
14 software is being purchased.

15

16 **Response:**

17

18 a) Kingston Hydro has moved meters to Class 47 for 2015-2020.

19

20 b) Class 50 is used as the capital additions are for systems software. In 2016, it is
21 the ERM. In 2017 it is the CIS and in 2018 it is the CRM.

22

23 An updated PILs model has been filed to reflect consistency with the CCA Classes on
24 Appendix 2-BA with the exception of the items noted in b) above.

1 **EXHIBIT 4 – OPERATING COSTS**

2

3 **Response to Energy Probe Interrogatory 4-Energy Probe-31**

4

5 **Ref: PILs Worksheet**

6

7 **Interrogatory:**

8

9 Please confirm that the expenditures related to the ICM expenditures were added to
10 the CCA prior to 2015.

11

12 **Response:**

13

14 Confirmed.

1 **EXHIBIT 4 – OPERATING COSTS**

2

3 **Response to Energy Probe Interrogatory 4-Energy Probe-32**

4

5 **Ref: PILs Worksheet &**

6 **RRWFs &**

7 **Appendix 2-BA**

8

9 **Interrogatory:**

10

11 The depreciation expense added back into taxable income in each of 2016 through
12 2020 matches the depreciation expense shown in the Revenue Requirement sheet of
13 the RRWF's. However, these figures are higher than the depreciation expense for
14 each of 2016 through 2020 shown in the fixed asset continuity schedules found in
15 Appendix 2-BA. Please provide a table that shows the difference for each year and
16 explain what the difference is related to.

17

18 **Response:**

19

20 The difference is the amount of capital contribution amortization for each year. The
21 PILS worksheets and RRWFs have been updated to agree to the "Net Depreciation"
22 amounts on Appendix 2-BA.

1 **EXHIBIT 4 – OPERATING COSTS**

2

3 **Response to School Energy Coalition Interrogatory 4-SEC-17**

4

5 **Ex. 4/2/1, p. 8**

6

7 **Interrogatory:**

8

9 Please confirm that general and administrative costs are expected to increase by
10 59.7% from 2011 to 2016, a compound average of more than 9.8% per year. Please
11 restate these numbers, adjusting for all items that are re-allocations to/from G&A
12 from/to other OM&A categories. Please provide amounts and explanations of all
13 adjustments.

14

15 **Response:**

16

17 Confirmed. See revised table below.

18

	2011 Actuals	2012 Actuals	2013 Actuals	2014 Actuals	2015 Bridge Year	2016 Test Year
Administrative and General	\$ 1,577,877	\$ 1,783,955	\$ 1,860,228	\$ 2,362,486	\$ 2,379,487	\$ 2,519,464
System Support Staff-Reported in 5315 prior to 2014				160,000	165,049	170,000
Engineering-Previously reported in 5005 prior to 2014				270,000	160,194	165,000
Administrative and General-Adjusted for 2016 Restatements	\$ 1,577,877	\$ 1,783,955	\$ 1,860,228	\$ 1,932,486	\$ 2,054,244	\$ 2,184,464

19

1 **EXHIBIT 4 – OPERATING COSTS**

2

3 **Response to School Energy Coalition Interrogatory 4-SEC-18**

4

5 **Ex. 4/3/2, p. 1**

6

7 **Interrogatory:**

8

9 Please provide details of all Utilities Kingston employees, in the same form as the
10 Board's Appendix 2-K, for all years and categories provided for Kingston Hydro in its
11 2-K.

12

13 **Response:**

14

15 Please see 4-Staff-76 b) for total staffing of Utilities Kingston and allocations between
16 the applicant and other utilities.

17

18 The financial information shown in Table 2-K has not been tracked in this format for
19 Utilities Kingston staffing and is not available. Furthermore, Kingston Hydro is of the
20 view that the information that has been requested with respect to the detailed
21 compensation and benefits for all Utilities Kingston employees is not relevant to this
22 application.

1 **EXHIBIT 4 – OPERATING COSTS**

2

3 **Response for School Energy Coalition Interrogatory 4-SEC-19**

4

5 **Ex. 4/3/3, Attach. 1**

6

7 **Interrogatory:**

8

9 Please expand these tables to show:

10

11 a) For each City of Kingston cost allocated to Utilities Kingston, the total cost incurred
12 by the City of Kingston in that category in that year.

13

14 b) For each Utilities Kingston cost allocated to Kingston Hydro, the amounts for that
15 category in that year allocated to each of the other four utilities managed by
16 Utilities Kingston.

17

18 **Response:**

19

20 a) Please see Exhibit 4 Tab 3 Schedule 3 page 6 for this information.

21

22 b) Please see Attachment 1.

Response to School Energy Coalition
Interrogatory 4-SEC-19

Attachment 1

2011	City of Kingston Cost Allocated to City of Kingston	Kingston Hydro	Utilities Kingston- Fibre Business	Utilities Kingston- Gas Business	Utilities Kingston- Wastewater Business	Utilities Kingston- Water Business
CAO	21,000	-	-	4,200	8,400	8,400
IS	1,116,703	201,631	-	200,762	357,837	356,472
Legal	79,000	17,681	-	12,264	24,528	24,528
Clerk's Department	15,735	-	-	3,147	6,294	6,294
Communications	97,500	16,262	-	16,248	32,495	32,495
Client Services	696,250	152,946	-	179,290	184,723	179,290
HR	181,867	39,960	8,730	26,635	53,271	53,271
Social Services Program	32,500	-	-	6,500	13,000	13,000
Finance	373,300	36,129	18,720	63,690	127,380	127,380
Total 2011	2,613,855	464,609	27,450	512,737	807,929	801,131
2012	City of Kingston Cost Allocated to City of Kingston	Kingston Hydro	Utilities Kingston- Fibre Business	Utilities Kingston- Gas Business	Utilities Kingston- Wastewater Business	Utilities Kingston- Water Business
CAO	21,420	-	-	4,284	8,568	8,568
Corporate Services	-	-	-	-	-	-
IS	1,139,037	284,759	-	284,759	284,759	284,759
Legal	80,580	18,533	-	13,699	24,174	24,174
Clerk's Department	16,050	-	-	3,210	6,420	6,420
Communications	99,450	16,587	-	16,573	33,145	33,145
Client Services	710,175	163,340	-	120,730	213,053	213,053
HR	185,504	48,788	14,284	24,487	48,973	48,973
Social Services Program	33,150	-	-	6,630	13,260	13,260
Finance	380,766	67,420	12,281	77,143	111,961	111,961
Total 2012	2,666,132	599,428	26,565	551,514	744,313	744,313
2013	City of Kingston Cost Allocated to City of Kingston	Kingston Hydro	Utilities Kingston- Fibre Business	Utilities Kingston- Gas Business	Utilities Kingston- Wastewater Business	Utilities Kingston- Water Business
CAO	21,848	-	-	4,370	8,739	8,739
Corporate Services	-	-	-	-	-	-
IS	1,210,778	301,715	-	298,778	305,143	305,143
Legal	82,192	18,904	-	13,973	24,658	24,658
Clerk's Department	16,371	-	-	3,274	6,548	6,548
Communications	101,439	16,919	-	16,904	33,808	33,808
Client Services	724,378	83,303	-	150,960	245,057	245,057
HR	189,214	49,763	14,570	24,976	49,953	49,953
Social Services Program	32,500	-	-	6,500	13,000	13,000
Finance	388,381	68,769	12,526	78,686	114,200	114,200
Total 2013	2,767,103	539,374	27,096	598,421	801,106	801,106

2014	City of Kingston Cost Allocated to City of Kingston	Kingston Hydro	Utilities Kingston- Fibre Business	Utilities Kingston- Gas Business	Utilities Kingston- Wastewater Business	Utilities Kingston- Water Business
CAO	22,285	-	-	4,457	8,914	8,914
Corporate Services	-	-	-	-	-	-
IS	1,234,994	307,750	-	304,753	311,246	311,246
Legal	83,835	19,282	-	14,252	25,151	25,151
Clerk's Department	16,698	-	-	3,340	6,679	6,679
Communications	103,468	17,257	-	17,242	34,484	34,484
Client Services	738,866	84,970	-	153,980	249,958	249,958
HR	192,999	50,759	14,861	25,476	50,952	50,952
Social Services Program	34,489	-	-	6,898	13,796	13,796
Finance	396,149	70,144	12,777	80,259	116,484	116,484
Total 2014	2,823,784	550,161	27,638	610,657	817,664	817,664
2015	City of Kingston Cost Allocated to City of Kingston	Kingston Hydro	Utilities Kingston- Fibre Business	Utilities Kingston- Gas Business	Utilities Kingston- Wastewater Business	Utilities Kingston- Water Business
CAO	22,750	-	-	4,550	9,100	9,100
Corporate Services	-	-	-	-	-	-
IS	1,259,693	310,459	-	288,136	330,549	330,549
Legal	85,512	19,668	-	11,117	27,364	27,364
Clerk's Department	50,000	-	-	10,000	20,000	20,000
Communications	75,000	12,509	-	12,498	24,996	24,996
Client Services	753,643	86,669	-	157,059	254,957	254,957
HR	196,859	51,538	16,182	25,828	51,656	51,656
Social Services Program	34,490	-	-	6,898	13,796	13,796
Finance	405,171	71,800	13,032	76,401	121,969	121,969
Total 2015	2,883,118	552,642	29,214	592,486	854,388	854,388
2016	City of Kingston Cost Allocated to City of Kingston	Kingston Hydro	Utilities Kingston- Fibre Business	Utilities Kingston- Gas Business	Utilities Kingston- Wastewater Business	Utilities Kingston- Water Business
CAO	23,433	-	-	4,687	9,373	9,373
Corporate Services	-	-	-	-	-	-
IS	1,297,484	319,772	-	296,780	340,466	340,466
Legal	88,077	20,258	-	11,450	28,185	28,185
Clerk's Department	51,500	-	-	10,300	20,600	20,600
Communications	77,250	12,885	-	12,873	25,746	25,746
Client Services	776,252	89,269	-	161,771	262,606	262,606
HR	202,765	53,084	16,667	26,603	53,205	53,205
Social Services Program	35,525	-	-	7,105	14,210	14,210
Finance	417,326	73,954	13,423	78,693	125,628	125,628
Total 2016	2,969,612	569,221	30,091	610,261	880,019	880,019

1 **EXHIBIT 4 – OPERATING COSTS**

2
3 **Response to Sustainable Infrastructure Alliance of Ontario Interrogatory 4-SIA-7**

4
5 **Ref: Exhibit 4, Tab 3, Schedule 1**

6
7 **Interrogatory:**

8
9 In describing its OM&A budget trends, Kingston Hydro notes that “The majority of the
10 decrease is related to an increase in customer-funded recoverable work due to a Bell
11 Canada initiative in Kingston called 'Fibre to the Home'. This caused staff time to shift
12 from both operations and maintenance to recoverable in order to complete this
13 recoverable work. Appendix 2-JC shows 'Overhead System' costs reduced because of
14 this work.”

15
16 a) What specific non-rate recoverable activities were reduced or otherwise deferred
17 due to the shift in resources towards the Bell Canada initiative over this time
18 period?

19
20 b) To what extent did the deferral of this work increase the risks to reliability and or
21 maintenance quality of Kingston Hydro’s distribution system over this period?

22
23 **Response:**

24
25 a) Kingston Hydro reduced the amount of in-line switch maintenance as well as load
26 break switch maintenance work on the overhead system. Some remedial work not
27 considered critical that had been identified through the infrared scans of the
28 overhead system was deferred. Additionally, some work that was categorized as

29 critical through the IR scans was eliminated (reducing O&M costs) through the Bell
30 recoverable construction work.

31

32 b) Any deferral of maintenance and/or repair work brings an increased risk, however
33 Kingston Hydro believes that the slight increased risk was offset by the gains to
34 the ratepayers that the Bell recoverable work provided (i.e. replacement of aged
35 assets). As noted above, critical work identified through the infrared scans of the
36 infrastructure were acted upon. Only non-critical work was deferred based on an
37 assessment of the risk presented by the identified issue.

1 **EXHIBIT 4 – OPERATING COSTS**

2
3 **Response to Sustainable Infrastructure Alliance of Ontario Interrogatory 4-SIA-8**

4
5 **Ref: Exhibit 4, Tab 2, Schedule 1, page 1**

6
7 **Interrogatory:**

8
9 Kingston Hydro notes that “Overall operation costs have decrease from 2011. This is
10 mainly attributable to a decrease in operation overhead system work. Staff involved with
11 the construction and maintenance of the electricity infrastructure apportion their time
12 as required between operating and maintenance work, capital work, or customer-
13 recoverable work. Generally, an increase in capital work or customer-recoverable work
14 can induce a corresponding decrease in operating and maintenance work.”

15
16 a) As a policy, does Kingston Hydro consider engaging additional part-time resources
17 or authorizing overtime in order to allow for the completion of all planned operating
18 and maintenance work, regardless of the demands of customer-recoverable work?
19 Why or why not?

20
21 b) To what extent does Kingston Hydro consider the need and or urgency of the
22 operating and maintenance work that it defers due to resource limitations?

23
24 c) Does customer-recoverable work generally always take priority over all other types
25 of work? If so, why?

26
27 **Response:**

28

29 a) If budgets allow (i.e. actuals will remain within budget), Kingston Hydro does
30 authorize overtime to complete operating and maintenance work. However,
31 overtime is already used to complete capital and recoverable work (primarily to
32 have outages occur at times that minimize customer impact or due to electrical
33 loads), and having sufficient staff willing to work the overtime has been
34 challenging. This attribute of the Applicant's aging lines workforce has meant that it
35 has not been able to use overtime to complete O&M work.

36

37 Hiring additional part-time resources is not a feasible option as there is not a local
38 pool of available qualified linespersons.

39

40 b) As with any work, be it operating, maintenance, capital or recoverable, the need
41 and urgency is evaluated and weighed not in isolation, but against the other
42 projects and work.

43

44 c) Customer-recoverable work does not necessarily take precedence over other
45 work, however Kingston Hydro is mindful of the importance of satisfying
46 customers. The Distribution System Code requires that distributors perform all of
47 its responsibilities and obligations (for system expansions to connect customers) in
48 a timely manner. Customer-recoverable work is also an economic driver in
49 Kingston, and delays to the work by the Applicant can be viewed as an
50 impediment to this.

51

52 As noted also in the Applicants response to 4-SIA-7, allowing the Bell recoverable
53 work to proceed while deferring some O&M work, was a prudent and fiscally
54 responsible decision that benefited our customers.

1 **EXHIBIT 4 – OPERATING COSTS**

2

3 **Response to Sustainable Infrastructure Alliance of Ontario Interrogatory 4-SIA-9**

4

5 **Ref: Exhibit 4, Tab: 2, Schedule 1, Page 9, lines 3-9**

6

7 **Interrogatory:**

8

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

13

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

16

17 **Response:**

18

19 The reporting change with respect to billing and collecting was \$160,000. The amount
20 for work related to the DSP was approximately \$100,000.

1 **EXHIBIT 4 – OPERATING COSTS**

2

3 **Response to Sustainable Infrastructure Alliance of Ontario Interrogatory 4-SIA-10**

4

5 **Ref: Exhibit 4, Tab 2, Schedule 1, page 5**

6

7 **Interrogatory:**

8

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

14

15 **Response:**

16

17 Please refer to the Applicants response to 4-Staff-73.

1 **EXHIBIT 4 – OPERATING COSTS**

2

3 **Response to Vulnerable Energy Consumers Coalition Interrogatory 4-VECC-25**

4

5 **Reference: E4/T2/S1/pg.5**

6

7 **Interrogatory:**

8

9 Please provide the total tree-trimming actual/budget for each of 2010 through 2020 and
10 separately, the amount allocated to Kingston Hydro. Please describe the methodology
11 of that allocation.

12

13 **Response:**

14

15 If this is referencing the City of Kingston's financial information pertaining to tree-
16 trimming, the Applicant does not have that information. The City of Kingston forestry
17 group crew that is qualified for hydro lines clearing, record their time separately for
18 Kingston Hydro when performing line-clearing operations for the Applicant. Prior to
19 Kingston Hydro engaging the City of Kingston to perform this work in 2013, a private
20 commercially operated arborist company had been contracted to do this.

21

Year	Actuals	Budget
2010	\$219,374	\$88,726
2011	\$176,311	\$61,774
2012	\$159,889	\$212,391
2013	\$242,587	\$261,532
2014	\$192,300	\$287,548
2015		\$286,938
2016		\$295,547
2017		\$300,571
2018		\$305,681
2019		\$310,877
2020		\$316,162

22

1 **EXHIBIT 4 – OPERATING COSTS**

2

3 **Response to Vulnerable Energy Consumers Coalition Interrogatory 4-VECC-26**

4

5 **Reference: E4/T2/S1/pg.7**

6

7 **Interrogatory:**

8

- 9 a) What was the incremental charge in 2012 for “cashiering services” provided by
10 the City of Kingston?

11

12 **Response:**

13

- 14 a) Bill payment and collection services.

1 **EXHIBIT 4 – OPERATING COSTS**

2

3 **Response to Vulnerable Energy Consumers Coalition Interrogatory 4-VECC-27**

4

5 **Reference: E4/T3/S1/Appendix 2-JC**

6

7 **Interrogatory:**

8

9 a) Please restate Appendix 2-JC to show 2015 in both MIFRS and CGAAP.

10

11 b) What is the accounting impact in 2015 on OM&A for the change year to MIFRS?

12

13 c) What was the impact (if any) of changes to capitalization policies.

14

15 **Response:**

16

17 There is no impact on Kingston Hydro's OM&A on the conversion from CGAAP to

18 MIFRS.

1 **EXHIBIT 4 – OPERATING COSTS**

2
3 **Response to Vulnerable Energy Consumers Coalition Interrogatory 4-VECC-28**

4
5 **Reference: E4/T3/S2/pg.7**

6
7 **Interrogatory:**

- 8
9 a) Kingston Hydro states that it does not utilize an executive or management bonus
10 system. Does Kingston Hydro perform performance reviews? If yes, please
11 identify the metrics or outcomes for executive and management employees.
12 Please also explain, in the absence of a bonus system, what actions arise from
13 meeting, exceeding or failing to meet performance objectives.

14
15 **Response:**

16
17 Executives at Kingston Hydro develop an annual work plan identifying the goals and
18 objectives for Kingston Hydro in the calendar year. The work plan is approved by
19 Kingston Hydro's Board of Directors. All management, in conjunction with their direct
20 supervisor, develops a contribution agreement outlining the employees expected
21 deliverables for the same calendar year aligned to the work plan. Performance and
22 merit increases are measured against completed work. Salary increases are not
23 automatic and are based on completing the agreed upon deliverables.

24
25 Kingston Hydro executive and management provide performance feedback with
26 employees over the course of the year, not waiting until a formal performance
27 evaluation meeting to advise an employee if they are meeting expectations.

28

29 Employees not meeting expectations may have a development plan created, identifying
30 knowledge, skill or behavior gaps, timelines for improvement and additional support and
31 training as appropriate. Course corrections are offered as required.

1 **EXHIBIT 4 – OPERATING COSTS**

2

3 **Response to Vulnerable Energy Consumers Coalition Interrogatory 4-VECC-29**

4

5 **Reference: E4/T3/S2/Appendix 2-K**

6

7 **Interrogatory:**

8

- 9 a) Please provide an amended Appendix 2-K which separates employees who's
10 time is always 100% allocated to Kingston Hydro (e.g. accredited skilled
11 electrical trades), and those who share work with the other Kingston utilities/city.
12
- 13 b) Please explain why the amount of compensation charged to OM&A significantly
14 decreases (capitalized increases) in 2015 and 2016.

15

16 **Response:**

17

- 18 a) The Applicant has not tracked the information in the format requested as it
19 appears in Table 2-K, though we have attempted to provide some of the
20 information. Please refer to response to 4-Staff-76.
21
- 22 b) Please refer to response to 4-Energy Probe-27 c) and d).

1 **EXHIBIT 4 – OPERATING COSTS**

2
3 **Response to Vulnerable Energy Consumers Coalition Interrogatory 4-VECC-30**

4
5 **Reference: E4/T3/S3/Table 3-Affiliate Services**

6
7 **Interrogatory:**

- 8
9 a) Table 3 shows a 22% increase in costs of services provided by the City in 2016 as
10 compared to 2011. The increases significantly exceed inflation for the same
11 period. Please explain the reasons.

12
13 **Response:**

- 14
15 a) Over the time span 2011 to 2016 (forecast) the charges for services provided to
16 Utilities Kingston by the City of Kingston have been reviewed regularly as changes
17 to the level of effort or which party is completing the work etc. have taken place.

18
19 As can be seen in the Table below, while the overall increase has been 22%, the
20 increase driven by a specific service ranges from -41% to +104%.

21
22 The main driver of the overall increase is an increase of approximately \$80,000 for
23 Information services that occurred between 2011 and 2012 (see response to 4-
24 SEC-19). This increase was due to the City taking over responsibility for Database
25 Administration, a responsibility that was previously performed by Utilities Kingston.
26 In the absence of that one-time increase that has carried forward the overall
27 increase 2011 – 2016 would be just over 5%.

28

	2011	2016	2011-2016
Information services	\$201,631.00	\$319,772.00	58.6%
Client services	\$152,946.00	\$89,269.00	-41.6%
Human Resources	\$39,960.00	\$53,084.00	32.8%
Communications	\$16,262.00	\$12,885.00	-20.8%
Financial services	\$36,129.00	\$73,954.00	104.7%
Legal services	\$17,681.00	\$20,258.00	14.6%
Total	\$464,609.00	\$569,221.00	22.5%

1 **EXHIBIT 4 – OPERATING COSTS**

2

3 **Response to Vulnerable Energy Consumers Coalition Interrogatory 4-VECC-31**

4

5 **Reference: E4/T3**

6

7 **Interrogatory:**

8

9 a) Please provide Kingston Hydro's annual fees to the EDA for each of the years
10 2010 through 2016.11 b) Please provide the premiums (cost) of MEARIE insurance for each of the years
12 2010 through 2016.

13

14 **Response:**

15

16 a)

17

	2010	2011	2012	2013	2014	2015	2016
EDA Fees	38,800	45,200	42,200	62,199	54,893	49,423	50,906

18

19 b)

20

	2010	2011	2012	2013	2014	2015	2016
Mearie Insurance Fees	42,191	76,918	59,146	106,570	120,262	57,184	58,900

1 **EXHIBIT 4 – OPERATING COSTS**

2

3 **Response to Vulnerable Energy Consumers Coalition Interrogatory 4-VECC-32**

4

5 **Reference: E4/T5/S1**

6

7 **Interrogatory:**

8

9 a) Please provide a table showing the actual PILS paid in each of 2010 through
10 2014, and the forecast amounts for 2015 and 2016.

11

12 b) Please also include a row showing all property taxes for the same period.

13

14 **Response:**

15

	2010	2011	2012	2013	2014	2015	2016
PILS	\$ 236,853	\$ 82,437	\$ 391,645	\$ 342,504	\$ 285,445	\$ 285,445	\$ 166,971
Property Tax	\$ 155,272	\$ 129,781	\$ 133,226	\$ 129,781	\$ 133,671	\$ 134,112	\$ 138,135

16

1 **EXHIBIT 4 – OPERATING COSTS**

2
3 **Response to Vulnerable Energy Consumers Coalition Interrogatory 4-VECC-33**

4
5 **Reference: E4/T6/S1, pg. 1-3 and Attachment 1**

6
7 **Interrogatory:**

- 8
- 9 a) Please explain why Kingston is claiming for lost revenue in 2010 (per Table 1)
- 10 when the Chapter 2 Filing Guidelines (page 44) indicate that LRAM Variance
- 11 Account (#1568) is only applicable for programs starting in 2011 or after.
- 12
- 13 b) Nowhere does the Application appear to show the actual calculation of the
- 14 principal amounts for each year by rate class. Please provide (or indicate where
- 15 in the Application they can be found) the following:
- 16 i. Copies of all verified savings reports from the OPA/IESO used in the
- 17 calculation of the LRAMVA principal amounts.
- 18 ii. A schedule that shows how the reported verified savings were assigned to
- 19 rate classes for each year 2010-2014 (For example, the Residential
- 20 Schedule for 2013 would show how the total lost kWh claimed was
- 21 determined from the verified reported savings form programs implemented
- 22 in 2013 and earlier years that were applicable to the Residential class)
- 23 iii. The rates used to determine the lost revenues by rate class for each year.
- 24 iv. How the results from parts (ii) and (iii) yield the customer class values by
- 25 year shown in Table 1.
- 26

27 **Response:**

28

-
- 29 a) This was an error and we appreciate the observation. Thank you. A revised filing
30 using only 2011 through 2014 LRAM Variance amounts have been made.
31 Please refer to attachment “IR 3-Staff-54 Attachment 1.xlsx” for revised
32 LRAMVA amounts.
33
- 34 b) Full information showing how Kingston Hydro arrives at LRAMVA balances
35 using IESO reported and vetted net energy and demand results is provided in
36 “IR 3-Staff-54 Attachment 1.xlsx”. For results by rate class, refer to the
37 worksheet “2011-2014 LRAMVA Summary” within this attachment.