



**Via RESS and Courier**

7 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 Part 2**

Please find responses to Ontario Energy Board (OEB) Staff follow up questions part 2 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.

Yours truly,

A handwritten signature in blue ink, appearing to read "S. Gibson".

Sherry Gibson  
Senior Advisor, Rates and Regulatory Affairs

Attachment

**Kingston Hydro Corporation Responses to OEB Staff Follow Up Questions Part 2**

**RE: 2020 Electricity Distribution Rates Application  
EB-2019-0048**

**Ref: Follow Up Staff Questions 1, 3**

To clarify, please confirm the following for CT 1142. If not confirmed, please explain the basis for each item below.

- a) Frequency of true up - monthly
- b) Initial RPP settlement - consumption is based on billed consumption (does not include estimate for unbilled consumption in the month)
- c) RPP settlement true up of consumption - consumption is trued up to billed plus an estimate for unbilled consumption in the month
- d) RPP settlement true up of prices - RPP and HOEP prices are trued up to actual RPP and HOEP prices for the month. GA 2<sup>nd</sup> estimate is trued up to actual GA rate.

**Kingston Response to Question 1 items above:**

Kingston Hydro clarifies the following for CT1142 as calculated on the IESO invoice:

**Question 1(a)**

Not Confirmed.

Kingston Hydro does not true-up account CT1142 for RPP-HOEP due to the fact that settlements with the IESO that resulted in the CT1142 charge were based on actual bills issued for RPP customers. Therefore, no true-up is required as it relates to the RPP-HOEP calculation.

**Question 1(b)**

Confirmed.

**Question 1(c)**

Not confirmed.

CT1142 as calculated on IESO invoice is and always has been (2018 and earlier) based on the billed consumption in the month. The settlements have never included an unbilled component. \*see additional information at the end of Question 2(d).

**Question 1(d)**

There is no true-up required of RPP-HOEP because the amounts calculated for the CT1142 line on the IESO invoice already include actual RPP prices and actual HOEP prices. Therefore, the amount calculated on IESO invoice CT1142 correctly settles RPP-HOEP for the billed consumption in the month to which the IESO invoice relates.

For the GA component, Kingston Hydro confirms that the 2<sup>nd</sup> estimate is trued-up to the actual GA rate once the actual GA rate is available i.e. the month of September is trued up on the October IESO invoice received mid-November.

**Ref: Follow Up Staff Questions 1, 3**

To clarify, please confirm the following for CT 148 true ups. If not confirmed, please explain the basis for each item below.

- a) Frequency of true up is monthly
- b) Initial CT 148 allocation between Accounts 1588 and 1589 – based on billed consumption (does not include estimate for unbilled consumption in the month)
- c) True up (consumption) of CT 148 allocation between Accounts 1588 and 1589 – no true up of consumption
- d) True up (rate) of CT 148 allocation between Accounts 1588 and 1589 – GA 2<sup>nd</sup> estimate is trued up to actual GA rate

**Kingston Response to Question 2 items above:**

**Question 2**

The initial recording of the full amount of CT148 Class B GA Settlement Amount is recorded in GL account 4707 Charges – GA. After this entry is recorded, the amount of the GA for RPP customers is deducted from account 4707 Charges – GA and recorded to 4705 Power Purchased.

**Question 2(a)**

As per part 1(d) above, Kingston Hydro trues-up the 2<sup>nd</sup> estimate to the actual GA rate as part of the entry referred to in the paragraph above.

**Question 2(b)**

Confirmed, see explanation below\*.

**Question 2(c)**

Confirmed, see explanation below\*.

**Question 2(d)**

Confirmed.

\* In addition to the above responses, at the end of each month Kingston Hydro records an accrual entry into 4707 Charges – GA and 4705 Power Purchased for the estimated unbilled consumption for the month.

The rates used to calculate the accrual into account 4705 is the average HOEP for the month. The rate used to calculate the accrual into 4707 is the actual GA rate. These accrual entries are reversed in the following month.

The result of the entries noted above is that the unbilled consumption that has not been settled with the IESO is effectively accrued into the accounts for the month that the consumption relates.

**Ref: Follow Up Staff Questions 1, 3**

Kingston Hydro states that its system does not have the ability to true-up consumption to actual consumption on a monthly basis.

- a) Please confirm that Kingston Hydro has this capability effective January 1, 2019.
- b) If not, please explain Kingston Hydro's response to Staff Question #7 that states that effective January 1, 2019, revised processes and reports are being utilized and whether these revisions allow Kingston Hydro to adhere to the new accounting guidance.
- c) Kingston Hydro has identified unbilled to actual revenue differences as reconciling items for Account 1589 in the GA Analysis Workform and for Account 1588 in the GA Methodology Description #1. Please explain how Kingston Hydro was able to quantify the reconciling items if its system does not have the ability to distinguish 2018 consumption for bills issued in January 2019 as mentioned in Staff Follow-up Question #1b.

**Kingston Response to Question 3 items above:**

**Question 3(a) and 3(b)**

In 2019, Kingston Hydro created new reports to comply with the new accounting guidance.

Kingston Hydro has also revised its settlement processes effective January 1, 2019 to comply with the new accounting guidance.

Due to system limitations the new reports that provide the data for the 2<sup>nd</sup> true-up (i.e. RPP vs non-RPP quantities) are based on the unbilled revenue reports (see explanation in response to part 3c)

Kingston Hydro is working with MDM/R to create reports that will replace the estimated unbilled reports currently in use.

**Question 3(c)**

The Kingston Hydro system has the ability to estimate unbilled revenue at the end of a particular month or year. The original unbilled revenue accrual was \$1,826,888 for GA revenue for December 31, 2018. At the time of filing the GA Workform, Kingston Hydro re-ran its unbilled revenue report effective December 31, 2018 and the revised unbilled revenue amount was \$2,062,392. The difference between the original accrual and the revised accrual is \$235,504 (i.e. the reconciling item on the GA Workform).

The same analysis was performed for account 1588.

For great certainty, the unbilled revenue reports that Kingston Hydro is utilizing, effective December 31, 2018 accrual, takes the sum of all bills issued in 2019 that have consumption related to 2018 and proportions the consumption between 20018 and 2019 based on the billing period.

|              |                            |                                    |
|--------------|----------------------------|------------------------------------|
| For example: | Bill Date                  | January 20, 2019                   |
|              | Bill Period – 31 days -    | December 7, 2018 – January 6, 2019 |
|              | Total Consumption          | 1000 kWh                           |
|              | Estimated 2018 Consumption | 25 days                            |
|              | Estimated 2019 Consumption | 6 days                             |