

Kingston Hydro Corporation

2023 COS Application

EB-2022-0044

Submitted June 17, 2022

Kingston Hydro Corporation
PO Box 790
Kingston, Ontario
K7L 4X7

Exhibit 1:

ADMINISTRATIVE DOCUMENTS



Exhibit 1: Administrative Documents

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Exhibit 1: Administrative Documents

**Tab 2 (of 10): Executive Summary & Business
Plan**

EXECUTIVE SUMMARY & BUSINESS PLAN

Kingston Hydro is seeking approvals for implementation on January 1, 2023.

Kingston Hydro has prepared this application in accordance with the "*Filing Requirements For Electricity Distribution Rate Applications - 2022 Edition for 2023 Rate Applications For Small Utilities*" issued December 21, 2021 subsequently superseded by "*Filing Requirements For Electricity Distribution Rate Applications - 2022 Edition for 2023 Rate Applications*" issued April 18, 2022. Kingston Hydro has attempted to incorporate all changes to the filing requirements and acknowledges that some updates may be required to its evidence as the proceeding advances through the various stages.

Kingston Hydro believes it has met the filing requirements in all relevant aspects and that its application and proposed rates are consistent with traditional ratemaking and cost of service principles. In addition, Kingston Hydro believes its proposed rates are just and reasonable for all classes of customers within its licensed distribution area.

Kingston Hydro has provided its Distribution System Plan in Exhibit 2 Tab 4 Schedule 1 Attachment 1 of the application.

Overall Business Strategy and Outcomes

Kingston Hydro's Strategic Plan is included in Exhibit 1, Tab, 2 Schedule 1, Attachment 1.

1 Kingston Hydro continues to utilize a multi-utility services delivery model provided
2 by Utilities Kingston to ensure cost savings and superior services for its
3 customers. Both companies utilize the strategic planning process to establish
4 strategic goals, approved by their respective Boards of Directors to guide the
5 organizations' overall business strategy in both the long term and short term. In
6 the initial setup of Utilities Kingston in 2000, the Shareholder and both Boards
7 established a set of seven principles that are still followed today. These
8 principles and the strategic goals firmly align with the four objectives of the
9 Ontario Energy Board's RRFE in providing customer focus, operational
10 effectiveness, public policy responsiveness and financial performance, which ties
11 back to the cost savings and superior service for customers noted earlier.

12
13 This application focuses on the need for additional resources to comply with
14 increasing regulatory requirements and to achieve compliance with the ever-
15 increasing distributed energy resource applications within our distribution area.
16 As well, the application outlines the requirements for ongoing long term capital
17 investment, supported by detailed distribution system planning and asset
18 management principles. In addition to the cost savings and customer service
19 benefits provided by the Utilities Kingston model, this service delivery approach
20 also provides savings and customer benefits for these required capital
21 investments by continuing to deliver construction projects in a well-coordinated
22 and efficient manner, which our customers support.

23 24 **2023 Application for Rates and Charges – Revenue Requirement**

25
26 Kingston Hydro is applying for distribution rates and charges effective January 1,
27 2023 in order to recover its calculated revenue requirement for the 2023 Test
28 Year.

Kingston Hydro's finalized Board approved service revenue requirements from EB-2015-0083 for the 2016-2020 period as well as the requested service revenue requirement for 2023 are as follows:

Table 1 – Service Revenue Requirement

Year	Service Revenue Requirement	\$ increase	% Increase
2016	12,100,230		
2017	12,533,271	433,041	3.6%
2018	12,954,871	421,600	3.4%
2019	13,369,403	414,532	3.2%
2020	13,692,800	323,397	2.4%
2023	14,987,724	1,294,924	9.5%

The 2023 service revenue requirement is \$1,294,924 or 9.5% more than the 2020 Board Approved amount.

This represents an average annual increase of 3.17% from 2020. The main driver for this increase is an increase in net fixed assets from 2020-2023.

Kingston Hydro notes that it has already received an increase to the 2020 distribution rates in 2021 and 2022 as follows:

2021 – 1.9%

2022 – 3.0%

After these increases, the service revenue requirement increase would decrease to approximately 5% of existing rates, most of which would be accounted for by the anticipated inflation rate for 2022.

1 One of the factors contributing to the increase in service revenue requirement is
2 an increase in operating expenses from 2020 approved in the amount of
3 \$814,000. \$600,000 of this increase can generally be attributed to the 1.9% and
4 the 3.0% increases in 2021 and 2022 and an expected 3.0% for 2023. The
5 additional operating expense is mainly due to lack of current organizational
6 capacity to deal with current regulatory requirements and the distributed energy
7 resources requirements within our distribution area. The majority of the
8 remainder of the increase is due to an increase in depreciation expense in the
9 amount of \$400,000. This is a result of an increase in net capital assets of more
10 than \$6 million, \$4 million of which was incurred up to December 31, 2021. The
11 remainder of the increase, \$2 million, is expected to be spent in 2022 and 2023.

12
13 Further detail on the Revenue Requirement and Revenue Deficiency is provided
14 in Exhibit 6 – Revenue Deficiency or Sufficiency.

15
16 **Load Forecast Summary**

17
18 Kingston Hydro's load forecast summary information comparing the Last OEB
19 approved year of 2020 to the 2023 test year is as follows:

20

1 Table 2 – Customer Numbers

	Customers/Devices			
Rate Classification	2020 Last OEB Approved	2023 Test Year	Change	% Change
Residential	24,779	24,932	153	0.6%
GS < 50 kW	2,758	2,893	135	4.9%
GS 50 to 4,999 kW	364	300	-64	-17.5%
Large Use	3	3	-	0.0%
Street Lighting	5,397	5,735	338	6.3%
Unmetered Scattered Load	129	173	44	33.8%
Standby				
Total	33,430	34,036	606	1.8%

2

3

4 Table 3 – Consumption kWh

	Consumption kWh			
Rate Classification	2020 Last OEB Approved	2023 Test Year	Change	% Change
Residential	184,282,359	186,841,333	2,558,974	1.4%
GS < 50 kW	75,984,044	88,231,334	12,247,291	16.1%
GS 50 to 4,999 kW	278,124,253	250,142,689	-27,981,563	-10.1%
Large Use	149,637,160	157,584,984	7,947,824	5.3%
Street Lighting	1,832,484	2,023,697	191,213	10.4%
Unmetered Scattered Load	1,100,508	1,243,602	143,095	13.0%
Standby				
Total	690,960,807	686,067,639	-4,893,167	-0.7%

1 Table 4 – Demand kW

	Demand kW			
Rate Classification	2020 Last OEB Approved	2023 Test Year	Change	% Change
Residential	-	-	-	-
GS < 50 kW	-	-	-	-
GS 50 to 4,999 kW	759,264	611,542	-147,722	-19.5%
Large Use	282,896	295,837	12,941	4.6%
Street Lighting	4,789	5,543	754	15.7%
Unmetered Scattered Load	-	-	-	-
Standby				
Total	1,046,949	912,922	-134,027	-12.8%

2

3 Detailed information is provided in Exhibit 3.

4

5 Rate Base and Capital Plan

6

7 The Distribution System Plan provides for a standard approach to Kingston
 8 Hydro's filing of asset management and capital expenditure information in
 9 support of its rate application. Kingston Hydro's DSP submission follows and
 10 utilizes the format identified in the Chapter 5 filing requirements.

11

12 The major drivers of Kingston Hydro's DSP include the following:

13

- 14 • Provides information relating to our capacity for system renewal and
 15 access investments, third-party and regional planning considerations;

- Considers and addresses customer preferences by optimizing investments that support public policy objectives, deliver value for the investment required and address the need for investments in the distribution system assets;
- Provides the necessary performance measures to evaluate our progress towards implementing the plan,
- Provides a useful and understandable tool that communicates to our rate payers Kingston Hydro's future investments activities.

The DSP's organization provides the information and rationale on the investments proposed by Kingston Hydro during the planning period of 2023-2027. Within the framework of the Chapter 5 filing requirements Kingston Hydro will provide information on:

- asset related performance objectives and the approach to evaluating performance relative to those objectives
- our approach to lifecycle asset management planning and the management of asset related operational risk and financial risk;
- the plan for capital-related expenditures over our five year forecast period that includes activities on poles, cable/line upgrades, transformers, substation and voltage conversion.

Kingston Hydro's Rate Base for 2023 as well as its 2016 approved and actual, and 2020 approved and actual are as follows:

1 Table 5 – Rate Base

Year	Rate Base	\$ Change	% Change
2016 Approved	53,443,607		
2016 Actual	50,860,224		
2020 Approved	61,062,485		
2020 Actual	61,932,624		
2023 estimated	65,949,461	4,886,976	8%

2

3
 4 The 2023 rate base is \$4,886,976 or 8% more than the 2020 Board Approved
 5 rate base.

6

7 Capital additions requested for approval for the 2023 Test Year are \$3,429,500.
 8 This amount is 36% or \$1,947,000 less than the 2016 amount of \$5,376,179 and
 9 12% or \$473,000 less than the 2020 amount of \$3,902,550.

10

11 More detailed information regarding Kingston Hydro's rate base can be found in
 12 Exhibit 2 – Rate Base.

13

14 **Operations, Maintenance and Administration Expense (OM&A)**

15

16 Kingston Hydro's 2016 Board Approved OM&A and 2020 Board Approved OM&A
 17 and estimated 2023 OM&A are as follows:

18

19 Table 6 – OM&A

Year	OM&A	\$ increase	% increase
2016 Board Approved	6,842,675		
2020 Board Approved	7,361,182		
2023 Estimated	8,175,532	814,350	11%

20

21

1 Kingston Hydro's operating, maintenance, and administrative expenses,
2 excluding property taxes, cost trends have resulted in an average increase of
3 2.8% per annum from the 2016 Board-Approved amount to the 2023 Test Year.
4 Inflation and a need for more organizational resources to fulfil the requirements
5 that are expected of electricity distributors are the major drivers for the increase
6 from 2020 to 2023.

7
8 Exhibit 4 – Operating Costs provides more detailed information on Kingston
9 Hydro's Operating Costs.

10 11 **Cost of Capital**

12
13 Kingston Hydro's Cost of Capital and Capital structure for the 2023 Test Year
14 has been calculated in accordance with the Board's general guidelines for cost of
15 capital in rate regulation as provided in the *Report of the Board on the Cost of*
16 *Capital for Ontario's Regulated Utilities* (the "2009 Report"), issued December 11,
17 2009.

18
19 There are no deviations from this methodology.

20
21 Kingston Hydro's proposed capital structure and cost of capital parameters are
22 as follows:

23

1 Table 7 – Proposed Capital Structure

	(%)	(\$)	(%)	(\$)
Debt				
Long-term Debt	56.00%	\$36,931,698	3.75%	\$1,384,127
Short-term Debt	4.00%	\$2,637,978	1.17%	\$30,864
Total Debt	60.00%	\$39,569,676	3.58%	\$1,414,991
Equity				
Common Equity	40.00%	\$26,379,784	8.66%	\$2,284,489
Preferred Shares	0.00%	\$ -	0.00%	\$ -
Total Equity	40.00%	\$26,379,784	8.66%	\$2,284,489
Total	100.00%	\$65,949,461	5.61%	\$3,699,481

2
3
4 Please refer to Exhibit 5 – Cost of Capital and Capital Structure for more detailed
5 information.

6 7 **Cost Allocation and Rate Design**

8
9 In preparing its proposed revenue to cost allocations, Kingston followed the
10 *Report of the Board: Review of Electricity Distribution Cost Allocation Policy (EB-*
11 *2010-0219) dated March 31, 2011 (Cost Allocation Policy Report).*

12
13 Kingston Hydro engaged the services of Elenchus Research Associates Inc.
14 (“ERA”) to provide an appropriate cost allocation study for its 2023 application
15 that is consistent with Section 2.7 Cost Allocation of the “*Filing Requirements For*
16 *Electricity Distribution Rate Applications - 2022 Edition for 2023 Rate*
17 *Applications*” issued April 18, 2022.

18
19 The final report from ERA is filed as *Kingston Hydro 2023 Cost Allocation Study*
20 (“*The CA Report*”) in Exhibit 7 – Cost Allocation.

1 For purposes of this Application, Kingston confirms it is not proposing any new
2 classes and/or customer classes definition changes.

3
4 There are no significant changes proposed to revenue-to-cost ratios and
5 fixed/variable splits. Details of Kingston's proposed revenue-to-costs ratios may
6 be found in Exhibit 7 – Cost Allocation. Details of Kingston's existing and
7 proposed fixed variable splits, and proposed distribution rates may be found in
8 Exhibit 8 – Rate Design.

9
10 Rate mitigation is proposed for one customer class - Street Lighting

11
12 The proposed rate mitigation plan for the Street Lighting customer class may be
13 found in Exhibit 8 – Rate Design.

14
15 **Deferral and Variance Accounts**

16
17 Kingston Hydro proposes to clear both Group 1 and Group 2 deferral accounts
18 ranging from a period of 12 to 36 months depending on the accounts.

19
20 Kingston Hydro is not requesting any new deferral and variance accounts.

21
22 Kingston Hydro is requesting the discontinuation of the following deferral and
23 variance accounts:

- 24
- 25 - Disposition and Recovery/Refund of Regulatory Balances (2015 and pre-
26 2015)
 - 27 - Disposition and Recovery/Refund of Regulatory Balances (2016)
 - 28 - Disposition and Recovery/Refund of Regulatory Balances (2017)
 - 29 - Disposition and Recovery/Refund of Regulatory Balances (2018)

- 1 - Disposition and Recovery/Refund of Regulatory Balances (2019)
- 2 - Deferred IFRS Transition Costs
- 3 - Pole Attachment Revenue Variance
- 4 - Revenue Requirement Differential Variance Account related to Capital
- 5 Additions
- 6 - Earnings Sharing Mechanism Variance Account
- 7 - Efficiency Adjustment Deferral Account
- 8 - OPEB Forecast Cash vs. Forecast Accrual Differential Deferral Account
- 9 - Specific Service Charge Variance Account

The total amount of disposition being requested is \$1,009,017, with the breakdown as follows:

Table 8 – DVA Recovery

TOTAL DVA Recovery	
RESIDENTIAL	\$ 687,984
GENERAL SERVICE LESS THAN 50 KV	\$ 435,016
GENERAL SERVICE 50 TO 4,999 KW	-\$ 235,207
LARGE USE	\$ 13,715
UNMETERED SCATTERED LOAD	\$ 755
STANDBY	\$ -
STREET LIGHTING	\$ 106,755
	<u>\$ 1,009,017</u>

A detailed analysis of Kingston Hydro's Deferral and Variance accounts can be found in Exhibit 9 – Deferral and Variance accounts.

Bill Impacts

The bill impacts for Residential and General Service less than 50 kW rate classifications are summarized as follows:

- The total bill impact of the rates proposed in this Application for a residential customer consuming 750 kWh per month is \$4.01 or 3.3%.
- The total bill impact of the rates proposed in this Application for a general service less than 50 kW customer consuming 2,000 kWh per month is \$8.47 or 2.9%.

The following table illustrates total bill impacts for all customer classes.

Table 9: Total Bill Impact for all customer classes

RATE CLASSES / CATEGORIES (eg: Residential TOU, Residential Retailer)		\$	%
RESIDENTIAL SERVICE CLASSIFICATION - RPP	kwh	\$ 4.01	3.3%
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION - RPP	kwh	\$ 8.47	2.9%
GENERAL SERVICE 50 to 4,999 kW SERVICE CLASSIFICATION - Non-RPP (Other)	kw	\$ 81.68	1.2%
LARGE USE SERVICE CLASSIFICATION - Non-RPP (Other)	kw	\$ 2,977.51	0.6%
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION - Non-RPP (Other)	kwh	\$ 1.01	3.0%
STREET LIGHTING SERVICE CLASSIFICATION - Non-RPP (Other)	kw	\$ 4,203.59	10.0%

The following table summarizes the Bill Impacts, (that result only from distribution cost changes) as required in the Chapter 2 Filing Requirements, for inclusion in the Notice of Application:

1 Table 10: Bill Impacts for Notice of Application

Customer Class	Typical Usage per Month	Distribution Impact (Sub-total A)	
		\$ per month	% per month
Residential	750 kWh	\$1.40	5.1%
General Service less than 50 kW	2,000 kWh	\$0.85	1.7%

2

3 Additional information can be found in Exhibit 8 – Rate Design. Detailed impacts
 4 for a range of relevant volumes, class by class, including alternative consumption
 5 profiles and customer groups, may be found in Tab 6. ‘Bill Impacts’ of the Tariff
 6 Schedule and Bill Impact Model filed in live Excel Format.

7

8 **Rate Mitigation**

9

10 The total bill impact for the Street Lighting rate class exceeds 10% after revenues
 11 are rebalanced according to the OEB’s policy range and standard practice. A rate
 12 mitigation plan is proposed to mitigate the total bill impact for the Street Lighting
 13 classification to 10%.

14

15 Distribution revenues to be collected from the Street Lighting classification for
 16 2023 will be adjusted downward with offsetting increases to distribution revenues
 17 of the class(es) with the lowest revenue-to-cost ratios to maintain revenue
 18 neutrality. The class’s rates will increase in future years such that total bills
 19 increase by 10% per year until the class reaches the minimum revenue-to-
 20 expense ratio, with offsetting decreases to class(es) with the highest revenue-to-
 21 cost ratios to maintain revenue neutrality.



Attachment 1 (of 1):

Kingston Hydro Strategic Plan



Strategic Plan 2019 2024



Mission:

To distribute electricity in a safe and reliable manner, while keeping rates affordable and providing long-term value to the community. We do this by participating in Kingston's unique multi-utility model.

Vision:

A modern, responsive energy company, building a strong future for communities and customers through stewardship, partnership, innovation and service excellence.



Local infrastructure photos by Paul Wash.

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Message from the Chair

Today, Kingston Hydro is a reliable and consistent hydro company that is focused on creating immediate value for its customers and community. Our core business is to deliver power at a competitive rate. We do this by participating in the unique Utilities Kingston multi-utility model for cost and customer service benefits.

In its last strategic plan, the company was successful in achieving 10 goals related to growth, risk management, finance, infrastructure, technology and customer engagement. This current plan continues in a similar direction, but with a few adjustments that will calibrate the course for Kingston Hydro to remain relevant in serving its customers.

Like most local distribution companies in Ontario, Kingston Hydro must evolve for the future. Industry trends to meet changing customer needs mean that utilities must advance experimentation in customer engagement, information and communication technology, data analytics, energy storage, grid automation, microgrids, and more.

As Kingston Hydro developed this strategic plan for 2019-2024, we examined how to drive innovation and find efficiencies for customers, while ensuring reliable power at a fair rate, and increasing value for our community. As a modern energy company, how can we best support community goals for a smart, livable 21st century city and stay ahead of changing customer needs?

We believe the answer for Kingston Hydro lies in one of the biggest innovations in the utilities sector: Kingston's multi-utility model. While it allows us to run a very efficient, customer focused operation, our utility also has a proven track record of innovation to benefit customers and the community.

We will be guided by the Kingston Hydro strategic plan for 2019-2024 to ensure fair rates and a strong future for our customers and community.

Bryan Paterson
Mayor, City of Kingston
Chair, Kingston Hydro



Introduction

Kingston Hydro distributes electricity to approximately 28,000 customers in Kingston, Ontario. The corporation has a long standing history of distributing safe and reliable electricity services, while keeping rates affordable and providing value to its Shareholder, the City of Kingston. Innovation and service excellence are central to its success, and will become increasingly important as the power grid and customer expectations evolve.

A fundamental strategy of the organization is to leverage **economies of scope** by contracting operational management to Utilities Kingston. Through this **shared services model**, Kingston Hydro passes on more than \$1.8 million dollars in annual savings to its customers.

This five-year strategic plan provides a framework to leverage the competitive advantages of the multi-utility model, make more informed operating decisions for the corporation, better serve customers and prepare for a changing future. It answers the following question:

How can Kingston Hydro best meet customer expectations in distributing safe, affordable and reliable electricity over the next five years, while promoting the 'power of local hydro', and preparing for changing consumer needs in a modern grid?

Strategies align annual work plans with the achievement of long-term objectives. This strategic plan will facilitate a common understanding of company direction for the workforce, senior leaders, Board of Directors and Shareholder.



History

The Kingston Electric Light Company was incorporated in 1886. This privately-owned company built its first electric light plant in 1888 at the foot of Brock Street.

The plant, primarily used to generate electricity for street lighting, was moved to Queen Street in 1892. This location is still used by Kingston Hydro as a distribution substation (Figure 1). The Public Utilities Commission used this and adjoining buildings as its main offices until 1972, when it moved to 1211 John Counter Boulevard.

The Public Utilities Commission (PUC) operated the electricity distribution system within the former City of Kingston. It provided electricity to the City and also parts of Barriefield and CFB Kingston. On January 1, 1998, the PUC was dissolved as part of the municipal amalgamation that created the new City of Kingston, combining the former City of Kingston, the Township of Kingston and the Township of Pittsburgh. Until 2000, the electricity utility was governed by the Hydro-electric Commission, also the Board of Control at that time.

In 1998, the *Energy Competition Act* required significant changes to electricity utilities in the Province of Ontario. One of these was the establishment of corporate structures for the ongoing management and operations of electricity distribution systems—a requirement that would create a level playing field between privately-owned utilities and those that were retained by their municipalities. Legislation was prescriptive in the way these corporations were to be set up. In particular, municipalities could not continue to distribute electricity, except through a corporation. In addition, employees within a municipally-held electricity distribution corporation could not be significantly involved in any other activities except electricity distribution.



Figure 1: Substation MS1 on Queen Street was the former location of the Kingston Electric Light Company.

This created challenges for the municipal department that operated five utility systems. The City of Kingston determined it would be advantageous to maintain the multi-utility structure. The organization needed a structure that would meet the intent of the legislation, maintain the advantages realized through utility convergence or integration (one call, one crew, one bill) and support the municipality by utilizing shared services (e.g., fleet), where beneficial to both parties.

The proposed solution, which became the current structure, saw the incorporation of three Ontario Business Corporations. The first, Kingston Electricity Distribution Limited (now Kingston Hydro Corporation), holds the assets of the former Hydro Electric Utility Commission. The second, 1425447 Ontario Limited, owns the third, 1425445 Ontario Limited (operating as Utilities Kingston). The latter is home to all the employees of the former municipal department, and holds the assets of the fibre utility, along with some vehicles and tools.

Low rates, local control and superior customer service are just some of the benefits. Through this structure, the company also provides a consistent return on investment to its Shareholder, not only through ongoing dividend payments, but also through fair and balanced user rates and support for economic development.

Today, Utilities Kingston operates multiple utilities through a single service structure, allowing it to deliver cost savings and customer service excellence. The company is unique in Ontario, combining water, wastewater, gas, electricity and broadband networking services in one company.



Kingston Hydro Today

Mission and Vision

The strategic direction of the company is guided by its mission and vision.

Mission:

To distribute electricity in a safe and reliable manner, while keeping rates affordable and providing long-term value to the community. We do this by participating in Kingston's unique multi-utility model.

Vision:

A modern, responsive energy company, building a strong future for communities and customers through stewardship, partnership, innovation and service excellence.

Structure

Kingston Hydro is a for-profit business corporation, incorporated under the *Ontario Business Corporations Act*. The Shareholder is the City of Kingston, represented by the Council of the City of Kingston (Figure 2).

To leverage economies of scope, Kingston Hydro contracts management of the business to its affiliate, Utilities Kingston.

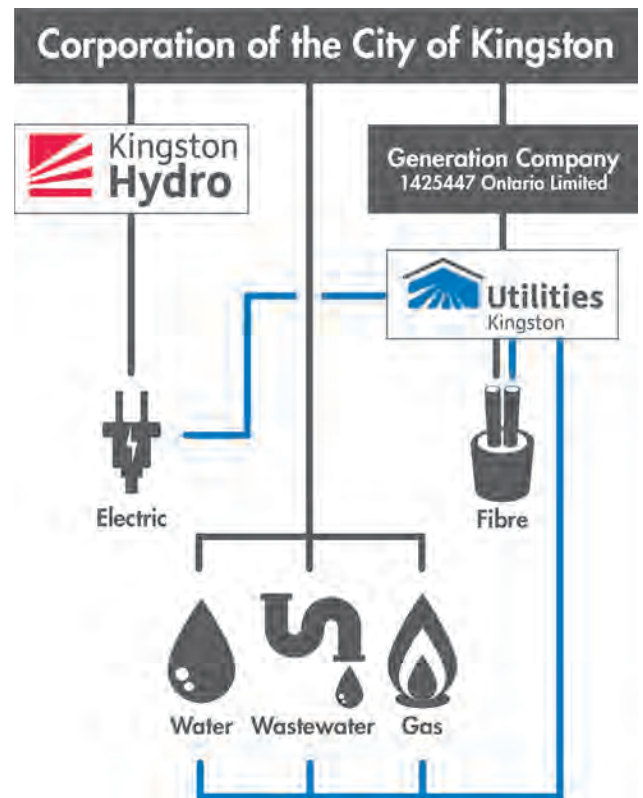


Figure 2: The municipal organizational structure as it stands today. Grey lines show ownership, blue lines show management.



Board of Directors

This 2019-2024 Kingston Hydro Strategic Plan has been approved by the Board of Directors. Board structure is determined by the terms of the Shareholder declaration.

Directors



Bryan Paterson
Mayor, City of Kingston,
Chair



Gerard Hunt
Chief Administrative
Officer, City of Kingston



James A. Keech
President and Chief
Executive Officer,
Kingston Hydro



Arthur Jordan
Independent Director



Barbara Hanley
Independent Director

Officers



James A. Keech
President and Chief
Executive Officer,
Kingston Hydro



Randy Murphy
Chief Financial Officer
and Treasurer,
Kingston Hydro

Distribution Facts

Kingston Hydro is a registered market participant with the Independent Electricity System Operator (IESO), which is responsible for the day-to-day operation of Ontario's electricity system. As such, Kingston Hydro purchases electricity from the wholesale electricity market, which is managed by the IESO. Electricity is provided to Kingston Hydro through two Hydro One transformer stations: one is located at John Counter Boulevard and Division Street, and another on Gardiners Road.

Seven high-voltage lines feed the City's 16 substations, which in turn supply electricity to 28,000 customers in Central and East areas of Kingston, including Royal Military College, Canadian Forces Base Kingston, the Village of Barriefield and Collins Bay Penitentiary (Figure 3).

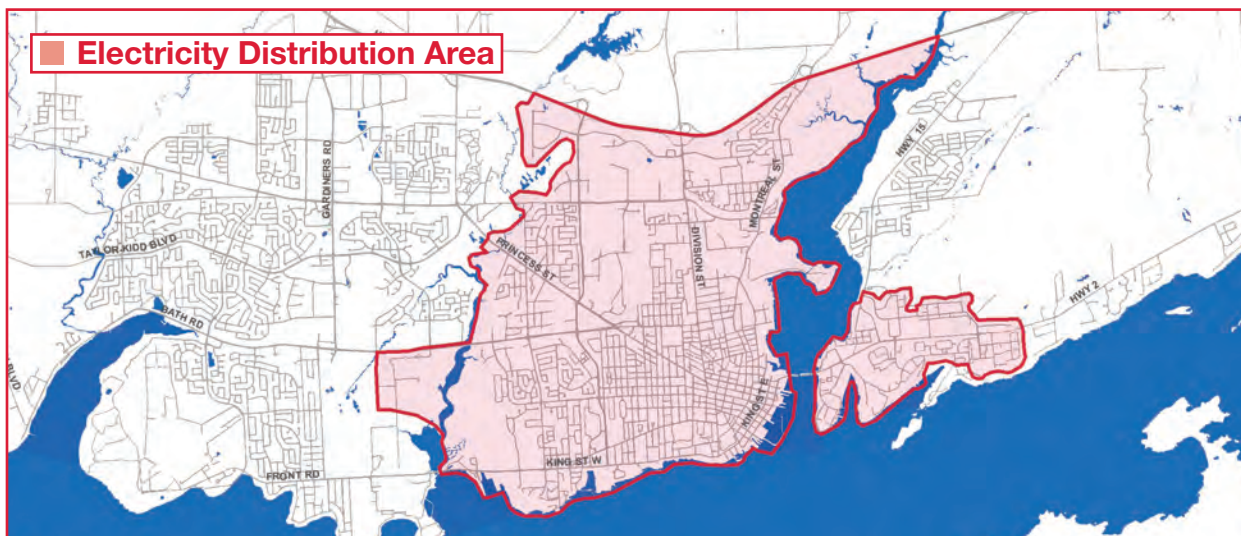


Figure 3: Kingston Hydro supplies electricity to 28,000 customers in Central and East areas of Kingston

Finance

To support infrastructure renewals, since 2010, Kingston Hydro has invested significantly in aging infrastructure. The net book value of its capital assets has doubled since 2010 to the 2018 value of \$57.4 million. This has resulted in increased borrowing over that timeframe in the amount of \$14.1 million to \$33.3 million. Kingston Hydro's deemed debt amount for rate-making purposes is approximately \$33.5 million, indicating the company is properly leveraged.

During the same timeframe (2011-2018), the company paid dividends to the Shareholder totaling \$4.2 million. Future annual dividend payments are expected to increase as the requirement for above average capital reinvestment subsidies.

Environmental Scan

The initiatives in this plan are influenced by various social, legal, economic, political and technological factors. Plans consider the shared goal of the City of Kingston and Utilities Kingston to help achieve the community vision of a smart and livable 21st century city.

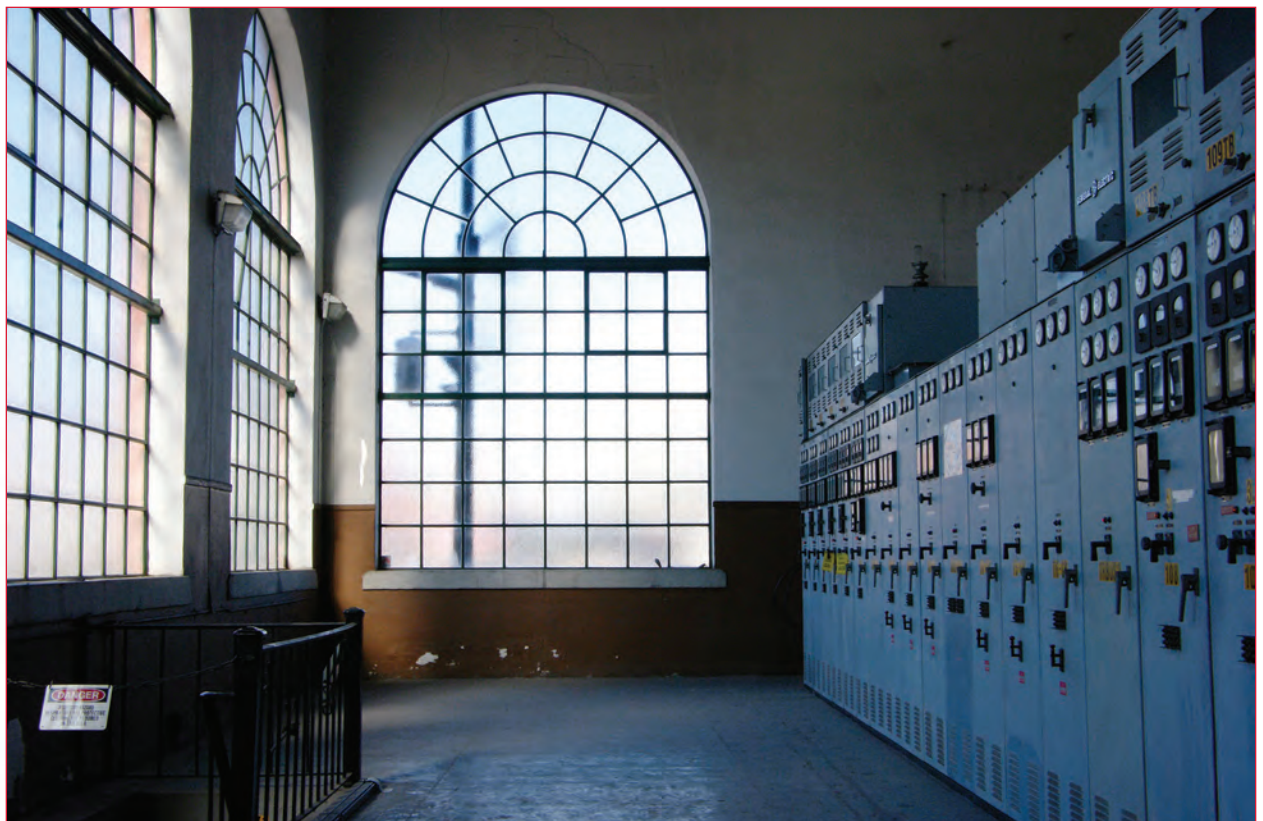
Economic Factors

Rate Pressures

While rate pressures decreased for customers after the *Ontario Fair Hydro Plan Act*, 2017 came into effect on June 1, 2017, and electricity bills were lowered by 25 per cent on average for residential customers, consumers continue to express sensitivity to the cost of electricity. The provincial government has promised to cut an additional 12 per cent from electricity bills, although at this time it is unclear how.

Balanced Cash Flow Approach

Kingston Hydro balances various economic pressures. In addition to the rate pressures noted above, management considers a reasonable annual return to its Shareholder, balanced with the long term viability of the business. Additionally, annual capital reinvestment plans must be balanced with system reliability, available cash flow and external financing.



Customers

Changing Values

The traditional power system is centralized; while tomorrow's power grid is decentralized, integrating **distributed energy resources**. It will bring power to and transmit excess power from customers to share with others, creating increased reliability at a lower cost.

Consumer values are changing too. Local distribution companies (LDCs) of the future will have highly involved consumers, with a decreased dependence on the grid. They will have an increased care for the environment wanting to buy "sustainable", with a desire for innovative approaches to revenue generation and technology interfaces.

Like other LDCs in Ontario, Kingston Hydro is aware of rapidly changing customer needs and expectations of their distributor. Driven mainly by rate pressures and the desire to reduce electricity costs by managing their consumption patterns, customers are evolving from reactive to proactive consumers. Customers may soon be looking for more flexibility and control of their energy consumption, as they transform their properties into smart homes and choose to produce their own electrical energy.

Adding Value for Customers

As customer preferences evolve, Kingston Hydro will learn about and adapt to their needs and expectations, with a continued commitment to providing a great customer experience. This could include empowering consumers to manage their energy usage in real time. A recent example that added value for customers is the implementation of a new outage management system, getting faster, more accurate power outage information into the hands of customers. The Kingston Hydro capital program, as another example, considers customer preferences and local streetscapes when installing new poles, and by providing customers with choice when planting vegetation near overhead lines.

Measuring Customer Satisfaction

Through Utilities Kingston, Kingston Hydro surveys its customers to learn how to continually improve satisfaction with the electricity services they receive. In 2017, Kingston Hydro received an 'A' from customers, consistent with the first time this survey was conducted in 2014. The results showed that the company shines – especially when it comes to delivering consistent and reliable electricity services and making safety a priority.



Environmental Scan

Community Goals

Kingston Hydro supports its Shareholder, the City of Kingston, in achieving goals for a smart and livable 21st century city. Among these are a culture of smart innovation that invests in energy efficiency and new technology to benefit citizens; making strategic investments that further economic development; intensifying the downtown core; investing in quality of life by rejuvenating key areas of the city; and engaging citizens and building community partnerships. These shared goals will benefit the community we serve.

The City of Kingston strategic plan is renewed with each term of council. At the time this Kingston Hydro strategic plan was produced, the initial indications for 2019-2022 City of Kingston strategic priorities were as follows:

1. Increase housing affordability
2. Improve walkability, roads and transportation
3. Demonstrate leadership on climate action
4. Strengthen economic development opportunities
5. Foster healthy citizens and vibrant spaces

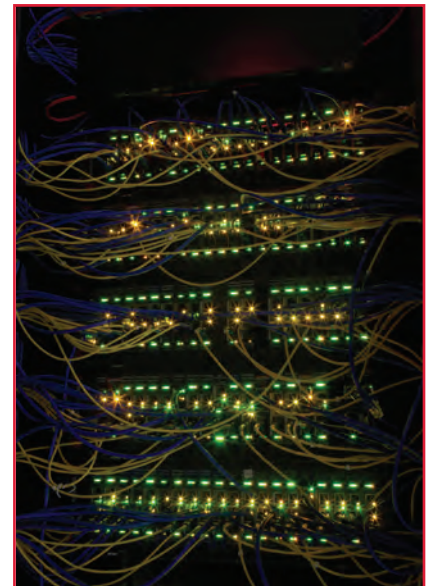
Technological Factors

Technology, and the change it enables, continues to be a factor in the electricity distribution industry. In recent years, the industry has focused on smart meters and small-scale **distributed generation** in the form of roof-top solar.

Several important technological themes are poised to influence the electricity distribution space. Underpinning technological change is a continued focus on cyber-security practices, as the greatest threats could impact the reliability of utility services.

Information Technology

Access to information will continue to gain importance and prominence. The information technology (IT) sector has raised expectations for how readily information is made available. Customers currently have access to consumption data, via the MyUtilities Customer Portal. Increasing expectations around the protection, availability, and granularity of data will generate challenges and opportunities for the industry.



Meanwhile, social media and the way customers interact continue to evolve, driving expectations for business to be ‘always on’.

Internet of Things

The **internet of things (IOT)** and the **industrial internet of things (IIOT)** are shaping up to impact the electricity sector. The IOT can be described as devices (such as smart consumer electronics) connecting to the internet for consumer benefit. The IIOT is similar, but focused on devices and sensors (such as smart city technologies) that help businesses connect to the internet for a benefit.

Kingston Hydro may play a role in providing the required energy data to consumers, while a proliferation of sensors or tools could mean the company benefits from an increased ability to monitor and control the distribution system.

Distributed Energy Resources

Distributed energy resources (DERs) are a broad category of equipment and services. They allow electricity to be generated, stored and used locally, instead of centrally managed (the latter typically far removed from the point of consumption).

Solar panels and battery storage systems are examples of distributed energy resources. By placing an electricity source closer to the consumer and, in some cases, allowing the user to generate electricity, distributed energy resources create a more decentralized electricity system. This will change the traditional dynamic between local distribution systems and the province-wide transmission system.



While the concept of a ‘**Smart Grid**’ has lost prominence in recent years, distributed energy resources play an important role in its evolution and are expected to grow in importance to customers.

For the provincial grid, DERs could be helpful in deferring capital costs for building new electricity supply infrastructure that would serve the Kingston Hydro distribution area—contributing to fair and reasonable rates for customers.

Regulatory and Political Environment/Public Policy

Kingston Hydro is a licensed electricity distributor within a defined distribution area. As such, consumers requiring electricity services within this area must be customers of Kingston Hydro—its business is a regulated monopoly.

Kingston Hydro operates within the regulatory construct, as determined by the Province of Ontario. The company remains vigilant in monitoring new proclamations by the provincial government and new requirements as mandated by its regulators, including the Ontario Energy Board, Independent Electricity System Operator and Electrical Safety Authority. Changes from the province have a significant impact on Kingston Hydro's business and are outside its control. Although business decisions are based on the most current information available, the goals and initiatives defined in this strategic plan may be impacted as a result.



An example of a recent development, affecting the business, is the Ontario Energy Board Decision and Order banning licensed electricity distributors from disconnecting homes for non-payment during the winter.

Current developments from the Ministry of Energy and/or the Ontario Energy Board include the following:

- Significant changes announced on March 21, 2019, which impact conservation programs, governance structure of the OEB and future bill increases.
- The Long-Term Energy Plan: Delivering Fairness and Choice, which was introduced by the government in 2017, and then shelved in 2018.
- Enhanced adjudicative process: proportionate review of rate applications—essentially, a more light-handed review process for LDCs that have demonstrated strong performance in relation to OEB “expected outcomes”.
- Activity and program-based benchmarking initiative.
- Review of rate design for commercial and industrial electricity customers.
- Customer service rules review.

Kingston Hydro continues to monitor and respond to changes in the regulatory environment.

Competitive Advantage

Competitive Distribution Rates

Kingston Hydro competes for customer growth opportunities with other distributors, both within the boundaries of the city of Kingston and more broadly.

For example, when new businesses consider the physical location for new commercial and industrial development, hydro rates may be an important factor.

The company continues to monitor rates relative to other distributors. Kingston Hydro's distribution rates are highly competitive: 2017 rates were ranked the fourteenth lowest in Ontario, out of approximately 68 distributors.

Economies of Scope

A fundamental strategy of Kingston Hydro is to leverage economies of scope by contracting operations management to Utilities Kingston. Combining electricity operations with water, wastewater and natural gas operations results in significant cost savings that contribute to the company's competitive advantage.

Through this horizontal integration strategy, the Utilities Kingston shared services model nets more than \$1.8 million dollars in annual savings to Kingston Hydro's customers. In addition, residents and businesses appreciate coordinated response to emergencies, a single utility bill, and reduced disruption during multi-utility construction projects.

Customer Service

Other factors that may be considered in assessing competitive advantage are customer service and the ease by which multiple services can be accessed.

Generally, the responses of Kingston Hydro customers in both of these areas are positive and can be considered an advantage.

Utilities Kingston and Kingston Hydro receive many positive comments from customers on the service provided. Ninety-two per cent of customers surveyed in 2017 said they are satisfied with the electricity services they receive from Utilities Kingston and Kingston Hydro.

However, customer needs and expectations are changing. It will be important for Kingston Hydro to understand and adapt to these expectations.

These key factors help inform the theme areas and strategic goals for our organization.



Theme Areas and Strategic Goals

In its last strategic plan, the company achieved the 10 goals outlined in Figure 4. This current plan continues in a similar direction. Some modest adjustments will calibrate the course for Kingston Hydro to remain relevant in serving its future customers.

The areas of focus for 2019-2024 are as follows:

- Leveraging the multi-utility model
- The power of local hydro
- Reliable infrastructure management
- Customer service excellence

Past five-year strategic goals, 2012-2017

Status Quo vs. Growth

- 1** Continues to pursue all opportunities to increase its customer base.

Risk Management

- 2** Adopts a risk management plan that identifies the principal risks of Kingston Hydro's business and ensures the implementation of appropriate systems to manage these risks.

Finance

- 3** Incorporates its capital investment, operational needs, debt servicing and shareholder dividend requirements into a 10-year financial plan, approved by the Board of Directors.

Infrastructure Investment and Community Sustainability

- 4** Ensures optimized capital investment: all decisions regarding capital investment consider factors such as cost, risk, impact on safety and impact on reliability.

- 5** Identifies and captures any additional savings in the areas of operations, maintenance and administration that can be re-allocated to dividend payments or capital.

Technology

- 6** Leverages its investment in smart meter technology to work toward the development of a smart grid that facilitates distributed generation and storage of electricity.

- 7** Focuses on converting 'data' to 'information' that can be delivered to customers and employees through mobile applications that will improve customer service and operational efficiencies.

Customer Engagement

- 8** Takes steps to ensure the community recognizes the Kingston Hydro brand and the value of its services in distributing safe and reliable electricity.

- 9** Develops and implements a customer service philosophy that is based on customer needs and expectations.

- 10** Actively engages its customers in undertaking conservation measures that will generate savings and achieve the conservation and demand management targets of the company.

Figure 4: Kingston Hydro Strategic Goals, 2012-2017.

Theme 1: Leveraging the Multi-Utility Model

The unique Utilities Kingston multi-utility model delivers measurable benefits in customer service and cost efficiencies to electricity customers in Kingston Hydro's distribution area. In an era of rapid technological change and increasing customer expectations, Kingston Hydro can leverage these advantages and relationships for operating efficiencies, improved convenience for customers, and innovation for a modern grid.

Goal 1: Leverage cross-functional expertise and efficiencies.

Initiative 1

Continue to utilize the multi-utility model to deliver efficient electricity services.

Initiative 2

Maintain one president and CEO for both companies, with Board approval and participation.

Goal 2: Leverage external shared services.

Initiative 1

Increase efficiencies through collaboration and relationships with industry partners and organizations (shared resources, insights and systems).

Initiative 2

Cooperate with other LDCs to explore opportunities to extend the multi-utility model beyond Kingston, where it benefits Kingston Hydro's electricity rate payers.

Initiative 3

Explore every option to acquire all electricity distribution assets in the city of Kingston, through CEO discussions at the political level and monitoring of government direction.



Benefit from Kingston's unique multi-utility model to maintain fair and competitive rates, and deliver customer service excellence.

Theme 2: The Power of Local Hydro

Local distribution companies deliver safe, reliable and cost-efficient power to homes, businesses and public institutions across the province. Kingston Hydro supports its Shareholder, the City of Kingston, in achieving goals for a smart and livable 21st century city. By monitoring and responding to community needs, Kingston Hydro can help create new local economic development opportunities and provide enhanced services for residential, industrial and business customers.

Goal 1: Respond to community priorities.

Initiative 1

Ensure a fair and balanced return to the Shareholder: establish return on equity and dividend projections for 2019 to 2024.

Initiative 2

Review the connection process for new services, and educate customers and stakeholders by implementing a communications plan.

Initiative 3

Review and respond to strategic priorities of City Council (2019-2022).

Goal 2: Maintain fair and reasonable rates.

Initiative 1

Ensure rates remain in the bottom 50 per cent amongst Ontario's electricity distributors.

Goal 3: Promote Shareholder awareness of the asset they hold in Kingston Hydro.

Initiative 1

Promote the community impact of Kingston Hydro as it strives to achieve its vision:

- Annual reporting to the Board and Shareholder on company progress and performance towards the goals and initiatives set out in this plan.
- Promotion of company results to the community (Kingston Hydro scorecard, customer satisfaction survey, annual report).

Initiative 2

Promote the value of local ownership. (CEO report on rates, return and value presented at the Shareholder annual meeting.)



Rates remain in the bottom 50 per cent amongst Ontario distributors.



The community protects the value of local ownership.

Theme 3: Reliable Infrastructure Management

To remain relevant, local hydro utilities must balance the need to renew aging infrastructure for continued reliability, while preparing for the modern, two-way grid that harnesses information technologies to monitor, control, and optimize the electricity system. While electricity providers like Kingston Hydro must ensure continued safe and reliable service delivery for today, preparing for the Future Grid means building partnerships and gaining experience in technological innovation.

Goal 1: Ensure sustainability of infrastructure.

Initiative 1

Complete a five-year distribution system plan to ensure the safe and reliable provision of electricity services.

Initiative 2

Complete a rate application for electricity distribution rates, starting on January 1, 2021.



Electricity distribution rates for 2021 and onward approved by the regulator, allowing the company to achieve its mission and strive towards its vision.

Goal 2: Maximize efficiency of electricity operations.

Initiative 1

Implement data collection systems and processes for identified performance measures.

Initiative 2

Collect data to establish a baseline on performance related to customers and equipment, and the efficiency and effectiveness of internal processes.

Initiative 3

Maximize efficiency of electricity operations. Report on performance measures, against the established baseline.

Initiative 4

Utilize the benchmarks for industry comparisons and target areas of improvement.

Goal 3: Prepare for the Future Grid.

Initiative 1

Stay current with industry and technological trends as related to the distribution system, for example through master plans for 5 kV and 44 kV systems.

Initiative 2

Plan and implement an initiative that will help prepare the company to remain relevant as the grid is modernized.

Initiative 3

Prepare recommendations for the Board on infrastructure investments for 2025-2035, which anticipate the state of the grid in 25-50 years.



Kingston Hydro will respond to opportunities for new services, and the opportunities and challenges provided by disruptive technology.

Theme 4: Customer Service Excellence

As the provincial power grid evolves, consumer values are changing. Their expectations for involvement and service delivery, and appetite for smart technology are rapidly increasing. In a digital age where advancements in technology are bringing about an unprecedented amount of change and transformation, consumer expectations for service delivery are higher than ever.

To meet the needs of the future customer and keep pace with change, Kingston Hydro must develop a clear understanding of which services and technologies customers will come to expect from their hydro utility. An informed, engaged workforce will help to exceed these changing customer expectations.

Goal 1: Maintain excellence in customer service.

Initiative 1

Engage customers to understand evolving needs and document preferences.

Initiative 2

Review how the industry and technologies are changing in relation to customer needs. Document initial understanding of the future of IT, IOT, DER, and the modern grid.

Initiative 3

Identify, implement or adapt customer service initiatives based on identified customer needs and technological trends, and the strengths of the multi-utility model. Implement an internal and external communications strategy.

Initiative 4

Involve Utilities Kingston employees in delivering service excellence, through informing, feedback and recognition.



Maintain an 'A' grade in the 2019, 2021, and 2023 customer satisfaction surveys.

Glossary

distributed energy resources (DER)	A broad category of equipment and services. They allow electricity to be generated, stored and used locally, instead of centrally managed (the latter typically far removed from the point of consumption). Solar panels and battery storage systems are examples of distributed energy resources.
distributed generation	Smaller generating facilities that are located close to consumers of electricity.
economies of scope	An economic theory stating that the average total cost of production decreases as a result of increasing the number of different goods produced (www.investopedia.com).
industrial internet of things (IIOT)	Devices and sensors (such as smart city technologies) that help businesses connect to the internet for a benefit.
internet of things (IOT)	Devices (such as smart consumer electronics) connecting to the internet for consumer benefit.
shared services model	The approach used to share operational functions between multiple utilities in order to achieve economies of scope.
Smart Grid	A class of technology used to bring utility electricity delivery systems into the 21 st century, using computer-based remote control and automation. These systems are made possible by two-way communication technology and computer processing that has been used for decades in other industries. They are beginning to be used on electricity networks, from the power plants and wind farms all the way to the consumers of electricity in homes and businesses (http://energy.gov/).





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Exhibit 1: Administrative Documents

Tab 3 (of 10): Administration

1 **ACCURACY & PERSONAL INFORMATION**
2 **CERTIFICATION**

3
4 As Chief Financial Officer and Corporate Secretary of Kingston Hydro
5 Corporation, I certify that, to the best of my knowledge, the evidence filed in this
6 Application is complete, accurate and consistent with the requirements of the
7 Chapter 2 of Filing Requirements For Electricity Distribution Rate Applications -
8 updated April 18, 2022.

9
10 The application and any evidence filed in support of the application does not
11 include any personal information unless it is filed in accordance with Rule 9A of
12 the OEB's Rules (and the Practice Direction, as applicable), and that for
13 Confidential Information - Practice Direction has been followed.

14 
15
16

17 _____
18 Randy Murphy, CPA CA
19 Chief Financial Officer and Corporate Secretary

APPLICATION CONTACT INFORMATION

Mailing Address:

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P.O. Box 790
Kingston ON K7L 4X7

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Facsimile: 613-542-1463

E-mail: sgibson@kingstonhydro.com

Other Key Contacts:

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David Fell

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Facsimile: 613-542-1463

E-mail: dfell@utilitieskingston.com

Chief Financial Officer & Corporate Secretary

Randy Murphy

Telephone: 613-546-1181 ext. 2317

Facsimile: 613-542-1463

E-mail: rmurphy@kingstonhydro.com



1 **IDENTIFICATION OF LEGAL REPRESENTATION**

2 John Vellone

3 Partner

4 Pronouns: he/him/his

5 T 416.367.6730 | C 416.801.7207 | JVellone@blg.com

6 Bay Adelaide Centre, East Tower, 22 Adelaide St. W

7 Toronto, ON, Canada M5H 4E3

1 **APPLICANTS INTERNET ADDRESS AND SOCIAL MEDIA**
2 **ACCOUNTS**

3
4 **LDC Internet Address:**

5 www.kingstonhydro.com
6

7 **Affiliate Internet Address:**

8 <https://utilitieskingston.com/>
9

10 **Affiliate Social Media:**

11 <http://www.facebook.com/utilitieskingston>

12 <http://twitter.com/utilitieskngstn>

13 <https://www.linkedin.com/company/utilities-kingston/>

14 http://www.youtube.com/channel/UCeH6OuP_mGVqkrfZgKolrKA



**STATEMENT OF WHO WILL BE AFFECTED BY
APPLICATION**

1
2
3
4
5

All Kingston Hydro customers in Kingston Hydro's distribution service territory will
be affected by this Application.

NOTICE OF HEARING PUBLICATION

Kingston Hydro intends to publish the Notice of Application in Kingston Hydro's service area in The Kingston Whig-Standard, the English language newspaper with the largest paid daily circulation of 44,000 (average weekday readership; print and digital) in the Kingston area according to the best information available. There are no paid circulation French language newspapers in the service area.

This Application and all documents related to this Application will be made available on Kingston Hydro's website at:

<http://www.kingstonhydro.com/RatesAndRegulatoryAffairs>

The Application will also be available on the Ontario Energy Board (OEB) website at www.oeb.ca, under Board File Number EB-2022-0044.

STATEMENT OF REQUESTED HEARING FORM

This Application is supported by written evidence. The written evidence will be pre-filed and may be amended from time to time, prior to the Board's final decision on the Application.

Kingston Hydro requests that, pursuant to Section 32.01 of the Board's *Rules of Practice and Procedure*, this proceeding be conducted by way of written hearing as Kingston Hydro believes that this is the most cost effective and efficient manner to deal with this Application.

Kingston Hydro will submit a list of witnesses and their curricula vitae ("CVs") if the Board determines that an oral hearing is required for this Application. No list though is included with this Application.

EFFECTIVE DATE REQUESTED

Kingston Hydro Corporation is requesting that the Ontario Energy Board provide it with an order or orders approving or fixing just and reasonable rates for the distribution of electricity and other charges, as specified in this Application, to be effective January 1, 2023.

Kingston Hydro Corporation requests that its current OEB approved 2022 rates be declared interim effective January 1, 2023, as necessary, if the preceding approvals cannot be issued by the OEB in time to implement final 2023 rates effective January 1, 2023; and that Kingston Hydro be permitted to establish an account to recover any differences between the interim rates and the actual rates effective January 1, 2023, based on the OEB's Decision and Order.



1 **STATEMENT OF DEVIATION FROM FILING**
2 **REQUIREMENTS**

3 Kingston Hydro has not, to the best of its knowledge, deviated from Chapter 2 of
4 the Board's Filing Requirements for Electricity Distribution Rate Applications,
5 issued April 18, 2022.

1 **STATEMENT OF CHANGES IN METHODOLOGY**

2

3 Kingston Hydro has prepared this Application in accordance with the filing
4 requirements issued by the Board as Chapter 2 of the Filing Requirements For
5 Electricity Distribution Rate Applications 2022 Edition for 2023 Rate Applications
6 issued April 18, 2022.

7

8 Kingston Hydro has prepared this application on the basis of modified IFRS as
9 was its previous Custom IR application for the period 2016-2020 (EB2015-0083).

10

11 Kingston Hydro believes it has met the filing requirements in all relevant aspects.

IDENTIFICATION OF OEB DIRECTIVES FROM PREVIOUS OEB DECISIONS

Kingston Hydro has outstanding Board Directives from its previous Custom IR proceeding EB-2015-0083.

From that proceeding, Schedule C of Kingston Hydro's Decision and Rate Order, contained the following accounting orders:

- Creation of an Earnings sharing mechanism variance account,
- Creation of a Capital Expenditure variance account,
- Creation of a Specific service charge variance account
- Creation of a Post-Employment benefit variance account
- Creation of an Efficiency Adjustment Variance account

Details of the balances in these variance accounts can be found in Exhibit 9 of this application.

In addition to the above-noted Accounting Orders, the Decision also accepted the provisions contained within the Settlement Proposals pertaining to the following:

- Page 20 of 79 of the Settlement Proposal (Page 32 of the Decision) - Outcomes and Benchmarking

With respect to the above, Kingston Hydro agreed "...to develop meaningful metrics/targets and to define outcome reporting " in its Final Settlement Proposal as amended November 10, 2015 for OEB 2016 Cost of Service (CoS) application #EB-2015-0083 (hereinafter referred to as the "Final Settlement").



1 Kingston Hydro retained a consultant, Metsco, who prepared a report. On
2 August 3, 2018, Kingston Hydro's Chief Financial Officer sent an email to the
3 Parties involved with the Final Settlement advising them that Kingston Hydro
4 *"...has developed metrics and will incorporate/report on these metrics at the time*
5 *of our next rebasing application to the Board."*
6
7 Kingston Hydro has since selected some of the metrics recommended by Metsco
8 and has reported the associated outcomes in the Distribution System Plan filed
9 as Exhibit 2, Tab 4, Schedule 1, Attachment 1 within this application.

REFERENCE TO CONDITIONS OF SERVICE

The current version of Kingston Hydro's conditions of service is available to view on the Kingston Hydro website

<http://www.kingstonhydro.com/ConditionsOfService>

Kingston Hydro undertook a review and modification of its connection practices during 2019/2020 with the intent to provide more information to customers about its offer to connect process and how costs are evaluated. This process, Kingston Hydro refers to as its 'offer to connect capital cost recovery financial process'.

Subsequent to this review, Kingston Hydro's connection process was subject to an OEB inspection. The 'offer to connect capital cost recovery financial process' was reviewed by OEB staff. The OEB Inspection & Enforcement department's inspection report was issued on January 17, 2022 and subsequent corrective actions complied with, by Kingston Hydro.

Information about this process is available to access at the above Conditions of Service webpage link.

Kingston Hydro confirms there are no rates and charges linked in the Conditions of Service that are not on Kingston Hydro's Tariff of Rates and Charges.

No conditions of service will change as a result of approvals in this Application.

DESCRIPTION OF CORPORATE AND UTILITY ORGANIZATIONAL STRUCTURE

In accordance with Section 2.1.3 of Chapter 2 of the Ontario Energy Board's Filing Requirements for Electricity Distribution Rate Applications - 2022 Edition for 2023 Rates Applications, this schedule provides information about Kingston Hydro's corporate and utility organizational structure and corporate governance practices. The schedule includes the following attachments:

- Service Agreement between Kingston Hydro and Utilities Kingston
(Exhibit 1 Tab 3 Schedule 13 Attachment 1)
- Shareholder Declaration for Kingston Hydro
(Exhibit 1 Tab 3 Schedule 13 Attachment 2)
- Mission and Vision Statement
(Exhibit 1 Tab 3 Schedule 13 Attachment 3)
- Code of Conduct for Utilities Kingston
(Exhibit 1 Tab 3 Schedule 13 Attachment 4)
- Board Mandate
(Exhibit 1 Tab 3 Schedule 13 Attachment 5)

Corporate Structure

Kingston Hydro Corporation (KHC) is a Local Distribution Company (LDC) which owns and is responsible for the operation of an electricity distribution system in a portion of the City of Kingston. KHC is owned by a sole municipal shareholder which is the Corporation of the City of Kingston ("City of Kingston").

1 The City of Kingston is also the sole shareholder of 1425447 Ontario Limited, an
2 affiliated company established to provide renewable energy generation services
3 within the City of Kingston. To date this company has not participated in such
4 activity and its only purpose is to hold the shares of the final affiliated company
5 1425445 Ontario Limited (operating as Utilities Kingston).

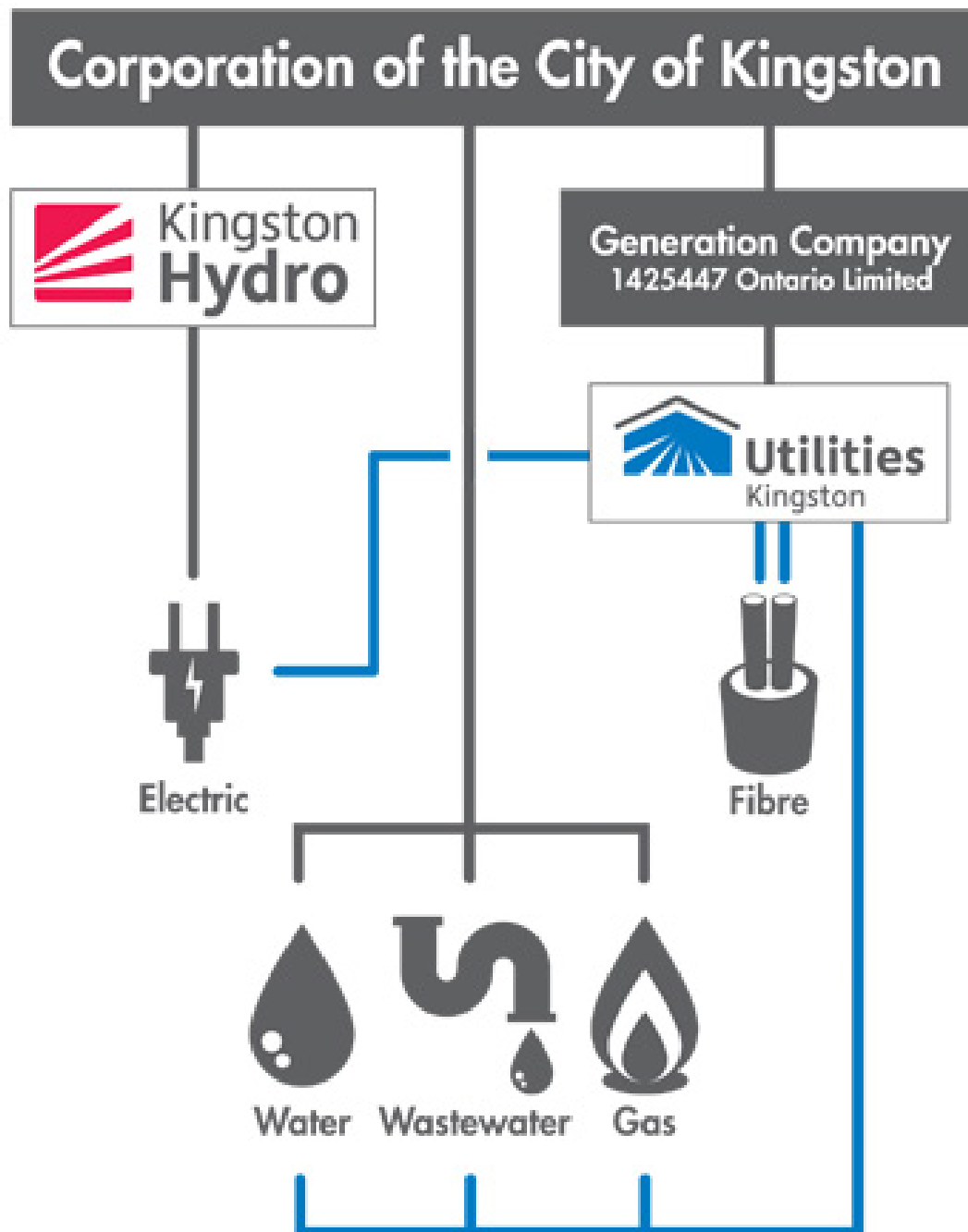
6
7 Utilities Kingston (UK) is an asset management services company which
8 provides services under a service agreement between Kingston Hydro and
9 Utilities Kingston (Exhibit 1 Tab 3 Schedule 13 Attachment 1) to KHC for
10 electricity distribution and conservation and demand management. UK also
11 provides utility management services to the City of Kingston for the municipally
12 owned utilities of Natural gas, Water and Wastewater.

13
14 Utilities Kingston also owns and operates a fibre optic business.

15
16 All three utility companies were incorporated under the *Business Corporations*
17 *Act (Ontario)*, on September 19, 2000.

18

Figure 1 – Corporate Structure



Planned changes in corporate and organizational structure

There are no planned changes to the corporate or operational structure at the time of this filing.

Overview of Corporate Governance

Kingston Hydro is governed by a Shareholders Declaration (Exhibit 1 Tab 3 Schedule 13 Attachment 2) that provides for the following:

- Composition of the Board of Directors;
- Quorum for the Board of Directors; and
- Other matters related to corporate governance

Kingston Hydro's Mission and Vision are as attached (Exhibit 1 Tab 3 Schedule 13 Attachment 3).

Kingston Hydro Corporation's Board of Directors

Kingston Hydro Corporation's Board of Directors is comprised of five (5) members.

The Shareholders Declaration states that "The Directors of the Corporation shall be as follows:

- The Mayor of the Shareholder
- The Chief Administrative Officer of the Shareholder
- The President and Chief Executive Officer of Kingston Hydro Corporation
- Two Directors at Large that shall be Independent Directors

1 Two are individuals who are independent of any affiliate as defined in the Ontario
2 Energy Board's Affiliated Relationships Code (ARC). The Board of Directors'
3 composition is compliant with ARC in that at least one third of the regulated
4 distribution company's directors are independent from any affiliates.

5
6 It is essential that all members of the Board exercise independent judgment and
7 are fully aware of their fiduciary duty to the corporation. Great care is taken at all
8 times to ensure all members are acting independently and in the best interest of
9 the corporation when sitting as the Board of KHC or representing KHC in any
10 manner. All members of the Board are free to challenge others when this is not
11 the case.

12
13 Each director is provided ample time and opportunity to receive and review
14 relevant information and provided the opportunity to challenge how the officers of
15 the Corporation are discharging their duties and achieving their goals. Directors
16 are selected based on their knowledge, experience and desire to better the
17 corporation, its customers and the community.

18
19 The Board of Directors has adopted a Code of Conduct that also pertains to all
20 Utilities Kingston employees.

21
22 This code is included in Exhibit 1 Tab 3 Schedule 13 Attachment 4.

23
24 **Board Mandate**

25
26 Article IV of the Shareholders Agreement - "Directors' Powers and Matters
27 Requiring Shareholder Approval" states that "subject to the provision of this
28 declaration, the Directors' shall manage or supervise the business and affairs of
29 the Corporation."

Please find attached the Board Mandate (Exhibit 1 Tab 3 Schedule 13 Attachment 5) of Kingston Hydro Corporation.

Board Meetings

The Kingston Hydro Corporation Board of Directors has on average eight regularly scheduled meetings each year. During the strategic planning process several day long meetings of the Board of Directors may be held to facilitate the process. The 2021 meetings were as follows:

- January 19, 2021
- April 23, 2021
- May 21, 2021
- June 7, 2021 – Annual Meeting of the Shareholder of Kingston Hydro Corporation
- September 10, 2021
- October 4, 2021
- October 5, 2021 – Special Meeting of the Shareholder of Kingston Hydro Corporation
- November 29, 2021
- December 20, 2021

The 2022 schedule of meetings are as follows:

- January 31, 2022
- February 28, 2022
- April 14, 2022
- May 16, 2022

- May 30, 2022 – Annual Meeting of the Shareholder of Kingston Hydro Corporation
- June 27, 2022
- September 26, 2022
- October 31, 2022
- November 28, 2022
- December 19, 2022

Orientation and Continuing Education

New members attend orientation sessions with executive officers of the corporation and receive a briefing and either actual copies of written materials or direction as to where to access such materials electronically. Such materials may include but is not limited to the following:

- Code of Conduct
- Directors and Officers insurance
- Shareholder Declaration
- Mission and Vision Statement
- Annual Reports
- Audited Statements and findings
- UK and KHC Strategic Plans
- Shareholders Strategic Plan
- Organization and corporate structure explanations
- Board and Committee mandates

1 Access to current Legislation and regulations including but not limited to the
2 following:

- 3
- 4 • *Ontario Energy Board Act, 1998*
 - 5 • *Electricity Act 1998*
 - 6 • Distribution System Code
 - 7 • Affiliate Relationship Code
 - 8 • Standard Supply Service Code
 - 9 • Retail Settlement Code
- 10

11 **Continuing Education**

12

13 There is no formal continuing education program for Board members.

14

15 Management presents information to Board members throughout the year at
16 Board meetings to update the Board on various topics. These topics include
17 items such as Operating and Capital budgets, OEB rate submissions, status of
18 capital projects throughout the year, industry issues that may impact the
19 corporation such as consolidation or proposed changes to legislation, and status
20 of achievements for Conservation and Demand Management.

21

22 Board members have the opportunity to attend industry events.

23

24 **Ethical Business Conduct**

25

26 Kingston Hydro Board members have adopted the same Code of Conduct and
27 abide by the same values as all employees of Utilities Kingston. Members are
28 expected to follow all pertinent laws and legislation that applies to an Ontario
29 Business Corporation Board, and the Ontario Electricity Distribution Industry.

1 Nomination of Directors

2
3 When a vacancy of one of the independent members of the Board arises the
4 Governance and Nominations committee of the Board assumes responsibility for
5 filling the vacancy and then then makes a recommendation to the Board and then
6 the Shareholder for final approval.

8 Board Committees

9
10 The Board has 2 formal committees, the Audit and Risk committee and the
11 Governance and Nominations committee. The members of these committees
12 are the 2 independent directors plus the Chief Administrative Officer of the
13 Shareholder.

15 Officers of Kingston Hydro

16
17 Kingston Hydro has the following corporate offices:

- 18
19 • President and Chief Executive Officer
20 • Treasurer and Chief Financial Officer
21 • Corporate Secretary

22
23 Currently the President and CEO of Kingston Hydro, David Fell, is also the
24 President and CEO of Utilities Kingston. In addition, the Treasurer and
25 Corporate Secretary of Kingston Hydro, Randy Murphy, is also the Treasurer and
26 Corporate Secretary of Utilities Kingston.

27
28 Kingston Hydro contracts the operations and maintenance and administration of
29 its distribution business to Utilities Kingston. Utilities Kingston utilizes a multi

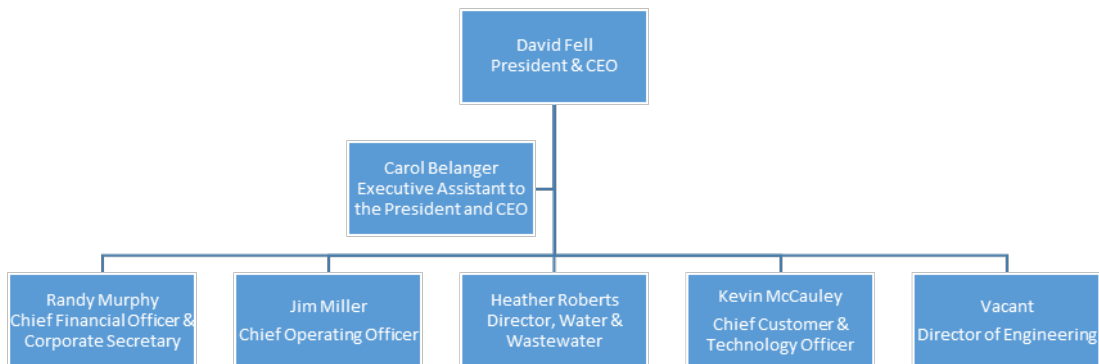
1 utility services model to achieve the best savings and service delivery for its
2 customers.

3

4 Utilities Kingston's Executive structure is shown in Figure 2.

5

6 **Figure 2 – Utilities Kingston Executive Structure**



7



Attachment 1 (of 5):

***Services Agreement between Kingston Hydro and
1425445 Ontario Limited***

SERVICES AGREEMENT

This Agreement made this 17 day of September, 2017

Between:

Kingston Hydro Corporation (Kingston Hydro)

and

1425445 Ontario Limited (Utilities Kingston)

WHEREAS Kingston Hydro has been incorporated as a business corporation pursuant to the provision of section 142 of the Electricity Act, 1998;

AND WHEREAS Utilities Kingston has been incorporated as an affiliated business corporation of Kingston Hydro, as defined in the Business Corporation Act (Ontario) pursuant to Sections 71 and 73 of the Ontario Energy Board Act, 1998;

AND WHEREAS Kingston Hydro wishes to contract with Utilities Kingston to provide certain services described in Schedule "A" attached hereto as part of this Agreement;

AND WHEREAS Utilities Kingston has agreed to provide the services as described in Schedule "A" in a diligent and timely manner in accordance with this Agreement;

THIS AGREEMENT WITNESSES that, in consideration of the mutual covenants and agreements herein contained, the parties hereby covenant and agree with each other as follows:

1.0 Definitions

- a) "ARC" means the Affiliate relationships Code issued by the Ontario Energy Board
- b) "CICA" means the Canadian Institute of Chartered Accountants

- c) "City" means the Corporation of the City of Kingston
- d) "Licence" means the license to distribute electricity issued by the Ontario Energy Board
- e) "Records" means the bookkeeping, accounting and record keeping system maintained by Utilities Kingston

2.0 TERM

Unless terminated in accordance with Article 16.0, the term of this Agreement shall be from September 17, 2017 to and including September 16, 2022.

3.0 OBLIGATIONS OF KINGSTON HYDRO

- a) Kingston Hydro shall be responsible for establishing rates and charges for services provided to customers in the City of Kingston subject to the approval of the Ontario Energy Board.
- b) Kingston Hydro shall be responsible for approving an annual capital and operating financial plan as prepared by Utilities Kingston.

4.0 OBLIGATIONS OF UTILITIES KINGSTON

- a) Utilities Kingston shall be responsible for all aspects of the operation, maintenance, and management of the Business in accordance with Prudent Industry Practice and the terms of this Agreement throughout the term, including without limitation, providing all necessary staff to operate the Business.
- b) Utilities Kingston shall abide by and ensure that its officers, employees, agents and representatives abide by the provisions of all applicable municipal, provincial and federal legislation, including, without limitation, the by-laws and resolutions of the City of Kingston, the Electricity Act, 1998, the Ontario Energy Board Act, 1998, relevant provisions of the Licence and any directives that may be issued by Kingston Hydro from time to time with

regard to the electricity distribution business and the service described in Schedule "A" attached hereto. The foregoing obligation shall survive the termination of this Agreement and shall continue until any applicable statutory limitation period has expired.

- c) Utilities Kingston shall perform periodic reviews to ensure compliance with the Affiliate Relationships Code and provide Kingston Hydro with copies of those
- d) In fulfilling its duties and responsibilities pursuant to this Agreement, Utilities Kingston agrees to comply with all reasonable instructions received for Kingston Hydro.

5.0 RECORDS

- a) Utilities Kingston shall keep records conforming to the requirements prescribed from time to time by Kingston Hydro including but not limited to the Reporting and Record Keeping requirements of the Ontario Energy Board and the provisions of the CICA.
- b) Utilities Kingston shall keep its records associated with the services to be provided separate from any records associated with any other activities to be carried on by Utilities Kingston, as required by section 72 of the Electricity Act, 1998 and the Licence.
- c) Utilities Kingston shall furnish Kingston Hydro with access to such records, including copies of documents therefrom as Kingston Hydro may require from time to time.
- d) Utilities Kingston agrees that Kingston Hydro shall have the right, upon twelve (12) hours notice to Utilities Kingston, to enter Utilities Kingston's premises during business hours to conduct an audit of Utilities Kingston's records in respect of the management of the electricity distribution business and the provision of services pursuant to this Agreement

6.0 CONFIDENTIAL INFORMATION

The parties recognize that in accordance with the ARC, all information that Utilities Kingston receives from Kingston Hydro relating to specific customers, retailers or generators is confidential information and Utilities Kingston undertakes that such confidential information shall not be disclosed by it, except as may be necessary in the proper discharge of its duties under this Agreement, or used for any purpose other than the specific business purposes for which it received the confidential information. Utilities Kingston shall ensure that those employees who have access to such confidential information agree to abide by the ARC and Utilities Kingston's undertaking. The foregoing obligation shall survive the termination of this Agreement.

7.0 MANAGEMENT AND PERSONNEL

- a) Utilities Kingston acknowledges that it is solely responsible for the control and management of its employees.
- b) Utilities Kingston shall provide sufficient qualified management, supervisory and operations personnel and support services to provide the management and delivery of the services under this Agreement, including the appropriate supervision for all such personnel.
- c) Utilities Kingston shall be responsible for administering the payroll obligations for all employees and shall comply with applicable collective agreements, provincial legislation and payroll obligations including without limitation, federal and provincial income taxes, insurance premiums, contributions to benefit and compensations plans and similar obligations. Utilities Kingston shall maintain in good standing WSIB premiums, pursuant to provincial law covering all its employees who may be employed to provide services under this Agreement.

8.0 PAYMENTS

- a) Kingston Hydro agrees to reimburse all expenses without markup that are incurred in the fulfillment of this Agreement and that have been appropriately allocated by Utilities Kingston.
- b) Kingston Hydro may, at its own expense, conduct an audit of Utilities Kingston's financial records, including the allocation of expenses under this Agreement.

9.0 INSURANCE

Utilities Kingston shall obtain and keep in force during the term of this Agreement, for the protection of Utilities Kingston and Kingston Hydro insurance coverage as follows:

- a) Comprehensive general, bodily injury and property damage liability insurance with limits of not less than \$5,000,000 inclusive per occurrence for bodily injury, death and damage to property including loss thereof.
- b) Umbrella coverage with limits of not less than \$10,000,000 per occurrence.
- c) Automobile liability insurance with respect to the licensed vehicles which have limits of not less than \$5,000,000 per occurrence in the following forms endorsed to provide both parties with not less than 15 days notice in advance of any cancellation, change or amendment respecting coverage:
 - i) Standard non-owned automobile policy including standard contractual liability endorsement
 - ii) Standard owners forms automobile policy providing third party liability and accident benefits insurance and covering licensed vehicles owned or operated by or on behalf of Utilities Kingston.

- d) All Risks Contractors' Equipment Insurance covering construction machinery and equipment used by Utilities Kingston for maintenance and repair of Kingston Hydro's distribution lines, poles and installations and extensions and additions thereto.
- e) Such other coverage as may be agreed upon by the parties.
- f) Such coverages shall be in the joint names of Utilities Kingston and Kingston Hydro with loss payable to Utilities Kingston and Kingston Hydro as their respective interests may appear.

10.0 INDEMNIFICATION

The parties shall defend, fully indemnify and hold harmless each other and their respective officers, employees, agents and representatives, from any and all manner of actions, causes of action, proceedings, claims, demands, penalties, fines and costs, including without limitation, all legal costs and disbursements that might be incurred, which other party may suffer, or which may hereafter be sustained or incurred by reason of, or in any way arising out of such damage, loss or injury, including death to any property or person, as a result of its failure or negligence, or its failure at any time to comply with the provisions of this Agreement.

11.0 AUTHORIZED REPRESENTATIVES

- a) Kingston Hydro hereby appoints the Chair of Kingston Hydro as its authorized representative to deal with Utilities Kingston, with authority to act for and on behalf of Kingston Hydro respecting the day to day administration of this Agreement.
- b) Utilities Kingston hereby appoints the President and Chief Executive Officer of Utilities Kingston as its authorized representative to deal with Kingston Hydro, with authority to act on behalf of Utilities Kingston respecting the day to day administration of this Agreement.

12.0 FAILURE TO COMPLY

The failure of either party to enforce or insist upon compliance with any of the terms and conditions of this Agreement, or a waiver of any default under this Agreement, shall not constitute a general waiver or relinquishment of any such term or condition, or of any subsequent default of the same or any other term or condition of this Agreement, but the same shall be and remain at all times in full force and effect.

13.0 FORCE MAJEURE

Neither of the parties shall be liable for delay in or failure to perform their respective obligations under this Agreement when such failure is caused by events beyond the reasonable control of either party, such as fire, explosion, flood, act of God or inevitable accident, civil disorder or disturbance, vandalism, war, riot, sabotage, weather or energy related closings, governmental actions or regulations, nor for real or personal property destroyed or damaged due to such events; in the event of catastrophe, the parties obligations shall cease until the cause of such delay or failure is resolved or repaired. The parties shall explore all reasonable avenues available to avoid or resolve events of force majeure in the shortest possible time.

14.0 STRIKES

In the event of a strike the parties shall use reasonable efforts to perform their obligations under this Agreement at a satisfactory level as mutually agreed upon by them. The compensation terms of this Agreement may be modified to allow for changes in service or requirements during the period of the strike.

15.0 DISPUTE RESOLUTION

- a) The Parties agree to consult each other and to negotiate in good faith to resolve any differences or disputes which either Party may have relating to

the interpretation, application or implementations of this Agreement, or any dispute which may arise over any costs, fees or other costs incurred and failing agreement the Parties agree to resolve their disputes by arbitration as provided in Article 15.0 (b)

- b) Arbitration of a dispute shall be commenced by written notice by a party requesting arbitration to the other, which notice shall identify the issue or issues it wishes to submit to arbitration. Within thirty (30) days of the notice, the Parties shall agree upon a single arbitrator and failing agreement then each Party shall appoint an arbitrators and the two appointees shall within forty-five (45) days of the notice of arbitration appoint a third person who shall act as Chair of the arbitration panel and failing agreement the Chair shall be appointed by a judge of the Superior Court of Ontario pursuant to the provisions of the *Arbitration's Act*, RSO 1991 c.A 17.
- c) The commencement of the arbitration and all rules of procedure for the arbitration shall be by agreements of the Parties, or failing agreement, as determined by the arbitrator or Chair of the arbitrator panel. The provisions of the *Arbitration's Act*, RSO 1991 c.A 17 as amended or any successor legislation shall apply to the arbitration.

16.0 TERMINATION

- a) Events of Termination
 - i) If either party breaches a material term of this Agreement, the non breaching party shall give written notice to the other of such breach; if the breach is remedied within 15 days, the notice shall be null and void; if the breach is not or cannot be remedied by the breaching party within the 15 days as aforesaid or within such longer period as may have been stipulated for in such notice, the Agreement may be terminated at the discretion of the non-

breaching party. Said termination shall take effect 30 days from the end of the notice period.

- ii) If either party goes in to receivership or gives notice of insolvency or pending insolvency, the other party may elect to terminate this Agreement.

b) Notice of Termination

Either party may terminate this agreement at any time upon six (6) months written notice to the other party.

17.0 NOTICES

Any notice or communication required or permitted to be given under this Agreement shall be valid only if delivered in writing in accordance with this clause.

Notices can be provided as follows:

Kingston Hydro:

Mayor of the City of Kingston
Kingston City Hall
216 Ontario Street,
Kingston, ON
K71 2Z3

Utilities Kingston:

President and Chief Executive Officer
85 Lappan's Lane
Kingston, ON
K7L 4X7

18.0 AMENDMENTS

No amendment to this Agreement shall be of any force or effect unless by writing and signed by both parties.

19.0 SEVERABILITY

If any term or provision of this Agreement is held by a competent authority to be invalid, illegal or unenforceable for any reason, the remaining provisions of this Agreement and its Schedule shall continue in full force and effect.

20.0 ASSIGNMENT

This Agreement may not be assigned by either party to a third party without the written consent of the other party.

21.0 GOVERNING LAW

This Agreement shall be construed and enforced in accordance with the laws of the Province of Ontario.

22.0 TIME OF THE ESSENCE

Time is of the essence in the Agreement and all of the provisions in it.

23.0 ENTIRE AGREEMENT

This Agreement, together with the Schedule attached hereto constitutes the entire agreement between the parties with respect to the matters herein and supersedes all prior oral or written representations.

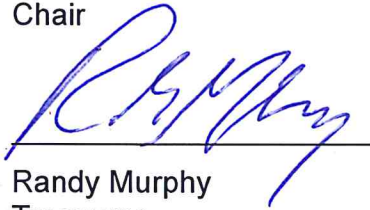
IN WITNESS WHEREOF, the parties have duly executed this Agreement.

For Kingston Hydro Corporation


For 1425445 Ontario Limited (o/a
Utilities Kingston)



Mayor Bryan Paterson
Chair



Randy Murphy
Treasurer



James Keech
President and CEO



Sean Meleschuk
Corporate Secretary

SCHEDULE A

SCOPE OF SERVICES

Utilities Kingston shall have authority during the Term to manage, control, administer and operate the Business in accordance with Prudent Industry Practice, subject to overall responsibility for management by the Senior Officers and the Board of Directors of Kingston Hydro.

Without limited the generality of the foregoing, Utilities Kingston shall be vested with the following powers which it will exercise on behalf of Kingston Hydro:

- a) to report to the management and Board of Directors of Kingston Hydro with respect to the business and affairs of Kingston Hydro as may be requested from time to time by Kingston Hydro;
- b) to provide all administrative services for the business of Kingston Hydro including accounting and bookkeeping services
- c) to negotiate, execute, amend administer, perform and carry out the terms of all agreements and commitments, the performance of which by or on behalf of Kingston Hydro in respect of the Business and the Business is necessary or advisable; and
- d) to operate and maintain the Business in accordance with Prudent Industry Practice, applicable laws and all Kingston Hydro agreements, to minimize unscheduled outages and to provide maintenance in the most cost effective manner to prevent deterioration beyond normal wear and tear; provided that such efforts shall be necessarily limited by the operating life, capacity and maintenance requirements of the facilities and by the requirements of applicable laws and requirements of the Kingston Hydro distribution licence;
- e) to obtain and maintain all necessary regulatory and operational approvals including those required from the Ontario Energy Board and the Independent Electricity System Operator for the Business and renewals therefore including preparing and submitting all associated applications and filings
- f) to provide administrative services for the Business including:
 - i) arrange insurance for the Business consistent with Prudent Industry Practice
 - ii) maintain and preserve equipment maintenance, accounting, management of billing and receivables, banking and other necessary records, reports, documents, data and the like for the Business

- iii) perform cash management services for the Business
- iv) on a timely basis prepare financial statements and deliver them to Kingston Hydro's Board of Directors
- v) assist in the administration of all agreements to which Kingston Hydro is a party or by which it is bound, including negotiations and communications with third parties in connection therewith; and
- vi) make all banking and financing agreements;
- g) to plan, project manage and execute all capital works as approved by the Board of Kingston Hydro;
- h) perform for Kingston Hydro such other services as may from time to time be reasonably requested or are necessary or appropriate in connection with the operation and maintenance of the facilities



Attachment 2 (of 5):

***Amendments to the Shareholder Declaration of
Kingston Hydro***

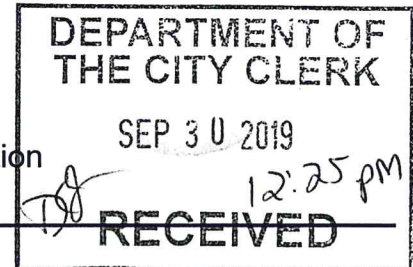
**Resolution of
Kingston Hydro Corporation**



To: Mayor Paterson, City of Kingston
J. Bolognone, City Clerk, City of Kingston

From: Randy Murphy, Corporate Secretary

Subject: Amendments to the Shareholder Declaration



Resolution

This will confirm that the Shareholder of Kingston Hydro Corporation, at the Annual General Meeting held on May 27, 2019, approved the following resolution:

Proposed Amendments to the Shareholder Declaration (KH24-19-S)

On a Motion Moved by Councillor Osanic, Seconded by Councillor Kiley and carried unanimously, the following resolution was passed:

RESOLVED that the Shareholder of Kingston Hydro Corporation approve the amendments to the Shareholder Declaration attached as Appendix A to this report.

A handwritten signature in blue ink, appearing to be "R. Murphy", written over a horizontal line.

Randy Murphy, Corporate Secretary
Kingston Hydro Corporation

SHAREHOLDER DECLARATION
OF
THE CORPORATION OF THE CITY OF KINGSTON
(the Shareholder)

Regarding Kingston Hydro Corporation

WHEREAS the Shareholder has carried on an electricity distribution business in the City of Kingston since 1904;

AND WHEREAS the Shareholder has caused a corporation to be incorporated pursuant to section 142 of the *Electricity Act*, 1998, (the Corporation);

AND WHEREAS the Shareholder is transferring its electricity distribution business to the Corporation pursuant to section 145 of the *Electricity Act*, 1998;

AND WHEREAS the Corporation has authorized capital of an unlimited number of shares designated as Class A shares and another class of Shares designated as Class B shares;

AND WHEREAS the Shareholder has subscribed for and is the legal and beneficial owner of all the shares issued by the Corporation (the Shares).

AND WHEREAS the Shareholder wishes to make a declaration for the purpose of establishing and defining rights and obligations with respect to the organization and operation of the affairs of the Corporation, the ownership, disposition and transfer of shares in the capital of the Corporation and such other matters as may hereinafter be referred to (the Declaration).

AND WHEREAS the Shareholder intends that this Declaration should constitute a unanimous Shareholder Agreement pursuant to section 108 of the *Business Corporations Act*.

AND WHEREAS the Corporation will be carrying on an electricity distribution business pursuant to the *Electricity Act*, 1998, and the *Ontario Energy Board Act*, 1998, on behalf of the Corporation of the City of Kingston;

NOW THEREFORE THE SHAREHOLDER DECLARES THAT:

ARTICLE 1

DEFINITIONS

1.1 In this Declaration, the following terms shall have the meanings as set out below unless the context requires otherwise:

"Act" means the *Business Corporations Act*, R.S.O. 1990, c. B.16 as from time to time amended or succeeded.

"Articles" means the articles (as defined in the Act) of the Corporation as amended or restated from time to time.

"Auditors" means the auditors of the Corporation, as may be appointed from time to time in accordance with the provisions of this Declaration.

"Authorized Capital," means the numbers and classes of shares that the Corporation is authorized to issue by virtue of the Articles.

"Board" means the board of directors of the Corporation, as may be elected from time to time, in accordance with the provisions of this Declaration.

"By-laws" means the by-laws of the Corporation, as amended from time to time in accordance with the provisions of this Declaration and the Act.

"Corporation" means Kingston Hydro Corporation.

"Director" means a person occupying the position of director of the Corporation, and "Directors" means every Director.

"Independent Director" means a person that is independent of affiliates; including a parent company, the majority or controlling Shareholder and any subsidiary companies thereof. I.e., not otherwise compensated by the Corporation of the City of Kingston, 1425447 Ontario Limited, 1425445 Ontario Limited (Utilities Kingston), or a member of any Boards or Agencies of the Corporation of the City of Kingston.

"Shareholder" " means the Corporation of the City of Kingston, and any other person who acquires shares in accordance with the provisions of this Declaration.

"Shares" means:

- shares of the Corporation;
- rights, warrants, options, and other instruments issued by the Corporation which entitle the holder to acquire from the Corporation shares of the Corporation; and
- instruments which are convertible or exchangeable, either under all the circumstances or under some circumstances, into any of the foregoing.

"Transfer" includes any sale, exchange, transfer, assignment, gift, pledge, encumbrance, hypothecation, alienation, transmission or other transaction, whether voluntary, involuntary or by operation of law, by which the legal or beneficial ownership is transferred from one person to another.

"Utilities Kingston" means 1425445 Ontario Limited, an affiliate of the Corporation

ARTICLE II

THE BUSINESS OF THE CORPORATION

- 2.1 The Shareholder hereby declares that the Corporation shall carry on the following businesses on behalf of the Shareholder:
- (a) the distribution of electricity pursuant to the *Electricity Act*, 1998 and the *Ontario Energy Board Act*, 1998, and regulations thereunder;
 - (b) the sale of electricity to the public pursuant to section 29 of the *Electricity Act*, 1998; and
 - (c) other activities permitted by the *Electricity Act*, 1998 and the *Ontario Energy Board Act*, 1998
- 2.2 Unless the Shareholder decides otherwise, the Corporation shall not, either directly or indirectly, carry on any business other than the businesses described above, or a business which is incidental to or developed out of the conduct of any business which the Corporation may carry on in accordance with this section.

ARTICLE III

BOARD OF DIRECTORS

- 3.1 **Number of Directors and Vacancies.** Unless the Shareholder otherwise agrees, the Corporation shall have five directors appointed annually by the Shareholder. A quorum of directors may fill a vacancy among the directors provided the vacancy arises subsequent to an Annual General Meeting of the Shareholder whereby all directors were appointed.
- 3.2 The directors of the Corporation shall be as follows:
- The Mayor of the Shareholder
 - The Chief Administrative Officer of the Shareholder
 - The President and Chief Executive Officer of Kingston Hydro Corporation
 - Two Directors at large that shall be Independent Directors
- 3.3 **Quorum.** A quorum for any meeting shall be 3 of the directors, provided that at least 2 of the directors present are either the Mayor of the Shareholder, the Chief Administrative Officer of the Shareholder or the President and Chief Executive Officer of Kingston Hydro Corporation. All of the decisions of the Directors shall be by a majority of the Directors present and voting at a duly constituted meeting of Directors. The Chair of meetings of Directors shall not have a second or casting vote.
- 3.4 **Officers.** The Corporation shall have the following offices:
- President and Chief Executive Officer
 - Corporate Secretary and
 - Treasurer and Chief Financial Officer
- The following officers of the Corporation shall be appointed by the Shareholder:
- President and Chief Executive Officer who is also the President and Chief Executive Officer of Utilities Kingston

ARTICLE IV

DIRECTORS' POWERS AND MATTERS REQUIRING SHAREHOLDER APPROVAL

4.1 **Management.** Subject to the provisions of this Declaration, the Directors shall manage or supervise the business and affairs of the Corporation.

4.2.1 **Shareholder Approval.** Unless the Shareholder otherwise agrees or directs:

- (a) the registered office of the Corporation shall be located at Kingston, Ontario;
- (b) the financial year of the Corporation shall terminate on the 31st day of December each year;

4.2.2 **Shareholder Approval.** Without the approval of the Shareholder, the Corporation shall not:

- (a) amend the Corporation's Articles or by-laws;
- (b) make any material change in the Corporation's business operations;
- (c) make any fundamental change to the Corporation, including dissolution, liquidation, amalgamation or winding-up;
- (d) Acquire, by purchase, lease or otherwise, assets required for the purposes of the business of the Corporation, except in the ordinary course of business.
- (e) Give, sell, convey, transfer, assign, mortgage, lease, pledge, or otherwise dispose of or encumber any assets of the Corporation, except in the ordinary course of business.
- (f) Commence or undertake a new business activity or discontinue an existing business activity.

4.2.3 Approval of Directors. Without the approval of the Directors the Corporation shall not:

- (a) incur any capital or operating expenditure which is not authorized in the capital or operating budget of the Corporation which budget shall have been approved by the Directors;
- (b) Submit a rate application to the Ontario Energy Board (OEB) for approval, other than a mechanistic rate application as prescribed by the OEB .
- (c) Enter into any agreement with an affiliated or non-affiliated third party for the acquisition or delivery of services, except in the ordinary course of business, and subject to compliance with the provisions of the Affiliate Relationships Code.
- (d) Enter into any sharing arrangement for any undertaking or enterprise with a non-affiliated third party, including without limitation, any joint venture, partnership, leasing or agency arrangement.
- (e) Declare dividends payable to the Shareholder, whether payable in money, property, by the issue of fully paid shares of the Corporation, or options or rights to acquire fully paid shares of the Corporation.
- (f) Assume, undertake or make any commitment for debt, provided that the Corporation may, in the ordinary course of business, borrow funds for operating purposes up to an amount equal to fifty per cent (50%) of its budgeted annual revenues.

ARTICLE V

OPERATION AND FINANCING

- 5.1 **Proper Books of Account.** Proper books of account shall be kept for the Corporation and all entries shall be made of all matters and transactions that are usually written or entered therein. The Shareholder shall at all times have full and complete access to such books of account.
- 5.2 **Auditors.** The Shareholder shall appoint the Auditor annually.
- 5.3 **Banking.** The Corporation shall maintain one or more accounts at the bank as the Directors may, from time to time determine. All bank accounts shall be kept in the name of the Corporation. All monies received from time to time for the account of the Corporation shall be paid immediately into such accounts or bank accounts of the Shareholder, provided the Shareholder credits to corporation for all such amounts paid in to the City's banks.
- 5.4 **Financing.** All additional funds required for the purposes of the Corporation shall be obtained to the greatest extent possible through loans made by the Corporation from the Shareholder, the bank or another lender or lenders. The decision as to whether such funds are required, from whom such funds will be borrowed and the terms and conditions of such borrowing shall be determined by the Directors, subject to the provisions of this Declaration.

5.5 Shareholder Advances

(a) To the extent funds derived from bank financing are insufficient (as determined by the Directors) to finance the operational requirements of the business of the Corporation, the Shareholder agrees to make available to the Corporation such funds as may be required by the Corporation from time to time to satisfy the deficiency.

(b) Unless otherwise agreed by the Shareholder, the advance shall be upon such terms and conditions as shall be agreed to by the Shareholder and the Corporation, and in default of such agreement, shall be upon the following terms and conditions:

- (i) each Shareholder Advance shall be evidenced by a promissory note in the principal amount advanced by the Shareholder (a "Promissory Note");
- (ii) there shall be a separate series of Promissory Notes issued by the Corporation upon the occasion of each advance of funds to the Corporation by the Shareholder; and
- (iii) Promissory Notes shall have the following attributes:
 - (a) interest shall be computed from the date when funds are advanced to the Corporation by the Shareholder, at a rate of interest at least equal to the prime lending rate charged from time to time by the Shareholder's banker, the rate to be determined by the Shareholder;
 - (b) interest and principal on each Promissory Note shall be payable at least semi-annually, as determined by the Shareholder's Treasurer and based on the Shareholder's cash flow requirements.

ARTICLE VI

MANAGEMENT MATTERS

- 6.1 **Officers.** The Corporation shall retain the President and Chief Executive Officer of Utilities Kingston in the capacity of President and Chief Executive Officer, and in such capacity, such person shall manage and be responsible for the day to day affairs of the Corporation and shall have such other duties and authority as may be designated from time to time by the Directors, subject to the provisions of this Declaration. Similarly, the Corporation shall retain the Corporate Secretary of Utilities Kingston in the capacity of Corporate Secretary, and the Corporation shall retain the Chief Financial Officer of Utilities Kingston in the capacity of Treasurer and Chief Financial Officer.
- 6.2 **Management Obligations.** During the terms of their appointment pursuant to this Declaration, the Officers shall:
- (a) devote such time and attention to the business of the Corporation as may be required by the Directors and the Shareholder; and
 - (b) exercise their best efforts, to manage, promote, develop and extend the businesses of the Corporation.
- 6.3 **Execution of Instruments.** With the exception of transactions for services contracted with 1425445 Ontario Limited (o/a Utilities Kingston) all cheques, bills, notes, drafts or other instruments or documents for the purposes of binding the Corporation in connection with the accounts and transactions with the bank, and all deeds, transfers, assignments, agreements, contracts or obligations for and on behalf of and in the name of the Corporation or relating to the property of the Corporation shall require the signatures of two of the Secretary, the Treasurer, the President and Chief Executive Officer, one Director, or another individual approved by the Board of Directors.

ARTICLE VII

GENERAL MATTERS RELATING TO THE HOLDING OF SHARES AND PERMITTED TRANSFERS

- 7.1 The Shareholder shall subscribe for all initial shares issued by the Corporation that are voting securities.
- 7.2 **General Prohibition on Issue of Further Shares.** The Corporation shall not issue any shares and shall not grant an option or other right to purchase or subscribe for shares in the capital of the Corporation without the consent of the Shareholder.

ARTICLE VIII

MATTERS RELATING TO THE DISPOSITION AND ACQUISITION OF SHARES

- 8.1 **Permitted Transfers.** Notwithstanding any provision hereof, the Shareholder (the "Selling Shareholder") may from time to time transfer any or all of the Shares beneficially owned by it to another person (the "Purchasing Shareholder") at such price and on such terms and conditions as may be agreed by the Selling Shareholder and the Purchasing Shareholder.

ARTICLE IX

VALUATION OF SHARES

- 9.1 **Determination of Fair Value.** For the purposes of this Declaration, the valuation of the Shares in the capital of the Corporation should reflect, as far as possible, the fair value of the Shares. The Corporation's accountant or such other party as may be agreed to by the Shareholder shall, from time to time, at the request of the Directors or the Shareholder, determine the fair value of the Shares in the capital of the Corporation at the appropriate time using generally accepted valuation principles.

ARTICLE X

GENERAL PROVISIONS

- 10.1 **Endorsement on Share Certificates.** All share certificates issued by the Corporation shall include the following endorsement:

"The transfer of shares of the Corporation represented by this share certificate is restricted pursuant to the terms of a Shareholder Declaration."

- 10.2 **Notice Provisions**

Any notice to be given pursuant to this Declaration may be given to a Shareholder at the address appearing in the books of the Corporation by prepaid registered mail, electronic mail, or personal delivery and shall be deemed to have been received, in the case of prepaid registered mail, three days after mailing, and in the case of personal delivery, when delivered, and in the case of electronic mail one day following transmission.

- 10.3 **Invalidity of Provisions**

The invalidity of any provision of this Declaration shall not affect the validity of any other provision.

- 10.4 **Conflict with By-laws and Articles** In the event of any conflict between the provisions of this Declaration and the provisions of the By-Laws or Articles, the provisions of this Declaration shall prevail.

- 10.5 **Conflict with Applicable Legislation.** In the event of any conflict between the provisions of this Declaration and the provisions of the Electricity Act, 1998, and the Ontario Energy Board Act, 1998, and regulations there under, or any other applicable provincial or federal legislation, the provisions of such legislation shall prevail.

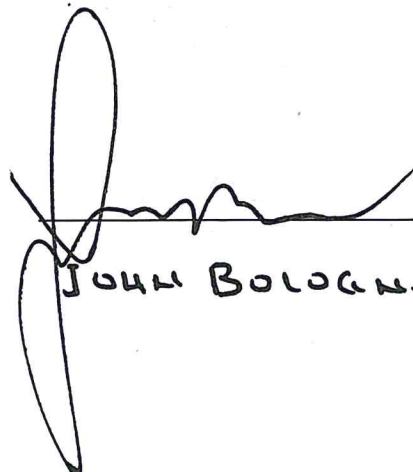
- 10.6 **Entire Declaration** This Declaration constitutes the entire Declaration of the Shareholder respecting the Corporation, and no supplement, amendment, waiver or termination of this Declaration shall be binding unless executed in writing by the Shareholder.
- 10.7 **Number.** In this Declaration, any reference in the singular shall include the plural, and vice versa, as the circumstances may require.
- 10.8 **Time of the Essence.** In this Declaration, time shall be of the essence.
- 10.9 **Governing Law.** This Declaration shall be governed by and construed in accordance with the laws of the Province of Ontario

IN WITNESS WHEREOF the Shareholder has executed this Declaration this 27th day of May, 2019.

The Corporation of the
City of Kingston



Mayor Bryan Paterson



City Clerk

JOHN BOLOGNONE

Attachment 3 (of 5):

Mission and Vision

Mission:

To distribute electricity in a safe and reliable manner, while keeping rates affordable and providing long-term value to the community. We do this by participating in Kingston's unique multi-utility model.

Vision:

A modern, responsive energy company, building a strong future for communities and customers through stewardship, partnership, innovation and service excellence.

Attachment 4 (of 5):

Corporate Policy - Code of Conduct

TYPE: Human Resources	SUBJECT: Code of Conduct	DATE ISSUED: March 2, 2018
APPROVED BY: Jim Keech, President & C.E.O.	ACCOUNTABILITY: Human Resources	REVISED DATE:

APPROVAL:

J. A. Keech, President & C.E.O., Utilities Kingston	Date

REVISED:	PAGE 1 OF 15
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Dear Colleague:

Utilities Kingston has provided local residents with safe and reliable utility services for over 150 years. Our name and corporate structure have changed, but one thing has remained constant—the trust our community places in us.

Our employees have worked hard over the years to protect our company's reputation and achieve excellence in our industry. Our success is built on employees acting with integrity, making ethical decisions, working safely and treating our customers, suppliers, stakeholders and each other with respect.

The Utilities Kingston Code of Conduct is a set of standards that we are all accountable to. It identifies and establishes expectations for employees and contractors who work on behalf of Utilities Kingston. The Code guides how we maintain the respect of our customers, stakeholders, community and colleagues—and provides a common understanding of the way we do business every day.

It is important that you read the Code and refer to it often. It answers many frequently asked questions and explains how to find additional help. If ever in doubt on how to handle a situation, ask your supervisor, a member of the management team or human resources department for guidance.

I am confident, that with your help, Utilities Kingston will continue to achieve excellence as we manage, operate and maintain local infrastructure and build better communities. By following this set of standards and making decisions accordingly, we will maintain our good reputation and our place of work as something we can all be proud of.

Thank you for the commitment you demonstrate every day.

Sincerely,

Jim Keech
President & C.E.O.

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INTRODUCTION

At Utilities Kingston the greatest asset we maintain is our reputation.

The pages of this Code of Conduct will guide you through the expectations Utilities Kingston has of you as an employee. At the forefront of any of our business decisions is why we are here and where we want to go, which you will find in our Mission and Vision.

Equally important is ensuring each and every one of our decisions is aligned with our four values of Safety, Integrity, Innovation and Reliability. Our values are not something that we aspire to, they are a standard of expected behaviour and performance that we commit to every day we come to work.

MISSION

Manage, operate and maintain community infrastructure to deliver safe, reliable services and a personal customer experience

VISION

Advance the unique multi-utility model to benefit our customers and build better communities

VALUES

SAFETY – be safe, be well

- Ensuring safety of our people in the workplace
- Engaging our people in matters that affect their health, safety and well-being
- Supporting initiatives for health and wellness
- Ensuring public safety of our services and our worksites
- Looking out for the safety of others and having the courage to intervene

INTEGRITY – doing what's right


- Communicating openly, honestly and with respect
- Recognizing the value of our people
- Promoting trust and professionalism in our workplace
- Taking responsibility for our actions; personally and corporately and admitting when we make a mistake
- Treating our employees and customers with decency and fairness
- Making decisions which provide the best value for the dollar

INNOVATION – challenging the status quo

- Adopting best practices and opportunities for continued improvement
- An environment where employees are empowered to pursue new, creative ideas and solutions
- Exploring new and emerging technologies
- Implementing solutions to improve service delivery
- Strengthening communication strategies to improve employee and public awareness

RELIABILITY – we can count on each other

- Providing dependable infrastructure for the communities we serve
- Being accountable to each other

- Following through, personally and corporately, to get the job done
 - Collaboration and working as one team
 - Sharing our knowledge and expertise
- 

RESPECTFUL WORK ENVIRONMENT

We commit to ensuring the safety of our people. To that end, we will ensure our work environment is **free from unlawful discrimination, harassment or violence in the workplace** by setting the expectation that we treat each other, our customers, suppliers and the public with dignity and respect every day. We are committed to providing a respectful workplace where everyone is provided with equal rights and opportunities by prohibiting any discrimination or harassment based on race, ancestry, place of origin, ethnic origin, citizenship, colour, gender identity or expression, sex, sexual orientation, disability, creed, age, marital status, family status and record of offenses.

If you feel you have been subjected to discrimination, harassment or violence in the workplace, where possible and appropriate, address the behavior with the individual. If you are not able to address the behavior, you are expected to advise your immediate supervisor, human resources or someone in authority within the organization. If you observe or become aware of discrimination, harassment or violence against another employee, have the courage to report the behavior. Employees must follow the organization's Workplace Harassment Policy and Procedure and seek clarification where there are questions.

We are committed to assessing and responding to all reports of real or perceived unlawful discrimination, harassment or violence. Retaliation against anyone who reports violations to the policy will not be tolerated.

What Generally Constitutes Harassment, Discrimination or Violence

- Serious or repeated, rude, degrading, or offensive remarks such as teasing about a person's physical characteristics or appearance, put-downs or insults
- Displaying sexist, racist or offensive pictures, posters, or sending emails related to one of the prohibited grounds under the Canadian Human Rights Code
- Repeatedly singling out an employee for meaningless or dirty jobs that are not part of their normal duties
- Threats, intimidation or retaliation against an employee, including one who has expressed concerns about perceived unethical or illegal workplace behaviours
- Unwelcome social invitations or comments with sexual overtones, unwelcome sexual advances
- Isolating a person by ostracizing them, not speaking to them, ignoring them or not sharing information required to successfully perform the duties of their role
- Maliciously speaking about a co-worker, spreading malicious rumours, using intimidation techniques or ridiculing or humiliating a fellow employee

Scenarios

Q – One of my co-workers continually makes comments to me with sexual overtones that make me feel uncomfortable. I want these comments to stop. What should I do?

A – If you are comfortable and it is appropriate, approach the employee and explain that their comments make you feel uncomfortable. If you do not feel comfortable, report the behavior to your immediate supervisor, human resources or someone in authority within the organization. The organization is committed to providing a safe and health work environment for all employees of Utilities Kingston.

Q – There is an employee in my work group that ignores me and keeps information from me necessary for me to do my job. He also spreads rumours about me and when we're in meetings he embarrasses me in front of others by making fun of my comments or suggestions. I don't know what to do.

A – If your co-worker is ostracizing you, not speaking to you, ignoring you or is not sharing information with you that you require to successfully perform the duties of your role, it may constitute harassment. This behavior must be reported by using one of the options available to you in the Harassment, Sexual Harassment and Violence in the Workplace Procedure.

HEALTH & SAFETY

Every employee, contractor, supplier, visitor and member of the public have the right to be protected from the hazards or risks associated with the services Utilities Kingston performs. Utilities Kingston will provide a healthy and safe work environment and works hard to prevent personal illness or injury at work. To accomplish this task, Utilities Kingston commits to preventing illness or injury by meeting or exceeding applicable Health and Safety standards. We will engage our employees in matters that effect their health, safety and well-being by continuously communicating, promoting and training health and safety awareness amongst employees, contractors and the communities in which we work.

A healthy and safe work environment requires all employees to participate in the implementation, maintenance and continual improvement of the Health and Safety Program. Remember, Utilities Kingston has a responsibility to assign safe work. Every employee has an obligation to refuse work they believe to be unsafe. We ask that you look out for the safety of others and have the courage to intervene if appropriate. To reach our goal of zero injuries, all employees must take a unified approach and individual accountability for our health and safety. We want all employees to be safe and be well.

Scenarios

Q - What should I do if I feel that I am asked to do unsafe work?

A - You should always talk to your supervisor to ensure they know that you feel there is a risk to your, your co-workers or the public's safety. If you feel there is an immediate threat to your health and safety ensure that you make it clear that you are making a work refusal. If it is not an immediate hazard then speak to your supervisor at your earliest convenience. Your supervisor has a responsibility to ensure you have a safe working environment. If once your supervisor has looked at it you still feel unsafe, and then speak to your JHSC.

Q - Can I refuse to take safety training?

A – No. If your supervisor has enrolled you in safety training it is important that you attend. Safety training is a means of ensuring that you have the information that you need to work safely. Your supervisor is doing their part to ensure your safety, you need to ensure that you have all of the information you need to ensure for your own safety.

Q - I do not like the personal protective equipment that I was provided with, can I stop wearing it?

A - You shall ensure that you wear all of the PPE provided to you in the same manner that it was given to you. You may not alter any equipment. Each piece of equipment was reviewed to ensure it was applicable to the risks that you face and met all of the appropriate safety standards.

ACCOUNTABILITY

Your position at Utilities is important and your skill, knowledge and experience are appreciated. Always act in accordance with any professional standards, governing bodies, applicable laws and legislation that have application to the duties you perform on behalf of Utilities Kingston. We rely on our employees to comply with any policies, procedures or guidelines Utilities Kingston has in place and act in compliance with any relevant legislation or spirit or letter of any training you have received. It is expected that you keep any licenses, certifications, or training required for your position up to date and valid. Failure to do so may result in your inability to perform work for Utilities Kingston.

Scenarios

Q – Will my manager let me know when my license is coming up for renewal?

A – No, you are responsible for keeping your licenses and certifications required to perform your role current at all times.

Q – What if I forget to renew my license, what will happen?

Scenarios

A – If your job requires you to hold a valid license to perform work or requires you to be in good standing with your governing body, it is your responsibility to renew your licenses by their renewal dates.

CONFLICT OF INTEREST

When your personal interests are or appear to be in conflict with the organization's interests you may experience a conflict of interest. Any business decisions are to be based on merit and should not unduly advantage employees of Utilities Kingston or result in personal gain for an employee, their family members or friends.

Be aware of potential conflicts and use good judgment to avoid them. If you learn of a potential, actual or perceived conflict involving either yourself or another employee, you are responsible for reporting it to your manager. A conflict of interest has the potential to damage the reputation of the Utilities Kingston brand.

Employees have the right to personal freedom outside of working hours, such as engaging in work for another company or themselves, however, such work should not conflict with the activities of Utilities Kingston. If you are employed outside of Utilities Kingston, it should not be with a supplier or competitor of Utilities Kingston; such employment should not conflict with your Utilities Kingston work duties or impact your work performance; nor should your outside business activities be advantaged by business information you gained as an employee of Utilities Kingston.

Scenarios

Q – I have a personal business on the side. Sometimes my personal work starts right after work and I don't have time to change my Utilities Kingston branded clothing. Is it okay to wear my Utilities Kingston branded clothing when I'm working for myself?

A – No. This is a conflict of interest. When you are wearing Utilities Kingston clothing you are perceived to be an employee representing Utilities Kingston and performing work on our behalf. Outside work cannot be performed in such a way that it appears you are performing work as a Utilities Kingston employee.

Q – Sometimes there is a potential for me to engage new customers to my personal business when I am speaking with customers during my work hours at Utilities Kingston. Can I give customers my personal business card?

A – No. Employees are not permitted to mention their own personal businesses or solicit customers during Utilities Kingston work hours. You cannot use your position at Utilities Kingston for private advantage or the advantage of friends, outside business partners/contacts or family members.

Q – Am I able to use Utilities Kingston resources (i.e. cell phone, time, computer, tools) to perform work for my personal business?

A – Employees may engage in employment either for themselves or another employer as long as it does not interfere with the performance of their regular duties, and it does not involve Utilities Kingston's premises or equipment and supplies that an employee has access to by virtue of their position.

ACCEPTANCE OF GIFTS & ENTERTAINMENT

At times it may be appropriate to exchange reasonable business gifts or entertainment to build relationships with suppliers and customers. Accepting modest business gifts or entertainment such as a meal is permissible where it does not compromise, or appear to compromise, your ability to make fair and objectives decisions in the best interest of Utilities Kingston.

When accepting a business gift or entertainment, the offering should be considered a normal expression of courtesy. No gifts, hospitality or other benefits should be accepted during the vendor selection process. Do not solicit any form of gift, gratuity or hospitality from a supplier or customer, unless it is for charity and you have the approval of the President & C.E.O. Any gift you receive must be legal, ethical and must not create a real or perceived business obligation or harm the reputation of the organization should the gift become disclosed.

Always use integrity based decisions when accepting gifts. Use good judgment and refer to the following guidelines to help with your decisions:

If you are in doubt about a gift, discuss it with your immediate supervisor

If a gift will result in your absence from work, a request for absence must be submitted. In some cases, it may be appropriate to use vacation time for your absence.

The gift or gratuity is being given in good will and not with the intentions of entering Utilities Kingston into a business obligation, real or perceived.

Scenario

Q – I have been invited by a supplier to participate in a golf tournament on a day that I am scheduled to work. Can I join?

A – There must be a reasonable expectation that business will be discussed and the outing would be an overall business benefit to the organization. You should seek approval from your supervisor prior to the event. In cases where there is no evidence of the event providing business value, employees may use vacation credits available to them to attend.

PRIVACY & CONFIDENTIALITY

Utilities Kingston respects the privacy of all its employees, business partners and customers. We must all protect the privacy of personal data responsibly by maintaining confidentiality and by keeping information secure.

Under applicable privacy laws, Utilities Kingston can and does only collect and use personal information for the purpose it was collected. If you have access to personal information, confidential business or financial information you cannot disclose the information without permission and for the right business reasons. Employees are expected to safeguard the confidential information of Utilities Kingston at all times. This includes sharing information outside of work hours and even if you no longer work for Utilities Kingston. Utilities Kingston commits to protecting personal data that we have access to.

If you have questions about the use, collection and disclosure of personal or confidential business information, consult the Privacy Policy.

Scenarios

Q – Can I access another employee's file?

A – You may only access an employee's file if it is required as part of your job duties or for work-related purposes and you are authorized to do so.

Q – In my position I have access to employee addresses and telephone numbers. An individual from a banking institution called to request the address and telephone number of one of my employees. Am I able to provide the information to the bank?

A – No. You have access to personal information gathered for a specific business purpose. You are not permitted to disclose personal information to a third party, like a banking institution, unless you have the express consent of the employee.

Q – As part of my role I have access to legal contractor agreements. My neighbour works for a competing contractor and has asked me how much we pay for a particular service we contract out. Can I tell him?

A – No. You have gained confidential business information as an employee of Utilities Kingston and as such you are obligated to protect that information.

COMMUNICATION

Social Media can be considered any online forums/platforms, websites and applications that enable users to create and share information and content or to participate in social networking. Users can create and post content, comment on other's content and connect socially and professionally.

When using social media, be mindful of who can see content you create, share or comment on (your potential audience). Utilities Kingston does not tolerate discrimination of any kind (see Respectful Workplace Program, Harassment in the Workplace). You are personally responsible for your actions and are accountable for the content in which you publish. It is important to remember the Internet is unforgiving and your posts are forever. Please act responsibly by considering the consequences of your online comments. Using social media to make negative comments about your employer, our customers or your co-workers is not acceptable and will not be tolerated and could infringe on an employee's right to a safe and healthy work environment. Your social media usage should not reflect poorly on or harm the reputation of the employer, fellow employees or our customers. Always treat our fellow employees and customers with decency.

The employer is able to monitor the usage of social media or an employee's use of the employer's computers/network in the workplace. For this reason there is not a reasonable expectation of privacy. Corporate media sites, resources and tools are owned and monitored by the employer.

In general, when communicating internally with fellow employees or externally with customers, contractors, suppliers or members of the public, craft your messages carefully and responsibly and always communicate with respect. Ensure your content is factual and appropriate.

Scenarios

Q - There is a co-worker in my department that I do not get along with. She is negative and I don't feel she pulls her weight. Can I post my views of my co-worker on Facebook?

A - No. It is nearly impossible to separate your professional and personal self on social media. Using social media to make negative comments about your employer, our customers or your co-workers is not acceptable and will not be tolerated. Your social media usage should not reflect poorly on or harm the reputation of the employer, fellow employees or our customers. Remember to always adhere to our core value of being respectful of others.

Q - Our department is involved in a new and very exciting construction project. The public doesn't know of the project as of yet. Am I able to tweet out the exciting news to my twitter followers?

A - No. As employees of Utilities Kingston, we may be exposed to confidential information; however, unless you are an official spokesperson for the company, it is not your job to inform customers or the public about upcoming projects. Do not disclose Utilities Kingston confidential information, such as strategies, industry information, operational information or financial forecasts on social media. Once the information has been made public on social media by the official Utilities Kingston account, you are encouraged to share it to your networks.

APPROPRIATE USE OF TECHNOLOGY

The use of our company technology tools are provided for reasons related to Utilities Kingston's business activity. Personal use of systems is authorized within reasonable limits as long as it does not interfere with or conflict with business use or your ability to perform your job. Employees are responsible for exercising good judgment regarding the reasonableness of personal use, but should remember the following principles; short duration, appropriate content and infrequent use.

Unacceptable usage includes:

Visiting online sites that could be considered to have inappropriate, offensive, harassing or unethical content or distributing such content.

Soliciting business that subsequently provides you with personal gain or profit.

Misrepresenting yourself when communicating online and representing Utilities Kingston in your online comments. Publishing information that is dishonest, untrue, misleading or inaccurate.

Publishing comments about employees that are disrespectful, harassing, have ethnic slurs, reflect poorly on the company's reputation or that of its employees or customers.

Storing materials that could be considered derogatory, inappropriate, offensive or harassing to others on your company owned electronic equipment.

Conducting outside business activities during work hours.

Online gambling, trading or other such illegal activities

Scenarios

Q – I use email and text messaging on my corporate cell phone to conduct business and to keep in communication with co-workers. Sometimes I send jokes to my friends or co-workers. Is this okay?

A – Good rapport between co-workers and a comfortable work environment is important to our culture, but remember when you use a corporate cell phone it is a business tool provided to you to assist you in your work. Jokes that are inappropriate or that may be offensive to others should not be part of your daily work conduct.

Q – May I use my company computer for personal emails from time to time?

A – Limited personal use of company electronics tools that does not interfere with your work productivity is acceptable. Sending inappropriate or offensive material via your company email is never appropriate.

THEFT & FRAUD

Employees are responsible for ensuring all financial transactions and records, including but not limited to time and attendance reporting, employee requisitions, and invoices, are prepared accurately and handled in a timely manner ensuring the proper financial controls are in place. Falsification or alteration of records, suppression of information or not submitting transactions can all be considered fraudulent behaviour.

Misappropriation of assets, property or other resources (including theft) or willfully deceiving or concealing information for your personal gain or advantage will not be tolerated.

Scenarios

Q – We have a number of bins with scrap metal in them. If it is scrap material, am I able to take it home for personal use?

A – Although used material, such as copper, may be housed in bins, the company is often able to sell or recycle used material. This is considered theft.

Q – I think a co-worker is reporting hours that he did not work. What should I do?

A – Knowingly recording hours that an employee did not work demonstrates a lack of integrity and is a form of theft. We are fiscally responsible to our company and our customers. Report your concern to someone in authority.

DRUG & ALCOHOL USE

Utilities Kingston does not tolerate employees who are under the influence of drugs and/or alcohol during work hours or the consumption of or the possession of illegal substances or alcohol during work hours. Employees are expected to report to work fit to perform the duties of their job. Employees who believe they have a drug or alcohol problem are advised to inform the employer and seek professional help. Failure to do so will result in termination of employment.

If during the course of a business meeting or event, alcohol is made available, employees are expected to be responsible and use good judgment. Employees on business related travel, training or conferences, may consume alcohol provided the business portion of the day is completed and the employee is not expected to perform work-related duties. Employees are expected to drink responsibly at all times and are prohibited from driving a Utilities Kingston vehicle after consuming any drugs and/or alcohol. Refer to the organization's Substance Abuse Policy and seek clarification where there are questions.

Scenario

Q – I am attending a business dinner meeting with a vendor. Is it okay to consume alcohol?

A – If you are consuming alcohol at a business meeting you are always expected to use good judgment and obey all provincial laws.

CRIMINAL & OTHER CHARGES

If you are convicted of a violation of Canadian laws, regulations or statutes and a conviction could affect your ability to carry out the duties of your job or if you are charged with a violation that affects your ability to carry out the duties of your job, you must inform your direct supervisor.

Scenario

Q – I lost my driver's license associated with a traffic law conviction but am able to get to and from work reliably. Although my position requires a valid driver's license, a member of my crew can drive the Utilities Kingston vehicle during work hours so I do not have to drive while at work. Do I have to report to management that I do not have a valid driver's license?

A – Yes. If a valid driver's license is a required qualification of your position at Utilities Kingston you must report that you no longer meet the qualifications of your role. Appropriate follow up will then occur. Where appropriate and possible, accommodations may be made.

RAISING CONCERNS

If you have questions or concerns related to the Code of Conduct seek assistance from your direct supervisor, a member of the management team or human resources. If you suspect a violation of the Code or related policies and procedures, consult your direct supervisor – it is not only your right but your obligation. Utilities Kingston does not tolerate retaliation against anyone who reports a possible or perceived violation or concern, in good faith.



Kingston Hydro Corporation
Filed: June 17, 2022
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Exhibit 1
Tab 3
Schedule 13
Attachment 5
Page 1 of 1

Attachment 5 (of 5):

Board Mandate of Kingston Hydro Corporation

Board Mandate

Kingston Hydro Corporation

January 2017

The role of the Board is to establish the governance and strategic direction of the Corporation, assigning responsibility to management for the implementation of the strategies and to monitor performance against approved objectives.

The Board is responsible to provide oversight of the business and affairs of the Corporation, with a view to preserving and enhancing the value of the company. The Board oversees the company's approach to corporate governance, succession planning, risk management activities and financial and compliance reporting.

The Board appoints the Chief Executive Officer and senior officers and will ensure that the senior management team is competent to oversee the management of the business and that business is conducted in an ethical and legal manner. The day-to-day management of the business and affairs of the Corporation is delegated by the Board to the President and Chief Executive Officer.

Board Competency Matrix

The Board has established a competency matrix that identifies competencies that are required to ensure proper oversight of the Corporation. These competencies will be reviewed annually. In addition, prior to recruiting to fill a vacancy on the Board the competency matrix shall be reviewed and used to provide guidance with respect to selecting and individual for nomination to the Board.

Committees

The Board has established two committees, an Audit and Risk Management Committee and a Governance, Nominations and Compensation committee. Each committee is governed by a Committee mandate.

Specific Responsibilities of the Board

Officers and Senior Management

The Board is responsible for, but is not limited to, the following:

- Appointing the Chief Executive Officer and establish the duties of the Chief Executive Officer.
- Monitoring and evaluating the performance of the Chief Executive Officer.
- Ensuring that there is an appropriate plan for succession of the Chief Executive Officer.
- Appointing the other Officers of the Corporation.
- Satisfying itself as to the integrity of the Chief Executive Officer and the senior management of the Corporation.

APPROVALS REQUESTED

Kingston Hydro Corporation is requesting that the Board provide it with an order or orders approving or fixing just and reasonable rates for the distribution of electricity and other changes, as specified in this Application, to be effective January 1, 2023.

In this application, Kingston Hydro Corporation has proposed, in addition to rate charges, matters which require the Board's consideration and approval.

These include the following:

1. The Applicant requests that the Board approve the 2023 Schedule of Rates and Charges effective January 1, 2023 as found at Exhibit 8 Tab 4 Schedule 1 Attachment 2,
2. Specifically, the Applicant hereby applies for an order or orders granting approval of:
 - a. Its forecasted 2023 Service Revenue Requirement of \$14,987,724 which leads to a Base Distribution Revenue Requirement of \$14,175,831, net of other revenue as detailed in Exhibit 6,
 - b. Its proposed load forecast for the 2023 period as detailed in Exhibit 3,
 - c. Its proposed cost allocation methodology for the 2023 period as detailed in Exhibit 7,

- d. Its proposed PILS recovery amounts as calculated and detailed in Exhibit 6,
- e. Its proposed capital additions and depreciation expense for 2023 as set out in Appendix 2-BA,
- f. Its Distribution System Plan filed in Exhibit 2,
- g. Its proposed long term debt rates and proposed capital structure for 2023 as detailed in Exhibit 5,
- h. Updated Retail Transmission Service Charge rates as described at Exhibit 8 Tab 2 Schedule 1,
- i. An updated loss adjustment factor based on the most recent prescribed methodology,
- j. Approvals for the clearance related to the December 31, 2021 audited balances of \$587,498 for Group 1 DVA accounts, and associated class specific rate riders and manual adjustments effective January 1, 2023 as set out in Exhibit 9 - Deferral and Variance Accounts,
- k. Approvals for the clearance related to December 31, 2022 forecast balances of \$14,111 for Group 2 DVA accounts, and associated class specific rate riders and manual adjustments effective January 1, 2023 as set out in Exhibit 9 - Deferral and Variance Accounts,
- l. Approval for the clearance of the balance in its Lost Revenue Adjustment Mechanism Variance Account ("LRAMVA") of \$407,408, resulting from Conservation and Demand Management ("CDM") activities up to December 31, 2022 as identified in Exhibit 9 Request for Disposal of Account 1568 LRAMVA,
- m. The Specific Service Charges, Retail Service Charges, Transformer Allowance and Primary Metering Allowance as they currently exist,
- n. The Applicant's current distribution rates becoming interim commencing January 1, 2023 if the preceding approvals cannot be

- 1 issued by the OEB in time to implement final rates effective January
2 1, 2023,
- 3 o. Approval to establish an account to recover any differences
4 between the interim rates and the actual rates effective January 1,
5 2023 if the preceding approvals cannot be issued by the OEB in
6 time to implement final rates effective January 1, 2023, and
- 7 p. Approval of other items or amounts that may be requested by
8 Kingston Hydro in the course of the proceeding, and such other
9 relief or entitlements that the OEB may grant.

Exhibit 1: Administrative Documents

Tab 4 (of 10): Distribution System Overview

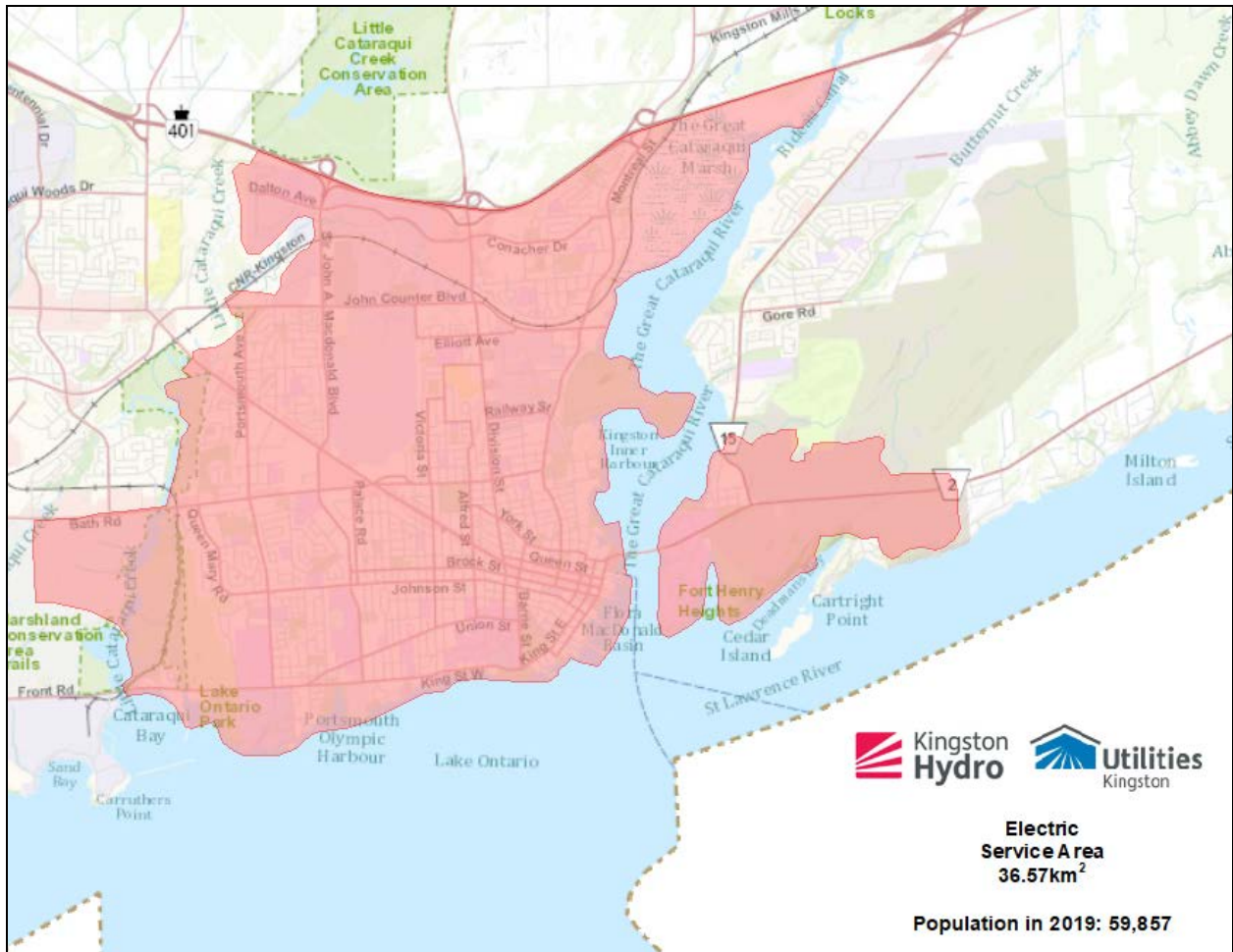
DESCRIPTION OF SERVICE AREA

Kingston Hydro delivers electricity to an urban service territory 36 square kilometres in size. Underground distribution is generally found in the downtown area and newer subdivisions while a mix of Underground and Overhead distribution is found throughout the rest of the distribution area. Kingston Hydro's service area is not characterized as "greenfield expansion" but rather is becoming increasingly impacted by denser urban intensification development. Kingston Hydro has traditionally experienced a low growth rate (1% or less) for several decades. Over the past decade, Kingston Hydro's total annual energy consumption flat-lined and its annual peak system demand declined slightly.

Community Served by Kingston Hydro Distribution System:

- The City of Kingston as it existed prior to amalgamation on December 31, 1997
- Collins Bay Penitentiary which is now included in the amalgamated City of Kingston
- The Village of Barriefield
- Canadian Forces Base Kingston including McNaughton and Vimy Barracks and the residences for military personnel which are managed by the Canadian Forces Housing Authority.
- Royal Military College and Fort Henry

1



2

Exhibit 1: Administrative Documents

Tab 5 (of 10): Customer Engagement

CUSTOMER ENGAGEMENT

For over 100 years, Kingston Hydro has helped build, maintain, and enhance the City of Kingston. Through its affiliate, Utilities Kingston, this reach is extended beyond electricity distribution services to natural gas distribution, and water and wastewater services. This multi-utility approach provides many opportunities for employees to connect and engage with the Kingston community and our customers. The following summarizes both the daily customer interactions essential to how we deliver service excellence, as well as the specific engagement activities focused on gathering customer input to the Distribution System Plan.

Customer engagement is informed by environmental factors that include:

- Always on, always connected society with ever increasing social engagement. This necessitates a proactive approach involving two-way instead of one-way interaction, giving customers an important voice.
- The shift in communications practices from heavily scripted and planned to agile and responsive, necessitating a flexible and open approach.
- The increased priority of enhanced customer service identified by both the Utilities Kingston Shareholder and the Ontario Energy Board.
- Customers' proven trust in our reliability, and continued community support and engagement. Utilities Kingston delivers service excellence to its customers, with a particular strength in the time it takes us to resolve customer questions and complaints.
- Customers rely on electricity and want to know that their utility is both a trusted and credible organization that is well managed, is accountable, is socially responsible and has its financial house in order.

1 Kingston Hydro and Utilities Kingston appreciate that engaged customers
2 understand who their utility is, what they do, and are better prepared to provide
3 input on the long-term cost-benefit decisions made by their LDC. We are
4 committed to increasing customer and community engagement with Utilities
5 Kingston and Kingston Hydro.

6
7 It is important that customers feel empowered in their interactions with Utilities
8 Kingston and Kingston Hydro; we were glad to provide customers with a variety
9 of online and offline opportunities to learn about electricity distribution and
10 provide feedback on the proposed company plans.

11
12 To ensure a broad reach and that all customers were included and made aware
13 of the opportunity, we complemented this personal approach with multiple,
14 integrated communications tactics. We met face to face with customers, created
15 an online survey and held meetings with many of the various groups that make
16 up our customer base. In addition, we looked to the data collected as part of the
17 2019 and 2021 customer satisfaction survey required by the Ontario Energy
18 Board.

19
20 As part of this engagement process, customers gained knowledge they may not
21 normally have had the opportunity to learn. During a public meeting on May 29,
22 2019, senior company leaders offered details on proposed plans to upgrade
23 equipment and ensure the continued reliability of electricity services, consulting
24 with customers on various factors. Great focus was placed on informing
25 customers through a short video, display boards, and a power point presentation
26 followed by a Q&A session. Talking one-on-one with our customers on their
27 experience with our utility was rewarding. When customers are educated about
28 their utility services and given an opportunity to provide input into plans, they are
29 empowered and feel more engaged.

1 In July 2019, we invited customers to participate in an online survey and have
2 their say about our electricity rate application. Our website was updated and
3 various communications mediums (including bill inserts, radio advertising, media
4 release and social media, etc.) were used to invite residential and small
5 commercial customers to participate. The survey was held for two weeks, and we
6 received 90 responses, with 91 per cent of those being residential customers.
7 The results told us that reliability of services and low cost continues to be the
8 main concern for our customers. Of the respondents, 58 per cent identified
9 reliability as being the most important with 42 per cent of customers choosing low
10 cost. We advised customers that our rates are currently in the bottom half of
11 Ontario's distributors and our focus is to continue this with a reasonable balance
12 between rates and reliability. Customers supported that approach as well as the
13 proactive approach to renewing infrastructure and to improve the system for
14 safety and reliability.

15
16 To better understand the importance of emerging technology we asked our
17 customers if they had plans to purchase electric vehicles, install solar panels or if
18 they currently have their home thermostats connected to the internet. We learned
19 that 13 per of respondent's plan to purchase an electric vehicle by 2024 while
20 nine per cent plan to install solar panels on their homes. As of 2019, 14 per cent
21 use a thermostat that connects to the internet. We plan to use the information
22 provided by this survey to help shape our future planning and ensure that our
23 services continue to remain reliable and relevant to our customers.

24
25 In addition to these targeted engagement initiatives, we also engaged
26 UtilityPULSE, a division of Simul Corporation, to perform a third-party customer
27 satisfaction survey in the fall of 2019, and again in the fall of 2021. This customer
28 satisfaction survey is required by the Ontario Energy Board and provided results
29 for Utilities Kingston's electricity customers, along with comparisons to Ontario

1 and national utilities. These represent the third, and fourth customer satisfaction
2 survey conducted by Kingston Hydro. In August and September of 2019, and
3 again in 2021, a random sample of 400 residential and small commercial
4 electricity customers responded to the telephone survey. The 2019 results told us
5 that customers continue to be concerned about the rising cost of electricity. The
6 overall customer experience performance rating was 89 per cent, slightly higher
7 than the national and provincial averages. Our customers view us as
8 trustworthy, capable of efficiently handling power outages and professional when
9 handling customer inquiries.

10
11 From our 2021 survey results, we deduced that although the COVID 19
12 pandemic was top-of-mind, utilities were one less thing customers had to worry
13 about. Our overall customer satisfaction results remained high. The overall
14 customer experience performance rating increased to 90 per cent which is an
15 improvement over the 2019 results and higher than the 2021 national and
16 provincial averages. Our customers believe we provide them with consistent,
17 reliable electricity, have a high standard of reliability, quickly respond to outages
18 and that we deliver on our service commitments.

19
20 The backbone of this customer engagement strategy is to directly communicate
21 with multiple customer groups to inform them about the rate application process
22 and the investments needed to ensure the continued safety and reliability of the
23 electricity system.

24
25 In October and November of 2019 our focus was on segmenting customers so
26 that feedback could be targeted. Along with the prior engagement outlined
27 above, these targeted customers meetings allowed us to hear directly from these
28 specific groups.

29

1 We used these opportunities to ask customers to share their feedback on the
2 services we provide. Their feedback identified support for the following:

- 3
- 4 • Capital improvements that improve reliability
 - 5 • Pacing the investment for rate stability
 - 6 • The commitment to keep operating costs below the actual inflation rate
 - 7 • Maintaining levels of customer service, including the one bill for all utilities
 - 8 • More frequent meetings to discuss utility issues
 - 9 • Continued focus on collaboration of projects
- 10

11 After our initial customer meetings, further meetings were held with large
12 customers to better understand their plans and ensure alignment with Kingston
13 Hydro planning. These meetings took place over the course of 2020 and 2021.
14 We also communicated with our unmetered customers, including street lighting
15 customers, and informed them that we were preparing Kingston Hydro's five-year
16 investment forecast for 2023-2027 and how this plan will help determine
17 company priorities and rates beginning in 2023 and delivered a commitment to
18 share information and keep them updated through our regular communication
19 channels.

20

21 Based on the results of our customer engagement activities, Kingston Hydro's
22 Distribution System Plan was influenced in the following ways as reflected in our
23 application:

24

- 25 • Maintain distribution rates in the bottom half of Ontario's distributors
 - 26 • Provide a reasonable balance between rates and reliability
- 27

- 1 Originally planned for April 2020, and then delayed due to the pandemic, in
- 2 February 2022 we held follow-up meetings with our targeted customer segments.
- 3 At these meetings, we provided an update to customers on how their comments
- 4 and feedback helped share our distribution system plan and provided an
- 5 opportunity for comments and questions.
- 6
- 7 For a list of all customer engagement activities please refer to Appendix 2-
- 8 AC_Customer Engagement.



Kingston Hydro Corporation
Filed: June 17, 2022
EB-2022-0044
Exhibit 1
Tab 5
Schedule 1
Attachment 1
Page 1 of 1

Attachment 1 (of 2):

2019 Customer Engagement Presentation



Have Your Say in Shaping Electricity Plans

May 29, 2019

Our vision

To advance the unique multi-utility model to benefit our customers and build better communities.

Our mission

To manage, operate and maintain community infrastructure to deliver safe, reliable services and a personal customer experience.

Our company values



Safety



Integrity



Innovation



Reliability

Engagement Process



- Give feedback online:
UtilitiesKingston.com/HaveYourSay
- Join the conversation: June 3-7 on Twitter
[@utilitieskngstn](https://twitter.com/utilitieskngstn)

All input will be included in our application to the OEB

Have Your Say



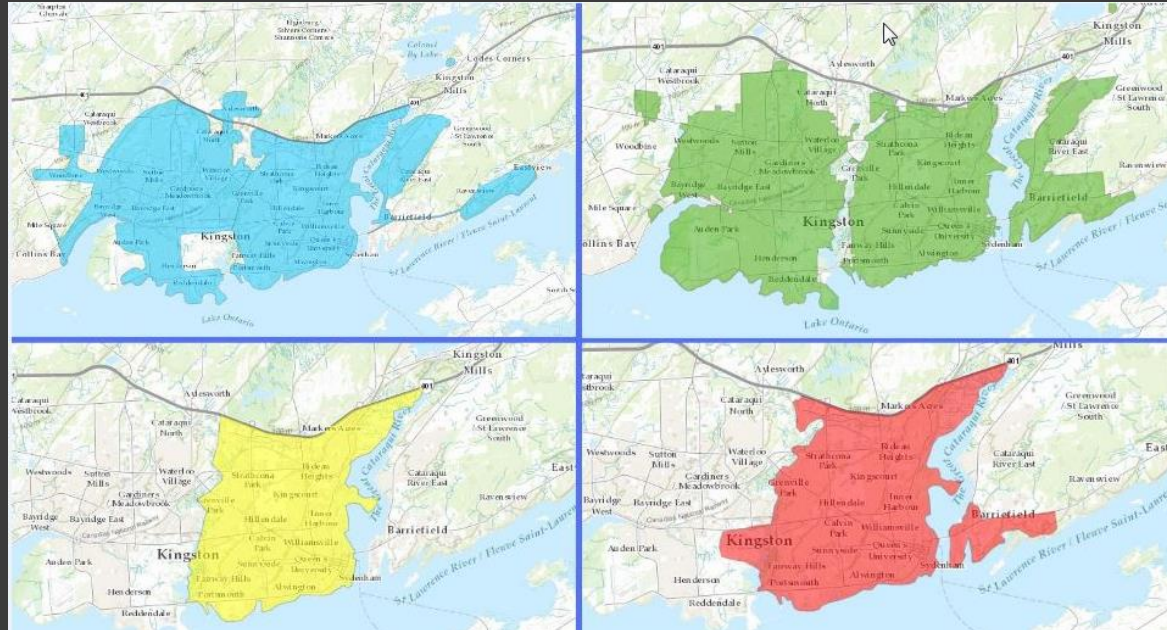
[Watch the 'Have Your Say' video.](#)

What are we Seeking Input on?

- Spending decisions
- Reliability factors
- New technology



The Multi-Utility Model



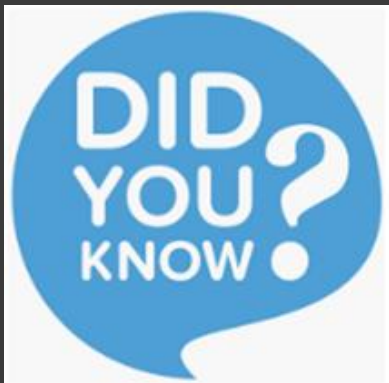
- **Electricity services:** central Kingston, Barriefield, and CFB Kingston
- **Natural gas services:** central Kingston
- **Water and wastewater services** to the entire city
- We also provide **broadband networking services**

The Multi-Utility Model



Benefits

- Cost saving for customers
- Excellent customer service
- Coordinated work efforts



Our model yields savings for customers of approximately \$3 million per year



Photo © Paul Wash

The Multi-Utility Model

One Excavation



We Work On
These Utilities

Electric

Water

Wastewater

Gas



One Site Restoration



Saves money

Saves resources

*Reduces customer
inconvenience*

Accomplishments 2016-2020



✓ Pole replacement

- Over \$7 million to replace poles in poor condition; resulted in 900 poles replaced



Accomplishments 2016-2020



✓ **Underground
Transformer Vaults -**
\$1.8 million project



✓ **Substation No. 1
Rebuild project –**
Total rebuild will cost
\$5.7 million over 7
years



Photo © Paul Wash

Proposed Projects



Photo ©
Paul
Wash



Replacing Underground Cable

- Cable faults are a main cause of emergency power outages with long restoration times
- Some cables are 70+ years old and not able to handle today's electricity loads



Underground Transformer vaults

- Weakened, aged vaults need to be replaced for public and worker safety
- To safely operate old oil switches, we must force power outages
- Vaults provide flexibility to the local grid, yet older parts can be difficult to source



Substation Upgrades

- The No. 1 Substation supplies electricity to the downtown core
- Old transformers and oil circuit breakers are deteriorating
- Replacing them provides capacity for downtown growth and ensures a reliable supply of electricity



Photo © Paul Wash



- Some equipment dates back to the 1930's.

Rates



How are they set?

- Our utilities are funded through user rates and based on actual usage
- City Council sets the rates for water, wastewater, and natural gas
- The Ontario Energy Board sets our electricity rates



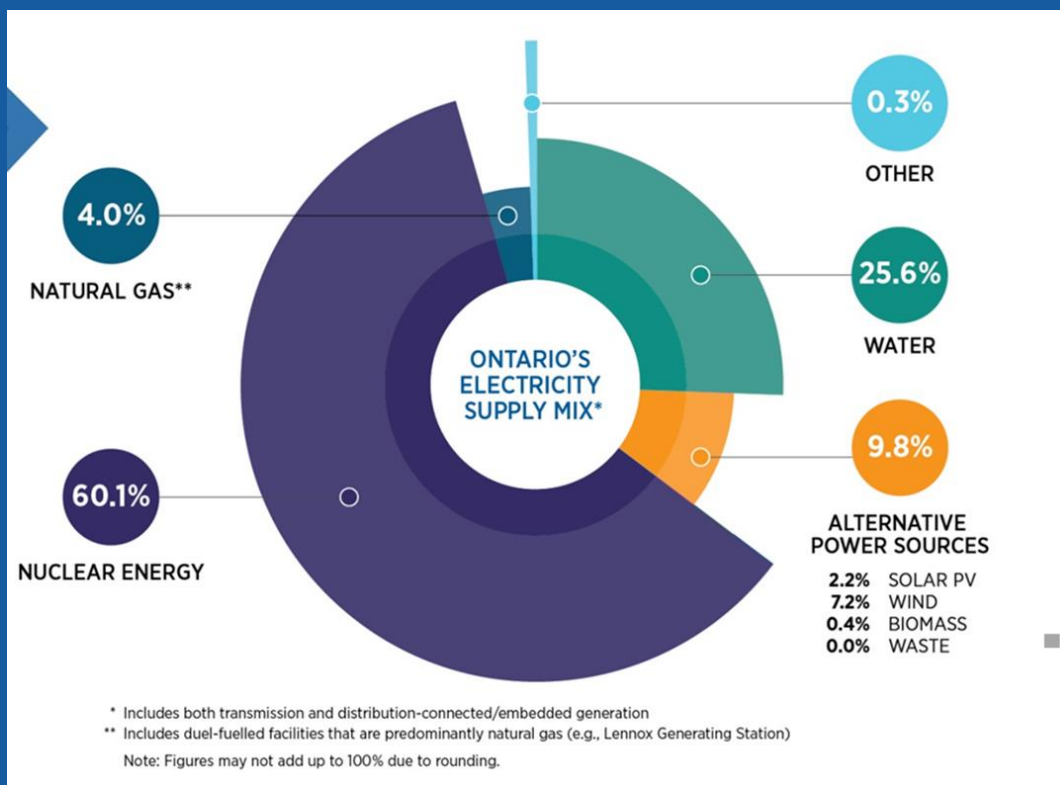
Rates

OEB Rate Setting Process

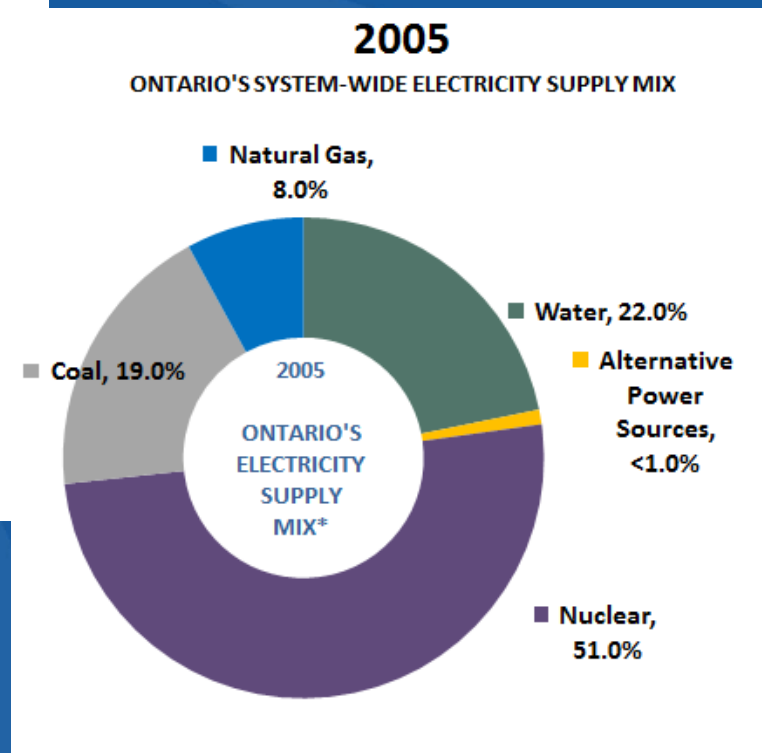


- An application is submitted to the Ontario Energy Board (OEB)
- Capital expenditures are based on a five-year Distribution System Plan (DSP)
- Operational expenditures are approved by the OEB
- The application is due April 2020 for rates to be in effect January 1, 2021

Ontario's Electricity Supply Mix



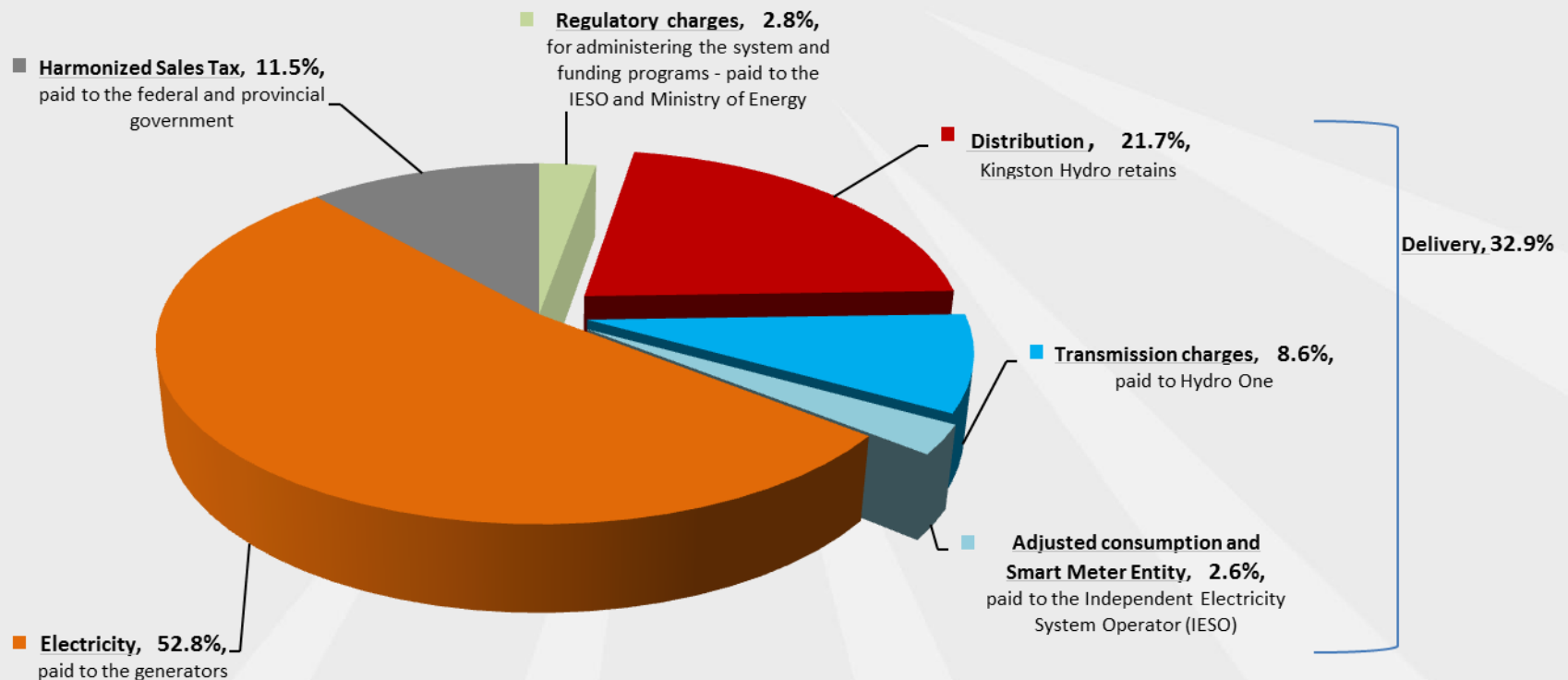
Source – Ontario Ministry of Energy



What Makes Up Your Bill?



Kingston Hydro Residential Electricity Bill

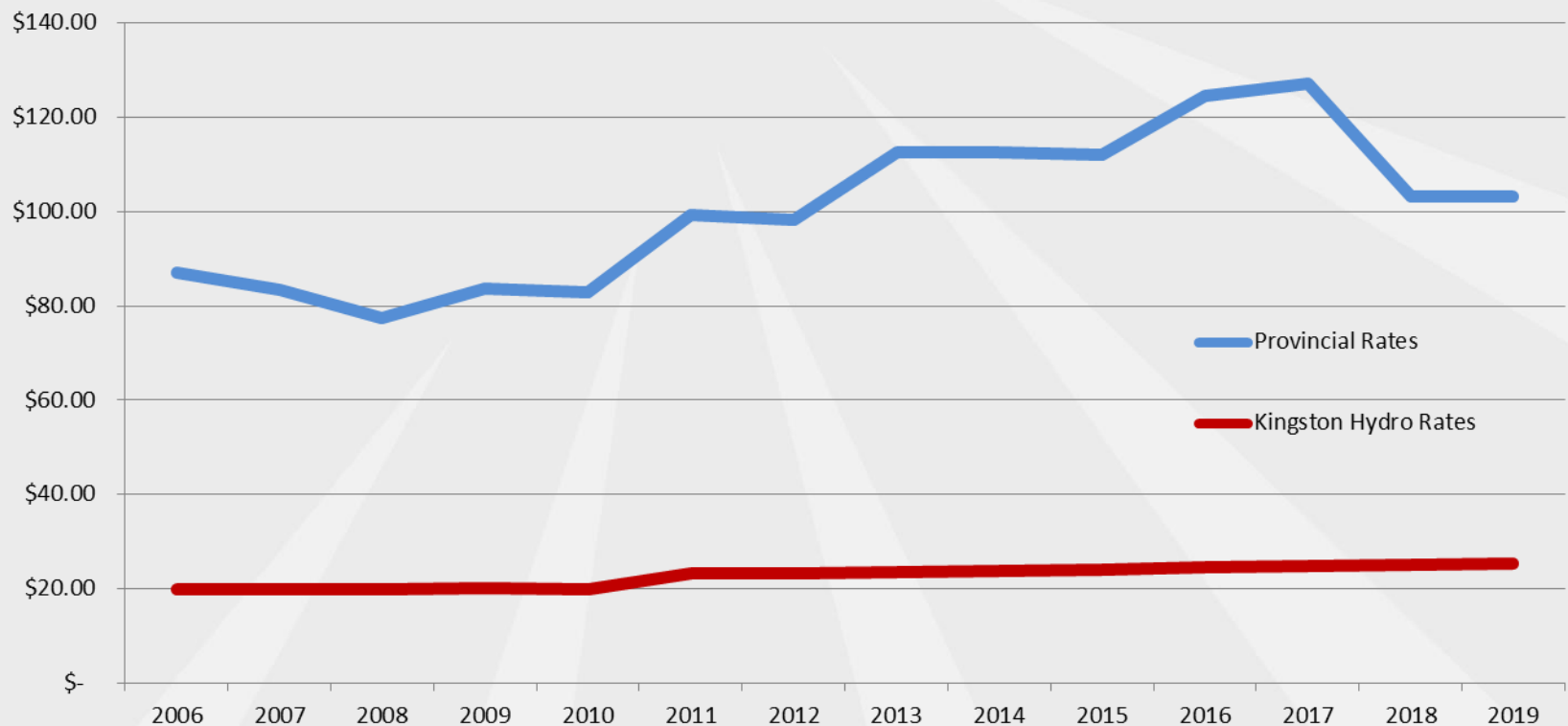


* For the average Standard Supply Service residential customer using 750 kWh per month.
The per centage above does not include the 8 per cent provincial rebate.

Comparing our 22% Bill Portion



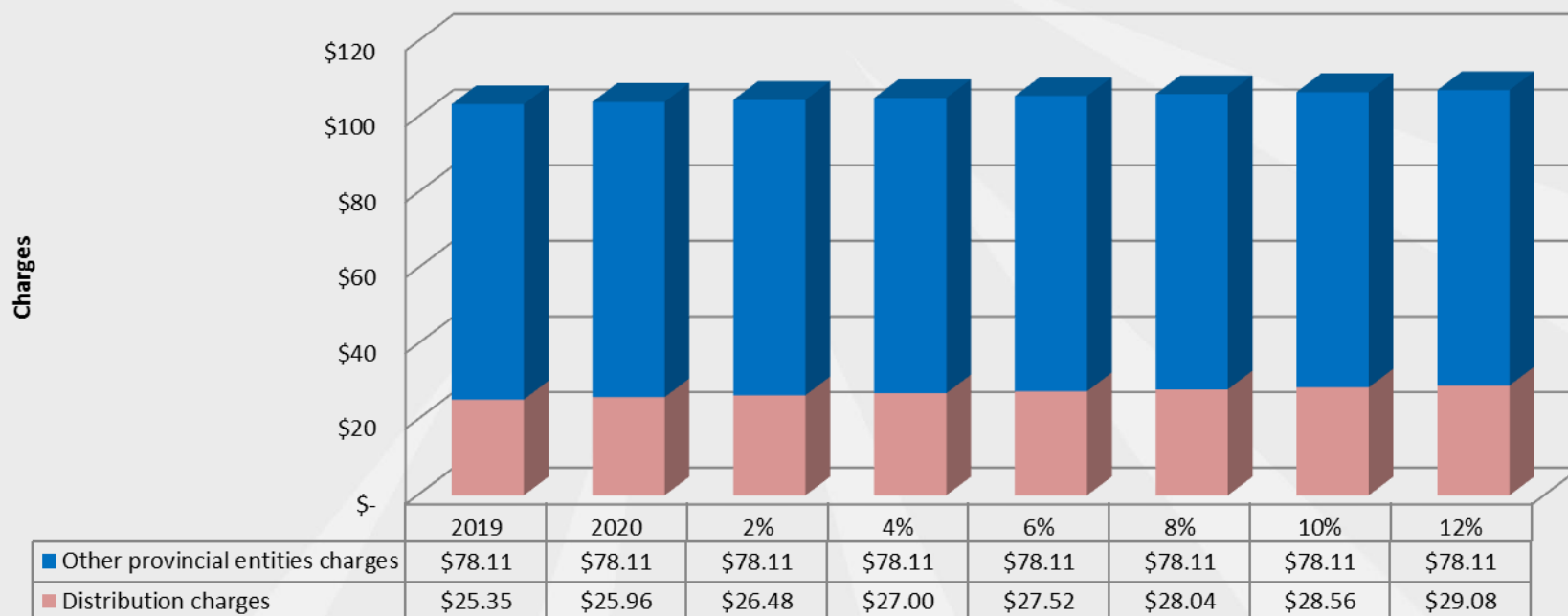
Provincial Entities Rates vs Kingston Hydro Rates



Distribution Rate Adjustment Range



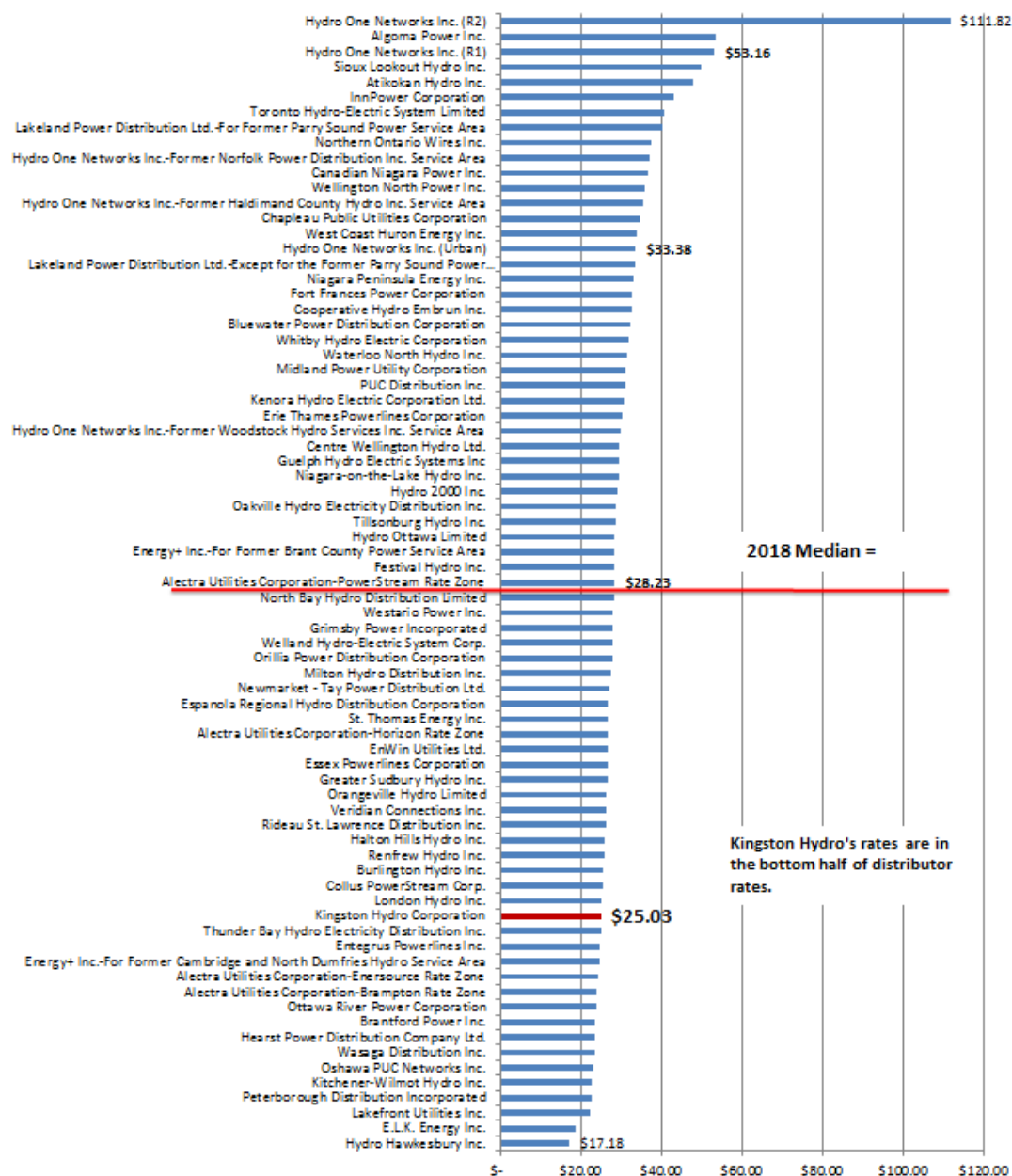
Impact on a Residential Electricity Bill 2021



* For the average Standard Supply Service residential customer using 750 kWh per month.
The 8 per cent provincial rebate and the Harmonized Sales Tax (HST) not included above.

** This range of per centage increase impacts a monthly bill by an estimated \$0.50 - \$3.12.

2018 Residential monthly Distribution Charges only
by distributor and service area



Have Your Say

1. Spending decisions
2. Reliability factors
3. New technology



Have Your Say



Q.1

- What are your questions about Utilities Kingston's electricity services?

Q.2

- What is most important to you?

Q.3

- How would you like to receive updates about this project?

Conservation and Demand Management (CDM)

History of CDM in Ontario



March 2010 – Ministerial Directive

- Enabled by Green Energy Act
- First framework from 2011-2015
- Exceeded both demand and consumption targets

Conservation First Framework 2015-2010

- Consumption target only
- Were on track to exceed target, while staying under budget

History of CDM in Ontario



- On March 21, 2019, the Ministry of Energy announced that electricity conservation programs in Ontario will be centrally-delivered or cut.
- Fixing the Hydro Mess Act (formerly Bill 87) came into effect May 8, 2019.

Residential Programs



- Deal Days
- Home Assistance Program (HAP)
- Heating and Cooling Incentive Program



Business Programs



- Small Business Lighting
- Business Refrigeration Incentive
- Audit Funding Program
- High Performance New Construction
- Retrofit
- Engineering Feasibility Studies
- Process and Systems Upgrade Program
- Energy Manager
- Training Incentives
- Monitoring and Targeting Program
- Existing Building Commissioning Program



What's Next?

- Applied to deliver a smart thermostat incentive program.
- Opportunity to create made-in-Kingston conservation programs.



Thank You for Participating!



➤ Please provide your email address so we can send you our survey.



Further inquiries : Audrey Jones, Manager, Customer Relations
ajones1@utilitieskingston.com 613-546-1181 Ext 2711



Attachment 2 (of 2):

2022 Customer Engagement Presentation

Distribution System Plan

You gave your say in shaping our electricity plans



Safety



Integrity



Innovation



Reliability



Safety



Integrity



Innovation



Reliability

Our vision

To advance the unique multi-utility model to benefit our customers and build better communities.

Our mission

To manage, operate and maintain community infrastructure to deliver safe, reliable services and a personal customer experience.



Safety



Integrity



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Reliability



Utilities Kingston is preparing to submit Kingston Hydro's multi-year electricity distribution plan to the Ontario Energy Board.



Safety



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Reliability

Impact of COVID 19



- Analysis of capital project work
- Payment assistance relief for customers
- Set to rebase rates for 2021
 - Deferred due to COVID and approved by OEB
 - Second deferral requested to 2023



Safety



Integrity



Innovation



Reliability



- Public meeting – May 29, 2019
- Conversation on Twitter: June 3-7, 2019
- Online survey – July 3-17, 2019
- Target customer meetings – Oct / Nov, 2019



Safety



Integrity



Innovation



Reliability

We asked for your
input on



- Spending decision
- Reliability factors
- New technology



Safety



Integrity



Innovation



Reliability

What was important to you?



- Climate change and preparing for the future grid
- Conservation programs
- Keeping rates as low as possible
- Focus on safety of our customers and employees
- Support for low-income customers
- Coordinate electric work with customer project / needs



Safety



Integrity



Innovation



Reliability

- Updated 2022-2027 Capital plan with consideration of reliability and pacing of investments.
- Developed electrification forecast in 2021 for IESO Regional Plan with help of major customers
- Use of Capital Plan mapping tool to facilitate coordination with City and other utilities
- 5kV to 13.8kV voltage conversion plan for Williamsville Corridor



Safety



Integrity



Innovation



Reliability

Distribution System Plan (DSP) – 2023 Major Projects



\$1 million- Underground Cables, Ducts

- ✓ 5kV duct/cable replacement Queen St. - \$540K
- ✓ Princess St. – Division to Alfred - \$350K
- ✓ Pad/Vault Transformer replacements - \$110K

\$550K - Pole replacement

- ✓ Spot replacement of 18 deteriorated poles - \$180K
- ✓ Line Rebuild – 5 poles & 44kV Switch – Bagot - \$150K
- ✓ Line rebuild - 8 poles – Sir John A. Macdonald - \$100K
- ✓ 13.8kV conversion – 6 poles – Third Ave. - \$120K

\$450K - Vehicles

\$375K - Meters



Safety



Integrity



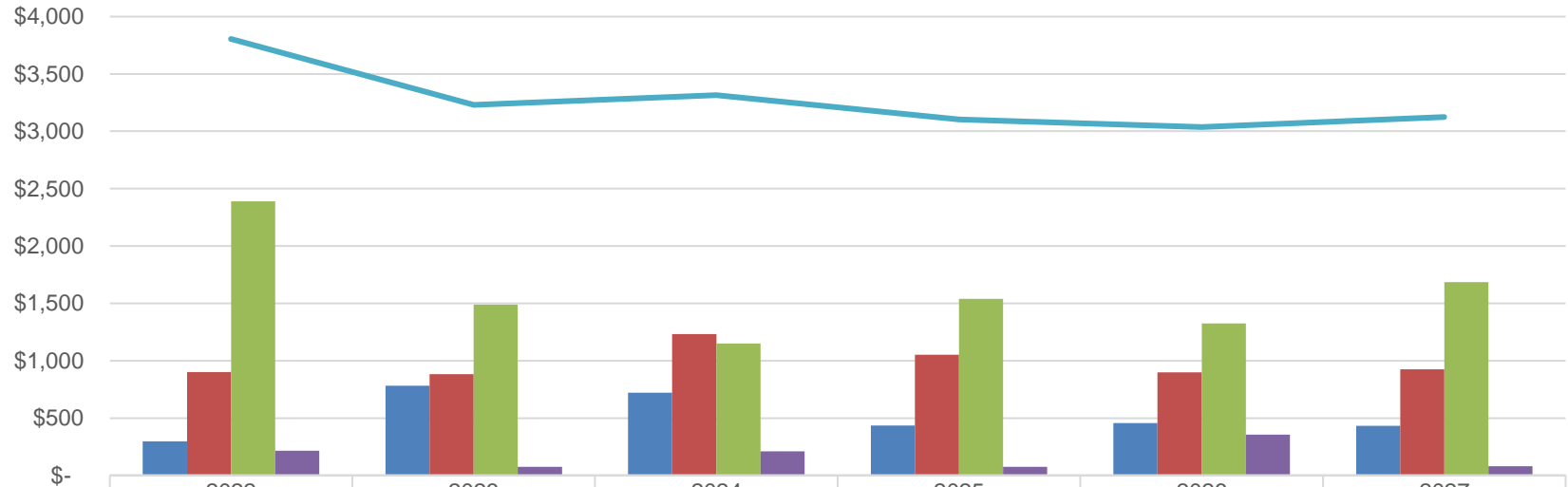
Innovation



Reliability

Distribution System Plan (DSP) – Overall Spend Forecast

Overall Spend Forecast 2022-2027
(\$,000)



	2022	2023	2024	2025	2026	2027
General Plant	\$297	\$782	\$722	\$435	\$456	\$434
System Access	\$902	\$883	\$1,233	\$1,053	\$900	\$925
System Renewal	\$2,390	\$1,490	\$1,150	\$1,540	\$1,325	\$1,685
System Service	\$215	\$75	\$210	\$75	\$357	\$80
Total Spend	\$3,804	\$3,230	\$3,315	\$3,102	\$3,038	\$3,124

Substation No. 1 Rebuild project

7 year project (2015-2021)

- ✓ Initial Estimate: \$14.60 million*
- ✓ Approved Budget: \$5.60 million*
- ✓ Actual Expenditure: \$5.05 million
- ✓ \$550K under budget

* **NOTE:**

\$8million cost reduction factors:

- Use of in-house staff (whenever possible)
- Reuse of existing 5kV switchgear, structure and grounding



Major Equipment Replaced:

- ✓ Six power transformers
- ✓ Four 44kV breakers
- ✓ 44kV protection relays
- ✓ 5kV protection relays
- ✓ Station Service



Safety



Integrity



Innovation



Reliability

MS1 Success Story

Before



MS1 Success Story

After



RATE IMPACTS

All information in the next series of slides are based on best estimates and actual allocations will vary marginally.



Safety



Integrity



Innovation



Reliability

Service Revenue Requirement

	2020 OEB Approved Custom IR Year 5	2022 Revenue Existing Rates	2023 COS Proposed
Service Revenue Requirement	\$ 13,692,800	\$ 13,929,065	\$ 14,987,094
Revenue Offset	\$ 600,097	\$ 600,000	\$ 600,000
Base Revenue Requirement	\$ 13,092,703	\$ 13,329,065	\$ 14,387,094

7.60%

Service Revenue Requirement



Safety



Integrity



Innovation



Reliability

Draft Cost Allocation Study Results

	Revenue-to-Expense Ratio		OEB % Target Range	Comments on Overall Rate Increase
	CA Model Results	Adjusted Ratios		
Residential	102.47%	102.47%	85 - 115	Average Rate Increase
GS <50	113.59%	113.59%	80 - 120	Lower than average increase to offset higher SL revenue
GS>50	89.68%	89.68%	80 - 120	Average Rate Increase
Large Use >5M	85.70%	85.70%	85 - 115	Average Rate Increase
Street Light	73.89%	80.00%	80 - 120	Higher Rate Increase to reach minimum 80% R/E ratio
USL	112.37%	112.37%	80 - 120	Average Rate Increase



Safety



Integrity



Innovation



Reliability

2023 Test Year Draft Cost Allocations

Rate Classification	Rev to Exp Adjusted Ratio 2023	Base Revenue Requirement 2023 Allocation	Allocation %
Residential	102.47%	\$ 8,766,162	61.14%
GS <50	113.59%	\$ 2,143,818	14.80%
GS>50	89.68%	\$ 2,614,614	18.08%
Large Use >5MW	85.70%	\$ 612,108	4.24%
Street Light	80.00%	\$ 217,270	1.51%
USL	112.37%	\$ 33,122	0.23%
	+	\$ 14,387,094	100.00%



Safety



Integrity



Innovation



Reliability

Bill Impact - % Split Distribution and Other Components

Rate Classifications		Units	Distribution Volume Level	Total	Percent Split	
				C - Total Bill *	A - Distribution	B - Other Components
				\$ Current Charges	%	%
Residential	RPP	kwh	750	\$ 125.02	22%	78%
GS <50	RPP	kwh	2,000	\$ 306.83	17%	83%
GS>50	Non-RPP (Oth	kw	70	\$ 5,892.75	6%	94%
Large Use >5MW	Non-RPP (Oth	kw	5,500	\$ 436,626.48	3%	97%
USL	Non-RPP (Oth	kwh	200	\$ 35.57	27%	73%
Street Light	Non-RPP (Oth	kw	500	\$ 37,139.36	42%	58%
Residential	RPP	kwh	204	\$ 54.43	50%	50%

* without tax applied and without OER as applicable



Safety



Integrity



Innovation



Reliability

2023 Distribution Rate Change – Estimated Bill Impacts

Rate Classifications	Rate Type	Units	Distribution Volume Level	A - Distribution			
				Charge Current	Charge Proposed	\$ Change	% Change
Residential	RPP	kwh	750	\$ 27.24	\$ 29.39	\$ 2.15	7.9%
GS <50	RPP	kwh	2,000	\$ 50.96	\$ 54.67	\$ 3.71	7.3%
GS>50	Non-RPP (Oth	kw	70	\$ 368.19	\$ 390.46	\$ 22.27	6.0%
Large Use >5MW	Non-RPP (Oth	kw	5,500	\$ 13,369.13	\$ 14,196.33	\$ 827.20	6.2%
USL	Non-RPP (Oth	kwh	200	\$ 9.46	\$ 10.22	\$ 0.76	8.0%
Street Light	Non-RPP (Oth	kw	500	\$ 15,749.30	\$ 18,303.40	\$ 2,554.10	16.2%
Residential	RPP	kwh	204	\$ 27.24	\$ 29.39	\$ 2.15	7.9%



Safety



Integrity



Innovation



Reliability

2023 Total Bill Impacts – Distribution Rate Charge

Rate Classifications		Units	Distribution Volume Level	C - Total Bill *		
				\$ Current Charge	With Dx \$ Proposed	% Change
Residential	RPP	kwh	750	\$ 125.02	\$ 127.17	1.7%
GS <50	RPP	kwh	2,000	\$ 306.83	\$ 310.54	1.2%
GS>50	Non-RPP (Oth	kw	70	\$ 5,892.75	\$ 5,915.02	0.4%
Large Use >5MW	Non-RPP (Oth	kw	5,500	\$ 436,626.48	\$ 437,453.68	0.2%
USL	Non-RPP (Oth	kwh	200	\$ 35.57	\$ 36.33	2.1%
Street Light	Non-RPP (Oth	kw	500	\$ 37,139.36	\$ 39,693.46	6.9%
Residential	RPP	kwh	204	\$ 54.43	\$ 56.58	3.9%

* without tax applied and without OER as applicable



Safety



Integrity



Innovation



Reliability

NEXT STEPS

**Rate application due to OEB
April 30th, 2022**

- Link to follow/participate EB-2022-004
- Will advise once approved ~ late 2022
- Rates become effective Jan 1, 2023.

Questions?



Safety



Integrity



Innovation



Reliability

Exhibit 1: Administrative Documents

Tab 6 (of 10): Performance Measurement

PERFORMANCE MEASUREMENT

Scorecard

Kingston Hydro's 2020 scorecard can be found at:

<https://www.oeb.ca/documents/scorecard/2020/Scorecard%20-%20Kingston%20Hydro%20Corporation.pdf>

This scorecard shows information for the years 2016-2020.

Customer Focus

All metrics have been consistently met or exceeded with the exception of "Telephone Calls Answered On Time". Leading up to 2020, Utilities Kingston, Kingston Hydro's service provider, had requested that operational changes be made at the contact centre, with the intention of improving performance on "Telephone Calls Answered on Time". The pandemic delayed these plans to November 2020 and impacted the overall 2020 results. Once changes were implemented, service quality data from November to December improved greatly and Kingston Hydro exceeded the minimum target in 2021. Kingston Hydro is confident this metric will be met going forward.

In addition, the Customer Satisfaction Survey was conducted in 2021. The results indicate that customers continue to be concerned about the rising cost of electricity; the overall customer experience performance rating was 89% in 2019 and increased to 90% in 2021. Both results came in slightly higher than the national and provincial averages. Our customers view us as trustworthy and

1 efficiently handle power outages and professionally handle customer inquiries.
2 The results of the survey also provide us with an overall report card rating of “A”.
3

4 *Operational Effectiveness*

5 Kingston Hydro continues to operate with a safety first mentality, including both
6 customer and employee safety. Kingston Hydro has updated its distribution
7 system plan (“DSP”) with safety and sound asset management practices in mind
8 as well as measures to improve system reliability metrics going forward. More
9 details can be found in the DSP. Cost control measures have been analyzed
10 above with a view to staying a low-cost, low-rate utility.
11

12 *Public Policy Responsiveness*

13 Kingston Hydro continues to maintain good results in connecting new micro-
14 embedded generation facilities connected on time. However due to the
15 increasing electrification plans for Kingston Hydro’s distribution territory, Kingston
16 Hydro has included 2 additional FTEs in its 2023 operating budget to ensure the
17 central part of Kingston is as prepared for additional electrification so that
18 Kingston Hydro can properly respond to the needs of customers in central
19 Kingston and that customers can expect the same quality of responsiveness in
20 Kingston Hydro’s distribution territory as they can in the east and west parts of
21 Kingston.
22

23 *Financial Performance*

24 Kingston Hydro’s liquidity, leverage and profitability are maintained at the
25 appropriate levels throughout the term of this rate setting plan. Kingston Hydro’s
26 debt to rate base level is expected to slightly decrease over the next 5 years.

Pacific Economics Model Benchmarking

Savings from the Utilities Kingston service delivery model for Kingston Hydro customers are demonstrated by industry comparators. Kingston Hydro's operating costs per customer are consistently below the industry average as reported in the OEB Distributor Yearbook. Table 6 identifies Kingston Hydro's OM&A per customer compared to the industry average for the period 2016-2020.

Table 6 - OM&A per customer

			% Below average
2016	\$260	\$317	18%
2017	\$258	\$313	18%
2018	\$276	\$316	13%
2019	\$260	\$318	18%
2020	\$266	\$324	18%
2021	\$247	N/A	

Kingston Hydro's 2020 OM&A per customer noted above ranks 41st out of 59 LDC's. Kingston Hydro's projected OM&A per customer is projected to increase from \$266 in 2020 to \$292 in 2023. This is an average increase of 3.2% per year for the 3-year period 2020-2023. Kingston Hydro believes this increase is reasonable in light of the massive inflation being realized and being projected for the same period, and is in fact 1.0% less than the CPI average annual projections of 4.2% for the period 2021-2023, based on the latest available data from CIBC Capital Markets and TD Economics.

1 Additionally, based on the 2020 OM&A per customer data and assuming that
2 OM&A per customer for all other LDC's did not increase from 2020, Kingston
3 Hydro's 2023 OM&A per customer would still rank below average and would still
4 be in the bottom 50% of LDC's ranking 35th out of 59 LDCs.

5
6 *Cohort Analysis*

7 Kingston Hydro has been placed in cohort number 3 which includes 27 LDCs.
8 Kingston Hydro has been assigned to cohort 3 for all historical years.

9
10 Within cohort 3, Kingston Hydro ranks well into the bottom 50% of OM&A per
11 customer at 20th out of 27 LDCs, based on the 2020 yearbook.

12
13 Additionally, based on the 2020 OM&A per customer data and assuming that
14 OM&A per customer for all other LDC's did not increase from 2020, Kingston
15 Hydro's 2023 OM&A per customer would still rank below average and would still
16 be in the bottom 50% of LDC's ranking 17th out of 27 LDCs.

17
18 Table 7 identifies the total cost per customer for 2016-2020 and as forecasted
19 using the PEG model for 2021-2023. Kingston Hydro ranked 12th lowest of 59
20 utilities in 2020 on a total cost per customer basis.

21

Table 7 - Total Cost per customer

Year	Kingston Hydro (Projected)	Kingston Hydro (Actual)	Industry average	% Below average
2016	\$560	\$531	\$670	21%
2017	\$569	\$538	\$660	19%
2018	\$583	\$583	\$688	15%
2019	\$597	\$574	\$705	19%
2020	\$611	\$562	\$691	19%
2021	\$540	\$540		
2022	\$587			
2023	\$609			

*Based on audited actual figures

Kingston Hydro was ranked 37th in benchmarking performance in the 2021 Pacific Economics Group report updated for 2020 actual costs. Kingston Hydro continued to be in the 0.3 per cent stretch factor grouping. Kingston Hydro's efficiency ranking for the 3 year period 2018-2020 was -3.1% improving -1.8% from -1.3% for the 2017-2019 period. Kingston Hydro notes that its efficiency for the 2-year period 2019-2020 was -5.3%. Kingston Hydro ranks 11th best out of 27 LDCs in its efficiency assessment for its cohort group.

Breaking down the operating and maintenance costs, Kingston Hydro ranks in the mid-range of LDCs in O&M per customer. The results for this metric relate to the higher-than-average operating costs due to the large number of substations (17) for 28,000 customers. Kingston Hydro operates a 5kv system which, while providing a higher level of reliability, inherently requires more substations and thus more operating expenses.

With respect to billing and collecting costs per customer, Kingston Hydro is in the bottom 6 of 59 LDCs for 2020. This low cost per customer is in large part due to

1 being part of the multi utility model and sharing billing services with 4 other
2 services on one bill. This arrangement will continue.

3
4 With respect to general and administrative costs per customer, Kingston Hydro is
5 the 11th lowest of 59 LDCs for 2020. This low cost per customer is in large part
6 due to being part of the multi utility model and sharing administrative costs
7 between 4 other business units. This arrangement will continue.

8
9 Included in this application is a forecasted PEG model which indicates Kingston
10 Hydro will move to cohort number 2 in 2024.

11
12 ***Distribution Rates – performance measurement***

13
14 Based on the 2021 Distribution Rates database issued by the Ontario Energy
15 Board posted on April 27, 2022, Kingston Hydro's distribution rates rank as
16 follows:

17
18 *Residential customers*

- 19 - 19th lowest out of 74 reported distribution rates with a monthly service
20 charge rate of \$26.45 per month.
21 - 17th lowest out of 74 reported distribution rates after adding distribution
22 volumetric rates for those utilities that still charge them. This is the bottom
23 quartile.

24
25 *GS less than 50 kw*

- 26 - 2nd lowest for monthly service charge out of 69 reported distribution rates.
27 - 39th lowest for volumetric rate out of 69 reported distribution rates.
28 - 11th lowest combined distribution rates out of 69 reported distributors,
29 based on 2,000 kWh per month usage.

1 *GS greater than 50 kw*

- 2 - 12th lowest for monthly service charge out of 47 reported distribution rates.
3 - 23rd lowest for volumetric rate out of 48 reported distribution rates
4 - 13th lowest combined distribution rates out of 48 reported distributors,
5 based on a monthly demand of 70 kW.

6
7 *Large User*

- 8 - 7th lowest for monthly service charge out of 25 reported distribution rates.
9 - 4th lowest for volumetric rate out of 24 reported distribution rates
10 - 3rd lowest combined distribution rates out of 24 reported distributors,
11 based on a monthly demand of 5,500 kW.

12
13 Based on the assumption that 2022 rates increased 3.0% in IRM proceedings,
14 and will increase another 3.0% for 2023 (based on current inflation projections),
15 for other distributors, Kingston Hydro has estimated that its ranking for 2023,
16 based on applied for rates, will be as follows:

17
18 *Residential*

- 19 - 19th lowest out of 74 reported distribution rates after adding distribution
20 volumetric rates for those utilities that still charge them.

21
22 *GS less than 50 kw*

- 23 - Still the 11th lowest combined distribution rates out of 69 reported
24 distributors, based on 2,000 kWh per month usage.

25
26 *GS greater than 50 kw*

- 27 - Still the 13th lowest combined distribution rates out of 48 reported
28 distributors, based on a monthly demand of 70 kW.

1 *Large User*

- 2 - Still the 3rd lowest combined distribution rates out of 24 reported
3 distributors, based on a monthly demand of 5,500 kW.
4

5 ***Activity and Program-based Benchmarking (APB) 2020 Results***
6

7 Utilizing the most current version of the Activities and Program Benchmarking
8 (APB) results for 2018, 2019 and 2020 and in accordance with the Ontario
9 Energy Board's direction to:
10

- 11 • Review the results;
12 • Discuss the performance for each of the 10 program areas;
13 • Provide any commentary on any immediate remedial actions that are
14 planned; and
15 • Review how the results will influence future planning.
16

17 The following information is submitted in response to the 10 identified program
18 activities.
19

20 **Billing O&M**
21

22 For the 2018 to 2020 period Kingston Hydro's average billing cost per customer
23 was \$12.96. The average distributor has a cost of \$35.75 for the 2018-2020
24 period and 61% of the distributors are within 50% of the average. Kingston
25 Hydro's results in this program area are well below the industry average
26 representing a very effective/efficient cost per customer.
27

28 Kingston Hydro benefits from Utilities Kingston's multi-utility model in several
29 ways, and we see evidence of this in billing costs. Billing costs are shared

1 across all services offered by Utilities Kingston, and one of the ways this is
2 achieved is by offering customers one bill for all utility services. These costs are
3 spread across the entire customer base of over 100,000 customers versus the
4 28,000 Kingston Hydro customers. Continued focus on finding efficiencies within
5 the multi-utility model will ensure billing costs remain one of the lowest in the
6 province throughout the IRM period.

7 8 **Meters O&M**

9
10 For the 2018 to 2020 period Kingston Hydro's average meter cost per customer
11 was \$24.10. The average distributor has a cost of \$19.68 for the 2018-2020
12 period and 72% of the distributors are within 50% of the average. Kingston
13 Hydro's results in this program area fall within 50% of the average for
14 Distributors.

15
16 Performance in this area is within the industry wide average and no remedial
17 actions are planned. Kingston Hydro anticipates ongoing monitoring of this APB
18 to identify any significant changes.

19 20 **Vegetation Management O&M**

21
22 For the 2018 to 2020 period Kingston Hydro's average vegetation management
23 cost per pole was \$85.49. The average distributor has a cost of \$35.18 for the
24 2018-2020 period and 68% of the distributors are within 50% of the average.
25 Kingston Hydro results for this program area are higher than the average and
26 outside the 50% average.

27

1 Acknowledging that Kingston Hydro expenses in this category are above the
2 industry average we have reviewed the results with a view determining the
3 underlying causal factors impacting those costs.
4

5 The report utilizes total pole counts of 3,500 (2018), 3,500 (2019) and 5,000
6 (2020). At the time of the original data request in 2020, Kingston Hydro was
7 unable to provide accurate data due to discrepancies in our GIS Pole Asset Data.
8 Since then, the discrepancies were identified and corrected, and an accurate
9 pole count became available. The revised pole count information was submitted,
10 as requested in March of this year and are: 4940 (2018) 5007 (2019) and 5048
11 (2020).
12

13 Utilizing corrected total pole counts and the same recorded expenses for each
14 year and following the methodology used to establish the yearly average and
15 then the three year average the following revised average cost per pole for
16 vegetation management is:
17

- 18 • 2018 - \$59.81
 - 19 • 2019 – \$61.19
 - 20 • 2020 - \$82.25
- 21

22 The three-year average is \$67.75 versus the \$85.49 in the original report. An
23 improvement but this still reveals that Kingston Hydro average cost per pole to be
24 higher than the industry average.
25

26 In reviewing the data associated with vegetation management we noted that the
27 2020 annual expenses increased over the 2018 and 2019 recorded expenses.
28 This was due to the pandemic and more aggressive vegetation management.
29

- 1 • During the pandemic there was an increase in the number of customer
2 calls regarding limbs/branches/trees contacting wires. We suspect this
3 was a result of more customers working from home and observing those
4 issues, particularly in backyards. This resulted in more “response type
5 calls” relating to vegetation.
- 6 • Vegetation management calls require two staff to respond. During the
7 pandemic, health/safety protocols limited staff to one person per vehicle
8 wherever possible. Consequently, two vehicles responded to vegetation
9 management calls or issues, which resulted in increased vehicular costs
10 to be incurred. Pre-pandemic conditions would have two staff in one
11 vehicle. This year we have returned to normal operations and expect that
12 cost consideration to be eliminated.
- 13 • Based on professional arborists recommendations we have altered some
14 of our vegetation management practices where fast growth trees (I.e.
15 Manitoba maples) are involved. Our experience has indicated that
16 repeated vegetation management work on fast growth trees is occurring
17 creating additional costs. Based on advice and where appropriate, we
18 have shifted from “trimming” to complete “removal”. While this has initially
19 resulted in some increased costs to remove the tree, we expect that over
20 time, this will reduce and mitigate future expenses as fast growth trees are
21 removed from close contact with our lines by removing the need for repeat
22 visits.

23
24 Kingston Hydro will continue to monitor this expenditure area carefully to further
25 to better inform future budgets. In the interim Kingston Hydro will as a result
26 monitor closely expenses to this cost centre to achieve better performance in this
27 cost centre.

Lines O&M

For the 2018 to 2020 period Kingston Hydro's average lines cost per kilometer of line was \$2,676.76. The average distributor has a cost of \$1,814 for the 2018-2020 period and 60% of the distributors are within 50% of the average. Kingston Hydro's results in this program area fall within 50% of the average for Distributors.

Kingston Hydro in reviewing both the costs and asset data utilized to measure this benchmark realized that the denominator of this metric (circuit kilometers from the annual RRR data) does not currently include the optional secondary circuit data, whereas the numerator of this metric includes US of A accounts for secondary circuits.

Including secondary circuit kilometers in the annual RRR data would result in the following revisions to the kilometers of circuit:

- 2018 provided was 335 Km and would increase to 692 Km
- 2019 provided was 335 Km and would increase to 694 Km
- 2020 provided was 335 Km and would increase to 693 Km

Utilizing the corrected circuit kilometers and the same recorded expenses results in the following revisions to the average unit cost for Kingston Hydro:

- 2018 average unit cost \$1,547.60
- 2019 average unit cost \$1,303.60
- 2020 average unit cost \$1030.80

Kingston Hydro's revised three average unit cost for Line O & M would now be \$1,294 per circuit kilometer of line.

1 Based on the updated data, performance in this area is below the industry wide
2 average and no remedial actions are planned. Kingston Hydro anticipates
3 ongoing monitoring of this APB to identify any significant changes. Kingston
4 Hydro will include secondary circuit kilometers in its annual RRR data
5 submissions to the OEB.
6

7 **Distribution Station Equipment O&M**

8

9 For the 2018 to 2020 period Kingston Hydro's average station equipment cost
10 per MVA was \$21,494. The average distributor has a cost of \$68,109 for the
11 2018-2020 period and 20% of the distributors are within 50% of the average.
12

13 Performance in this area is within the industry wide average and no remedial
14 actions are planned. Kingston Hydro anticipates ongoing monitoring of this APB
15 to identify any significant changes.
16

17 **Poles, Towers and Fixtures Maintenance**

18

19 For the 2018 to 2020 period Kingston Hydro's average pole, towers and fixtures
20 cost per pole was \$17.13. The average distributor has a cost of \$10.65 for the
21 2018-2020 period and 45% of the distributors are within 50% of the average.
22 Kingston Hydro results for this program area are higher than the average and
23 outside the 50% average.
24

25 Acknowledging that Kingston Hydro expenses in this category are above the
26 industry average we have reviewed the results with a view determining the
27 underlying causal factors impacting those costs. We note the following
28 consideration that appears to be impacting these results is the total pole count
29 numbers used in the analysis.

1 The report utilizes total pole counts of 3,500 (2018), 3,500 (2019) and 5,000
2 (2020). At the time of the original data request in 2020 Kingston Hydro was
3 unable to provide accurate data due to discrepancies in our GIS Pole Asset Data.
4 Since then, the discrepancies were identified and corrected, and an accurate
5 pole count became available. The revised pole count information was submitted,
6 as requested in March of this year and are: 4940 (2018) 5007 (2019) and 5048
7 (2020).

8
9 Utilizing corrected total pole counts and the same recorded expenses for each
10 year and following the methodology used to establish the yearly average and
11 then the three average the following revised average cost per pole for vegetation
12 management is:

- 13
14 • 2018 - \$14.63
15 • 2019 – \$13.12
16 • 2020 - \$12.10
17

18 The three-year average would be \$13.28 versus the \$17.13 in the original report.
19 This result is an improvement and would place Kingston Hydro well within the
20 average for Distributors.

21
22 Based on the updated data, performance in this area is within the industry wide
23 average and no remedial actions are planned. Kingston Hydro anticipates
24 ongoing monitoring of this APB to identify any significant changes.

25 26 **Distribution Station Equipment Capex**

27
28 For the 2018 to 2020 period Kingston Hydro's average distribution station cost
29 per MVA was \$86,765. The average distributor has a cost of \$223,325 per MVA

1 for the 2018-2020 period and 13% of the distributors are within 50% of the
2 average.

3
4 Performance in this area is within the industry wide average and no remedial
5 actions are planned. Kingston Hydro anticipates ongoing monitoring of this APB
6 to identify any significant changes.

7 8 **Poles, Towers and Fixtures Capex**

9
10 For the 2018 to 2020 period Kingston Hydro's average poles, towers and fixtures
11 cost per the total number of poles added was \$13,359. The average distributor
12 has a cost of \$7,538 per pole added for the 2018-2020 period and 65% of the
13 distributors are within 50% of the average. Kingston Hydro results for this
14 program area are higher than the average and outside the 50% average.

15
16 Acknowledging that Kingston Hydro expenses in this category are above the
17 industry average we have reviewed the results with a view determining the
18 underlying causal factors impacting those costs. On the expenditure side a
19 review of total labour, material and services expense categories indicates
20 consistent proportional spending in each category year over year.

21
22 Kingston Hydro then turned to the pole count information for each year. As with
23 earlier comments regarding pole data registries in GIS we discovered the original
24 inquiry did not capture all new pole additions. Having verified the data, the
25 following represents the revised count for pole additions:

- 26
27
- 28 • 2018 pole additions provided was 124 and should have been 162
 - 29 • 2019 pole additions provided was 67 and should have been 74
 - 2020 pole additions provided was 41 and should have been 61

Utilizing corrected total pole counts and the same recorded expenses for each year and following the methodology used to establish the yearly average and then the three average the following revised average cost per pole for Poles Towers and Fixtures Capex is:

- 2018 - \$6,399
- 2019 - \$11,553
- 2020 - \$12,741

Kingston Hydro revised average unit cost for Poles, Tower and Fixture Capex would now be \$10,231 per pole. This result is an improvement and would place Kingston Hydro well within the average for Distributors.

Kingston Hydro does acknowledge that it expected its costs per new pole to be “somewhat” higher than the average. Our service territory is exclusive to the inner City of Kingston, known as the “limestone city” where the underlying geology is such that the cost to install a pole would be higher given the sub soil conditions.

Line Transformers Capex

For the 2018 to 2020 period Kingston Hydro’s average line transformer cost per transformer added was \$8,754. The average distributor has a cost of \$10,930 for the 2018-2020 period and 75% of the distributors are within 50% of the average.

Performance in this area is within the industry wide average and no remedial actions are planned. Kingston Hydro anticipates ongoing monitoring of this APB to identify any significant changes.

1 **Meters Capex**

2
3 For the 2018 to 2020 period Kingston Hydro's average capex meter cost per
4 customer was \$10.73. The average distributor has a cost of \$13.21 for the 2018-
5 2020 period and 68% of the distributors are within 50% of the average.

6
7 Kingston Hydro's results in this program area are well below the industry average
8 representing a very effective/efficient capex cost per meter.

9
10 Metering costs have been relatively stable since the implementation of the smart
11 meter installation program. Kingston Hydro notes that many of those meters are
12 reaching Measure Canada mandated replacement. During 2018-2020 Kingston
13 Hydro undertook a sampling program to obtain seal extensions from
14 Measurement Canada to enable meters to remain in service longer.

15
16 Kingston Hydro notes that many of our smart meters will be approaching 18
17 years of in-service life and will require replacement starting in 2025-2026.
18 Kingston Hydro is planning to implement a phased approach to changing meters
19 over a 10-year period to avoid significant costs in any one year. This will require
20 on going monitoring by Kingston Hydro in future years.

Exhibit 1: Administrative Documents

Tab 7 (of 10): Facilitating Innovation

FACILITATING INNOVATION

As a small distributor with less than 30,000 customers, Kingston Hydro has taken a prudent and practical approach to facilitating innovation where funding from rates is required to facilitate such activities. Kingston Hydro considers innovation and exploring new technologies and approaches to grid modernization and customer connections as part of our core values. Where capital investments are required, proven and reliable technologies and approaches are utilized to ensure reliability.

The following does however summarize various activities that Kingston Hydro has underway to facilitate innovation:

- Underground cable testing to develop improved asset condition information, working with Quebec Hydro and NRCAN
- 44kV motor-operated switching
- Long term voltage conversion - 13.8kV being introduced
- Kingston Hydro's Outage Management System is utilizing smart meter data to notify operations staff and customers of outages through an online portal for planned and unplanned outages
- Smart meter technologies enable Kingston Hydro to utilize meter alarms to address meter tampering and improper generation installations address safety issues.
- Improved and upgraded Supervisory Control and Data Acquisition ("SCADA") communications to increase monitoring and control data to enable deployment of smart grid monitoring devices such as fault indicators.

- 1 • Deployment of Real-Time Automation Controllers to concentrate data from
- 2 remote SCADA devices at substations and optimize communications with
- 3 the SCADA master station located in its Operations Centre. By 2027,
- 4 Kingston Hydro plans to upgrade all legacy electro-mechanical protection
- 5 relays at substations to intelligent microprocessor-based relays.



Exhibit 1: Administrative Documents

Tab 8 (of 10): Financial Information

FINANCIAL INFORMATION

In accordance with the OEB filing requirements (April 18, 2022) Kingston Hydro has included financial statements for the most recent two historical years. The December 31, 2021 audited financial statements, which cover these two years have been filed as in Exhibit 1, Tab 8, Schedule 1, Attachment 1.

Kingston Hydro's Annual Report can be accessed online at:

- <http://www.kingstonhydro.com/2021>

The Annual Report of Kingston Hydro's parent company, the Corporation of the City of Kingston can be accessed online at:

- <https://www.cityofkingston.ca/city-hall/city-publications/annual-report>

Kingston Hydro does not have any rating agency reports, prospectuses for any recent or planned public debt or equity offerings.

Kingston Hydro has also not had any changes to tax status nor existing accounting orders and list of departures from the Uniform System of Accounts.

Kingston Hydro's audited statements are and have been prepared in accordance with International Financial Reporting Standards "IFRS" since the 2015 fiscal year.



Kingston Hydro Corporation
Filed: June 17, 2022
EB-2022-0044
Exhibit 1
Tab 8
Schedule 1
Attachment 1
Page 1 of 1

Attachment 1 (of 1):

2021 Audited Statements

Financial Statements of

KINGSTON HYDRO CORPORATION

And Independent Auditors' Report thereon

Year ended December 31, 2021



KPMG LLP
863 Princess Street, Suite 400
Kingston ON K7L 5N4
Canada
Tel 613-549-1550
Fax 613-549-6349

INDEPENDENT AUDITORS' REPORT

To the Shareholder of Kingston Hydro Corporation

Opinion

We have audited the financial statements of Kingston Hydro Corporation (the Corporation), which comprise:

- the balance sheet as at December 31, 2021
- the statement of comprehensive income for the year then ended
- the statement of changes in shareholder's equity for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Corporation as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' report.

We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

April 14, 2022

KINGSTON HYDRO CORPORATION

Financial Statements

Year ended December 31, 2021

Financial Statements

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KINGSTON HYDRO CORPORATION

Balance Sheet

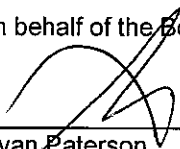
December 31, 2021, with comparative information for 2020

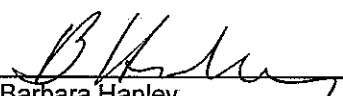
	2021	2020
Assets		
Current assets:		
Cash	\$ 32,944	\$ 66,184
Due from City of Kingston (note 10(b))	8,776,828	6,628,073
Miscellaneous accounts receivable	2,035,360	4,680,030
Billed revenue receivable	2,373,294	3,521,494
Unbilled revenue	7,620,322	7,060,315
Inventory	1,702,656	1,803,341
Prepaid expenses	196,088	156,282
Payments in lieu of taxes recoverable (note 15)	19,245	103,589
	22,756,737	24,019,308
Non-current assets:		
Property, plant and equipment (note 5)	63,879,515	61,764,835
Total assets	86,636,252	85,784,143
Regulatory debit balances (note 9)	5,758,824	4,952,888
Total assets and regulatory debit balances	\$ 92,395,076	\$ 90,737,031

	2021	2020
Liabilities and Shareholder's Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 8,950,248	\$ 8,346,734
Current portion of long-term debt (note 7(a))	3,142,554	4,559,298
Due to retailers	74,385	92,408
Deposits payable	1,327,706	1,263,006
	13,494,893	14,261,446
Non-current liabilities:		
Note payable to City of Kingston (note 6)	10,880,619	10,880,619
Employee future benefit liabilities (note 11(d))	1,222,325	1,446,038
Long-term debt (note 7(a))	23,285,755	21,819,356
Deferred revenue	6,066,854	5,999,198
Deferred tax liability (note 15)	1,837,453	1,308,439
Derivative liability (note 17(b))	42,330	275,545
Total liabilities	43,335,336	55,990,641
Shareholder's equity:		
Share capital (note 12)	12,380,617	12,380,617
Contributed surplus	3,893,103	3,893,103
Accumulated other comprehensive income (loss)	(31,114)	(202,527)
Retained earnings	17,827,893	17,089,279
	34,070,499	33,160,472
Commitments and contingencies (notes 13 and 14)		
Impact of COVID-19 (note 19)		
Total liabilities and shareholder's equity	90,900,728	89,151,113
Regulatory credit balances (note 9)	710,254	948,901
Deferred tax associated with regulatory balances	784,094	637,017
Total equity, liabilities and regulatory credit balances	\$ 92,395,076	\$ 90,737,031

See accompanying notes to financial statements.

On behalf of the Board:


Bryan Paterson,
Chair


Barbara Hanley,
Chair, Audit and Risk Committee

KINGSTON HYDRO CORPORATION

Statement of Comprehensive Income

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Energy sales	\$ 74,848,260	\$ 86,251,238
Cost of energy	76,347,988	86,232,285
	(1,499,728)	18,953
Other income	720,485	675,980
IESO Conservation Program revenue	69,243	165,529
Distribution revenue (notes 3(b) and 4)	12,860,572	12,584,492
Net operating revenue	12,150,572	13,444,954
Operating expenses:		
IESO Conservation Program expenses	69,243	165,529
Distribution expenses, operation	1,107,382	1,283,016
Distribution expenses, maintenance	1,704,684	1,675,426
Billing and collecting	939,060	963,086
Community relations	699,205	620,999
General and administrative	2,569,687	2,821,906
Depreciation and amortization	2,545,169	2,357,091
	9,634,430	9,887,053
Earnings before finance costs, taxation and net movement in regulatory account balances	2,516,142	3,557,901
Finance income	58,341	140,982
Finance costs	(1,460,188)	(1,481,916)
Earnings before taxation and movements in regulatory deferral account balances	1,114,295	2,216,967
Current tax expense (note 15)	186,864	207,791
Deferred tax expense (note 15)	467,212	294,935
	654,076	502,726
Net earnings before movements in regulatory deferral account balances	460,219	1,714,241
Movement due to differences between sales and cost	1,499,728	18,953
Tax effect of net movement in regulatory	278,667	164,015
Net movement in regulatory deferral account balances related to profit or loss	1,778,395	182,968
Net earnings and net movements in regulatory deferral account balances	2,238,614	1,897,209
Other comprehensive income (loss):		
Change in fair value of cash flow hedge	171,413	(190,749)
Total comprehensive income	\$ 2,410,027	\$ 1,706,460

See accompanying notes to financial statements.

KINGSTON HYDRO CORPORATION

Statement of Changes in Shareholder's Equity

Year ended December 31, 2021, with comparative information for 2020

	Share capital	Contributed surplus	Accumulated other comprehensive income (loss)	Retained earnings	Total
Balance, January 1, 2020	\$ 12,380,617	\$ 3,893,103	\$ (11,778)	\$ 15,592,070	\$ 31,854,012
Net earnings	—	—	—	1,897,209	1,897,209
Other comprehensive loss	—	—	(190,749)	—	(190,749)
Dividends	—	—	—	(400,000)	(400,000)
Balance, December 31, 2020	12,380,617	3,893,103	(202,527)	17,089,279	33,160,472
Net earnings	—	—	—	2,238,614	2,238,614
Other comprehensive income	—	—	171,413	—	171,413
Dividends	—	—	—	(1,500,000)	(1,500,000)
Balance, December 31, 2021	\$ 12,380,617	\$ 3,893,103	\$ (31,114)	\$ 17,827,893	\$ 34,070,499

See accompanying notes to financial statements.

KINGSTON HYDRO CORPORATION

Statement of Cash Flows

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operations:		
Net earnings	\$ 2,238,614	\$ 1,897,209
Items not involving cash:		
Depreciation and amortization	2,545,169	2,357,089
Tax expenses	654,076	502,726
Tax expenses included in net movement in regulatory deferral account balances	147,077	117,399
Change in employee future benefit liabilities	(223,713)	115,785
Income taxes paid	(102,520)	(218,192)
Change in non-cash operating balances (note 16)	750,595	(2,562,359)
	6,009,298	2,209,657
Financing:		
Increase in deferred revenue	67,656	324,103
Dividends paid	(1,500,000)	(400,000)
Repayment of long-term debt payable	(2,220,905)	(774,468)
Proceeds of long-term debt	2,270,560	2,600,000
	(1,382,689)	1,749,635
Investments:		
Net purchase of property, plant and equipment	(4,659,849)	(4,061,528)
Decrease in cash	(33,240)	(102,236)
Cash, beginning of year	66,184	168,420
Cash, end of year	\$ 32,944	\$ 66,184

See accompanying notes to financial statements.

KINGSTON HYDRO CORPORATION

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Year ended December 31, 2021

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KINGSTON HYDRO CORPORATION

Notes to Financial Statements

Year ended December 31, 2021

1. Reporting entity:

Kingston Hydro Corporation (the "Corporation") is a rate-regulated, municipally-owned hydro distribution company incorporated under the laws of Ontario Canada. The Corporation is located in Kingston. The address of the Corporation's registered office is 85 Lappans Lane, Kingston, Ontario. The Corporation delivers electricity and related energy services to residential and commercial customers in Kingston. The Corporation is wholly-owned by the Corporation of the City of Kingston.

The financial statements are for the Corporation as at and for the year ended December 31, 2021.

2. Basis of preparation:

(a) Statement of compliance:

The Corporation's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB.

The financial statements were approved by the Board of Directors on April 14, 2022.

(b) Basis of measurement:

The financial statements have been prepared on the historical cost basis except for the following:

- (i) Where held, financial instruments at fair value through profit or loss, including those held for trading, are measured at fair value; and
- (ii) Contributed assets are initially measured at fair value.

(c) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

(d) Use of estimates and judgments:

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses and disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future periods affected.

KINGSTON HYDRO CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2021

2. Basis of preparation (continued):

(d) Use of estimates and judgments (continued):

Information about critical accounting judgments in applying accounting policies that have the most significant effect on the amounts recognized in these financial statements is included in the following notes:

- (i) Note 3(j) - leases: whether an arrangement contains a lease
- (ii) Note 3(j) - leases: discount rate, lease term, underlying leased asset value
- (iii) Note 5 - Property, plant and equipment;
- (iv) Note 11 - Employee future benefits;
- (v) Note 14 - Contingent liabilities.

(e) Rate regulation:

The Corporation is regulated by the Ontario Energy Board ("OEB"), under the authority granted by the *Ontario Energy Board Act, 1998*. Among other things, the OEB has the power and responsibility to approve or set rates for the transmission and distribution of electricity, providing continued rate protection for electricity consumers in Ontario, and ensuring that transmission and distribution companies fulfill obligations to connect and service customers. The OEB may also prescribe license requirements and conditions of service to local distribution companies ("LDCs"), such as the Corporation, which may include, among other things, record keeping, regulatory accounting principles, separation of accounts for distinct businesses, and filing and process requirements for rate setting purposes.

Rate setting:

Distribution revenue:

For the distribution revenue included in electricity sales, the Corporation files a "Cost of Service" ("COS") rate application with the OEB every five years where rates are determined through a review of the forecasted annual amount of operating and capital expenses, debt and shareholder's equity required to support the Corporation's business. The Corporation estimates electricity usage and the costs to service each customer class to determine the appropriate rates to be charged to each customer class. The COS application is reviewed by the OEB and intervenors and rates are approved based upon this review, including any revisions resulting from that review.

In the intervening years, an Incentive Rate Mechanism application ("IRM") is filed. An IRM application results in a formulaic adjustment to distribution rates that were set under the last COS application. The previous year's rates are adjusted for the annual change in the Gross Domestic Product Implicit Price Inflation for Final Domestic Demand ("GDP IPI-FDD") net of a productivity factor and a "stretch factor" determined by the relative efficiency of an electricity distributor.

KINGSTON HYDRO CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2021

2. Basis of preparation (continued):

(e) Rate regulation (continued):

Rate setting (continued):

Distribution revenue (continued):

As a licensed distributor, the Corporation is responsible for billing customers for electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties. The Corporation is required, pursuant to regulation, to remit such amounts to these third parties, irrespective of whether the Corporation ultimately collects these amounts from customers.

The Corporation last filed a COS application in 2015 for rates effective January 1, 2016 to December 31, 2020. The GDP IPI-FDD for 2021 is 2.20%, the Corporation's productivity factor is 0.00% and the stretch factor is 0.30%, resulting in a net adjustment of 1.90% to the previous year's rates.

Electricity rates:

The OEB sets electricity prices for low-volume consumers twice each year based on an estimate of how much it will cost to supply the province with electricity for the next year. All remaining consumers pay the market price for electricity. The Corporation is billed for the cost of the electricity that its customers use and passes this cost on to the customer at cost without a mark-up.

3. Significant accounting policies:

The significant accounting policies set out below have been applied consistently to all years presented in these financial statements.

(a) Financial instruments:

At initial recognition, the Corporation measures its financial assets at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Subsequent measurement of the financial asset depends on the classification determined on initial recognition. Financial assets are classified as either amortized cost, fair value through other comprehensive income or fair value through profit or loss, depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are not reclassified subsequent to their initial recognition, unless the Corporation changes its business model for managing financial assets.

Financial liabilities are initially measured at fair value, net of transaction costs incurred. They are subsequently carried at amortized cost using the effective interest rate method; any difference between the proceeds (net of transaction costs) and the redemption value is recognized as an adjustment to interest expense over the period of the borrowings.

KINGSTON HYDRO CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2021

3. Significant accounting policies (continued):

(a) Financial instruments (continued):

Hedging items and hedged items are presented in the financial statements in the same manner as other assets and liabilities. For derivative instruments that qualify for hedge accounting and which are designated as cash flow hedges, the effective portion of any gain or loss, net of tax, is reported as a component of accumulated other comprehensive income. Any gains or losses that represent either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in results of operations.

Cash equivalents include short-term investments with maturities of three months or less when purchased.

(b) Revenue recognition:

Sale and distribution of electricity

The performance obligations for the sale and distribution of electricity are recognized over time using an output method to measure the satisfaction of the performance obligation. The value of the electricity services transferred to the customer is determined on the basis of cyclical meter readings plus estimated customer usage since the last meter reading date to the end of the year and represents the amount that the Corporation has the right to bill. Revenue includes the cost of electricity supplied, distribution, and any other regulatory charges. The related cost of power is recorded on the basis of power used.

For customer billings related to electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties, the Corporation has determined that it is acting as a principal for these electricity charges and, therefore, has presented electricity revenue on a gross basis.

Capital contributions

Developers are required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. The developer is not a customer and therefore the contributions are scoped out of IFRS 15 *Revenue from Contracts with Customers*. Cash contributions, received from developers are recorded as deferred revenue. When an asset other than cash is received as a capital contribution, the asset is initially recognized at its fair value, with a corresponding amount recognized as deferred revenue. The deferred revenue, which represents the Corporation's obligation to continue to provide the customers access to the supply of electricity, is amortized to income on a straight-line basis over the useful life of the related asset.

KINGSTON HYDRO CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2021

3. Significant accounting policies (continued):

(b) Revenue recognition (continued):

Capital contributions (continued)

Certain customers are also required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. These contributions fall within the scope of IFRS 15 *Revenue from Contracts with Customers*. The contributions are received to obtain a connection to the distribution system in order receive ongoing access to electricity. The Corporation has concluded that the performance obligation is the supply of electricity over the life of the relationship with the customer which is satisfied over time as the customer receives and consumes the electricity. Revenue is recognized on a straight-line basis over the useful life of the related asset.

Other revenue

Revenue earned from the provision of services is recognized as the service is rendered.

Government grants and the related performance incentive payments under CDM programs are recognized as revenue in the year when there is reasonable assurance that the program conditions have been satisfied and the payment will be received.

(c) Inventory:

Inventory, comprising material and supplies, the majority of which is consumed by the Corporation in the provision of its services, is valued at the lower of cost and net realizable value, with cost being determined on an average cost basis and includes expenditures incurred in acquiring the material and supplies and other costs incurred in bringing them to their existing location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated selling expenses.

(d) Property, plant and equipment:

Items of property, plant and equipment ("PP&E") used in rate-regulated activities and acquired prior to January 1, 2014 are measured at deemed cost established on the transition date, less accumulated depreciation. All other items of PP&E are measured at cost, or, where the item is transferred from customers, its fair value, less accumulated depreciation. Consistent with IFRS 1, the Corporation elected to use the carrying amount as previously determined under Canadian GAAP as the deemed cost at January 1, 2014, the transition date to IFRS.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour, and any other costs directly attributable to bringing the asset to a working condition for its intended use.

KINGSTON HYDRO CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2021

3. Significant accounting policies (continued):

(d) Property, plant and equipment (continued):

Borrowing costs on qualifying assets are capitalized as part of the cost of the asset based upon the weighted average cost of debt incurred on the Corporation's borrowings. Qualifying assets are considered to be those that take in excess of 12 months to construct.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on the disposal of an item of PP&E are determined by comparing the proceeds from disposal, if any, with the carrying amount of the item of PP&E and are recognized net within other income in profit or loss.

The cost of replacing a part of an item of property, plant and equipment is recognized in the net book value of the item if it is probable that the future economic benefits embodied within the part will flow to the Corporation and its cost can be measured reliably. In this event, the replaced part of property, plant and equipment is written off, and the related gain or loss is included in profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Depreciation is calculated over the depreciable amount and is recognized in profit or loss on a straight-line basis over the estimated useful life of each part or component of an item of property, plant and equipment. The depreciable amount is cost. Land is not depreciated. Construction-in-progress assets are not amortized until the project is complete and in service.

Depreciation is provided on a straight-line basis using the following annual rates:

Asset	Rates
Buildings and fixtures	1.67% to 3.33%
Substation equipment	1.67% to 5.00%
Distribution system	1.67% to 2.86%
Meters	2.50% to 6.67%
Tools and equipment	10.00% to 20.00%
System supervisory equipment	5.00%
Vehicle	8.33% to 12.50%
Application software	20.00%
Miscellaneous intangible plant	2.50%
Leasehold improvements	Over the term of the lease

Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted prospectively if appropriate.

KINGSTON HYDRO CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2021

3. Significant accounting policies (continued):

(e) Impairment:

(i) Financial assets:

A loss allowance for expected credit losses on financial assets measured at amortized cost is recognized at the reporting date. The loss allowance is measured at an amount equal to the lifetime expected credit losses for the asset.

(ii) Non-financial assets:

The carrying amounts of the Corporation's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

An impairment loss in respect of goodwill is not reversed. For assets other than goodwill, impairment recognized in prior periods is assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(f) Provisions:

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

KINGSTON HYDRO CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2021

3. Significant accounting policies (continued):

(g) Regulatory deferral accounts:

Regulatory deferral account debit balances represent costs incurred in excess of amounts billed to the customer at OEB approved rates. These amounts have been accumulated and deferred in anticipation of their future recovery in electricity distribution rates. Regulatory deferral account credit balances represent amounts billed to the customer at OEB approved rates in excess of costs incurred by the Corporation.

Regulatory deferral account debit balances are recognized if it is probable that future billings in an amount at least equal to the capitalized cost will result from inclusion of that cost in allowable costs for rate-making purposes. The offsetting amount is recognized in profit and loss. The debit balance is reduced by the amount of customer billings as electricity is delivered to the customer and the customer is billed at rates approved by the OEB for the recovery of the capitalized costs.

Regulatory deferral account credit balances are recognized if it is probable that future billings in an amount at least equal to the credit balance will be reduced as a result of rate-making activities. The offsetting amount is recognized in profit and loss. The credit balance is reduced by the amounts returned to customers as electricity is delivered to the customer at rates approved by the OEB for the return of the regulatory account credit balance.

The probability of recovery or repayment of the regulatory account balances are assessed annually based upon the likelihood that the OEB will approve the change in rates to recover or repay the balance. Any resulting impairment loss is recognized in profit and loss in the year incurred.

Regulatory deferral accounts attract interest at OEB prescribed rates in 2021, the rates were 0.57% from January 1, 2021 to December 31, 2021 (2.18% - from January 1, 2020 to June 30, 2020, decreasing to 0.57% - from July 1, 2020 to December 31, 2020).

(h) Employee future benefit liabilities:

The Corporation's employee future benefit liabilities represent its accumulated obligation to Utilities Kingston under a service agreement.

The Corporation accrues its obligations to Utilities Kingston for employee benefit plans. The cost of non-pension post-retirement and post-employment benefits earned is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of salary escalation, retirement ages of Utilities Kingston's employees and expected health care costs.

Utilities Kingston's employees participate in the Ontario Municipal Employees Retirement Fund (OMERS), a multi-employer public sector pension fund, as a defined benefit plan.

KINGSTON HYDRO CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2021

3. Significant accounting policies (continued):

(i) Deferred revenue and assets transferred from customers:

Certain customers and developers are required to contribute towards the capital cost of construction in order to provide ongoing service. When an asset is received as a capital contribution, the asset is initially recognized at its fair value, with the corresponding amount recognized as deferred revenue. Deferred revenue represents the Corporation's obligation to continue to provide customers access to the supply of electricity, and is amortized to income on a straight-line basis over the economic useful life of the acquired or contributed asset, which represents the period of ongoing service to the customer.

(j) Leased assets:

At inception of a contract, the Corporation assesses whether the contract is or contains a lease. A contract is determined to contain a lease if it provides the Corporation with the right to control the use of an identified asset for a period of time in exchange for consideration. Contracts determined to contain a lease are accounted for as leases. For leases and contracts that contain a lease, the Corporation recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. Subsequent to initial recognition, the right-of-use asset is recognized at cost less any accumulated depreciation and any accumulated impairment losses, adjusted for certain remeasurements of the corresponding lease liability.

The lease liability is initially measured at the present value of lease payments plus the present value of lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Corporation's incremental borrowing rate.

The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Corporation's estimate of the amount expected to be payable under a residual value guarantee, or if the Corporation changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

KINGSTON HYDRO CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2021

3. Significant accounting policies (continued):

(j) Leased assets (continued):

The Corporation has elected not to recognize right-of-use assets and lease liabilities for leases that have a lease term of 12 months or less or for leases of low value assets. The Corporation recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(k) Finance income and finance costs:

Finance income is recognized as it accrues in profit or loss, using the effective interest method. Finance income comprises interest earned on cash and cash equivalents and on regulatory assets.

Finance charges comprise interest expense on borrowings, finance lease obligations, regulatory liabilities and unwinding of the discount on provisions and impairment losses on financial assets. Finance costs are recognized as an expense unless they are capitalized as part of the cost of qualifying assets.

(l) Income taxes:

The income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case, it is recognized in equity.

The Corporation is currently exempt from taxes under the Income Tax Act (Canada) and the Ontario Corporations Tax Act (collectively, the "Tax Acts"). Under the Electricity Act, 1998, the Corporation makes payments in lieu of corporate taxes to the Ontario Electricity Financial Corporation ("OEFC"). These payments are calculated in accordance with the rules for computing taxable income and taxable capital and other relevant amounts contained in the Income Tax Act (Canada) and the Corporations Tax Act (Ontario) as modified by the Electricity Act, 1998, and related regulations. Prior to October 1, 2001, the Corporation was not subject to income or capital taxes. Payments in lieu of taxes are referred to as income taxes.

Current tax is the tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

KINGSTON HYDRO CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2021

3. Significant accounting policies (continued):

(l) Income taxes (continued):

Deferred tax is recognized using the balance sheet method. Under this method, deferred income taxes reflect the net tax effects of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes, as well as for tax losses available to be carried forward to future years that are likely to be realized. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates, at the reporting date, expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the year that includes the date of enactment or substantive enactment.

4. Electricity industry regulation:

The Ontario Energy Board Act, 1998 (Ontario) ("OEBA") conferred on the Ontario Energy Board ("OEB") powers and responsibilities to regulate the electricity industry in Ontario. These powers and responsibilities include approving or fixing rates for the transmission and distribution of electricity, providing continued rate protection for rural and remote electricity consumers, and ensuring that distribution companies fulfill obligations to connect and service customers. The OEB may also prescribe license requirements and conditions of service to electricity distributors which may include, among other things, record keeping, regulatory accounting principles, separation of accounts for distinct businesses, and filing and process requirements for rate setting purposes. In its capacity to approve or set rates, the OEB has the authority to specify regulatory accounting treatments that may differ from IFRS for enterprises operating in a non-rate regulated environment.

On November 26, 2015, the OEB approved the tariff or rates and charges, effective January 1, 2016, for electricity consumed or estimated to be consumed on or after January 1, 2016. In addition, the OEB ordered the Corporation to establish certain deferral and variance accounts to track revenues and expenses for years 2016 to 2020 that may become subject to disposition in the future.

On December 12, 2019, the OEB approved new distribution rates, effective January 1, 2020.

On December 10, 2020, the OEB approved new distribution rates, effective January 1, 2021.

KINGSTON HYDRO CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2021

5. Property, plant and equipment:

(a) Cost or deemed cost:

	Land and buildings	Distribution equipment	Other fixed assets	Construction -in- Progress	Total
Balance, January 1, 2021	\$ 1,520,290	\$ 72,778,900	\$ 1,364,436	\$ 232,273	\$ 75,895,899
Additions	155,189	4,365,924	218,101	—	4,739,214
Disposals/retirements	—	(125,096)	—	(79,365)	(204,461)
Balance, December 31, 2021	\$ 1,675,479	\$ 77,019,728	\$ 1,582,537	\$ 152,908	\$ 80,430,652

	Land and buildings	Distribution equipment	Other fixed assets	Construction -in- Progress	Total
Balance, January 1, 2020	\$ 1,245,314	\$ 69,057,777	\$ 1,192,984	\$ 338,296	\$ 71,834,371
Additions	274,976	3,721,123	171,452	—	4,167,551
Disposals/retirements	—	—	—	(106,023)	(106,023)
Balance, December 31, 2020	\$ 1,520,290	\$ 72,778,900	\$ 1,364,436	\$ 232,273	\$ 75,895,899

(b) Accumulated depreciation:

	Land and buildings	Distribution equipment	Other fixed assets	Construction -in- Progress	Total
Balance, January 1, 2021	\$ 157,035	\$ 13,264,749	\$ 709,280	\$ —	\$ 14,131,064
Depreciation charge	38,509	2,274,342	232,318	—	2,545,169
Disposals/retirements	—	(125,096)	—	—	(125,096)
Balance, December 31, 2021	\$ 195,544	\$ 15,413,995	\$ 941,598	\$ —	\$ 16,551,137

	Land and buildings	Distribution equipment	Other fixed assets	Construction -in- Progress	Total
Balance, January 1, 2020	\$ 124,122	\$ 11,134,777	\$ 515,076	\$ —	\$ 11,773,975
Depreciation charge	32,913	2,129,972	194,204	—	2,357,089
Disposals/retirements	—	—	—	—	—
Balance, December 31, 2020	\$ 157,035	\$ 13,264,749	\$ 709,280	\$ —	\$ 14,131,064

KINGSTON HYDRO CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2021

5. Property, plant and equipment (continued):

(c) Carrying amounts:

	Land and buildings	Distribution equipment	Other fixed assets	Construction -in- Progress	Total
At December 31, 2021	\$ 1,479,935	\$ 61,605,733	\$ 640,939	\$ 152,908	\$ 63,879,515
At December 31, 2020	1,363,255	59,514,151	655,156	232,273	61,764,835

6. Note payable to City of Kingston:

In consideration for transfer of the City of Kingston's electricity distribution business, the City of Kingston took back a note payable on January 1, 2000, for an amount equivalent to 50% of the value of net assets transferred. The note payable amounts to \$10,880,619 (2020 - \$10,880,619). As part of the 2011 Kingston Hydro distribution rate rebasing application, the Ontario Energy Board ordered that Kingston Hydro use a deemed debt rate of 5.87% per annum. This rate became effective May 1, 2011. The note payable has no fixed terms of repayment and is unsecured. It is not the intent of the City of Kingston to demand repayment before January 1, 2022. Interest charges on the note payable for the 2021 fiscal year were \$638,692 (2020 - \$638,692).

KINGSTON HYDRO CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2021

7. Bank loans and long-term debt:

(a) Long-term debt:

	2021	2020
Committed reduced term facility (single draw), fixed rate of 2.12%, due December 2030 (facility 3)	\$ 1,995,523	\$ 2,139,797
Committed reduced term facility (single draw), fixed rate of 2.02%, due December 2027 (facility 3)	2,535,270	2,600,000
Committed reduced term facility (single draw), fixed rate of 3.93%, due February 2026 (facility 6)	1,334,004	1,438,476
Committed reduced term facility (single draw), fixed rate of 3.25%, due January 2022 (facility 5)	2,338,097	2,530,950
Committed reduced term facility (single draw), fixed rate of 3.92%, due December 2042 (Infrastructure Ontario)	2,836,108	2,921,834
Committed reduced term facility (single draw), fixed rate of 3.27%, due December 2029 (facility 3)	2,878,824	2,940,135
Committed reduced term facility (single draw), fixed rate of 3.15%, due, December 2028 (facility 3)	1,927,424	1,979,836
Interest rate swap loan, fixed rate of 3.24%, due December 9, 2021 (facility 3)	–	1,303,999
Interest rate swap loan, fixed rate of 3.01%, due December 4, 2024 (facility 3)	1,946,254	2,000,758
Interest rate swap loan, fixed rate of 2.72%, due December 12, 2023 (facility 3)	3,095,609	3,180,940
Interest rate swap loan, fixed rate of 3.92%, due November 15, 2025 (facility 3)	2,356,740	2,404,980
Capital loan, fixed rate of 3.15%, due December 18, 2024 (facility 3)	914,787	936,949
Interest rate swap loan, fixed rate of 3.21%, due December 8, 2031 (facility 3)	1,000,000	–
Interest rate swap loan, fixed rate of 3.23%, due December 9, 2030 (facility 3)	1,269,669	–
	26,428,309	26,378,654
Less: current portion of long-term debt	3,142,554	4,559,298
	\$ 23,285,755	\$ 21,819,356

KINGSTON HYDRO CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2021

7. Bank loans and long-term debt (continued):

(a) Long-term debt (continued):

Principal payments on long-term debt based on scheduled repayments are as follows:

2022	\$ 3,142,776
2023	3,747,439
2024	2,535,334
2025	725,344
2026	748,305
2027 and thereafter	15,529,111
	<hr/>
	\$ 26,428,309

- (b) To comply with requirements of the IESO, as a supplier of energy to the wholesale electricity market, the Corporation is required to post security determined in relation to the Corporation's credit rating. A letter of credit has been provided in the amount of \$5,301,839 as at December 31, 2021 (2020 - \$5,301,839).

Bank indebtedness is secured by a general security agreement representing a first charge on all the Corporation's assets.

8. Pension agreements:

On behalf of their employees who provide services to the Corporation, 1425445 Ontario Limited (operating as Utilities Kingston), a related corporation, makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Total contributions by that corporation to OMERS for 2021 were \$1,989,153 (2020 - \$1,925,706).

The OMERS plan has a deficit of \$3.1 billion as at December 31, 2021 (2020 - \$3.2 billion). If other entities cease to participate in the plan, the Corporation may have an obligation to fund their share of the shortfall.

KINGSTON HYDRO CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2021

9. Regulatory deferral account balance:

The following is a reconciliation of the carrying amount for each class of regulatory deferral account balances:

	2020	Balances arising in the period	Recovery/ reversal	2021	Remaining recovery period (years)
Regulatory deferral account debit balances					
Group 1 deferred accounts	\$ 2,258,203	\$ 1,177,765	\$ (1,106,172)	\$ 2,329,796	–
Regulatory asset recovery account	66,832	1,108,818	(934,775)	240,875	–
Other regulatory accounts	226,179	3,217	2,077	231,473	–
Deferred income taxes	2,401,674	555,006	–	2,956,680	–
Total amount related to regulatory deferral account debit balances	\$ 4,952,888	\$ 2,844,806	\$ (2,038,870)	\$ 5,758,824	–

	2020	Balances arising in the period	Recovery/ reversal	2021	Remaining recovery period (years)
Regulatory deferral account credit balances					
Group 1 deferred accounts	\$ (948,901)	\$ 240,043	\$ (1,396)	\$ (710,254)	–

The regulatory deferral account balances are recovered or settled through rates set by the OEB which are determined using estimates of future consumption of electricity by its customers. Future consumption is impacted by various factors including the economy and weather. The Corporation has received approval from the OEB to establish its regulatory deferral account balances.

Settlement of the Group 1 deferral and variance accounts is done on an annual basis. Kingston Hydro Corporation's 2020 Custom IR Year Four update rate application (EB-2020-0034) included a request to the OEB for disposition of the Corporation's deferral and variance account Group 1 balances. As part of the decision and rate order issued by the OEB on December 10, 2020, the Corporation received approval from the Ontario Energy Board on an interim basis for the disposition of Group 1 Deferral and Variance accounts in the amount of a net debit to customers in the amount of \$1,107,689, which has been reflected in the balances above.

KINGSTON HYDRO CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2021

10. Related party transactions:

(a) 1425445 Ontario Limited (operating as Utilities Kingston):

During the year, the Corporation paid \$11,749,108 (2020 - \$11,591,491) to 1425445 Ontario Limited (operating as Utilities Kingston) ("Utilities Kingston") for support services and capital works. Utilities Kingston is a shared-services business incorporated to provide support services to both the Corporation and to various infrastructure businesses of the City of Kingston. There was no balance owing at December 31, 2021 with respect to these transactions.

(b) City of Kingston:

During the year, the Corporation contracted for certain financial services from the City of Kingston. As at December 31, 2021, the Corporation had an amount due from the City of Kingston representing the cumulative net balance of cash receipts and disbursements processed by the City of Kingston on behalf of the Corporation, in the amount of \$8,776,828 (2020 - \$6,628,073). The City of Kingston pays the Corporation interest on the balance at a rate of prime minus 1.65%.

11. Employee future benefit liabilities:

(a) Pension plan:

The former Hydro-Electric Commission of the Corporation of the City of Kingston entered into agreements in 1995 with a number of former employees on non-contributory defined benefit pension plans. An actuarial report of the accrued pension liability indicates that the present value of the accrued pension benefits as at December 31, 2021 is \$192,792 (2020 - \$193,589).

(b) Extended health care, dental and life insurance benefits:

The Corporation has an obligation with respect to post employment extended health care, dental and life insurance benefits that are provided to employees of Utilities Kingston through the service agreement with Utilities Kingston. An independent actuarial study of the post-retirement and post-employment benefits has been undertaken for Utilities Kingston. The most recent actuarial valuation of the future benefit liability for Utilities Kingston was completed as at December 31, 2021. The Corporation is responsible for approximately 25% of the post-employment benefit liability of Utilities Kingston.

KINGSTON HYDRO CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2021

11. Employee future benefit liabilities (continued):

(b) Extended health care, dental and life insurance benefits (continued):

These accrued benefit liabilities at December 31 include the following components:

	2021	2020
Accrued benefit liabilities, January 1	\$ 997,650	\$ 905,157
Service cost	(114,413)	158,121
Payments	(96,966)	(65,628)
Accrued benefit liabilities, December 31	\$ 786,271	\$ 997,650

These benefits will be paid to Utilities Kingston as future benefit obligations are paid by Utilities Kingston to its employees as part of the support services contract with the Corporation.

(c) Accumulated sick leave:

Utilities Kingston provides accumulated sick leave benefits to all its employees. Under the plan, the sick leave days accumulate from year to year but are non-vested. The Corporation is responsible for approximately 25% of the accrued benefit liability of Utilities Kingston. The amount of the Corporation's accrued benefit liability for accumulated sick leave that does not vest has been actuarially determined as at December 31, 2021 and is \$243,262 (2020 - \$254,799).

(d) Future benefit liabilities:

	2021	2020
Future benefit liabilities are comprised of:		
Pension plan	\$ 192,792	\$ 193,589
Health, dental and life insurance	786,271	997,650
Accumulated sick leave	243,262	254,799
	\$ 1,222,325	\$ 1,446,038

12. Share capital:

	2021	2020
Authorized:		
Unlimited Class A common shares		
Issued and outstanding:		
120 Class A common shares	\$ 12,380,617	\$ 12,380,617

KINGSTON HYDRO CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2021

13. General liability insurance:

The Corporation is a member of the Municipal Electric Association Reciprocal Insurance Exchange ("MEARIE") which is a pooling of general liability risks. Members of MEARIE would be assessed, on a pro-rata basis, based on the total of their respective deposit premiums should losses be experienced by MEARIE that are in excess of their reserves and supplemental insurance, for the years in which the Corporation, and the former Hydro-Electric Commission, has been a member. The Corporation has not been made aware of any additional assessments.

14. Contingent liabilities:

The nature of the Corporation's activities is such that there may be litigation pending at any time. With respect to claims at December 31, 2021 against the Corporation, management believes there are valid defenses and appropriate insurance coverage in place. In the event any claims specifically are successful, management believes that such claims are not expected to have a material effect on the financial position of the Corporation.

No provision has been made in these financial statements in respect of any of the above contingent liabilities as management has assessed the risk of loss to be remote.

15. Payments in lieu of corporate income taxes:

The provision for amounts in lieu of corporate income taxes ("PILs") differs from the amount that would have been recorded using the combined Canadian federal and Ontario statutory income tax rates. A reconciliation between the statutory and effective tax rates is provided as follows:

	2021	2020
Federal and Ontario statutory income tax rate	26.5%	26.5%
Earnings before provision for PILs	\$ 2,892,690	\$ 2,399,931
Provision for PILs at statutory rate	\$ 766,563	\$ 635,983
Change resulting from:		
Tax effect of regulatory assets and liabilities	(108,101)	(86,289)
Tax effect of other miscellaneous adjustments	(4,386)	(46,968)
Provision for PILs	\$ 654,076	\$ 502,726
Effective income tax rate	22.6%	20.9%

KINGSTON HYDRO CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2021

15. Payments in lieu of corporate income taxes (continued):

Tax effects of temporary difference that give rise to future tax assets are as follows:

	2021	2020
Shortfall of tax values over accounting values		
of fixed assets	\$ (2,172,586)	\$ (1,764,658)
Future benefit liabilities	323,915	383,200
Regulatory assets	(784,094)	(637,017)
Derivative asset	11,218	73,019
	<u>\$ (2,621,547)</u>	<u>\$ (1,945,456)</u>

16. Change in non-cash operating balances:

	2021	2020
Decrease (increase) in due from City of Kingston	\$ (2,148,755)	\$ 526,554
Decrease in miscellaneous accounts receivable	2,644,670	1,233,227
Decrease in billed revenue receivable	1,148,200	322,127
Decrease (increase) in unbilled revenue	(560,007)	1,089,971
Decrease in inventory	100,685	29,314
Increase in prepaid expenses	(39,806)	(58,616)
Increase (decrease) in accounts payable and accrued liabilities	603,514	(5,990,693)
Decrease in due to retailers	(18,023)	(5,691)
Increase in deposits payable	64,700	514
Change in regulatory deferral account debit balances	(805,936)	878,439
Change in regulatory deferral account credit balances	(238,647)	(587,505)
	<u>\$ 750,595</u>	<u>\$ (2,562,359)</u>

17. Financial instruments and risk management:

(a) Fair value disclosure:

Cash and cash equivalents are measured at fair value. The carrying values of receivables and accounts payable and accrued charges approximate fair value because of the short maturity of these instruments. The carrying value of the customer deposits approximates fair value because the amounts are payable on demand.

KINGSTON HYDRO CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2021

17. Financial instruments and risk management (continued):

(b) Financial risks:

The Corporation understands the risks inherent in its business and defines them broadly as anything that could impact its ability to achieve its strategic objectives. The Corporation's exposure to a variety of risks such as credit risk, interest rate risk and liquidity risk, as well as related mitigation strategies, are discussed below.

(i) Credit risks:

Financial instruments carry credit risk that a counterparty will fail to discharge an obligation which could result in a financial loss. Financial assets held by the Corporation, such as accounts receivable, expose it to credit risk. The Corporation earns its revenue from a broad base of customers located in the City of Kingston.

The carrying amount of accounts receivable is reduced through the use of an allowance for impairment and the amount of the related impairment loss is recognized in net earnings. Subsequent recoveries of receivables previously provisioned are credited to net earnings. The balance of the allowance for impairment at December 31, 2021 is \$3,873,578 (2020 - \$3,782,748).

(ii) Derivative instruments:

At December 31, 2021, the Corporation has a series of interest rate swap contracts totaling \$7,379,960 (2020 - \$9,016,647) that were used to convert floating rate debt to fixed rate debt. These swaps qualify as cash flow hedges. The Corporation's cash flow hedge exposure at December 31, 2021 equals about 28% (2020 - 34%) of total long-term debt.

The unrealized gain or loss on these contracts is included as a component of other comprehensive income (loss) for the period. As of December 31, 2021, a liability of \$42,330 (2020 - a liability of \$275,545) is included on the balance sheet related to these contracts.

18. Capital risk management:

The Corporation's objectives when managing capital are to safeguard its assets while at the same time maintain investor and creditor confidence, and to sustain future development of the business.

The Corporation includes shareholder's equity and long-term debt including the note payable to the City of Kingston in the definition of capital. To maintain or adjust the capital structure, the Corporation may issue new shares, issue new debt with different characteristics, acquire or dispose of assets, or adjust the amount of cash and short-term investment balances held.

KINGSTON HYDRO CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2021

18. Capital risk management (continued):

There were no changes in the Corporation's approach to capital management during the period. As part of its lending arrangements, the Corporation is subject to various financial covenants, including debt service coverage ratio and debt to capitalization ratio.

In addition, the note payable to the City of Kingston is subordinated to the Corporation's bank in favour of the bank loan.

19. Impact of COVID-19

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian and Ontario governments, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally and in Ontario resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions however the success of these interventions is not currently determinable.

Management has undertaken certain strategies and actions to respond to the COVID-19 outbreak. The health and safety of all staff has been reinforced as a priority for the Corporation, and management has invoked a work-from-home regime, suspended domestic and international travel, and shifted face-to-face meetings to digital methods.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Corporation's Financial condition, liquidity, and future results of operations. Management is actively monitoring the situation on its financial condition, liquidity, operations, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the responses to curb its spread, the current challenging economic climate may lead to adverse changes in cash flows, working capital levels and/or debt balances, which may also have a direct impact on the Corporation's operating results and financial position in the future. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect our business is not known at this time.



Exhibit 1: Administrative Documents

Tab 9 (of 10): Distributor Consolidation

KINGSTON HYDRO CONSOLIDATION INFORMATION

In accordance with Section 2.1.9 of the Filing Requirements, Kingston Hydro makes the following comments regarding the extent to which it has investigated potential opportunities from consolidation or collaboration/partnerships with other distributors.

Due to the unique advantages and customer benefits that Kingston Hydro has in the distribution business within its service territory, Kingston Hydro has not discussed any potential opportunities regarding consolidation with other distributors. In fact, Kingston Hydro continues to look for opportunities to grow its customer base and increase its service territory so that all residents of the City of Kingston can reap the benefits of the multi-utility shared services model that Kingston Hydro customers currently enjoy.

Kingston Hydro has however entered into several arrangements whereby it partners and collaborates with other distributors and other non-electrical utilities within its service area.

Utilities Standards Forum

The Utilities Standards Forum (USF) was formed by many of Ontario's small to medium sized local distribution companies (LDC's) in 2005, in direct response to the passing of Ontario Regulation 22/04. Engineering teams volunteered their time and seed documents, to prepare a shared set of design standards to meet the requirements of this legislation and promote distribution system safety. Today, USF has grown both in membership and focus. Currently there are 53

1 USF members representing small, medium and large Ontario LDCs. USF now
2 offers forums for Engineering, IT, Regulatory and Customer Service and
3 operates with a significant amount of voluntary participation and input by member
4 representatives.

5
6 Engineering forum benefits to Kingston Hydro include:

- 7
- 8 • USF Standards – a full set of distribution design standards including 3D
9 AutoCAD files that meet all of Ontario's regulatory requirements.
10
 - 11 • Advocacy – USF represents the membership and advocates on its behalf
12 with the Electrical Safety Authority, Canadian Standards Association,
13 Ontario Energy Board, etc. regarding technical requirements.
14
 - 15 • Other Solutions – USF develops industry-wide accepted templates and
16 formulas used for engineering design of distribution systems. One
17 example is a common Client File for SpidaCalc software which is used by
18 USF members to design pole lines.
19
 - 20 • Training - USF offers its Members a schedule of technical training that
21 suits an LDC's engineering and operations team. It has developed its own
22 courses in Overhead Design, Design Applications, Underground Design,
23 and Revenue Metering. As well, USF hosts training courses offered by
24 industry experts. Courses cater the new entrant looking for introductory
25 information, through to the experienced designer looking to develop their
26 knowledge-base.
27

1 IT forum benefits include sharing best practices and capabilities regarding Cyber
2 Security Services, Incident Management, Disaster Recovery, Policies, Risk
3 Management, Privacy

4
5 Regulatory forum benefits from discussing topics such as Cost of Service,
6 Customer Engagement, Balanced Scorecard, RRR Reporting, RRR Audits,
7 financial models for rating making, Rate Codes, Interpretations of Amendments
8 to Codes and other Regulatory Requirements.

9
10 The Customer Service forum is an ad hoc discussion on changes to business
11 and regulatory requirements. Members also volunteer to develop best practice
12 guides and template on such topics as call centre efficiencies, the collection
13 process and on-boarding for customer service representatives.

14 15 **GridSmartCity®**

16
17 Kingston Hydro is pleased to be a member LDC of GridSmartCity® (“GSC”).
18

19 **Overview**

20
21 GSC is a consortium of 33 partner organizations – utilities, smart grid innovators
22 and commercial entities, academia, government and other key stakeholders. This
23 culture of collaboration enhances the efficiency and sustainability of local
24 distribution networks.

25
26 Established in 2009, the GridSmartCity consortium is made up of partner LDCs,
27 smart grid innovators, government, academia and other electricity industry
28 stakeholders. The focus of the group is on productivity and efficiency
29 improvements; advancements in smart grids; piloting new technologies; and

1 community energy planning, among other pursuits. From leading-edge research
2 collaborations with top universities to project co-engineering among LDC
3 partners and the annual Round Table event, GSC is making a difference.
4

5 **Industry Collaboration**

6

7 The GridSmartCity Cooperative draws its strength from individual local
8 distribution company members and the communities in which we operate. Our 15
9 member LDCs manage approximately \$2.7 Billion in assets, serving close to
10 737,500 customers across more than 25 communities. We are an extension of
11 GSC, one of Ontario's leading consortiums.
12

13 The Cooperative bridges the need for innovation and infrastructure renewal, with
14 the benefits of collaboration and cost efficiency. Operating within a formalized
15 structure, and as a legal cooperative entity, LDC members share resources,
16 insights and systems that help run smarter companies, while advancing
17 innovation, reliability and efficiency across Ontario's electricity grid.
18

19 Every GridSmartCity utility maintains independent ownership directly in the towns
20 and cities in which they operate. Being entrenched in the communities we serve,
21 provides distinct advantages with the benefits of collaboration.
22

23 Kingston Hydro is involved in various working groups within GSC including:
24

- 25 - Finance and Regulatory Council
- 26 - Human Resources Council
- 27 - Procurement Group
- 28

Academic Collaboration

Academic collaboration is another key area of emphasis. McMaster University, the University of Waterloo and Mohawk College – all GridSmartCity partners – provide LDC partners with current research on the impacts of electric vehicle and EV chargers, smart grids/microgrids, energy storage systems and community energy solutions. Citing just one example, McMaster Institute of Energy Studies, in collaboration with the GridSmartCity Consortium and Cooperative, was invited to submit a grant application to the Natural Sciences and Engineering Research Council of Canada (NSERC) for a research project to study ‘Integrated Community Energy and Harvesting Systems’.

Commercial Partners

GSC’s commercial partners are key to delivering innovative solutions for the Cooperative, assisting member LDCs in achieving productivity and efficiency improvements, and the integration and deployment of new technologies.

Utilities Kingston – The Multi-Utility Shared Services Model

The primary relationship that benefits Kingston Hydro and its ratepayers is the participation in the multi-utility model in Kingston that is unique in Ontario.

Background

Kingston Hydro is a municipally owned electricity distribution company. Its distribution territory encompasses what is generally referred to as “the old City of Kingston”.

1 Kingston Hydro serves over 28,000 customers, which is largely a mix of
2 institutional, commercial and residential. There are very few industrial customers
3 within the customer base, and no large industrial customers. Within the
4 distribution territory of Kingston Hydro there is very limited opportunity for
5 greenfield development, although infill development has become quite popular in
6 the downtown core.

7
8 The Corporation of the City of Kingston is the sole owner/shareholder of Kingston
9 Hydro. Kingston Hydro Corporation assets and services provisioning are
10 managed through an arrangement with 1425445 Ontario Limited o/a Utilities
11 Kingston – a company incorporated under the Ontario Business Corporations
12 Act. Utilities Kingston is owned by 1425447 Ontario Limited, a holding company,
13 which is wholly owned by the Corporation of the City of Kingston.

14
15 In addition to providing those asset management services to Kingston Hydro,
16 Utilities Kingston also provides similar services to the City of Kingston for their
17 natural gas, water, wastewater, streetlight, and traffic signal assets, and Utilities
18 Kingston owns and manages a fibre optic network. All 230 employees that
19 deliver the services noted are employed by Utilities Kingston. This differentiating
20 aspect amongst utility providers in Ontario creates a value proposition of which
21 the customers of Kingston Hydro benefit.

22
23 The Utilities Kingston model is one based on multi-utility shared services that
24 provides advantages to the ratepayers from its horizontal integration strategy.
25 Although vertical integration can provide efficiencies from economies of scale,
26 horizontal integration provides efficiencies from economies of scope and delivers
27 other non-monetary value to the customers.

28

1 There are other utility companies that have some degree of horizontal
2 integration, though in Ontario, and even North America, it tends to be rather
3 limited. It is somewhat more prevalent in some European countries where there
4 is recognized value of companies there providing electricity, gas, and water
5 utilities. Indeed, as a study¹ on behalf of the Switzerland State Secretariat for
6 Economic Affairs noted *“the importance of potential synergies through ‘horizontal’*
7 *integration has been recognized in the recent European regulatory*
8 *recommendations”*.

9
10 It was a focus on customers that brought about the structure and relationships
11 that encompasses the Utilities Kingston model and has served those customers
12 so very well. The principals involved in the 1998 municipal restructuring that
13 merged the entities of the City of Kingston, Kingston Township, Pittsburgh
14 Township and Kingston's Public Utilities Commission understood and
15 appreciated the concept of a single provider of multi-utilities and sought to
16 continue to enhance that concept for delivery of services.

17
18 Due to the benefits of the multi-utility shared service model, it was the desire of
19 the council of the newly amalgamated City of Kingston to have all its residents
20 serviced by the municipally-owned electricity distribution company. The new City
21 of Kingston was taking steps to acquire the assets of the then Ontario Hydro
22 under the process that was identified in the *Power Corporations Act* when this
23 boundary expansion process was stopped by the provincial government with the
24 newly introduced *Energy Competition Act*.

25
26 The decision for the management of these utility assets by one department was a
27 key strategic decision for the new city. It was believed that having all these

¹ Cost Efficiency and Scope Economies in Multi-Output Utilities in Switzerland (Filippini & Farsi (2008))

1 assets managed by the same department would not only result in savings and
2 superior customer service for the city's utility customers, but would also assist in
3 providing a coordinated approach to the much-needed capital infrastructure
4 investments previously identified. This approach was expected to result in
5 financial savings in areas where significant capital expenditures were planned, as
6 well as less disruption to all citizens due to well-planned and coordinated
7 construction projects as years of capital improvements unfolded across the city.

8
9 Benefits of this unique service delivery model were quickly substantiated. When
10 provincial legislation was introduced that required incorporation of electricity
11 distribution companies, many municipalities separated the electric operations
12 from other municipal utility services. However, having realized benefits from a
13 single service provider, the City of Kingston researched means by which to
14 facilitate the continuation of its utility service delivery model. The City of Kingston
15 incorporated three separate corporations under section 142 of the Electricity Act,
16 Kingston Hydro, 1425447 Ontario Limited and 1425445 Ontario Limited ("Utilities
17 Kingston") as an asset management company to continue the shared service
18 model.

19
20 In establishing Utilities Kingston, the shareholder set a number of principles that
21 continue to be the core of the business today. These principles and a brief
22 explanation of each are as follows:

- 23
- 24 • Lowest possible rates to customers: achieving the optimal balance between
25 capital reinvestment and low rates
 - 26
 - 27 • Best customer service delivery: providing the best customer service to our
28 customers for all the services they receive from Utilities Kingston
 - 29

- 1 • Shared services where possible: utilizing efficiencies of scope and, in addition,
2 purchasing services from the City when it provides the most cost effective
3 solution (e.g., fleet services or legal services)
4
- 5 • Maximized coordination for development and infrastructure renewal: contracts
6 that combine work for all utility and municipal services, where possible, to save
7 money and avoid repeated inconvenience to customers
8
- 9 • Rate based services and full cost accounting: revenue for each utility is
10 derived from user rates and is sufficient to cover each utility's specific
11 operating costs, debt financing and capital renewal
12
- 13 • No cross-subsidization between services: accounting systems are in place and
14 reporting exists to ensure the revenue derived from each business unit is
15 spent on that business only and costs for each unit is charged to that business
16
- 17 • Best return/lowest cost to the shareholder: services are delivered in the most
18 cost-efficient manner, resulting in lowest possible rates to customers and
19 maximum return to the shareholder
20

21 The enduring desire which started during municipal restructuring and continues
22 today is for Utilities Kingston to provide all of those multi-utility services
23 throughout the City of Kingston. Although portions of the City continue to have
24 electricity and gas delivered by other companies, it is clear that our customers
25 see value in our model as staff are often queried as to why Utilities Kingston is
26 not providing electricity and natural gas services across the entire City of
27 Kingston.
28

1 Ratepayers are clearly desirous of this multi-utility model and there are various
2 non-monetary aspects of the Utilities Kingston model that lead it to be attractive
3 to customers.

4 5 **One Bill**

6
7 Residential customers like receiving a single bill that includes all of their utility
8 services. The launch in 2013 of Utilities Kingston's *MyUtilities* online portal
9 furthered that benefit and has been received very well. This system gives
10 customers the ability to view their historical water, wastewater, electricity and
11 natural gas billing data and manage their account through a free online service
12 with a single login. Energy and water use is plotted against weather and
13 compared to neighborhood peers.

14 15 **Integrated Conservation Program**

16
17 Utilities Kingston's customers in all rate classes can take advantage of trusted
18 conservation expertise, in a unique one-stop shop that covers their electricity,
19 natural gas, and water consumption and costs.

20
21 Until March 2019, Kingston Hydro was on track to cost-effectively exceed its
22 2015-2020 Conservation First Framework (CFF) energy reduction target of
23 34.5GWh. In 2016 Kingston Hydro received the LDC Champion Award from the
24 Independent Electricity System Operator (IESO) for being one of six of utilities in
25 Ontario to exceed its 2011-2014 framework conservation targets.

26
27 When the CFF was dissolved in 2019, local distribution companies (LDCs), with
28 funding from the Independent Electricity System Operator, were able to offer
29 targeted programs through the Save On Energy Local Program Initiative. Utilities

1 Kingston and Kingston Hydro were successful in their application to the Program
2 and were able to offer a residential smart thermostat program at reduced
3 administrative cost by sharing the cost across both the natural gas and electricity
4 utilities.

5
6 With the Ontario Energy Board's recent release of the updated Conservation and
7 Demand Management Guidelines for Electricity Distributors, Utilities Kingston is
8 poised to undertake a study of both the natural gas and electricity systems in
9 tandem, with unique insight deep into both businesses and systems. As
10 customers across all rate classes work to transition to a low-carbon future,
11 Kingston Hydro must ensure its grid is prepared to handle the additional load.
12 This study will look to explore the likely impact of electrification on both systems
13 and determine the most impactful and cost-effective non-wires alternative
14 solutions.

15
16 Utilities Kingston continues to work toward the implementation of Green Button
17 Connect My Data and Download My Data; the multi-utility model structure of
18 Utilities Kingston will allow for the harmonized implementation of the application
19 across all customers, rate classes, and utilities.

20 21 **One Call**

22
23 The advantage of the one call concept is universally accepted. The Ontario One-
24 Call system for locating underground infrastructure is but one example. Utilities
25 Kingston is able to extend the one call concept across all of the utilities.

26
27 All customer service staff are trained and adept at handling inquiries involving
28 any of the utilities services. One phone call to our customer service

1 representatives and customers are provided answers on a multitude of requests
2 and are able to arrange for move-outs, move-ins, meter reads, etc.

3
4 For installation, upgrade or removal of utility services, customers place one call
5 to Utilities Kingston to converse with a Services Advisor that will take care of all
6 of their utility needs. Staff are then able to coordinate the field work across all
7 utilities to minimize inconvenience to the customer (e.g. on-site meetings,
8 connections).

9 10 **Emergency Response**

11
12 Emergencies can affect multiple utilities and certainly ratepayers appreciate that
13 they have a single point of contact in dealing with any of their services that may
14 be affected. More than that however, is that Utilities Kingston staff ensure that
15 restoration of their utility services consider all of the customer's utilities and
16 circumstances.

17
18 Expanding the Utilities Kingston service delivery model to distribute electricity to
19 all residents of the City of Kingston remains a strategic goal of the City of
20 Kingston, Utilities Kingston, and Kingston Hydro.

21
22 Shareholder support for this strategic goal continues as it has since 1998. The
23 following motion, approved at the January 12, 2015 shareholder meeting remains
24 in effect:

25
26 *RESOLVED that the Shareholder endorse the motion of the Board of*
27 *Directors from meeting 2015-01 held on January 12, 2015, which states:*
28

1 *RESOLVED that in order to ensure that the interests of the*
2 *Shareholder of Kingston Hydro are best served, that the Board*
3 *authorizes the President and CEO of Kingston Hydro or his*
4 *designate to pursue discussions regarding the options that may be*
5 *available for consideration with respect to the future of Kingston*
6 *Hydro and that the President and CEO will provide status reports to*
7 *the Board at appropriate intervals; and*

8
9 *THAT the Shareholder request the Board of Directors to provide an*
10 *update to the Shareholder at the Annual General Meeting; and*

11
12 *THAT the Shareholder of Kingston Hydro Corporation re-affirms the*
13 *2012 preferred direction of seeking the purchase of Hydro One*
14 *assets.*

15
16 At the time of preparing this rate submission, the expansion of the Utilities
17 Kingston service delivery model to all utility customers within the City of Kingston
18 remains one of the key goals for the City, Kingston Hydro and Utilities Kingston.

19
20 **Financial Value of the Shared Services Model**

21
22 Since its incorporation, Utilities Kingston has proven the value of its service
23 delivery model. This value is not only realized for electricity customers, but for all
24 utility customers.

25
26 The shared services model allows the company to better capitalize on its
27 intellectual and physical assets than if the utilities were served by separate
28 entities.

29

1 In its last proceeding (EB-2015-0083), Kingston Hydro provided evidence of the
2 financial savings to Kingston Hydro of being part of the multi-utility model. Total
3 OM&A savings reported during that proceeding were approximately \$1.65 million.
4 Kingston Hydro and Utilities Kingston have maintained the exact same
5 relationship since the 2015 proceeding. Estimated savings for OM&A for 2023,
6 using the Ontario annual average inflation estimate of 2.3% per year, are
7 calculated at just under \$2 million per year or approximately \$70 per customer
8 per year.

9
10 With a proposed Kingston Hydro operational budget of just over \$8.3 million, the
11 \$1.9 million in annual Kingston Hydro savings represents approximately 23 per
12 cent of the operational, maintenance and administrative costs to the local
13 distribution company.

14
15 As noted above, this results in a cost savings of \$70 per Kingston Hydro
16 customer.

17
18 The multi-utility model that is Utilities Kingston and for which Kingston Hydro
19 benefits from, aligns itself ideally to satisfy the objectives set out by the
20 performance outcomes established by the Ontario Energy Board. The model is
21 wholly focused on the provisioning of utility services to the end customer in a
22 manner that which they prefer them.

Exhibit 1: Administrative Documents

Tab 10 (of 10): Impacts of Covid-19 Pandemic

IMPACTS OF COVID-19 PANDEMIC

Load Forecast

Kingston Hydro retained Elenchus to analyze 10 years (2012-2021) of historic consumption data and develop a time-series autoregressive load forecast model for each rate class.

A range of COVID variables were considered to account for the impacts of the ongoing COVID-19 pandemic. The extent to which consumption since March 2020 differed from typical consumption was found to be related to the weather variables in those months. A set of COVID/weather interaction variables were considered to capture the incremental consumption caused by people working from home and generally staying at home due to lockdowns. These variables, “HDD COVID” and “CDD COVID” are equal to the relevant HDD and CDD variables since March 2020, and 0 in all earlier months. The coefficients reflect incremental heating and cooling load consumed as people stayed home during the pandemic. These variables continue to December 2021 but are reduced to 75% of HDD and CDD in all months in 2022 and 50% in 2023.

COVID flag variables were tested and found to be statistically significant for the General Service < 50 kW and General Service > 50 kW, and Large Use classes. A “COVID” variable equal to 0 in all months prior to March 2020 and 1 in all months since March 2020 and a “COVID_AM” variable equal to 0 in all months prior to March 2020, equal to 1 in April and May 2020, and 0.5 in each month from June 2020 to December 2021 were tested. The “COVID_AM” variable considers the incremental impact in the first few months of the pandemic, with

1 lower impacts after May 2020. The “COVID_AM” variable is used for each of the
2 General Service < 50 kW and General Service > 50 kW, and Large Use classes.

3
4 **Class Specific Observations**

5
6 The qualitative impact on historic consumption of COVID from March 2020 to
7 December 2021 can be summarized as follows:

8

Rate Class	Impact of COVID (Mar 2020 - Dec 2021)
Residential	Increased
GSLT50	Decreased
GSGT50	Decreased
Large Use	Decreased

9
10 **Capital Plan**

11
12 Our capital plan for 2020 was reduced by \$1 million due to the uncertainty with
13 respect to revenues and collection of accounts. Other than the deferral of \$1
14 million in capital projects, the capital plan was largely unaffected by Covid-19.

15
16 Health and safety measures implemented in the workplace combined with
17 vaccine rollouts during this time resulted in minimal impacts.

18
19 The same can not be said for the capital work undertaken in 2021. The omicron
20 variant did cause disruption due to isolation requirements and two electrical staff
21 were placed on unpaid leave due to their failure to comply with vaccine mandate
22 policies.

23

1 These factors caused delays to 3 projects, Hwy #2, 575 Princess St and Railway
2 St, which were incomplete at year end were carried forward into 2022. Financial
3 impacts were \$235,000 for all three.

4
5 **OM&A**

6
7 Operating, maintenance considerations were also impacted.

8
9 Pandemic impacts on operating and maintenance are in the nature that normal
10 activities have taken longer to complete during pandemic condition than they did
11 prior to the pandemic. The amount of O&M work completed was reduced in
12 2020 and 2021 due to additional time required to complete tasks due to things
13 like masking, use of separate vehicles and physical distancing. In addition,
14 education and training activities were greatly reduced to the inability to train large
15 groups and due to travel restrictions. We do note that in 2022 OM&A activity has
16 begun to return to normal levels.