

Via RESS
29 October 2021

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

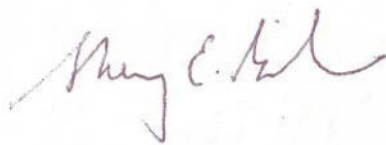
Dear Ms. Long,

**Re: Kingston Hydro Corporation _Electricity Distribution License ED-2003-0057
2022 IRM (EB-2021-0037) _Responses to OEB staff Questions**

Attached please find complete responses to OEB staff questions received October 22, 2021, with respect to Kingston Hydro Corporation's 2022 IRM distribution rate application (EB-2021-0037) filed August 13, 2021, for electricity distribution rates effective January 1, 2022.

Kingston Hydro's responses are being filed through the OEB's online RESS filing system.

Yours truly,



Sherry Gibson
Senior Advisor, Rates and Regulatory Affairs

**Kingston Hydro Corporation
Responses to OEB Staff Questions
EB-2021-0037**

Staff Question-1

Reference: (i) IRM Rate Generator Model, Tab 4: Billing Det. for Def-Var

Kingston Hydro has reported a debit amount of \$88,678 for its 2020 actual year-end total balance for Group 1 accounts including interest projected to December 31, 2021. This amount resulted in a total credit claim of \$0.0001 per kWh which does not meet the threshold test.

Has Kingston Hydro considered deferring disposition of the Group 1 accounts to a future period, considering that the total claim is below the OEB's threshold? Please discuss.

Kingston Hydro Response: Kingston Hydro prefers to dispose of Group 1 accounts in this IRM proceeding to try to have rate riders in a timely manner. In addition, if prior year's interim approvals are disposed of on a final basis, Kingston Hydro's preference is to also dispose of 2020 so that all periods included in the OEB inspection (i.e. 2016 to 2020) can be finalized.

Staff Question-2

Reference: (i) IRM Rate Generator Model, Tab 20: Bill Impacts

OEB staff has identified that the Non-RPP Retailer Average Price and Average IESO Wholesale Market Price used at the above reference were incorrectly entered as \$0.2689. OEB staff has updated the pricing to reflect the correct amount of \$0.1060. Please confirm that the model included with these staff questions reflects this update.

Kingston Hydro Response: Confirmed.

Staff Question-3

Reference: (i) GA Analysis Workform, Tab GA 2020

(ii) 2020 IRM Application, GA Analysis Workform, Tab GA 2018

(iii) 2021 IRM Application, GA Analysis Workform, Tab GA 2019

Kingston Hydro's GA analysis workform has an adjustment item as shown

below:

	Item	Amount	Explanation	
7		\$ (83,701)	True-up of Dec 2018 GA rate settled with IESO twice in error - reversed in 2020	Yes

OEB staff notes that this adjustment was booked in the GA analysis workform filed with the 2020 IRM application, it was reversed in the GA analysis workform filed with the 2021 IRM application, and this adjustment was explained as the true-up of GA charges based on actual Non-RPP volumes, as shown below:

2018 GA Analysis Workform filed in 2020 IRM application:

	Item	Amount	Explanation
1b	True-up of GA Charges based on Actual Non-RPP Volumes - current year	\$ (83,701)	GA final settlement of December 2018 RPP GA, settled in January 2019 amount of which was not included in above principal balance

2019 GA Analysis Workform filed in 2021 IRM application:

	Item	Amount	Explanation
1a	CT 148 True-up of GA Charges based on Actual Non-RPP Volumes - prior year	\$ 83,701	Reversal of prior year accrual recorded in 2019 as a credit

Question(s):

- a) Please further explain the adjustment of (\$83,701) in 2020 GA analysis workform, including whether this is related to the GA rate or GA consumption.

Kingston Hydro Response: 3 a) The adjustment of (\$83,701) in the 2020 GA analysis workform is a true-up of the December 2018 GA rate.

This true-up was included in the January 2019 RPP settlement with the IESO and recorded in the GL January 31, 2019. Since this true-up related to 2018 but was recorded in the GL in 2019, it was included as a reconciling item in both the 2018 and 2019 GA analysis workforms.

The reason for an additional 2020 reconciling item is as follows:

When recalculating the 2019 RPP settlements using the OEB's Illustrative Commodity Model (in accordance with the new Accounting Guidance issued February 21, 2019) Kingston Hydro settled the \$83,701 with the IESO again, believing this had been missed when transitioning to the new Accounting Guidance. This was settled with the IESO on September 4, 2019 and recorded in the GL January 1, 2019. Kingston Hydro discovered that the \$83,701 had been settled with the IESO twice and reversed \$83,701 with the IESO on September 4, 2020. The reversal was recorded in the GL August 31, 2020. As a result, a reconciling item was required in the 2020 GA analysis workform. This was not included in "Net Change in Principal Balance in the GL" in the 2019 GA analysis workform therefore no adjustment is required to the 2019 GA analysis workform.

Staff Question-4

Reference: (i) GA Analysis Workform, Tab GA 2020

(ii) 2020 IRM Application, GA Analysis Workform, Tab GA 2018

Kingston Hydro's GA analysis workform (Tab GA 2020) has an adjustment item for Account 1589, as shown below:

Item	Amount	Explanation
8	\$ (235,504)	Dec 2018 unbilled revenue accrual settled with IESO in error - reversed in 2020

On the Principal Adjustment Tab, there is adjustment with the same explanation for Account 1588:

Dec 2018 unbilled revenue accrual settled with IESO in error - reversed in 2020	
---	--

OEB staff notes that this adjustment for Account 1589 was booked in the GA analysis workform filed with the 2020 IRM application and reversed in the GA analysis workform filed with the 2021 IRM application, as shown below:

2018 GA Analysis Workform filed in 2020 IRM application:

	Item	Amount	Explanation
2b	Add current year end unbilled to actual revenue differences	\$ (235,504)	2018 higher accuracy of estimates for kWh and revenue for unbilled amount not recorded in general ledger. Please see manager summary

2019 GA Analysis Workform filed in 2021 IRM application:

	Item	Amount	Explanation
2a	Remove prior year end unbilled to actual revenue differences	\$ 235,504	Reversal of prior year increased accrual recorded in 2019 as a credit

Question(s):

- a) Please further explain the adjustment of (\$235,504) for Account 1589 in this year's GA analysis workform and why the unbilled accrual was settled with IESO in error.

Kingston Hydro Response: 4 a) The adjustment of (\$235,504) for Account 1589 relates to 2018 GA revenue recorded in the GL in 2019 (i.e. unbilled GA revenue).

When recalculating the 2019 RPP settlements using the OEB's Illustrative Commodity Model (in accordance with the new Accounting Guidance issued February 21, 2019) Kingston Hydro settled the \$235,504 with the IESO, believing this had been missed when transitioning to the new Accounting Guidance. This was settled with the IESO on September 4, 2019 and recorded in the GL January 1, 2019. Kingston Hydro realized that the \$235,504 should not have been settled with the IESO because it was an unbilled revenue accrual and reversed \$235,504 with the IESO on September 4, 2020. The reversal was recorded in the GL August 31, 2020. As a result, a reconciling item was required in the 2020 GA analysis workform. This was not included in "Net Change in Principal Balance in the GL" in the 2019 GA analysis workform therefore no adjustment is required to the 2019 GA analysis workform.

b) Please further explain the adjustment of (\$142,294) for Account 1588.

Kingston Hydro Response: 4 b) The adjustment of (\$142,294) for Account 1588 relates to 2018 power revenue recorded in the GL in 2019 (i.e. unbilled power revenue).

Similar to the issue noted in part a) above, when recalculating the 2019 RPP settlements using the OEB's Illustrative Commodity Model (in accordance with the new Accounting Guidance issued February 21, 2019) Kingston Hydro settled the \$142,294 with the IESO, believing this had been missed when transitioning to the new Accounting Guidance. This was settled with the IESO on September 4, 2019 and recorded in the GL January 1, 2019. Kingston Hydro realized that the \$142,294 should not have been settled with the IESO because it was an unbilled revenue accrual and reversed \$142,294 with the IESO on September 4, 2020. The reversal was recorded in the GL August 31, 2020. As a result, a reconciling item was required in the 2020 GA analysis workform. This was not included in "Net Change in Principal Balance in the GL" in the 2019 GA analysis workform therefore no adjustment is required to the 2019 GA analysis workform.

Staff Question-5

Reference: (i) GA Analysis Workform, Tab GA 2020

(ii) Manager's Summary, pages 10-11

Kingston Hydro's GA analysis workform has two reconciling items as shown below:

	Item	Amount	Explanation
5	Impacts of GA deferral	\$ 243,667	Difference between calculated amount above and charged on IESO invoice
6		\$ (132,153)	Recalculation of 2019 RPP settlements - see Manager's Summary

In Reference 2, Kingston Hydro provided the explanation for the reconciling item of \$(132,153) in Account 1588 as follows:

Reconciling item #6 on the GA Workform relates to the recalculation of 2019 RPP settlements to include streetlight consumption in the calculation of the GA RPP/non-RPP ratios. This was settled with the IESO in 2020 and resulted in a debit to Account 1589 of \$132,153. This was recorded in the GL in 2020.

Question(s):

- a) Please provide the supporting calculation for the impacts of GA deferral of \$243,667.

Kingston Hydro Response: 5 a) Kingston Hydro followed the calculation provided in the "Instructions for Completing GA Analysis Workform – 2022 Rates" dated June 24, 2021. The resultant table is as follows:

Month	GA Costs \$ in Workform (Column M in Workform)	Non-RPP GA Costs \$ (i.e. Net CT 148) in General Ledger	Reconciling Item
April	1,495,960	1,375,986	119,974
May	1,507,326	1,408,911	98,415
June	1,621,502	1,596,223	25,279
Total	4,624,788	4,381,120	243,667

- b) Please explain whether the streetlight consumption issue in the RPP settlements has an impact on the 2019 RPP settlements only, or if it has an impact on prior years, and explain why that is the case.
- i) If it impacts prior years' RPP settlements, has Kingston Hydro made adjustments to the prior years' settlements? If not, why not.

Kingston Hydro Response: 5 b) The streetlight consumption issue in the RPP settlements has an impact on the 2019 RPP settlements only. The error occurred as a result of the conversion from the old method to the new method (i.e. using the OEB's Illustrative Commodity Model effective January 1, 2019). Years prior to 2019 included proper streetlight settlements with the IESO.

Staff Question-6

Reference: (i) 2021 IRM Rate Application, Kingston Hydro's Response to OEB staff Questions dated October 28, 2020

(ii) anager's Summary, page 13

(iii) Kingston Hydro's 2017 Custom IR settlement proposal, page 14

In Kingston Hydro's response to OEB staff question #7 in Reference 1, Kingston Hydro stated that:

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.

In Reference 2, Kingston Hydro states that:

The cumulative capital asset variance for the five-year period ending December 31, 2020 is a credit balance of \$ 42,188.38.

In Reference 3, Kingston Hydro's 2017 settlement proposal stated that:

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.

It appears to OEB staff that Kingston Hydro is not requesting disposition of the capital additions variance account in this proceeding.

Question(s):

- a) Please confirm that Kingston Hydro is not requesting the disposition of capital addition variance account.

Kingston Hydro Response: 6 a) Confirmed. Kingston Hydro is not requesting disposition of the capital additions variance account in this proceeding.

- i) If confirmed, please provide rationale and confirm that Kingston Hydro's plan is to seek disposition of the account as part of its 2023 rates proceeding.

Kingston Hydro Response: 6 a) i) For the next rate proceeding (i.e. for rates effective January 1, 2023), Kingston Hydro plans to submit a cost of service application which will include disposition of all of the new deferral and variance accounts which were approved in its 2016 Custom IR proceeding.