Via RESS
28 October 2020

Ms. Christine E. Long
Registrar and Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, Ontario
M4P 1E4

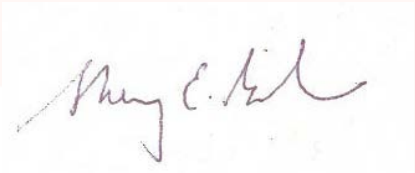
Dear Ms. Long,

Re: Kingston Hydro Corporation _Electricity Distribution License ED-2003-0057
2021 IRM (EB-2020-0034) _Responses to OEB staff Questions

Attached please find complete responses to OEB staff questions received October 16, 2020, with respect to Kingston Hydro Corporation's IRM distribution rate application (EB-2020-0034) filed August 17, 2020, for electricity distribution rates effective January 1, 2021.

Kingston Hydro's responses and updated IRM rate generator model (live Excel) and GA Analysis Workform (live Excel) are being filed through the OEB's online RESS filing system.

Yours truly,



Sherry Gibson
Senior Advisor Rates and Regulatory Affairs

Attachment

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Kingston Hydro Corporation
Responses to OEB Staff Questions
EB-2020-0034

Staff Question -1
Ref: 2019 IRM Decision and Order EB-2018-0047; Kingston Hydro's Response to Incomplete Letter, Page 2

In Kingston Hydro's 2019 IRM Decision and Order EB-2018-0047, the OEB expressed concerns over the balances in Kingston Hydro's commodity accounts and ordered a regulatory audit by OEB's Audit and Investigations unit of Kingston Hydro's processes regarding RPP settlement claims and true-ups of claims with the IESO.

In its response to the OEB's incomplete letter, Kingston Hydro states that Kingston Hydro is not requesting final disposition for any balances that have been previously disposed of on an interim basis.

OEB staff notes that Kingston Hydro has requested the disposition of Group 1 DVA balances and the OEB-ordered audit has not been completed at this time.

a) Please clarify whether Kingston Hydro is requesting the disposition of 2019 Group 1 balances as at interim basis in this application. If not, please explain the appropriateness of a final disposition of the balances that may not be accurate.

Kingston Hydro Response:

Kingston Hydro is requesting the disposition of 2019 Group 1 balances on an interim basis in this application.

Staff Question -2
Ref: Kingston Hydro's Response to Incomplete Letter, pages 1 & 2; GA Analysis Workform Tab. Principal Adjustments

In explaining the variances with RRR 2.1.7 for Accounts 1588 and 1589, Kingston Hydro states that part of the variances were due to "Settlement accrual booked in error (no longer needed due to new illustrative commodity model)" and "Detailed reconciliations have been included in the GA Analysis Workform on the "Principal Adjustments" tab".

OEB staff does not note any description of the errors for the adjustments on the Principal Adjustments Tab of the GA Analysis Workform.

a) Please map the adjustments for the settlement accrual booked in error to the adjustments on the Principal Adjustments Tab of the GA Analysis Workform.

Kingston Hydro Response:

The adjustment for the settlement accrual booked in error related to Account 1588 is included in cells V54 and V55 on the Principal Adjustments Tab of the GA Analysis Workform.

Breakdown of cell V54:	
Settlement accrual booked in error	**(1,071,273)**
Re-filing of 2019 settlements for actual meter data	**(2,917,753)**
Non-RPP to RPP consumption adjustment	**3,147,355**
RPP portion of CT2148	**(364,182)**
RPP 2nd true-up for December 2019	**353**
	(1,205,500)

Breakdown of cell V55:	
Settlement accrual booked in error	**(1,045,007)**
Re-filing of 2019 settlements for actual meter data	**(217,664)**
Non-RPP to RPP consumption adjustment	**(77,455)**
RPP portion of CT2148	**364,182**
RPP 2nd true-up for December 2019	**71**
	(975,874)

The adjustment for the settlement accrual booked in error related to Account 1589 is included in cell J54 on the Principal Adjustments Tab of the GA Analysis Workform.

Breakdown of cell J54:	
Settlement accrual booked in error	**1,071,273**
Re-filing of 2019 settlements for actual meter data	**2,917,753**
Non-RPP to RPP consumption adjustment	**(3,147,355)**
RPP portion of CT2148	**364,182**
RPP 2nd true-up for December 2019	**(353)**
	1,205,500

b) Please explain in detail for the adjustments for the settlement accrual booked in error and no longer needed due to new illustrative commodity model.

Kingston Hydro Response:

Prior to using the new illustrative commodity model, Kingston Hydro booked a monthly accrual for Power and GA expenses related to unbilled consumption.

The new illustrative commodity model includes a true-up of charges based on actual volumes, therefore an accrual for Power and GA expenses related to unbilled consumption is no longer needed after January 1, 2019. However, Kingston Hydro continued to book this accrual for all of 2019.

Kingston Hydro has reversed this accrual in 2020 and included it as a reconciling item in the 2019 GA Analysis Workform.

Staff Question -3
Ref: GA Analysis Workform; Kingston Hydro's Response to Incompleteness Letter, page 2

Regarding the reconciling item #3 in Note 5 of the 2019 GA Analysis Workform, Kingston Hydro states:

> ($218,920) is an adjustment in the GL that related to billing adjustments that pertained to pre 2019 transactions.
>
> Kingston Hydro is not requesting an adjustment to the 2018 balance that was disposed of on an interim basis, as the billing adjustments are included in the amount requested for disposition in this proceeding.

a) Please explain the billing adjustments of ($218,920) in the following aspects:
- What class of customers the adjustments are related to?
- Approximately how many customers are impacted?
- What are the reasons for the billing adjustments?
- What years of the bills that the billing adjustments are pertaining to?

Kingston Hydro Response:

-The adjustments relate to the General Service 50 to 4,999kW customer classification.

- Approximately 40 customers were impacted.

- The reason for the billing adjustments is that an issue was identified where the GA charge portion of a bill after a meter change occurred was not billed. This happened only on the first bill of the meter change.

Investigation revealed the issue was specific to accounts where an interval meter exchange had occurred, and a bill had been issued through the change of meter. Adjustments to affected accounts to correct the GA billing where this scenario had occurred were completed. Additional processes were implemented to prevent the possibility of this issue occurring again in the future and to ensure accurate billing.

- The billing adjustments pertain to bills from 2017 and 2018.

Staff Question - 4
Ref: GA Analysis Workform

OEB staff notes the following CT148 adjustment item in 2019 GA Analysis Workform:

	Item	Amount	Explanation
1b	CT 148 True-up of GA Charges based on Actual Non-RPP Volumes - current year	$ 925,019	True-up of 2019 GA charges recorded in 2020

OEB staff notes that the credit side of the above adjustment was recorded in 2019 in Account 1588 as per review of the Principal Adjustment tab of the GA Analysis Workform. OEB staff notes that the prior year CT148 adjustment is ($83,701).

a) Please explain why the CT148 true-up adjustment in 2019 is of a much larger amount as compared to the adjustment in 2018.

Kingston Hydro Response:

The CT148 true-up adjustment in 2019 is of a much larger amount as compared to the adjustment in 2018 due to the settlement accrual that was booked in error.

Prior to using the new illustrative commodity model, Kingston Hydro booked a monthly accrual for Power and GA expenses related to unbilled consumption. The new illustrative commodity model includes a true-up of charges based on actual volumes, therefore an accrual for Power and GA expenses related to unbilled consumption is no longer needed after January 1, 2019. However, Kingston Hydro continued to book this accrual for all of 2019. Kingston Hydro has reversed this accrual in 2020 and included it as a reconciling item in the 2019 GA Analysis Workform.

Kingston Hydro has updated reconciling item 1b in the 2019 GA Analysis Workform to include the RPP-portion of CT2148.

Staff Question - 5
Ref: GA Analysis Workform; the Accounting Guidance for IESO Charge Type 2148

OEB staff notes that the following reconciling items are netted zero in the 2019 GA Analysis Workform:

	Item	Amount	Explanation
5	CT 2148 for prior period corrections	$ 810,304	From September 2019 IESO invoice (lines 8 and 9 from 2020 GA Workform plus Jan-Mar 2019)
6	Others as justified by distributor	$ (142,085)	From September 2019 IESO invoice (reversal of previous Issue 870 related to 2018 as a result of line 5)
7		$ (564,280)	Portion of line 5 related to 2018 balances
8		$ 5,330	Difference in 2020 GA Workform estimate vs. actual IESO invoice
9		$ (109,269)	Portion of line 5 relating to 2019 calendar year adjustments (Jan-Mar 2019 for incorrect EG reporting)

The OEB issued an Accounting Guidance on May 15, 2019 regarding the IESO Charge Type 2148. The Accounting Guidance states that:

> Distributors are expected to incorporate the portion of RPP global adjustment from charge type 2148 in their RPP settlement claims. Therefore, the total global adjustment cost is to be used in calculating RPP settlements claims and subsequent true ups with the IESO. The portion of charge type 2148 relating to RPP customers would need to be settled with the IESO as a part of the current month RPP settlement using current month Class B RPP load quantities. Distributors are not expected to revise prior period RPP settlement claims for prior period corrections stemming from charge type 2148.

a) Please explain why these reconciling items are needed in 2019 GA Analysis Workform.

Kingston Hydro Response:
These reconciling items were included to explain why a reconciling item for CT2148 is not needed in the 2019 GA Analysis Workform (items 6-9 offset item 5).

Kingston Hydro recorded the portion of the CT2148 adjustment related to 2018 in its opening balances for 2019 (not included in yearly transactions). Therefore, a reconciling item is not needed in the 2019 GA Analysis Workform.

Kingston Hydro has removed item 9 (the portion of the CT2148 adjustment related to 2019 only) as this should be a reconciling item in the 2019 GA Analysis Workform.

The sum of items 5-8 is 109,269 which is equal to the 2019 amount.

b) Please provide the portion of the CT 2148 adjustment related to 2019 only and provide the Non-RPP portions and RPP portions of the adjustments.

Kingston Hydro Response:

2019 only	**109,269**
Non-RPP	**39,972**
RPP	**69,297**

c) Please confirm that Kingston Hydro has recorded the CT2148 adjustment in accordance with the Accounting Guidance dated May 15, 2019. Specifically, Kingston Hydro has apportioned the adjustment into RPP and Non-RPP and has settled the RPP-portion of the CT2148 with the IESO.

i) If so, please provide the month where Kingston Hydro has included the RPP portion of the CT2148 or a plan when it will be settled.

Kingston Hydro Response:

Kingston Hydro will settle the RPP-portion of the CT2148 with the IESO during the first four business days of November 2020.

Kingston Hydro has updated reconciling item 1b in the 2019 GA Analysis Workform to include the RPP-portion of CT2148.

ii) If not, why not.

n/a

Staff Question - 6
Ref: GA Analysis Workform

OEB staff notes from the "Principal Adjustments" tab of the GA Analysis Workform that the 2019 principal adjustments for Account 1588 is mainly comprised of the following two adjustments:

2019	*Current year principal adjustments*			
	1	CT 148 true-up of GA Charges based on actual RPP volumes	(925,019)	2,020
	2	CT 1142 true-up based on actuals	(1,256,779)	2,020

a) Please provide a breakdown of the CT1142 true-up adjustment of ($1,256,779) into the energy portion (RPP-HOEP) and the global adjustment portion (RPP portion of the GA).

Kingston Hydro Response:

Kingston Hydro has revised the above two adjustments as follows:
CT 148 true-up adjustment (1,205,500)
CT 1142 true-up adjustment (975,874)

Breakdown of CT 1142 true-up adjustment:
Energy portion (2,181,374)
GA portion 1,205,500
(975,874)

b) Please complete the table below and explain if the total amount below in cell A is not zero:

	Item	**Reference**	**Amount $**
1.	RPP portion of GA $ that was included in the Transactions Debit/(Credit) during the year of the DVA continuity schedule	A	
2.	CT 148 true-up of GA Charges based on actual RPP volumes	B	(925,019)
3.	RPP portion of the GA that is included in CT 1142 true-up	C	
	Total		

Kingston Hydro Response:

	Item	**Reference**	**Amount $**
1.	RPP portion of GA $ that was included in the Transactions Debit/(Credit) during the year of the DVA continuity schedule	A	**0**
2.	CT 148 true-up of GA Charges based on actual RPP volumes	B	**(1,205,500)**
3.	RPP portion of the GA that is included in CT 1142 true-up	C	**1,205,500**
	Total		

Staff Question - 7
Ref: Kingston Hydro's 2016 Custom IR Settlement Proposal dated November 3, 2015, pages 13 and 14

Page 13 of Kingston Hydro's 2016 Custom IR Settlement Proposal states that:

The Parties agree that Kingston Hydro will create a variance account wherein it will track, on an annual basis, variances in the cumulative revenue requirement arising from variances in three distinct capital forecasts, namely (a) System Renewal/System Service; (b) System Access; and (c) General Plant categories. The System Renewal and System Service categories have been merged into one category to reflect Kingston Hydro's standard operating practice to shift funds between the two categories where customer and operational requirements so require. The variances will be calculated by reference to the current forecast for each of the three categories in each year. Variances and associated revenue requirement impacts will be computed and tracked on an annual basis. In each of the years of the Custom IR Plan, if Kingston Hydro adds to rate base less than its forecast cumulative amount in any of the three categories, the corresponding reduction in revenue requirement will be credited to the variance account and any cumulative reduction in revenue requirement in any of the three categories will be disposed of at the end of the term of the Custom IR Plan.

Page 14 of Kingston Hydro's 2016 Custom IR Settlement Proposal states that:

It is the intention of the Parties, by proposing the calculation of the annual variance on a cumulative basis, to ensure that if projects are delayed, and are completed as planned but at a later time, the reduction to revenue requirement will only reflect the period of delay, but will cease when the projects have been added to rate base. By way of example, and without limiting the generality of the foregoing, if System Renewal/System Service additions were expected to be $35 million for each of 2016, 2017, and 2018, but were in fact $30 million, $37 million, and $38 million, the account would be credited with the revenue requirement impact of $5 million of underspending in 2016, $3 million of cumulative underspending in 2017, and zero in 2018, reflecting the fact that $5 million of spending was delayed from 2016 to 2017 and 2018.

In the example above, the revenue requirement impact of the cumulative underspending in 2016 and 2017 would be refunded at the earliest opportunity following the completion of the five year term.

a) Please confirm that the capital variance account is expected to track the variances in the custom plan of 2016 to 2020.

Kingston Hydro Response:

Confirmed.

Kingston Hydro wishes to note that we are not requesting disposition of the Capital Asset Variance account in this proceeding.

Kingston Hydro will be requesting disposition of the account in the next application (for rates effective Jan 1, 2022) when the timeframe for the capital asset variance model entry is complete (Jan 1 2016- Dec 31, 2020).

Kingston Hydro will do a review of this account including detailed supporting schedules when Kingston Hydro requests disposition.

b) Please provide the information in the table below for each of the three categories (System Renewal/System Service, System Access and General Plant). Please do not break these three categories into more detailed levels.

		2016	2017	2018	2019	2020
Annual Approved CAPEX	**a**					

Cumulative Approved CAPEX (Note 1)	**b**					
Annual Actual CAPEX	**c**					
Cumulative Actual CAPEX (Note 2)	**d**					
Underspending if Cumulative	**e=d-b**					

Note 1: Cumulative approved CAPEX is the sum of the prior year cumulative approved CAPEX plus the current annual approved CAPEX.

Note 2: Cumulative actual CAPEX is the sum of the prior year cumulative actual CAPEX plus the current annual actual CAPEX.

Kingston Hydro Response: The following tables provide CAPEX information for each of the three categories (System Renewal/System Service, System Access and General Plant)

Table 1:

System Renewal/System Service		**2016**	**2017**	**2018**	**2019**	**2020**
Annual Approved CAPEX	**a**	4,060,205	2,178,870	3,299,150	3,332,042	3,240,046
Cumulative Approved CAPEX (Note 1)	**b**	0	6,239,075	9,538,224	12,870,267	16,110,312
Annual Actual CAPEX	**c**	4,717,268	2,245,016	4,134,525	3,872,746	
Cumulative Actual CAPEX (Note 2)	**d**	0	6,962,285	11,096,810	14,969,556	
Underspending if Cumulative	**e=d-b**	0	723,210	1,558,585	2,099,289	
					Over	
	Actual Cumulative is greater than Approved Cumulative					

Table 2:

System Access		2016	2017	2018	2019	2020
Annual Approved CAPEX	a	494,799	414,661	582,853	395,143	364,238
Cumulative Approved CAPEX (Note 1)	b	0	909,459	1,492,312	1,887,455	2,251,693
Annual Actual CAPEX	c	735,295	460,790	280,566	567,880	
Cumulative Actual CAPEX (Note 2)	d	0	1,196,085	1,476,651	2,044,531	
Underspending if Cumulative	e=d-b	0	286,626	-15,661	157,076	
					Over	
	Actual Cumulative is greater than Approved Cumulative					

Table 3:

General Plant		2016	2017	2018	2019	2020
Annual Approved CAPEX	a	821,176	306,240	407,997	421,815	298,266
Cumulative Approved CAPEX (Note 1)	b	0	1,127,416	1,535,413	1,957,228	2,255,494
Annual Actual CAPEX	c	330,531	425,307	475,781	408,491	
Cumulative Actual CAPEX (Note 2)	d	0	755,838	1,231,619	1,640,110	
Underspending if Cumulative	e=d-b	0	-371,578	-303,794	-317,118	
					Under	
	Actual Cumulative is less than Approved Cumulative					

2) Please provide the reference to the 2016 Custom IR application with respect to the approved CAPEX in three categories.

Kingston Hydro Response:

The approved 5 year capital spending plan can be found on page 36 of 509 of the Decision and Rate Order EB-2015-0083 (page 11 of 79 of the Settlement Proposal).

In addition, per page 37 of 509 of the Decision and Rate Order, IR-2Staff-19 and IR-2-EP-12 illustrate the investments proposed by system driver.

IR-2Staff-19 includes the allocation percentage table from Kingston Hydro's DSP forecast for capex drivers and the associated costs for each driver for the original filed application Appendix 2-AB based upon this allocation table. This percentage allocation from the DSP forecast was applied to the agreed upon capital additions to produce the final costs by driver for each year of the approved 5 year capital spending plan.

Staff Question - 8
Ref: Kingston Hydro's excel file for the Capital Addition Variance Model

In the Capital Addition Variance Model excel file, OEB staff notes that Kingston Hydro has provided the annual revenue requirement calculation for the capital addition variance sub-account of ($34,573) which can be broken down into the following categories of the assets:

- General Plant- ESM software: variance of ($9,030.40)
- General Plant-Truck: variance of nil
- System Renewal/System Service: variance of nil
- System Access – Meters: Variance of ($19,963.17)
- System Access – Russel St.: variance of ($5,579.58)

a) Please clarify that the requested balance of ($34,573) in Account 1508 is as at December 31, 2019 or December 31, 2020?

Kingston Hydro Response: The balance is at December 31, 2019.

i) If the balance is as at December 31, 2019, why Kingston Hydro is requesting the disposition of the balance now given the custom IR plan is from 2016 to 2020.

Kingston Hydro Response:
Kingston Hydro is not requesting disposition of the balance in this application.

ii) If the balance is as at December 31, 2020, please explain whether Kingston Hydro is planning to request the 2020 variances based on the forecasted actual.

Kingston Hydro Response: The balance is at December 31, 2019.

b) Please provide the supporting calculations for CAPEX variance row in each of the tabs.

Kingston Hydro Response: The capex variance amount for each of the categories is on line 16 in each tab of the Capital Additions Variance Model.

c) Please explain why Kingston Hydro breaks down the general plant category and system access category further into two sub-categories of assets.

Kingston Hydro Response: The reason for the breakdown into sub-categories is due to a difference in depreciation / UCC rates.

d) Does the calculation model recognize the delay of the capital assets as agreed upon in the 2016 Custom IR settlement proposal?

Kingston Hydro Response: The only delay that Kingston Hydro is aware of from the 2016 settlement proposal is the delay of capitalization of large transformers for the rebuild of substation 1. There was a delay from 2020 to a future year.

i) If not, please update the calculation model to recognize the delay of the capital assets.

Kingston Hydro Response: See above.

e) Did Kingston Hydro delay the spending on the general plant- truck in 2016 and delayed the spending on system renewal/system service in 2016 and 2017? If so, why there were no variance related to these two categories of assets in the capital addition model provided.

Kingston Hydro Response:

The General Truck delayed spending in 2016 was spent in 2017 as per the General Plant-Truck tab.

The Service Renewal delayed spending in 2016 and 2017 was spent in 2018 as per the Service Renewal tab.

Staff Question - 9
Ref: Kingston Hydro's Managers Summary Page 12 MicroFIT

Please confirm Kingston Hydro is aware an OEB letter was issued February 24, 2020 changing the microFit charge from $5.40 to $4.55. The charge of $4.55 is to be adopted in this rate application.

Kingston Hydro Response: Confirmed.

Staff Question - 10
Ref: Kingston Hydro's Managers Summary Page 13 Bill Impacts and Rate Generator Model Tab 19

Please confirm Kingston Hydro's rate generator Tab 19 is now working correctly and the bill impacts Tab 20 is correct.

Kingston Hydro Response:

Tab 19 has populated correctly however in Tab 20 Bill Impacts the GA rate rider appears to be populating an incorrect rate for 2021.

Kingston notes the 2021 rate riders proposed are to be disposed on an interim basis and that typically this would be identified in the line descriptions for the Final Tariff Schedule.