



October 20, 2015

Ontario Energy Board
Ms. Kirsten Walli, Board Secretary
P.O. Box 2319,
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli

**Re: Kingston Hydro Corporation – 2016 Custom IR Rate
Application – EB-2015-0083**

Please find attached a revision to Kingston Hydro's response to Board Staff Interrogatory 4-Staff-81 (e) which was originally filed on September 11, 2015. The revision to the table is necessary due to the fact that just prior to the settlement conference the Applicant discovered that the table was not properly completed.

The revised table is now correct and accurately reflects amounts included in rates as well as benefits paid during the year.

If you have any questions please do not hesitate to contact me.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Randy Murphy".

Randy Murphy, CPA, CA
Chief Financial Officer
613-546-1181 ext 2317

cc. Mr. Andrew Taylor
Intervenors of record

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.

OPEBS	First year of recovery to 2011 - Note 3	2012 - Note 3	2013 - Note 3	2014 - Note 1	2015 - Note 2	2016 - Note 4	Total
Amounts included In rates (OMA expense)	\$ 142,775	\$ 45,911	\$ 46,131	\$ 46,777	\$ 47,385	\$ 48,391	\$ 377,370
Capital	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Sub-total	\$ 142,775	\$ 45,911	\$ 46,131	\$ 46,777	\$ 47,385	\$ 48,391	\$ 377,370
Paid Benefit Amounts	\$ 543,766	\$ 122,097	\$ 45,135	\$ 50,294	\$ 50,948	\$ 51,967	\$ 864,207
Net Excess amount included in rates greater than amounts actually paid	\$ (400,991)	\$ (76,186)	\$ 996	\$ (3,517)	\$ (3,563)	\$ (3,576)	\$ (486,836)
Note 1	The actual expense for 2014 was \$96,806 The amount paid was \$50,294 The entry to record the OPEB was done on a net basis such that \$46,512 was expensed to OMA and the Due to Utilities Kingston account was credited for the identical amount.						
Note 2	2015 numbers have been increased by 1.3% from 2014.						
Note 3	Amounts included in rates are based on the amount coded to the OMA expense account in which the rates were based.						
Note 4	2016 amount included in rates is based on the amount in the expense account in 2014 of \$46,512 as explained in note 1 increased by 2% for 2015 and 2016 The paid benefit amount is based on 2015 amount increased by 2%						

54

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
- 73 e) See above table revised. Note that the “amount included in rates” is the amount
74 actually being recovered from customers for the OPEBS in each year.
75
- 76 f) Utilities Kingston makes the benefit payments. That entity has not collected any
77 recoveries in excess of cash benefit payments.