



Ontario Energy Board
Commission de l'énergie de l'Ontario

**ISSUES LIST DECISION AND
PROCEDURAL ORDER NO. 2**

EB-2015-0083

KINGSTON HYDRO CORPORATION

BEFORE: Cathy Spoel
Presiding Member

Christine Long
Member

September 29, 2015

Kingston Hydro Corporation (Kingston Hydro) filed a custom incentive rate application with the Ontario Energy Board (OEB) on June 1, 2015 under section 78 of the Ontario Energy Board Act, 1998, S.O. 1998, c. 15, (Schedule B), seeking approval for changes to the rates that Kingston Hydro charges for electricity distribution, to be effective January 1, 2016 and for each following year through to December 31, 2020.

Kingston Hydro filed its interrogatory responses on September 11, 2015. To clarify any matters arising from the interrogatories, a transcribed technical conference was held September 21, 2015 and continued on September 22, 2015. Subsequent to the technical conference, OEB staff circulated a proposed issues list for comment by the parties. The Parties did not come to an agreement on issue 3.7 of the originally proposed issues list. As required in Procedural Order No. 1, OEB staff advised the OEB of the dispute in a letter to the OEB. At the same time, OEB staff filed a partial proposed issues list on all other, uncontested issues.

The contested issue regards the wording of the appropriateness of the corporate cost allocation.

The applicant supported the following wording:

Is the proposed corporate cost allocation for 2016 – 2020 appropriate and does it result in a reasonable OM&A budget?

School Energy Coalition (SEC) proposed to detail the issue as follows:

Has Kingston Hydro provided sufficient information on all underlying operating and capital costs that are incurred by the City of Kingston or Utilities Kingston, and are being allocated in whole or in part to Kingston Hydro? Has Kingston Hydro provided sufficient information with respect to the methodology for allocation of those costs, and the prudence of procuring those services from affiliates, including all alternatives to affiliate procurement, and has Kingston Hydro demonstrated that the resulting allocated costs are both necessary and reasonable?

The OEB has reviewed the proposed issues list and finds that issue 3.7 “Is the proposed corporate cost allocation for 2016 – 2020 appropriate and does it result in a reasonable OM&A budget?” is sufficiently broad and shall be included in the issues list as originally proposed. The OEB finds that this wording appropriately describes the

scope of the issue to be decided. Parties may choose to advance the position that further evidence is required in order for the OEB to make a decision on the issue, but the issue itself is appropriately defined.

The approved issues list is attached as Schedule A.

A settlement conference among the parties and OEB staff will commence on October 7 and continue through to October 8, 2015, as outlined in Procedural Order No. 1.

The OEB also finds it appropriate to provide a procedural step for filing undertaking responses as a result of the technical conference.

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. Kingston Hydro shall file undertakings, resulting from the technical conference held on September 21-22, 2015 by **October 2, 2015**.

DATED at Toronto, September 29, 2015

ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary

SCHEDULE A

ISSUES LIST

KINGSTON HYDRO CORPORATION EB-2015-0083

SEPTEMBER 29, 2015

Kingston Hydro Corporation Custom Incentive Rates EB-2015-0083 Issues List

1.0 CUSTOM APPLICATION

- 1.1 Has Kingston Hydro responded appropriately to all relevant OEB directions from previous proceedings, including commitments from prior settlement agreements?
- 1.2 What actions should the OEB require Kingston Hydro to take at or near the end of the fifth year of the 5-year rate term (e.g. rebasing, plan assessment, measurement of customer satisfaction)?
- 1.3 Do any of Kingston Hydro's proposed rates require rate smoothing or mitigation?

2.0 OUTCOMES AND INCENTIVES

- 2.1 Does Kingston Hydro's Custom IR Application promote and incent acceptable outcomes for existing and future customers (including for example, cost control, system reliability, service quality, and bill impacts)?
- 2.2 Does the Custom IR Application adequately incorporate and reflect the four outcomes identified in the RRFE Report: customer focus, operational effectiveness, public policy responsiveness and financial performance?
- 2.3 Does the Custom IR Application adequately account for productivity and efficiency gains in its forecasts? Does the Custom IR Application adequately include expectations for productivity and efficiency gains relative to benchmarks that are external to the company (such as the Power System Engineering, Inc. and Pacific Economics Group Research, LLC)?
- 2.4 Does the Custom IR Application adequately provide value to the customer (such as the X-Factor and a shared earnings mechanism)?
- 2.5 Does the Application adequately plan and prioritize capital expenditures?
- 2.6 Is the monitoring and reporting of performance proposed by Kingston Hydro adequate to demonstrate whether the planned outcomes are achieved?

2.7 Are Kingston Hydro's proposed off-ramps and annual adjustments appropriate? Has Kingston Hydro demonstrated adequately its ability and commitment to manage within any rates set via this proceeding, given that actual costs and revenues will vary from those forecast?

3.0 REVENUE REQUIREMENT

3.1 Is the rate base component of the revenue requirement, including the working capital allowance, for 2016 – 2020 as set out in the Custom IR Application appropriate?

3.2 Are the Distribution System Plan, capital programmes and related expenditures, associated with the revenue requirement for 2016 – 2020, as set out in the Custom IR Application, appropriate and is the rationale for planning and prioritizing appropriate and adequately explained and supported, considering:

- i. customer feedback and preferences;
- ii. productivity and sharing of benefits;
- iii. benchmarking of costs;
- iv. end-of-life criteria, health index, data governance, and the overall relationship of each planning component;
- v. reliability and service quality;
- vi. impact on distribution rates;
- vii. trade-offs with OM&A spending;
- viii. government-mandated obligations; and
- ix. the applicant's objectives?

3.3 Is the capital structure and cost of capital component of the revenue requirement for 2016 – 2020 as set out in the Application appropriate?

3.4 Is the depreciation component of the revenue requirement for 2016 – 2020 as set out in the Application appropriate?

3.5 Is the taxes / PILs component of the revenue requirement for 2016 – 2020 as set out in the Application appropriate?

3.6 Are the OM&A programmes and related components of the revenue requirement for 2016 – 2020 as set out in the Custom IR Application appropriate and is the rationale for planning choices appropriate and adequately explained and supported considering:

- i. customer feedback and preferences;
- ii. productivity and sharing of benefits
- iii. benchmarking of costs;
- iv. reliability and service quality;
- v. impact on distribution rates;
- vi. trade-offs with capital spending;
- vii. government-mandated obligations; and
- viii. the applicant's objectives?

3.7 Is the proposed corporate cost allocation for 2016 – 2020 appropriate and does it result in a reasonable OM&A budget?

3.8 Is the compensation strategy for 2016 – 2020 appropriate and does it result in reasonable compensation costs?

3.9 Are the proposed other operating revenues for 2016 – 2020 appropriate?

4.0 LOAD FORECAST, COST ALLOCATION AND RATE DESIGN

4.1 Is the customer and load forecast a reasonable reflection of the energy and demand requirements of the applicant for 2016 – 2020? Are the savings references for the LRAMVA appropriate and reflective of the DSM savings over the 2016 – 2020 period?

4.2 Are the proposed billing determinants appropriate?

4.3 Are the inputs to the cost allocation model appropriate?

4.4 Are the costs appropriately allocated?

4.5 Are the revenue-to-cost ratios for all rate classes over the 2016 – 2020 period appropriate?

4.6 Are Kingston Hydro's proposed charges for street lighting appropriate?

4.7 Are the proposed fixed and variable charges for all rate classes over the 2016 – 2020 period appropriate?

4.8 Are the proposed LV Rates appropriate?

4.9 Are the proposed Retail Transmission Service Rates appropriate?

4.10 Are the proposed specific service charges for miscellaneous services over the 2016 – 2020 period reasonable?

4.11 Are the proposed line losses over the 2016 – 2020 period appropriate?

5.0 DEFERRAL AND VARIANCE ACCOUNTS

5.1 Should the existing deferral and variance accounts proposed for continuation be continued?

5.2 Are the balances and the proposed methods for disposing of the balances in the existing deferral and variance accounts, appropriate?

5.3 Is the proposed cost recovery of failed smart meters appropriate and is the balance reasonable?

5.4 Is the proposed balance for disposition of stranded conventional meters appropriate?