

November 22, 2016

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

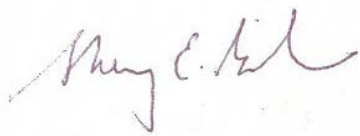
Dear Ms Walli:

**Re: Kingston Hydro Corporation Electricity Distribution Licence No. ED-2003-0057
2017 Electricity Distribution Rate Application (EB-2016-0087) Interrogatory Responses**

Please find Kingston Hydro's responses to Board Staff Interrogatory Questions with regard to Kingston Hydro's Custom IR – Year 2 Update Distribution Rate Application filed with the Board on August 15, 2016.

One response has resulted in a revision to the CBR rate rider. As such, Kingston has filed through RESS an updated live Excel Deferral Variance Account Work Form model and updated live Excel Bill Impact model to reflect the revision.

Yours truly,



Sherry Gibson
Senior Advisor, Rates and Regulatory Affairs

Attachment

**Kingston 2017 Custom IR Rate Adjustment
EB-2016-0087**

KINGSTON RESPONSES TO BOARD STAFF INTERROGATORIES

Accounting – Donna Kwan’s Questions

Ref: DVA Continuity Schedule – Tab 2

Kingston is requesting to dispose Account 1595 (2013) for (\$35.8k). The relevant rate riders pertaining to Account 1595 (2013) should have expired on April 30, 2014 as per Kingston’s 2013 IRM (EB-2012-0142) and was subsequently disposed in Kingston’s 2016 Customer IR (EB-2015-0083). Please explain what the (\$35.8k) Kingston is currently requesting for disposition pertains to.

Kingston Response: The balance in this account is residual amounts billed to customers for consumption used during the effective period of this rate rider as well as with the associated carrying amounts using the OEB prescribed rates.

Ref: DVA Continuity Schedule Tab 2

For all Group 1 DVAs, except Account 1589, the total amounts in the *Principal and Interest Disposition during 2016 instructed by OEB* column do not agree to the *Total Claim* column in the updated IRR DVA continuity schedule filed on September 11, 2015 in Kingston's 2016 Custom IR. However, the *Total Claim* column was incorrect as it did not deduct the dispositions during 2015. The rate riders calculated were based on the *Total Claim* column.

The amounts in the *Principal and Interest Disposition during 2016 instructed by OEB* column do however, correctly agree to the *Principal and Interest Closing Balances as at December 31, 2014 Adjusted for Dispositions and Adjustments during 2015* columns, which included deductions for dispositions during 2015.

- a) Please confirm that in transferring the Group 1 DVAs approved in Kingston's 2016 Custom IR to Account 1595 (2016), the amounts in the *Principal and Interest Closing Balances as at December 31, 2014 Adjusted for Dispositions and Adjustments during 2015* columns were transferred and not the amounts in the *Total Claim* column.

Kingston Response: Confirmed.

- b) If not, please explain the impact to the 2015 DVA balances requested for disposition. Please revise the DVA continuity schedule as appropriate.

Kingston Response: N/A.

Ref: DVA Continuity Schedule – Tab 7

In the allocation of Account 1580 – WMS, sub-account CBR Class B, Kingston has used Non-RPP kwh minus WMP kwh for the GS 50 to 4,999 KW class. Please explain why Non-RPP kwh and not total kwh was used. Please revise the rate rider allocation as appropriate.

Kingston Response: Total kWh less WMP kWh for the GS 50 to 4,999 kW class should be used. Below is the revised rate rider allocation and resulting rate rider amounts. The live updated version of the Deferral and Variance Workform model has been filed through RESS.

Account 1580 Variance – WMS, Sub-account CBR Class B

Amount from Sheet 2:	\$	153,223.46	
Allocator:		kWh	
		Class B kWh	Allocation
RESIDENTIAL		187,248,352.70	\$ 52,462.67
GENERAL SERVICE LESS THAN 50 KW		85,127,653.33	\$ 23,850.81
GENERAL SERVICE 50 TO 4,999 KW		271,511,783.15	\$ 76,071.35
LARGE USE		-	\$ -
UNMETERED SCATTERED LOAD		1,171,483.29	\$ 328.22
STREET LIGHTING		1,821,739.84	\$ 510.41
STANDBY POWER		-	\$ -
		546,881,012.32	\$ 153,223.46

Kingston Hydro:
 Updated this cell to reflect Total kWh minus WMP kWh. WMP is billed directly by the IESO on their IESO invoice for CBR.

Rate Rider Calculation for Account 1580 Variance – WMS, Sub-account CBR Class B

Balance of Account 1580 Sub-account CBR Class B Allocated to Class B NON-WMP

Rate Class (Enter Rate Classes in cells below)	Units	kWh / kW	Balance of 1580 - sub-account CBR Class B	Rate Rider for 1580 - sub- account CBR	
RESIDENTIAL	kWh	187,248,353	\$ 52,462.67	0.0003	\$/kWh
GENERAL SERVICE LESS THAN 50 KW	kWh	85,127,653	\$ 23,850.81	0.0003	\$/kWh
GENERAL SERVICE 50 TO 4,999 KW	kW	745,485	\$ 76,071.35	0.1020	\$/kW
LARGE USE	kW	-	\$ -	-	\$/kW
UNMETERED SCATTERED LOAD	kWh	1,171,483	\$ 328.22	0.0003	\$/kWh
STREET LIGHTING	kW	4,761	\$ 510.41	0.1072	\$/kW
STANDBY POWER	kW	-	\$ -	-	\$/kW
Total			\$ 153,223		

Ref: DVA Continuity Schedule – Tab 5a

- a) Please confirm that Kingston has no Class B customers that became Class A customers in 2015.

Kingston Response: Confirmed.

- b) Did Kingston have any Class A customers that became Class B customers in 2015?
If yes, please propose an allocation of the Account 1589 and Account 1580 CBR Class B balances to ensure that the appropriate amounts are disposed to these customers.

Kingston Response: No, Kingston did not have any Class A customers that became Class B customers in 2015.

Rate Application Questions - Colin

Ref: Rate Impacts for General Service 50 to 4,999 KW

Ref: Rate Rider Calculations for General Service 50 to 4,999 KW – Table 8

Ref: Appendix C - Bill Impacts for General Service 50 to 4,999 KW – non-TOU

The application at Table 8 (page 16 of 20) shows the RSVA Power Global Adjustment balance of \$3,098,899 for the GS 50-4999 rate class. On Table 10 (page 19 of 20) the “delivery charge” impact is shown as 15.66% for the GS 50-4999 rate class. On the bill impacts sheet (at 100,000 kWh / 70 KW, for example) the deferral account dispositions (inclusive of all account dispositions shown at “sub-total B - distribution”) is showing an overall 75.34% increase.

- Please review and confirm the accuracy of the balance proposed for disposition and the rate rider calculation methodology.

a) Kingston Response: Confirmed.

Per the OEB’s Electricity Distribution Rate Applications – 2016 Edition for 2017 Rate Applications issued July 14, 2016 for IRM applications, Section 3.2.5 p. 12, specifically states that “All global adjustment (GA) rate riders will be calculated on an energy basis (kWh)” And further discussion is provided in Section 3.2.5.2 Global Adjustment, pp. 12-13. Kingston has calculated a separate global adjustment rate rider to clear the GA variance account that would apply prospectively to non-RPP customers on an energy basis (kWhs) for all rate classes regardless of the billing determinant used for distribution rates for the particular class.

This methodology is new for 2017 rate applications. In previous applications the GA rate rider was applied prospectively to non-RPP customers using the billing determinant used for distribution rates for a particular class. Where the billing determinant used for distribution rates was demand based then the GA rate rider was applied on a demand basis.

Did Kingston expect this magnitude of impact?

b) Kingston Response: The total bill impacts provided in the application for the GS 50 to 4,999 kW rate class range from 2.97% to 6.79%.

The non-RPP GS 50 to 4,999 kW rate class share of the proposed global adjustment disposition is consistent with previous years. The GS 50 to 4,999 kW rate class non-RPP kWh and kW are consistent with previous years.

The impact of the change specific to the GA rate rider for the GS 50 to 4,999 kW class is the result of the change in the filing requirements methodology, coupled with the levels of demand (kW) and consumption (kWh) chosen for use in the calculation of the bill impacts. For example the 100,000 kWh / 70 KW level, this is a demand near the bottom end of the range for this rate class in terms of demand and a high level of consumption. It could be expected that with the change in

methodology, there would be a potential shifting of cost recovery within this class as a result of the GA rate rider billing determinant change from demand to energy. The increases provided for this class were amplified by the levels of demand in relation to consumption used for the bill impacts. Kingston explores this issue further in part d) below.

- How many customers are affected by the account disposition?

c) Kingston Response: Within the GS 50 to 4,999 kW rate class 290 customers out of 343 customers is non-RPP.

- Please explain the nature of the balance and why is it impacting the GS rate class in greater proportion than other classes?

d) Kingston Response: GA is a pass-through charge for Kingston Hydro. The nature of the GA balance is the difference between the global adjustment Kingston Hydro collects from customers and the global adjustment that Kingston Hydro pays specific to non-RPP customers. For RPP customers the GA is built into the RPP rates. The GA balance is cleared by means of a separate GA rate rider that is applied prospectively to non-RPP customers.

Most of the customers in the GS 50 to 4,999 kW rate class are non-RPP and because of the nature of consumption characteristics of this class, it has the highest non-RPP class B consumption of any of the classes. This class has been allocated most of the GA balance being disposed of, consistent with previous years.

The examples used for bill impacts for this class were consistent with previous year rate applications however they were not based upon *load factor* characteristics specific to and typical of Kingston's customers within this rate class. With the change from a GA rate rider billing determinant of demand to energy for this class (residential and small business classes were always energy based), the impact on a specific customer becomes dependent upon their load factor.

Load factor is an expression of how much energy is used in a time period, versus how much energy would have been used, if the power had been left on during a period of peak demand. It is a useful indicator for describing the consumption characteristics of electricity over a period of time.

The load factor is derived by dividing the total kilowatt-hours (kWh) consumed in a designated period by the product of the maximum demand in kilowatts (kW) and the number of hours in the billing period. The result is a ratio between zero and one.

Thus, Load Factor = kWh/KW/hours in the billing period

If a load factor ratio is high, above 0.75, the customer's electrical usage is reasonably efficient and relatively constant. If the load factor is below 0.5, the customer has periods of very high usage (demand) and a low utilization rate. To service that peak, capacity is sitting idle for long periods, thereby imposing higher costs on the system.

Kingston has further reviewed the bill impacts provided in the application for the GS 50 to 4,999 kW rate class and has calculated load factors for each bill impact in the class. The review reveals that all of the load factors are almost at or above the load factor upper limit of 1. The 70 kW bill impact with the largest distribution increase is well above the upper limit (>1) for a load factor, indicating essentially that the energy used was greater than what was available for use. For the 70 kW level, an energy level of 45,360 kWh would be more appropriate, yielding a very efficient load factor of .90 that is below the upper limit.

Kingston has also reviewed load factor characteristics specific to Kingston's GS 50 to 4,999 kW class.

The following Table 1 provides a summary of bill impacts in the application (Section A), bill impacts updated (Section B), bill impacts at .90 load factor for the various demand levels (Section C), and bill impacts for the mean, median, bottom and top of the load factor range for Kingston's GS 50 to 4,999 kW rate class (Section D):

Table 1: Bill Impact Summary - GS 50 to 4,999 kW rate class					
	Monthly		Load Factor = kWh/kW/hours*	Distribution % Change Bill Impacts Sub-Total B Line	Total Bill % Change
	Demand (kW)	Energy (kWh)			
Section A					
application	60	40,000	0.9259	19.64%	2.97%
application	70	100,000	1.9841	75.34%	6.79%
application	500	350,000	0.9722	25.07%	3.31%
application	1,000	800,000	1.1111	34.72%	4.12%

All sections below reflect application update - re: CBR rate rider revision					
Section B					
updated	60	40,000	0.9259	19.71%	2.98%
updated	70	100,000	1.9841	75.40%	6.79%
updated	500	350,000	0.9722	25.15%	3.31%
updated	1,000	800,000	1.1111	34.80%	4.13%
Section C					
Demand levels from the application with kWh levels that produce a .90 load factor					
	60	38,880	0.9000	18.02%	2.79%
	70	45,360	0.9000	18.31%	2.79%
	500	324,000	0.9000	19.99%	2.81%
	1,000	648,000	0.9000	20.14%	2.81%
Section D					
Kingston Data - Load Factor Characteristics					
Median Load Factor	700	269,010	0.5338	-9.63%	-1.40%
Mean Load Factor	178	69,925	0.5464	-8.13%	-1.16%
Lowest Load Factor	306	15,081	0.0685	-57.07%	-26.13%
Highest Load Factor	507	332,755	0.9120	20.86%	2.90%
*Note: hours = billing period = 30 days x 24 hours per day					

Detailed impacts for Sections B, C, and D have been included in Kingston's updated live Excel Bill Impact model being filed through RESS.

Section D above reveals that customers with low-load factor characteristics will experience a distribution decrease whereas customers with high-load factor characteristics will experience a distribution increase. The median customer in Kingston's GS 50 to 4,999 kW class will experience a distribution decrease.

Kingston has also analyzed the data in terms of the percentage of customers by load factor range and the findings are provided in the following table:

Load Factor Range	% of Customers in Range
0 - .19	4.0%
.20 - .29	3.6%
.30 - .39	9.5%
.40 - .49	23.0%
.50 - .59	29.8%
.60 - .69	19.4%
.70 - .79	7.9%
.80 - .89	2.0%
.90 - 1.0	0.8%

100.0%	
Customers Below/Above Zero Total Bill Impact (0.62 Load Factor Threshold)	
Total bill decrease	76.2% below threshold
Total bill increase	23.8% above threshold

The threshold at which point a customer in this class will experience a total bill impact increase or decrease for 2017 is at the 0.62 load factor level. Based upon the characteristics of this class 76.2% of customers are below the threshold and will experience a total bill decrease and 23.8% of customers are above the threshold and will experience a total bill increase. From the findings, the highest distribution portion increase is 20.86% which is a 2.90% total bill increase.

The total bill impact increase for all affected customers in the GS 50 to 4,999 kW class is less than 10%. Based upon further data analysis provided here in response to Board staff questions, the upper end in terms of bill increase appears to be 20.86% on the distribution portion and 2.90% of total bill and this will impact less than 1% of the affected customers in this GS 50 to 4,999 kW class. The 2.90% total bill increase is well below the 10% threshold mark at which rate mitigation is required.

- Has Kingston considered any rate mitigation for affected customers? Discuss the need for, or advisability of, rate mitigation with respect to the specific circumstances of this situation.

Kingston Response: Per OEB IRM filing requirements issued July 14, 2016, Section 3.2.3, under heading Residential Rate Design – Exceptions and Mitigation, p. 10, a distributor must file a rate mitigation plan if total bill increases for any customer class exceed 10%.

Kingston's further review of bill impacts has revealed that the impact on a specific customer in this class is dependent upon their load factor and Kingston has provided bill impacts for the demand levels in the application that take into consideration the load factor. Kingston has provided analysis on the load factor characteristics specific to Kingston's GS 50 to 4,999 kW rate class and additional bill impacts for the mean, median, low and high load factor customers. As well as the percentage of customers in the various load factor ranges. The bill impacts range from a distribution decrease for those with a lower load factor to a distribution increase of 20.86% at the .91 load factor upper end which is a 2.90% increase on total bill and will impact less than 1% of customers in this class.

One further factor affecting 2017 bill impact changes for this class is the CGAAP credit rate rider ending December 31, 2016. Kingston did in its 2016-2020 Custom IR propose that the \$3.6M credit rider for CGAAP be disposed of over a 5 year period so as to smooth bill impacts for future years however the outcome of settlement was a 1 year credit rate rider.

Kingston has proposed to dispose of this GA balance by way of a one year rate rider, typical for Group 1 balances being disposed. The concern Kingston has with rate mitigation for this class with respect to the specific circumstances of this situation is that year over year there has been a sizeable similar GA balance to be disposed of and allocated to this class. The view is that mitigation in this case could lead to compounded rate mitigation in future rate applications. Based upon the results of the review provided in response to OEB Board staff questions with respect to the circumstances of this situation, Kingston does not believe rate mitigation is necessary.

Ref: Other Rates and Charges – Application page 18 of 20

Please confirm that the specific service charges, allowances, loss factors and other special rates presented in the evidence are the same as approved for 2016. Please note any differences and include the rationale.

Kingston Response: Confirmed.

Ref: Custom IR Settlement Proposal Kingston Hydro dated Nov 10, 2015

The settlement proposal for the 5 year Custom IR was approved by the OEB in its Decision & Rate Order dated Nov 26, 2015.

- In the OEB’s decision on page 1 (EB-2015-0083) the OEB stated that it expects distribution rates to decrease in 2017 by 15.20% (800 kwh/month residential customer) vs 2016. What is the decrease showing in the current application? The OEB has changed typical bills to calculate at 750 kwh/mo. Where in the evidence is the comparison to the expectation of the decrease? If there is a difference, please file the differential comparison and provide an explanation.

Kingston Response: The 2017 distribution fixed service charge and the volumetric distribution rate proposed in this application for the residential rate class are those agreed upon in the settlement for 2017 and appear in the Decision and Rate Order (EB-2015-0083) issued November 26, 2016.

The residential distribution rates in EB-2015-0083 also provide for the OEB’s new residential rate design; transition to a fully fixed distribution rate by 2019.
 Reference: Decision and Rate Order, Settlement Proposal, Appendix J: Revised Appendix 2-PA – Residential Rate Design (p. 449 of 509 of PDF document)

The Decision and Rate Order for the 2016-2020 Custom IR application, issued November 26, 2016, page 298 of 509 of the PDF document (page 9 of 46 of Appendix B), provides the 2017 distribution rates bill impact for an 800 kWh/month residential customer.

The 2017 Custom Year 2 Update rate application, EB-2016-0087, page 55 of 112 of the PDF document, dated August 15, 2016, provides the 2017 bill impact for a 750 kWh/month residential customer.

The residential distribution monthly bill impacts at the 750 kWh and 800 kWh levels for 2017 from the above referenced sources are summarized below:

Level kWh	2016	2017	Bill Impact %	Bill Impact \$
750	\$28.87	\$24.69	-14.48%	-\$4.18
800	\$29.60	\$25.10	-15.20%	-\$4.50

- The Settlement Proposal (Table 1 page 9) shows an average 4.7% increase (2015 vs 2017). Please demonstrate how Kingston is tracking against this average rate increase.
Kingston Response: 2016 is the first year of Custom IR rates. Per third quarter results available, Kingston is tracking at 74% of year to date budgeted revenue which is reasonable.
- The Settlement Proposal (page 10 of 79) shows capital additions at \$2.9 million for 2017. Please confirm the amount as accurate for 2017.
Kingston Response: Confirmed. Kingston expects to meet the capital additions as proposed in the Custom IR for 2017. Per the Settlement Agreement, any

discrepancies in Capital expenditures will be tracked in the Capital Expenditure Variance account.

- The Settlement Proposal (page 15 of 79) shows OM&A and property taxes combined at \$7.1 million. Please confirm the amount as accurate for 2017.

Kingston Response: Confirmed. Kingston expects to meet the OM&A and property taxes expenditures as proposed in the Custom IR for 2017. Per the Settlement Agreement, any discrepancies in earnings will be tracked in the Earnings Sharing variance account in accordance with the Settlement Agreement.

Administrative Questions - Colin

Ref: Date of Rate Order

When is the last possible date Kingston requires for receipt of an OEB rate order to be able to implement the rates for a January 1, 2017 effective date (i.e. Kingston's billing system requirements)?

Kingston Response: Receipt of an OEB rate order by December 9th, 2016, will allow for Kingston Hydro to implement the rates for January 1, 2017. Kingston is further impacted this year by the billing system changes we must implement for the 8% rebate, which is effective January 1, 2017.

Ref: Affidavit of Service (page 2)

The signature of the Barrister /Solicitor – Notary Public was not legible and no printed name was provided. Good form is to have information on the affidavit legible. Please re-file the affidavit in legible form.

Kingston Response: Mr. Robert Little is the Barrister/Solicitor – Notary Public that notarized the affidavit. The original affidavit filed has a raised stamp emblazoned on it with Mr. Little's printed name.

Ref: Counsel to Kingston

Is Kingston's counsel Mr. Andrew Taylor of Energy Boutique? The OEB has no formal record of Mr. Taylor associated with this file number. Good form is to provide the OEB with a letter indicating Mr. Taylor's position and representation – and that Kingston wishes counsel to be copied on all correspondence. Please file a letter if Mr. Taylor is your counsel and state your wish to have him noted on the record as such.

Kingston Response: At this time, Kingston does not have official counsel representation with respect to this application.

Ref: Written answers to OEB staff questions

Will Kingston commit to providing written answers to these questions and filing them on the record by the due date i.e. November 22, 2016?

Kingston Response: Yes.