Via RESS and Courier
1 November 2019

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

Dear Ms. Walli,

Re: Kingston Hydro Corporation _Electricity Distribution License ED-2003-0057
2020 Custom IR Year 5 Application for Electricity Distribution Rates (EB-2019-0048)
Responses to OEB Staff Follow up questions

Please find responses and supporting evidence to Ontario Energy Board (OEB) Staff follow up questions for Kingston Hydro Corporation's Custom IR – Year 5 Update 2020 Distribution Rate Application (EB-2019-0048) that was filed with the OEB on August 30, 2019.

Along with this submission Kingston Hydro Corporation has filed in live Excel format through RESS the following updated models;

(A) Commodity expense,
(B) Pass through cost of power update.

Yours truly,

Sherry Gibson
Senior Advisor, Rates and Regulatory Affairs

Attachments

P.O. Box 790 Kingston, Ontario Canada K7L 4X7 **p.** 613.546.1181 www.kingstonhydro.com

Kingston Hydro Corporation (Kingston Hydro) Responses to OEB Staff Follow up questions
2019 Electricity Distribution Rates Application
EB-2019-0048

Staff Follow-up Question 1

Ref: Staff Questions 4 and 7

Kingston Hydro states that RPP settlements are not trued up to actual consumption on a monthly basis. There is a true up at year-end that has been included in the GL in the year it pertains to.

a) Please explain how the year-end true up is calculated (e.g. a true-up of December unbilled consumption to actual based on December actuals, or a total of monthly true ups calculated based on actuals for that month).

Kingston Response: **The year-end true-up is calculated by taking estimated December unbilled consumption (proportioned between RPP and non-RPP) and multiplying that consumption by the difference between RPP rate and HOEP for December. This entry is completed monthly, so that, at the end of every month in a calendar year the balances include estimated accrued consumption.**

b) If the year-end true up is not the total of monthly true ups to actual prices and consumption for that month, please quantify this true up for each of 2018, 2017 and 2016 as this would likely result in a different true up due to differences in monthly TOU/tier allocations and RPP consumption.

Kingston Response: **Over the course of a year, the monthly accruals are trued-up in the following months as the accounts are billed and settled with the IESO.**

In response to specific question, for bills issued in January 2019 that include 2018 consumption, Kingston Hydro's CIS system does not provide reports required to distinguish actual consumption from the estimated accruals mentioned in part 1a.

Staff Follow-up Questions 2

Ref: Staff Question 5

a) Please clarify if the consumption of 317,648,378 kWh represents consumption including or excluding unbilled consumption.
   i. If it is excluding unbilled consumption, please explain why consumption excluding unbilled would be greater than consumption including unbilled of 314,290,213 kWh.

Kingston Response:

Total billed consumption 2018 –	**317,648,378**
less 2017 est. unbilled consumption, billed in 2018	**(38,884,103)**
add 2018 est. unbilled consumption, billed in 2019	**35,525,938**
Total estimated consumption 2018	**314,290,213**

b) Please explain what the difference in consumption of 3,358165 kWh may be due to

Kingston Response: see answer to 2. a) i.

Staff Follow-up Question 3

Ref: Staff Question 8

Kingston Hydro states that it does not perform a true-up as both the recording and settlement of 1598 amounts are on a billed actual basis; therefore, there is no true up required as the settlement already reflects actuals.

a) In response to question 4, Kingston indicated that settlements are done as accounts are billed and not on an accrual consumption basis. This conflicts with the statement above that no true ups are required as the settlement already reflect actuals. Please clarify and further explain why no true up is needed for consumption.

   Kingston Response: Kingston Hydro's system does not have the ability to true-up consumption. Kingston Hydro's accounting has always been done on a billed basis. The GA Analysis Workform provides assurance that over the course of the year the balances are reasonable.

b) There is a CT 148 allocation true up of $83,701 included in the Account 1588 reconciliation shown in the GA Methodology Description and the GA Analysis Workform.

   Kingston Response: Kingston Hydro's system does not currently allow for the quantification of total annual true-up for consumption for each month. The GA Analysis Workform provides assurance that the balances are reasonable.

c) Please explain how this true up amount was calculated (e.g. just a true up of the GA 2nd estimate to GA actual price for December, or a total of monthly true ups calculated using the actual RPP consumption for that month).
   I. If the true up is not the total of monthly true ups to actual GA price and consumption for that month, please quantify the total annual true ups for each of 2018, 2017 and 2016.

      Kingston Response: Kingston Hydro Corporation believes that evidence submitted in the application requesting interim disposition (i.e. the GA Analysis Workform reconciling to less than 1%) is sufficient to give reasonable assurance that the balances are appropriate.

Staff Follow-up Question 4

Ref: Appendix 2-Z

The OEB issued it *Regulated Price Plan – Price Report, November 1, 2019 to October 31, 2020* (RPP Report) *o*n October 22, 2019. The report noted that

> Effective November 1, 2019, the provisions of the *Ontario Fair Hydro Plan Act, 2017* (OFHP Act) under which the Ontario Energy Board (OEB) has been setting RPP prices since July 2017, are repealed, and the same is true of the related regulation (O.Reg. 195/17) made under the OFHP Act. The OEB is therefore once again setting RPP prices under section 79.16 of the *Ontario Energy Board Act, 1998*, which more closely reflect the cost of supply. Also effective November 1, 2019, an expanded government rebate under the *Ontario Rebate for electricity Consumers Act, 2016* will largely offset the increase in RPP prices relative to the RPP price that were set by the OEB for May 1, 2019.[1]

OEB staff updated Appendix 2-Z to accommodate the changes to the cost of supply calculation.

a) Please confirm the accuracy of the inputs and update the revised Appendix 2-Z where necessary.

<u>Kingston Response:</u> Kingston has reviewed the accuracy of the inputs and has updated the revised Appendix 2-Z where necessary. Appendix 2-Z is provided below and as well filed in Live Excel format:

File Number:	EB-2019-0048
Exhibit:	
Tab:	
Schedule:	
Page:	
Date:	2019-November

In the green shaded cell (row 18-26) enter the most recent 12-month actual data. If there is a material difference between actual and forecasted consumption data, use forecasted data and provide an explanation

Commodity Expense

Step 1: **Allocation of Commodity** — **2020 Forecast**

Customer Class Name		Approved Forecast 2020 kWh's adjusted for TLF and WMP excluded	Class A kWh	Class B kWh	Non-RPP Class B kWh	RPP	Class B Proportions (by Class) non-RPP %	Class B Proportions (by Class) RPP %	
Residential		191,522,219	0	191,522,219	3,543,828	187,978,391	*1.85%*	*98.15%*	
General Service < 50 kW		78,969,212	0	78,969,212	11,816,177	67,153,035	*14.96%*	*85.04%*	
General Service 50 to 4999 kW		284,341,761	32,519,287	251,822,474	230,597,423	21,225,051	*81.10%*	*7.46%*	
Large Use		152,451,416	152,451,416	-	-	0	*100.00%*	*0.00%*	
Unmetered Scattered Load		1,143,743	0	1,143,743	1,143,743	0	*100.00%*	*0.00%*	
Street Lighting		1,904,476	0	1,904,476	1,904,476	0	*100.00%*	*0.00%*	
Standby				-	-				
				-					
				-					
TOTAL		**710,332,828**	**184,970,703**	**525,362,125**	**249,005,647**	**276,356,478**			
%		*100.00%*		*100.00%*			*47.40%*	*52.60%*	*100.00%*

[1] *Regulated Price Plan Price Report, November 1, 2019 to October 31, 2020,* p. 1

Step 2: **2020 Forecasted Commodity Prices**

Forecasted Commodity Price Table 1: Average RPP Supply Cost Summary*

			non-RPP	RPP
HOEP ($/MWh)	Load-Weighted Price for RPP Consumers		$20.09	$20.09
Global Adjustment ($/MWh)	Impact of the Global Adjustment		$106.94	$106.94
Adjustments ($/MWh)				$1.00
TOTAL ($/MWh)	Average Supply Cost for RPP Consumers		**$127.03**	**$128.03**
$/kWh			***$0.12703***	***$0.12803***
Percentage shares (%)	non-RPP and RPP		47.40%	52.60%
WEIGHTED AVERAGE PRICE (	**(Sum of I43 and J43)**	$ 0.1276	**$0.0602**	**$0.0673**

Step 3: **Commodity Expense**

(volumes for the bridge and test year are loss adjusted)

Class A

				2019					2020				
Customer		**Revenue**	**Expense**	**kWh Volume**	**kW Volume**	**HOEP Rate/kWh**	**Avg GA/kW**	**Amount**	**kWh Volume**	**kW Volume**	**HOEP Rate/kWh**	**Avg GA/kW**	**Amount**
General Service 50 to 4999 kW		4035	4705	32,412,414	75,633.36	0.02680	$29.75	$3,118,888	32,519,287	75,882.72	0.02009	$29.75	$2,910,967
Large Use		4010	4705	151,321,660	280,799.39	0.02680	$29.75	$12,409,734	152,451,416	282,895.82	0.02009	$29.75	$11,479,435
				183,734,075	356,432.76			$15,528,623					$14,390,402

Class B

				2019				2020				
Customer		**Revenue**	**Expense**									
Class Name	UoM	USA #	USA #	Volume	rate ($/kWh):			Amount	Volume	rate ($/kWh):		Amount
Residential	kWh	4006	4705	192,480,987	0.0993			$19,113,362	191,522,219	$0.1276		$24,429,814
General Service < 50 kW	kWh	4010	4705	82,372,539	0.0993			$8,179,593	78,969,212	$0.1276		$10,072,999
General Service 50 to 4999 kW	kWh	4035	4705	270,059,701	0.0993			$26,816,928	251,822,474	$0.1276		$32,121,475
Large Use	kWh	4010	4705	0	0.0993			$0	0	$0.1276		$0
Unmetered Scattered Load	kWh	4025	4705	1,167,821	0.0993			$115,965	1,143,743	$0.1276		$145,891
Street Lighting	kWh	4025	4705	1,900,754	0.0993			$188,745	1,904,476	$0.1276		$242,927
Standby	kWh	4025	4705		0.0993			$0		$0.1276		$0
0	kWh	4025	4705		0.0993			$0		$0.1276		$0
0	kWh	4025	4705		0.0993			$0		$0.1276		$0
TOTAL				**547,981,802**				**$54,414,593**	**525,362,125**			**$67,013,106**

Total

				2019				2020				
Customer		**Revenue**	**Expense**									
Class Name	UoM	USA #	USA #	Volume	avg rate ($/kWh):			Amount	Volume	avg rate ($/kWh):		Amount
Residential	kWh	4006	4705	192,480,987	0.0993			$19,113,362	191,522,219	0.1276		$24,429,814
General Service < 50 kW	kWh	4010	4705	82,372,539	0.0993			$8,179,593	78,969,212	0.1276		$10,072,999
General Service 50 to 4999 kW	kWh	4035	4705	302,472,116	0.0990			$29,935,817	284,341,761	0.1232		$35,032,442
Large Use	kWh	4010	4705	151,321,660	0.0820			$12,409,734	152,451,416	0.0753		$11,479,435
Unmetered Scattered Load	kWh	4025	4705	1,167,821	0.0993			$115,965	1,143,743	0.1276		$145,891
Street Lighting	kWh	4025	4705	1,900,754	0.0993			$188,745	1,904,476	0.1276		$242,927
Standby	kWh	4025	4705	0	#DIV/0!			$0	0	#DIV/0!		$0
0	kWh	4025	4705	0	0			$0	0	0.0000		$0
0	kWh	4025	4705	0	0			$0	0	0.0000		$0
TOTAL				**731,715,877**				**$69,943,216**	**710,332,828**			**$81,403,508**

Step 3: **Used Custom IR Rate Maker Model to forecast commodity expenses, adjusted for updated forecast pricing above - details provided in application - Excel tab '2020 Pass Thru Update'**

*Regulated Price Plan Prices for the Period November 1, 2019 – October 31, 2020

b) Please provide a revised cost of power calculation which incorporate the RPP Report as well as O.Reg 342/19.

<u>Kingston Response:</u> Kingston has updated the cost of power calculation to incorporate the October 22, 2019 RPP Report as well as O. Reg 342/19. Kingston has filed it in Live Excel as well as provided in the following table:

Cost of Power

Updated for November 1, 2019 Regulated Price Plan (RPP) Price Report and Removal of GA Modifier

Electricity (Commodity)	**Customer**	**2020**	*rate ($/kWh):*	
	Class Name	**Volume**	*** From App 2-Z**	**Amount**
kWh	Residential	191,522,219	0.1276	24,429,814
kWh	General Service < 50 kW	78,969,212	0.1276	10,072,999
kWh	General Service 50 to 4999 kW	284,341,761	0.1232	35,032,442
kWh	Large Use	152,451,416	0.0753	11,479,435
kWh	Unmetered Scattered Load	1,143,743	0.1276	145,891
kWh	Street Lighting	1,904,476	0.1276	242,927
kWh	Standby	0		0
	TOTAL	**710,332,828**		**81,403,508**
Transmission - Network	**Customer**	**2020**	**2020**	
	Class Name	**Volume**	**Rate**	**Amount**
kWh	Residential	191,522,219	$ 0.0072	1,382,129
kWh	General Service < 50 kW	78,969,212	$ 0.0064	502,840
kW	General Service 50 to 4999 kW	759,264	$ 2.8330	2,151,015
kW	Large Use	282,896	$ 3.4134	965,644
kWh	Unmetered Scattered Load	1,143,743	$ 0.0072	8,254
kW	Street Lighting	4,789	$ 2.0463	9,800
kW	Standby	0	$ -	0
	TOTAL	**272,682,123**		**5,019,682**
Transmission - Connection	**Customer**		**2020**	
	Class Name	**Volume**	**Rate**	**Amount**
kWh	Residential	191,522,219	$ 0.0064	1,229,837
kWh	General Service < 50 kW	78,969,212	$ 0.0058	457,214
kW	General Service 50 to 4999 kW	759,264	$ 2.5387	1,927,511
kW	Large Use	282,896	$ 3.0588	865,319
kWh	Unmetered Scattered Load	1,143,743	$ 0.0064	7,344
kW	Street Lighting	4,789	$ 1.8336	8,781
kW	Standby	0	$ -	0
	TOTAL	**272,682,123**		**4,496,006**
Wholesale Market Service	**Customer**	**2020**	*rate ($/kWh):*	
	Class Name	**Volume**		**Amount**
kWh	Residential	191,522,219	$ 0.0034	651,176
kWh	General Service < 50 kW	78,969,212	$ 0.0034	268,495
kWh	General Service 50 to 4999 kW	284,341,761	$ 0.0034	966,762
kWh	Large Use	152,451,416	$ 0.0034	518,335
kWh	Unmetered Scattered Load	1,143,743	$ 0.0034	3,889
kWh	Street Lighting	1,904,476	$ 0.0034	6,475
kWh	Standby	0		0
	TOTAL	**710,332,828**		**2,415,132**

Rural Rate Protection	**Customer**	**2020**	*rate ($/kWh):*	$ 0.00050
	Class Name	**Volume**		**Amount**
kWh	Residential	191,522,219		95,761
kWh	General Service < 50 kW	78,969,212		39,485
kWh	General Service 50 to 4999 kW	284,341,761		142,171
kWh	Large Use	152,451,416		76,226
kWh	Unmetered Scattered Load	1,143,743		572
kWh	Street Lighting	1,904,476		952
kWh	Standby	0		0
	TOTAL	**710,332,828**		**355,166**
Debt Retirement Charge	**Customer**	**2020**	*rate ($/kWh):*	$ 0.00700
	Class Name	**Volume**		**Amount**
	TOTAL	**0**		**0**
Low Voltage Charges	**Customer**		**2020**	
	Class Name	**Volume**	**Rate**	**Amount**
kWh	Residential	184,282,359	0.0028	510,567
kWh	General Service < 50 kW	75,984,044	0.0025	189,812
kW	General Service 50 to 4999 kW	759,264	1.0539	800,206
kW	Large Use	282,896	1.2699	359,237
kWh	Unmetered Scattered Load	1,100,508	0.0028	3,049
kW	Street Lighting	4,789	0.7612	3,645
kW	Standby	0	0	0
	TOTAL	**262,413,859**		**1,866,518**
Smart Meter Entity Charge	**Customer**	**2020**	*rate ($/kWh):*	
	Class Name	**Volume**		**Amount**
Cust	Residential	24,779	0.57	14,124
Cust	General Service < 50 kW	2,758	0.57	1,572
Cust	General Service 50 to 4999 kW	364		0
Cust	Large Use	3		0
Cust	Unmetered Scattered Load	129		0
Cust	Street Lighting	5,397		0
Cust	Standby	0		0
	TOTAL	**33,430**		**15,696**
GRAND TOTAL		**0**		**95,571,708**

c) Please provide a statement as to whether the revised calculation has an impact on the working capital allowance and confirm whether or not the threshold of $65,000 has been met.

<u>Kingston Response:</u> The revised cost of power calculation provided in part b) above, does change the cumulative impact of the the cost of power to be (9,913) however it is below the threshold of $65,000. The threshold has not been met.

Updated cumulative value of impact of cost of power details provided in the following tables:

D1 Rate Base Summary

		2020
Eligible Distribution Expenses:	(1)	
3500-Distribution Expenses - Operation		2,180,292
3550-Distribution Expenses - Maintenance		1,403,247
3650-Billing and Collecting		1,056,371
3700-Community Relations		110,804
3800-Administrative and General Expenses		2,609,653
3950-Taxes Other Than Income Taxes		148,586
Total Eligible Distribution Expenses		7,508,953
3350-Power Supply Expenses	(2)	95,571,708
Total Expenses for Working Capital		103,080,661
Working Capital Allowance	7.50%	**7,731,050**

TOTAL RATE BASE

		2020
Net Fixed Assets in Service:	(3)	
Opening Balance	52,900,497	
Closing Balance	54,574,474	
Average Balance		53,737,486
Working Capital Allowance		7,731,050
TOTAL RATE BASE		**61,468,535**

		2020 Projection	Non-recurring items (Total)	2020 Normalized	Comment
OM&A Expenses	*from sheet D1*	7,508,953		7,508,953	
3850-Amortization Expense	*from sheet E2*	2,228,573		2,228,573	
Total Distribution Expenses		9,737,526		9,737,526	
Regulated Return On Capital	*from sheet D3*	3,660,361		3,660,361	
PILs (with gross-up)	*from sheet E4*	319,093		319,093	
Service Revenue Requirement		**13,716,980**		**13,716,980**	**with 2020 Yr5 CIR COP update - Nov 2019 updates**
Less: Revenue Offsets	*from sheet C9*	600,697		600,697	
Base Revenue Requirement		**13,116,283**		**13,116,283**	

Cumulative Value of Impact of Cost of Power Updates

2017 Service Revenue Requirement	12,533,272	Approved
2017 Service Revenue Requirement	12,539,281	With COP updates
2017 change	6,009	Update less approved

2018 Service Revenue Requirement	12,954,870	Approved
2018 Service Revenue Requirement	12,939,786	With COP updates
2018 change	(15,084)	Update less approved

2019 Service Revenue Requirement	13,369,403	Approved
2019 Service Revenue Requirement	13,344,385	With COP updates
2019 change	(25,018)	Update less approved

2020 Service Revenue Requirement	13,692,800	Approved
2020 Service Revenue Requirement	13,716,980	With COP updates – Nov 2019
2020 change	24,180	Update less approved

Impact of change – cumulative value	**(9,913)**	**< $65,000 debit threshold**