Ontario Energy Board | Commission de l'énergie de l'Ontario

BY EMAIL

August 29, 2022

Ms. Nancy Marconi
Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4
Registrar@oeb.ca

Dear Ms. Marconi:

Re: Ontario Energy Board (OEB) Staff Interrogatories
Kingston Hydro Corporation
2023 Cost of Service
OEB File Number: EB-2022-0044

Please find attached OEB staff's interrogatories in the above referenced proceeding, pursuant to Procedural Order No. 1.

Yours truly,

Vince Mazzone
Digitally signed by Vince Mazzone
Date: 2022.08.29 15:52:45 -04'00'

Vince Mazzone
Advisor, Application Policy & Conservation

cc: All parties in EB-2022-0044

Responses to interrogatories, including supporting documentation, must not include personal information unless filed in accordance with rule 9A of the OEB's *Rules of Practice and Procedure*.

Exhibit 1- Administration

1-Staff-1
Updated Revenue Requirement Work Form (RRWF) and Models

Upon completing all interrogatories from OEB staff and intervenors, please provide an updated RRWF in working Microsoft Excel format with any corrections or adjustments that the Applicant wishes to make to the amounts in the populated version of the RRWF filed in the initial applications. Entries for changes and adjustments should be included in the middle column on sheet 3 Data_Input_Sheet. Sheets 10 (Load Forecast), 11 (Cost Allocation), and 13 (Rate Design) should be updated, as necessary. Please include documentation of the corrections and adjustments, such as a reference to an interrogatory response or an explanatory note. Such notes should be documented on Sheet 14 Tracking Sheet and may also be included on other sheets in the RRWF to assist understanding of changes.

In addition, please file an updated set of models that reflects the interrogatory responses. Please ensure the models used are the latest available models on the OEB's 2023 Electricity Distributor Rate Applications webpage.

Note that the 2023 PILs Workform has been updated to reflect the change in small business rate from the 2022 federal budget that updated the range over which the small business deduction is reduced to $10 million to $15 million.

Please note that the 2023 RTSR Workform has been updated with the 2022 UTRs, and 2021 billed usage from the RRRs. Please ensure that 2021 wholesale volumes are also used.

1-Staff-2
OEB Model Updates/Amendments
Ref: Chapter 2 Filing Requirements, page 3

Question(s):

As required in the Chapter 2 Filing Requirements, please provide a summary of any updates or amendments to an OEB model to accommodate Kingston Hydro's circumstance, if applicable.

1-Staff-3
OEB Directive from Previous OEB Decisions
Ref: Exhibit 1, Tab 3, Schedule 11, pages 1-2

Preamble:

In its Custom IR Application Settlement Proposal, Kingston Hydro agreed "…to develop meaningful metrics/targets and to define outcome reporting." In response, Kingston Hydro retained a consultant (Metsco) to prepare a report on theses metrics. Kingston Hydro stated that it has since selected some of the metrics and reported the associated outcomes in its DSP but does not specify which ones.

Question(s):

a) Please provide a copy of the report prepared by Metsco.
b) Please specify which metrics and associated outcomes were reported on in Kingston Hydro's DSP.

1-Staff-4
Engagement Survey
Ref: Exhibit 1, Tab 5, Schedule 1, page 3

Preamble:

Kingston Hydro retained UtilityPULSE to perform a third-party customer satisfaction survey in the fall of 2019 and again in the fall of 2021.

Question(s):

a) Please provide the engagement survey that was administered to customers.
b) Please explain how customer preferences were used to reshape Kingston Hydro's capital plan.

1-Staff-5
Customer Engagement
Ref: Chapter 2A Filing Requirements for Small Utilities, page 10

Question(s):

As required in the Chapter 2A Filing Requirements, please document any communications with unmetered load customers, including street lighting customers, and how Kingston Hydro assisted them in understanding the regulatory context in which distributors operate and how it affects unmetered load customers.

1-Staff-6
OM&A per Customer
Ref: Exhibit 1, Tab 6, Schedule 1, page 3

Preamble:

Kingston Hydro provides OM&A per customer from 2016-2020 compared to the industry average.

Question(s):

a) Please provide a table comparing Kingston Hydro's OM&A per customer to utilities in the same cohort per the latest PEG benchmarking report as Kingston Hydro from 2016-2020.

1-Staff-7
Natural Gas and Electricity Study
Ref: Exhibit 1, Tab 9, Schedule 1, page 11

Preamble:

Kingston Hydro states that, with the recent release of the OEB's CDM Guidelines, Utilities Kingston is poised to undertake a study of both the natural gas and electricity systems in tandem, with unique insight deep into both businesses and systems. As customers across all rate classes work to transition to a low-carbon future, Kingston Hydro must ensure its grid is prepared to handle the additional load. This study will look to explore the likely impact of electrification on both systems and determine the most impactful and cost-effective non-wires alternative solutions.

Question(s):

a) Please provide a timeline for the study.
b) Please explain how Kingston Hydro intends to use the results of the study for future planning related to CDM and non-wires alternatives.

1-Staff-8
Implementing the Green Button Initiative
Ref: Exhibit 1, Tab 9, Schedule 1, page 11

Preamble:

Distributors are required to implement Green Button by November 1, 2023. The OEB has approved the establishment of a generic deferral account for rate regulated distributors to record the incremental costs directly attributable to the implementation of the Green Button initiative.

Kingston Hydro states that Utilities Kingston continues to work toward the implementation of Green Button Connect My Data and Download My Data functionality and that the multi-utility model structure of Utilities Kingston will allow for the harmonized implementation of the application across all customers, rate classes, and utilities.

Question(s):

a) Please provide Kingston Hydro's current progress of implementing the Green Button initiative. Does Kingston Hydro have a project plan in place to implement Green Button? If yes, please provide a high-level description of those plans. If not, please advise when the distributor expects to have a project plan in place.
b) Please clarify if Kingston Hydro has recorded any incremental costs directly attributable to the implementation of the Green Button initiative in the generic deferral account.
c) Please confirm if Kingston Hydro has not proposed any capital or OM&A costs associated with the implementation of the Green Button initiative for the 2022 bridge year and the 2023 test year.

1-Staff-9
Shared Model
Ref: Exhibit 1, Tab 9, Schedule 1, pages 13-14

Preamble:

Kingston Hydro has detailed the financial value of its Shared Service Model. Kingston Hydro states that estimated financial savings for OM&A for 2023 using the Ontario annual average inflation estimate of 2.3% per year, are calculated at just under $2 million per year or approximately $70 per customer per year.

Question(s):

a) Please provide details on the calculation of the $2 million per year total.

b) Please clarify whether the estimated financial savings have been reflected in the proposed 2023 OM&A. If so, please explain how. If not, please explain why not.

Exhibit 2 – Rate Base and Distribution System Plan

2-Staff-10
Capital Projects
Ref: Chapter 2 Appendix 2-AA

Question(s):

a) Please confirm whether the capital contributions are netted in the total capital spend in the amounts in Appendix 2-AA.

2-Staff-11
Capital Expenditures
Ref: Chapter 2 Appendices

Preamble:

In response to error check question #1, Kingston Hydro stated that the total expenditures shown in Appendix 2-AB are the annual capital additions. Although OEB staff notes that usually Appendix 2-AB reflect capital expenditures and not capital additions.

Questions:

a) Please explain why the fixed asset continuity tables beyond 2023 were included in Appendix 2-BA.
b) Please explain why the capital additions for some of the years in Appendix 2-BA do not match the capital additions in Appendix 2-AB.
c) As required, please update Appendix 2-AB, Appendix 2-BA, Appendix 2-C (depreciation), Account 1592 sub-account CCA changes balances, the applicable tabs in the PILs model, the PILs smoothing adjustment, Account 1508, Sub-account Revenue Requirement Differential Variance Account related to Capital Additions, and any other applicable items (including the support, as applicable).

2-Staff-12
Change in Depreciation Rate for Specifics - Smart Meters
Ref: Exhibit 2, Tab 2, Schedule 3, page 3

Preamble:

Kingston Hydro revised the depreciation rate for 1860 Smart Meters that were purchased in 2009-2010 to have a useful life of 18 years. Useful life for wholesale meters per the Kinetrics Report is 5-15 years. Kingston Hydro has been using a useful life of 15 years to be consistent with expected useful life of Smart Meters.

The change in depreciation that occurred in 2019 was to extend the estimated useful life of smart meters that were purchased in 2009-2010 to 18 years vs 15 years. Future additions of Smart Meters will still start with the estimated useful life of 15 years, because they begin with a 10-year seal, which can only be extended through the same process of sampling and testing.

Appendix 2-BB Service Life for new smart meters will remain at 15 years until more data is collected to accurately predict their estimated useful life. Not all smart meters have moved to an EUL of 18 years and Kingston Hydro will continue evaluate their life cycle throughout this IRM.

Question(s):

a) Please clarify if Kingston Hydro is seeking to change the depreciation from 15 years to 18 years in this application.
b) Please explain what evaluation will take place during the IRM cycle and how this impact will be reported.

2-Staff-13
Distribution Plan Introduction
Ref 1: Exhibit 2, Tab 4, Attachment 2.4.1.1 page 11
Ref 2: Exhibit 1, Tab 3, Attachment 1 page 3

Preamble:

Kingston Hydro states that it owns the electric assets in the core area of the city. Kingston Hydro also states that Utilities Kingston, an affiliate, manages, operates, and maintains the electrical distribution assets in the core area of the City of Kingston. The existing agreement between Kingston Hydro and Utilities Kingston expires September 16, 2022.

Question(s):

a) Was this DSP prepared by Kingston Hydro resources or Utilities Kingston resources?
b) What was the role of Kingston Hydro in the preparation of this DSP?
c) What role did Utilities Kingston have in the preparation of this DSP?
d) Has Kingston Hydro confirmed that Utilities Kingston is in complete agreement with the contents of this DSP?
e) Are there to be any changes to the terms of service provided by Utilities Kingston to Kingston Hydro after September 16, 2022 when the current agreement expires?
f) What contingency plans does Kingston Hydro have in place to manage, operate and maintain the distribution system in the event of agreement breach that results in termination of the service agreement with Utilities Kingston?

2-Staff-14
Key Investment Elements of the DSP
Ref: Exhibit 2, Tab 4, Attachment 2.4.1.1 pages 21, 92

Preamble:

Kingston Hydro states that they use a real-time GIS dashboard. Real-time information is updated as annual inspection work is completed and comes directly from operational staff that observe, use, inspect, maintain, and operate Kingston Hydro assets.

Question(s):

a) Please provide an example of real-time dashboard information as accessed by staff from the GIS.

2-Staff-15
Future Influences on DSP
Ref: Exhibit 2, Tab 4, Attachment 2.4.1.1 pages 27, 226, 228

Preamble:

Kingston Hydro states that a significant number of smart meter seals are scheduled to expire within the next 5-7 years which will result in lumpy rather than levelized/paced capital expenditures.

Question(s):

a) How many meters will require reverification in each of the forecast years?
b) How many meters will require replacement in each of the forecast years?
c) Has Kingston Hydro confirmed that meter seal expiry will result in new meters being required versus seal updates of existing meters?
d) Please provide annual forecast meter replacement costs for the 2023 – 2027 period.

2-Staff-16
Coordinated Planning with Third Parties
Ref: Exhibit 2, Tab 4, Attachment 2.4.1.1 pages 33, 34, 228

Preamble:

Kingston Hydro states that it plans to initiate the pre-design of a new Municipal Transformer Station in 2024-2025 as one of the outcomes of the Regional Planning process. Kingston Hydro is currently supplied from Hydro One transformer stations connected to the transmission grid.

Question(s):

a) Did Kingston Hydro perform a business case to determine that ownership of a Municipal Transformer Station was preferable to supply from a new Hydro One owned transformer station?
b) Why is the pre-design work for the station in System Access instead of System Service?

2-Staff-17
Performance Measurement for Continuous Improvement
Ref: Exhibit 2, Tab 4, Attachment 2.4.1.1 page 43

Preamble:

Kingston Hydro states that, for Customer Hours of Interruption (CHI) statistics, Severe Weather Days are defined as days with Maximum Wind Gust of 50km/h or higher lasting more than 2 hours.

Question(s):

a) What is the reference standard or document for this threshold definition?

2-Staff-18
Performance Measurement for Continuous Improvement
Ref: Exhibit 2, Tab 4, Attachment 2.4.1.1 page 46

Preamble:

Kingston Hydro utilizes a Warehouse Inventory Turnover metric.

Question(s):

a) Does the value of the inventory used in this metric include equipment and material retained for spare purposes as well as new build purposes? Please explain your response.

2-Staff-19
Performance Measurement for Continuous Improvement
Ref: Exhibit 2, Tab 4, Attachment 2.4.1.1 page 54, 80

Preamble:

Kingston Hydro uses a metric to track Average CHI for Defective Equipment Outages. The metric tracks defective equipment as a single category. Table 5.2-29 summarizes defective equipment cause breakdown from 2015 to 2021. Tables 5.2-10 through 5.2-11 provide annual SAIFI equipment failure statistics over the historical period for cables, transformers and poles.

Question(s):

a) Please break out information in Table 5.2-29 on an annual basis over the historical period.

2-Staff-20
Performance Measurement for Continuous Improvement
Ref: Exhibit 2, Tab 4, Attachment 2.4.1.1 page 58

Preamble:

Kingston Hydro states that PILC cable faults occurred two times per year on average in the past ten years and has established a systematic plan to replace PILC cable risers at substations.

Question(s):

a) Does this mean that the majority of faults have been related to risers versus underground mains?
b) Are the failures primarily in the cable or the splice between cable sections?
c) What type of cables are being used to replace the PILC cables, and why?

2-Staff-21
Performance Measurement for Continuous Improvement
Ref: Exhibit 2, Tab 4, Attachment 2.4.1.1 page 55

Preamble:

Kingston Hydro uses a metric to track SAIFI of defective equipment outages deemed to be in a particularly poor condition.

Question(s):

a) Does the "poor" condition correspond to the Health Index classifications (poor, very poor) in the Kinectrics ACA study? If not, how is the condition determined?
b) Does Kingston Hydro have SAIFI data for defective equipment outages for equipment deemed to be in fair or better condition based on the Health Index of the equipment?

2-Staff-22
Performance Measurement for Continuous Improvement
Ref: Exhibit 2, Tab 4, Attachment 2.4.1.1 pages 22-23, 67 – 71, 227

Preamble:
Kingston Hydro states that customer engagement activities identified support for improved reliability. Current reliability performance indicates higher SAIDI and SAIFI target values in the forecast years compared to the historical period. Kingston Hydro states that with the decreased investment plan to upgrade assets compared to the historical period, it expects the SAIDI and SAIFI contributions due to Scheduled Outage for asset upgrades will decrease.

Period	SAIFI Target	SAIDI Target
2015 - 2021	0.95	1.03
2022 - 2027	1.11	1.35

Question(s):

a) How do the forecast SAIFI and SAIDI targets support customer engagement outcomes?
b) What were the results of the Large Customer engagement activities?
c) Is it expected that the decreased asset investment plan will result in SAIDI and SAIFI performance that will be within the proposed targets for the 2022 – 2027 period?
d) What additional investments would be required to have future SAIDI and SAIFI performance that will be within the targets for the 2015 – 2021 period?
e) Did Kingston Hydro consider maintaining the same 2015 – 2021 reliability targets for the forecast period?

2-Staff-23
Performance Measurement for Continuous Improvement
Ref: Exhibit 2, Tab 4, Attachment 2.4.1.1 pages 70

Preamble:

Kingston Hydro states that a 44kV cable termination that failed at a customer-owned substation in 2021 resulted in contributions of 0.38 in SAIFI and 0.50 in SAIDI. This single event contributed 35.5% of the annual SAIDI result and 18.1% of the annual SAIFI result in 2021. This failure was deemed as foreign interference as opposed to defective equipment.

Question(s):

a) Please confirm that the termination was a customer-owned, installed and maintained asset and not a Kingston Hydro termination.

2-Staff-24
Performance Measurement - Asset Management
Ref: Exhibit 2, Tab 4, Attachment 2.4.1.1 page 59

Preamble:

Kingston Hydro states that it will continue to pace the replacement of obsolete and legacy 5kV oil switches in transformer vaults with the goal of eventually eliminating these legacy assets to improve system operability and worker safety. Kingston Hydro states it has replaced three 5kV oil switches in the previous planning horizon (2015-

2020). Kingston Hydro states it will continue this oil switch replacement program over the 2022-2027 timeframe.

Question(s):

a) How many 5kV oil switches remain to be replaced?
b) How many 5kV oil switches are planned to be replaced annually in the 2022 – 2027 timeframe?

2-Staff-25
Asset Management Process
Ref: Exhibit 2, Tab 4, Attachment 2.4.1.1 pages 91

Preamble:

Kingston Hydro states that fleet assets are required to remain in good working condition. Replacement is recommended when the vehicle reaches a prescribed odometer reading, hours of service, or age combined with an upward trend of unscheduled maintenance costs over the previous 2-3 years.

Question(s):

a) What are the prescribed odometer reading, hours of service, age and maintenance cost criteria for each fleet vehicle class?

2-Staff-26
Asset Management Process
Ref: Exhibit 2, Tab 4, Attachment 2.4.1.1 pages 93

Preamble:

Kingston Hydro states that it has updates for its 44kv and 5kV Master Plans.

Question(s):

a) Please provide the 2019 and 2020 memo updates to the Master Plans.

2-Staf-27
Asset Management Process
Ref: Exhibit 2, Tab 4, Attachment 2.4.1.1 pages 96-97, 176

Preamble:

Kingston Hydro states that potential Capital Projects are considered and evaluated against how they satisfy identified Asset Management Objectives and other factors. Kingston Hydro state they use both qualitative and objective criteria to its decision making.

Question(s):

a) What are the qualitative criteria used in the decision making?
b) What are the subjective criteria used in the decision making?
c) Are any quantitative criteria used in the decision making?
d) Are all criteria weighted equally in terms of decision making outcomes?
e) Please provide examples of the criteria and priority ranking decision for the top 5 ranked projects.
f) Has Kingston Hydro investigated quantitative methods to determine Risk of deferral and Project Value for its proposed capital investments?

2-Staf-28
Asset Management Process
Ref: Exhibit 2, Tab 4, Attachment 2.4.1.1 pages 98, 173

Preamble:

Kingston Hydro states that it undertakes regular, planned inspection and maintenance programs in accordance with regulatory requirements and good practices. One-third of system poles are inspected annually.

Question(s):

a) What pole tests are done in conjunction with the annual inspection program?

2-Staff-29
Climate Change Adaptation
Ref: Exhibit 2, Tab 4, Attachment 2.4.1.1, pages 18, 81, 102, 103

Preamble:

Kingston Hydro states that a Strategic Planning exercise was undertaken by the Utilities Kingston Board in November 2020. One of the items supported by the 2021 Work Plan was Climate Action.

Kingston Hydro has indicated that climate change is expected to result in hotter summers and an increase in annual freezing rain and extreme wind events. Kingston Hydro has not identified any specific projects related to climate change adaptation and is monitoring the situation. With respect to vegetation management, Kingston Hydro states that it follows a three-year pruning cycle and follows clearances as established in the Electrical and Utilities Safety Association Line Clearing Operations Safe Practice Guide 2008.

Question(s):

a) What were the specific Climate Action items proposed in the 2021 Work Plan?
b) How are these Climate Action items reflected in the 2023-2027 DSP?
c) Has Kingston Hydro determined what the impact of increased freezing rain and extreme weather events will have on its distribution system?
d) Is Kingston Hydro reviewing or plans to review its overhead construction standards and vegetation management programs with respect to system hardening and resiliency in the face of increasing freezing rain and severe weather events?
e) Does Kingston Hydro perform any additional out-of-cycle vegetation management for faster growing tree species that the 3-year cycle cannot accommodate?

2-Staff-30
Overview of Assets Managed
Ref: Exhibit 2, Tab 4, Attachment 2.4.1.1, pages 161

Preamble:

Kingston Hydro states that the length and location of primary cable assets are well documented in the GIS system, but the cable size, type and age is not.

Question(s):

a) What GIS system is currently in use by Kingston Hydro?
b) Does Kingston Hydro plan to transfer cable information from its maintenance hole sketches to the GIS?

c) What plans does Kingston Hydro have for upgrading or replacing its GIS system?

2-Staff-31
Asset Lifecycle Optimization
Ref: Exhibit 2, Tab 4, Attachment 2.4.1.1, page 178, 207

Preamble:

Table 5.3-19 provides the annual asset replacement plan for Kingston Hydro distribution assets along with the ACA Flag for Action quantities for the 2019-2023 period. Replacement quantity is based on proactive or reactive actions based on asset category. Kingston Hydro also states that the System Renewal expenditures for the 2023-2027 forecast period will be significantly lower compared to the 2016-2022 historical period.

Question(s):

a) Please provide the number of replaced assets for each of the categories in Table 5.3-19 for each of the 2015-2022 historical years.
b) Please provide the numbers of proactive and expected reactive asset replacement needs for each of the 2023-2027 forecast years.
c) Please advise Kingston Hydro's transformer replacement strategy with respect to unit size.
d) When replacing transformers, what does Kingston Hydro do to determine if upsizing is warranted for future potential needs (i.e. EV load)?

2-Staff-32
Analysis of Historic Capital Expenditures by Investment Category
Ref: Exhibit 2, Tab 4, Attachment 2.4.1.1 pages 20, Appendix F

Preamble:

In Table 5.2.5, Kingston Hydro has presented a summary of its key investments for the 2023 – 2027 period. A number of programs seem to be placed in categories that would normally not be the trigger driver for the investment.

Question(s):

a) Why is the 13.8kV conversion program placed in the System Access category instead of the System Service category?

b) Why is the 5kV Line upgrade program placed in the System Access category instead of the System Service category?
c) Why is the Substations program placed in the System Access category instead of the System Service category?
d) Why is the Transformer PCB program placed in the System Access category instead of the System Renewal category?
e) Why is the Services program placed in the System Service category instead of the System Access category?

2-Staff-33
Analysis of Forecast Capital Expenditures by Investment Category
Ref: Exhibit 2, Tab 4, Attachment 2.4.1.1, page 193

Preamble:

Kingston Hydro allocated work related to the Bell Fibre-to-the-Home (FTTH) project to the System Renewal category. Capital contributions for this project were also allocated to the System Renewal category. The provision of capital contributions by Bell indicates that the need for this work was due to Bell needs to access the distribution system pole infrastructure. The System Access category is intended to cover other 3rd party infrastructure development requirements (e.g. pole relocation, pole replacement, etc.).

Question(s):

a) Why was work related to the Bell Fibre-to-the-Home (FTTH) project allocated to System Renewal instead of System Access?

2-Staff-34
Analysis of Forecast Capital Expenditures by Investment Category
Ref: Exhibit 2, Tab 4, Attachment 2.4.1.1, page 207-208

Preamble:

Kingston Hydro states that System Access expenditures for the 2023-2027 forecast period will be higher than the 2016-2022 historic period. System Access also includes the removal of transformers containing PCBs.

Question(s):
a) Please provide the number of connections by year for the historical and forecast periods.

b) Please confirm which load forecast (Reference, Medium or High) is used for determining the connections for the forecast period of the DSP.
c) Please provide the number of transformers containing PCBs removed/to be removed for each year in the historical and forecast periods.
d) What is the concentration level (mg/kg) of PCBs in transformers that require removal by 2025?

2-Staff-35
Analysis of Forecast Capital Expenditures by Investment Category
Ref: Exhibit 2, Tab 4, Attachment 2.4.1.1, page 208

Preamble:

Kingston Hydro states it has very limited investments planned for the System Service category over the 2023-2027 forecast period. Annual programs consist of service upgrades and SCADA equipment and plans to upgrade obsolete electro-mechanical relays and SCADA equipment.

Question(s):

a) Please provide the annual forecast quantities and cost of each of the annual programs noted above.
b) Please provide details on the nature of the “service upgrade” program.

2-Staff-36
Analysis of Forecast Capital Expenditures by Investment Category
Ref: Exhibit 2, Tab 4, Attachment 2.4.1.1, page 208

Preamble:

Kingston Hydro states that General Plant investments are forecast to increase to maintain secure and reliable customer service. Annual programs include Cybersecurity, Customer Information Systems (CIS) and Non-CIS Systems and vehicles.

Question(s):

a) Please provide annual forecast quantities and cost for each of the annual programs noted above.

2-Staff-37
Summary of Material Capital Projects

Ref: Exhibit 2, Tab 4, Attachment 2.4.1.1, page 219

Preamble:

Table 5.4-17 lists a summary of material projects for the 2016-2023 period.

Question(s):

a) Are the Regulatory Meter Replacements/Seal Updates costs listed in the table for the replacement of functionally obsolete meters?
b) If so, why is this cost not captured in System Renewal spend?
c) How many meters are covered by the expenditures listed in each of the historical years?

2-Staff-38
Summary of Material Capital Projects
Ref: Exhibit 2, Tab 4, Attachment 2.4.1.1, page 220

Preamble:

Table 5.4-19 lists a summary of material General Plant investments for the 2016-2023 period.

Question(s):

a) Please clarify why Substation Structures is in the General Plant category instead of in System Renewal or System Service.

2-Staff-39
Justifying Capital Expenditures
Ref: Exhibit 2, Tab 4, Attachment 2.4.1.1, page 226

Preamble:
Table 5.4-8 summarizes the prioritization of material capital expenditure projects/programs proposed for the 2023 Test Year.

Question(s):

a) Please provide the methodology of how the priority/rank of each of the investments in Table 5.4-8 was determined.
b) Are there any investments not shown in the Table that are ranked 4 and 6?

2-Staff-40
Justifying Capital Expenditures
Ref: Exhibit 2, Tab 4, Attachment 2.4.1.1, page 229-230

Preamble:

Kingston Hydro states it plans to upgrade the following major assets over the 2023-2027 forecast period - Deteriorated Overhead Infrastructures, Substation No.5 Rebuild, Substation No.8 Transformer T2 Replacement, Queen Street Cable Replacement, Overhead and Underground Transformer Replacement, Princess Street Joint Reconstruction – Division to Alfred, Substation No. 6 – Structural Rehabilitation.

Question(s):

a) For each of the projects noted above, please provide the expenditure amount and the forecast year(s) the funds are to be spent in.

2-Staff-41
Asset Condition Assessment
Ref: Exhibit 2, Tab 4, Attachment 2.4.1.1, Appendix B page vi

Preamble:

The Kinectrics ACA report provided several recommendations for Kingston Hydro to enhance data collection to improve the quality of future ACA studies.

Question(s):

a) Please advise whether and, if so, when Kingston Hydro will implement the Kinectrics recommendations. Please explain your response.

2-Staff-42
Material Project Sheets
Ref: Exhibit 2, Tab 4, Attachment 2.4.1.1, Appendix F

Preamble:

Kingston Hydro has plans to implement a new Customer Information System (CIS) over the forecast period. The estimated cost of the new CIS is approximately $6 million of which 40% is to be allocated to Kingston Hydro.

Question(s):

a) How was the priority level of 5 determined?
b) Please confirm whether the $6 million forecast costs are solely for a new CIS, or for a CIS and Work Management System.
c) Please provide the missing/truncated wording in section 5.4.3.2 GP-D1.1 (page 4 of 4) of this material summary sheet.
d) Please explain why Kingston Hydro considers a $6 million expenditure as “not substantially exceed[ing] the materiality threshold”.
e) Please confirm that Kingston Hydro has no business case for this $6 million expenditure, or provide the business case.

2-Staf-43
Material Project Sheets
Ref: Exhibit 2, Tab 4, Attachment 2.4.1.1, Appendix F

Preamble:

Kingston Hydro plans to procure a new bucket truck in 2023 to replace an existing unit that will be 22 years old. Replacement is based on qualitative mechanic assessment.

Question(s):

a) How was the priority level 7 determined?
b) Has Kingston Hydro investigated any quantitative assessment methodology, that would act as a business case, for assessing when fleet vehicles should be replaced?

2-Staff-44
Material Project Sheets
Ref: Exhibit 2, Tab 4, Attachment 2.4.1.1, Appendix F

Preamble:

Kingston Hydro has a program for New Transformers or New Connections funded by Capital Contributions over the forecast period.

Question(s):

a) Please provide the annual number of new transformers or new connections and cost for this program over the 2023-2027 forecast period.

2-Staff-45
Material Project Sheets
Ref: Exhibit 2, Tab 4, Attachment 2.4.1.1, Appendix F

Preamble:

Kingston Hydro material sheet for Annual New Development.

Question(s):

a) Please provide the missing/truncated wording in section 5.4.3.2 B.1.d.i) (page 2 of 4) of this material summary sheet.

2-Staf-46
Material Project Sheets
Ref: Exhibit 2, Tab 4, Attachment 2.4.1.1, Appendix F

Preamble:

Kingston Hydro material sheet for UK-KHC- 44KV & 5KV Pole replacement Sir John A Macdonald Ave. from Union St towards Johnson.

Question(s):

a) How many poles are to be replaced with this project?
b) How was the priority level 3 determined?

2-Staff-47
Material Project Sheets
Ref: Exhibit 2, Tab 4, Attachment 2.4.1.1, Appendix F

Preamble:

Kingston Hydro material sheet for UK-KHC- Bagot St - Complete 5kV loop feed for Circuit 805 including pole replacements for end of life poles and 44kV switch replacement.

Question(s):

a) How many poles are to be replaced with this project?

2-Staff-48
Material Project Sheets
Ref: Exhibit 2, Tab 4, Attachment 2.4.1.1, Appendix F

Preamble:

Kingston Hydro material sheet for Annual Deteriorated Pole Replacement - Spot Pole Replacement

Question(s):

a) How many poles are to be replaced with this project?

2-Staff-49
Material Project Sheets
Ref: Exhibit 2, Tab 4, Attachment 2.4.1.1, Appendix F

Preamble:

Kingston Hydro material sheet for Queen Street - 5kV PILC Cable Replacement - 104, 105, 106 and 110 Circuits. This project entails the complete replacement of the existing PILC cables for 103, 104, 105 106 and 110 circuits.

Question(s):

a) What is the total length of cable to be replaced for each of the above noted circuits?

2-Staff-50
Distribution System Plan – CDM Activities
Ref 1: Exhibit 2, Tab 4, Attachment 2.4.1.1, page 189
Ref 2: 2021 CDM Guidelines, Chapter 3.1

Preamble:

Kingston Kingston states that it has no plans to seek a partnership with the IESO's LIP, nor any rate-based CDM activities to address system needs.

Question(s):

a) Please describe how Kingston Hydro has addressed or plans to address the requirement in OEB's CDM Guidelines for distributors to "make reasonable efforts to incorporate consideration of CDM activities into their distribution system planning process, by considering whether distribution rate-funded CDM activities may be a preferred approach to meeting a system need, thus avoiding or deferring spending on traditional infrastructure."

2-Staff-51
Distribution System Plan – CDM Activities
Ref 1: Exhibit 2, Tab 4, Attachment 2.4.1.1 pages 228 and 388 (IRRP Report hyperlink)
Ref 2: 2021 CDM Guidelines, Chapter 3.1
Ref 3: Peterborough to Kingston IRRP report, pages 10, 43-46

Preamble:

Kingston Hydro states that $400,000 has been allocated for pre-design of a new Municipal Transformer Station (MTS). Kingston Hydro further states that it is forecasting increased demand due to intensification and electrification and the existing Hydro One transformer stations are reaching capacity

Question(s):

a) The Peterborough to Kingston IRRP Main Report (page 10) indicates that "the development of a non-wire alternative, specifically additional energy efficiency or a local storage solution, could defer the new station ultimately required to accommodate load growth in the City of Kingston" and is a potentially viable and cost-effective solution (pages 43-46). Is Kingston Hydro giving more detailed consideration to CDM/non-wire solutions that may defer or avoid the need to construct a new MTS to meet anticipated load growth? If so, please describe. If not, why not?

If the MTS has not yet been selected as the preferred option to address this system need, please describe why the proposed level of spending on pre-design work ($400,000) is warranted at this time.

Exhibit 3 – Customer and Load Forecast

3-Staff-52
Load Forecast
Ref: Exhibit 3, pages 5-15

Preamble:

Kingston Hydro states that "A time-series autoregressive model using the Prais-Winsten estimation was used for the Residential class to account for autocorrelation." OEB staff notes that Prais-Winsten estimation is indicated as having been used for all rate classes forecasted using regression methodologies.

Question(s):

a) Please confirm that Prais-Winsten was used for all rate classes, or explain which methodologies were used and for which customer class models?
b) Did Kingston Hydro test for autocorrelation, and if so, for which rate classes?
c) Can Kingston Hydro explain the negative sign on the constant in the residential and GS<50 regression model?

3-Staff-53
Load Forecast
Ref: Exhibit 3, page 20

Preamble:

GS < 50 kW customer counts have been declining and are forecast to continue to decrease in the 2023 Test Year. The GS > 50 kW customer count decreased from 371 in 2013 to 325 in 2014 (a loss of 12.5% in one year).

Question(s):

a) Can Kingston Hydro provide the reason for the loss of GS<50 kW customers?
b) Does Kingston Hydro know the reason for the loss of GS > 50 kW customers in 2014, and why this would be predictive of losses in 2022 and 2023?

3-Staff-54
Load Forecast, COVID Impact
Ref: Exhibit 3, page 8

Preamble:

The COVID_AM variable has been included for this class. This variable is equal to 0 in each month prior to March 2020, 0.5 in March 2020, 1 in April 2020 and May 2020, and 0.5 in each month from June 2020 to December 2021. This variable accounts for the impacts of COVID, while recognizing the impacts in April and May 2020 were more significant than any month thereafter. The value in March 2020 reflects that the impacts of the pandemic on energy consumption began about halfway through the month.

Question(s):

a) Can Kingston Hydro include a scenario where the COVID related variables for all rate classes take a value of 0 in 2022 and 2023?

3-Staff-55
Load Growth
Ref: Load Forecast

Question(s):

a) How has EV penetration been factored into load growth expectation over the forecast period?
b) Has Kingston Hydro Electricity Distribution Ontario developed a load forecast specifically for EV growth?
c) Has Kingston Hydro considered the impact of Distributed Energy Resources or other emerging technologies on its load forecast? Please explain your response.

3-Staff-56
CDM Adjustment
Ref : Exhibit 3, Tab 1, Schedule 1, Attachment 1, page 31

Preamble:

Elenchus describes the methodology for a manual CDM adjustment and provides the proposed CDM adjustments (Table 35) by customer class.

Question(s):

a) Please describe how the proposed CDM adjustments in Table 35 (shown in kWh) are converted into kW adjustments for the GS>50 kW and Large Use customer classes.

Exhibit 4 – Operating Costs

4-Staff-57
OM&A Variance Analysis
Ref: Exhibit 4, Tab 3, Schedule 1, Pages 1-6

Question(s):

a) For the three categories (Operation, Maintenance, and Administrative and General) for the 2023 Test Year vs 2016 OEB-approved, please provide details on what is meant by general inflationary increases.
b) For the 2023 Test Year vs 2016 OEB-Approved, please explain why the GIS Technician costs are now reported separately in Operations.
c) For the Administrative and General category for the 2023 Test Year vs 2022 Bridge Year, please provide details and examples on what is meant by general inflationary increases, and how this pertains to the OM&A expenses charged by Utilities Kingston to Kingston Hydro.

4-Staff-58
Non-Unionized Employees Compensation Strategy
Ref: Exhibit 4, Tab 4, Schedule 1, Page 6

Preamble:

Kingston Hydro states periodic third-party benchmarking is performed in order to have an independent, objective evaluation. The last benchmarking review was performed in 2018 with the next one expected to be completed in 2023.

Question(s):
a) Please provide a copy of the benchmarking review performed in 2018.
b) Please explain whether and, if so, how the results of the 2018 study have been reflected in Kingston Hydro's application.

4-Staff-59
Pension & OPEB
Ref 1: Exhibit 4, Tab 4, Schedule 1, page 11
Ref 2: EB-2015-0040, Report of the Ontario Energy Board, Regulatory Treatment of Pension and Other Post-employment Benefits (OPEBs) Costs, September 14, 2017, page 2

Preamble:

Kingston Hydro proposes to recover OPEB amounts using the accrual basis, which is different than its 2016 Custom IR proceeding, which used the cash basis.

The Report of the OEB was issued after the conclusion of Kingston Hydro's 2016 Custom IR proceeding. The Report of the OEB established the use of the accrual accounting method as the default method on which to set rates for pension and OPEB amounts in cost-based applications.

Question(s):

a) Please confirm that the proposed change to the OPEB accrual basis is effective January 1, 2023. If this is not the case, please explain.

4-Staff-60
Pension & OPEB
Ref 1: Exhibit 4, Tab 2, Schedule 1, page 12
Ref 2: Exhibit 4, Tab 2, Schedule 1, page 3, Table 2 – Cost Driver Table (Appendix 2-JB)
Ref 3: Exhibit 4, Tab 4, Schedule 1, page 11
Ref 4: Exhibit 4, Tab 4, Schedule 1, Attachment 1, Utilities Kingston – Actuarial Valuation of Post-Retirement Non-Pension, Supplemental Pension and Sick Leave Benefits as at December 31, 2021
Ref 5: Exhibit 9, Tab 3, Schedule 1, page 13

Preamble:

Kingston Hydro stated that regarding Employee Pensions and OPEB, there was a decrease of $209,000 in OM&A. A credit was recorded relating to Kingston Hydro's future benefits resulting in an actuarial gain, as recorded in Appendix 2-JB, Recoverable OM&A Cost Driver Table for the year 2021. OEB staff further notes that there may be other amounts in OM&A and capital that may relate to OPEB actuarial gains and losses.

Kingston Hydro also provided in Exhibit 4 "Table 2 – OPEB – Kingston Hydro 2016-2020" and in Exhibit 9 "Table 7 – 1508 Sub-account OPEB Forecast Cash versus Forecast Accrual Differential Balances" which showed OPEB amounts in rates and amounts expensed excluding actuarial gains and losses, for the period 2016 to 2020.

Another table provided by Kingston Hydro in Exhibit 4 "Table 3 – OPEB – Kingston Hydro 2021-2023" showed zero actuarial gains and losses for the period 2022 and 2023, which is supported by page 25 of the actuarial valuation. The period 2021 shows

an actuarial gain of a credit of $160,680 to Kingston Hydro's OM&A and a credit of $54,346 to capital.

Question(s):

a) Please confirm and explain why for the year 2021 and possibly other years during the period 2016 to 2022 (please indicate and quantify), Kingston Hydro has presented OPEB OM&A and capital amounts for rate-making purposes on an accrual basis, including actuarial gains and losses (for example in Appendix 2-JB).
b) Please describe why an accrual basis (including actuarial gains and losses) has potentially been included for the period 2016 to 2022, as it is OEB staff's understanding that OPEB amounts were to be calculated on a cash basis prior to 2023 (and not an accrual basis) for rate-making purposes, given the outcome of the 2016 Custom IR proceeding.
c) Please confirm that for the 2023 test year, Kingston Hydro has presented OPEB OM&A and capital amounts for rate-making purposes on an accrual basis, but excluding actuarial gains and losses. If this is not the case, please quantify and explain the impact on the 2023 revenue requirement.
d) In the Exhibit 4 "Table 2 – OPEB – Kingston Hydro 2016-2020" and the Exhibit 9 "Table 7 – 1508 Sub-account OPEB Forecast Cash versus Forecast Accrual Differential Balances", please confirm that the column "Amount expensed excluding actuarial gains and losses" has been presented on an accrual basis. If this is not the case, please explain.
e) Please expand the above noted Table 2 and Table 7 to include rows for 2021, 2022, and 2023. Please also provide additional columns to show the "Amount expensed including actuarial gains and losses" and the "Actuarial gains and losses" themselves for the period 2016 through 2023. Please also provide a breakdown between OM&A and capital.

4-Staff-61
Pension & OPEB
Ref 1: EB-2015-0040, Report of the Ontario Energy Board, Regulatory Treatment of Pension and Other Post-employment Benefits (OPEBs) Costs, September 14, 2017, page 12 & 13

Preamble:

As per the Report of the OEB, the OEB stated that as the pension and OPEBs accrual amount that is recovered in rates is derived from the accounting expense recognized in

net income, utilities who are recovering their pension and OPEB costs on an accrual basis under IFRS will not be able to dispose of any amounts pertaining to actuarial gains and losses because they will never form part of net income.

The OEB further stated that for some utilities, the OEB has already approved the use of a deferral account to capture the cumulative actuarial gains or losses in post-retirement benefits.

Question(s):

a) Please explain Kingston Hydro's proposal regarding its treatment of OPEB actuarial gains and losses for rate-making purposes.

4-Staff-62
DVAs
Ref 1: Exhibit 4, Tab 4, Schedule 1, page 11
Ref 2: EB-2015-0040, Report of the Ontario Energy Board Regulatory Treatment of Pension and Other Post-employment Benefits (OPEBs) Costs, September 14, 2017, p. 8, 11, 12, 21

Preamble:

As noted in an earlier interrogatory, Kingston Hydro proposes to recover OPEB amounts using the accrual basis, which is different than its 2016 Custom IR proceeding, which used the cash basis.

In the Report of the OEB, the OEB stated that if the accrual accounting method is used for either pension and/or OPEB, a variance account will be used to track the difference between the forecasted accrual amount in rates and actual cash payment(s) made. An asymmetric carrying charge sub-account in favour of ratepayers will be used.

The OEB directed electricity distributors to establish the following sub-accounts under Account 1522.

- Pension & OPEB Forecast Accrual versus Actual Cash Payment Differential
- Pension & OPEB Forecast Accrual versus Actual Cash Payment Differential Contra Account
- Pension & OPEB Forecast Accrual versus Actual Cash Payment Differential Carrying Charges

The OEB stated that utilities are also required to begin recording entries in Account 1522, effective from the date that the utilities' rates are set based on the accrual amount for pensions and OPEBs (i.e. typically the effective date of the rate order of its next cost-based application).

Question(s):

a) Please confirm that Kingston Hydro will establish the above-noted sub-accounts of Account 1522, effective January 1, 2023, which is the date that Kingston Hydro is proposing to change from the cash basis to the accrual basis for OPEB. If it is not the case, please explain.

4-Staff-63
Shared Services and Corporate Cost Allocation
Ref: Exhibit 4, Tab 5, Schedule 1, Page 4-5

Preamble:

Kingston Hydro states that, included in part of the Shared Service Costs charged to Kingston Hydro Utilities Kingston, are allocated Corporate Costs for services that the City of Kingston provides to Utilities Kingston.

a) Please provide a table showing full FTEs for all employees of the City of Kingston providing services to the Applicant, and break down those FTEs into the FTEs allocated to the Applicant (through Utilities Kingston), and the FTEs allocated to other activities of the City including other activities of Utilities Kingston.
b) Please provide a table showing full FTEs for all employees of Utilities Kingston providing services to the Applicant and break down those FTEs between the FTEs allocated to the Applicant and the FTEs allocated to each of the other business areas of Utilities Kingston.

4-Staff-64
Regulatory Costs
Ref 1: Exhibit 4, Tab 6, Schedule 3, page 1
Ref 2: Appendix 2-M

Preamble:

Kingston Hydro budgeted a one-time cost of $350,00 associated with the regulatory costs to prepare its cost of service application.

Question(s):

a) Please explain the assumptions used for the $350,000 one-time regulatory cost for the 2023 cost of service proceeding (e.g., how many intervenors, written or oral hearing).

Exhibit 5 – Cost of Capital and Capital Structure

5-Staff-65
Cost of Capital – Long-term Debt
Ref 1: Exhibit 5, Tab 1, Schedule 2, page 3
Ref 2: Appendix 2-OB (Revised August 12, 2022)

Preamble:

Kingston Hydro filed revised versions of Appendix 2-OB – Debt Instruments on August 12, 2022. The revisions provided the following:

- Appendix 2-OB for the 2023 Test Year
- Revisions to 2-OB for various historical years and the 2022 bridge year, for day-weighting of principal, interest and weighted average long-term cost of debt for debt instruments that either matured in that calendar year or started in the calendar year.

On page 3 of Exhibit 5/1/2, Kingston Hydro notes that it expects to execute a loan with a principal of $2 million in December 2022. Appendix 2-OB shows an estimated date of the loan of December 8, 2022 and a rate of 4.57%. Kingston Hydro states that it will update the information when it becomes available.

Question(s):

a) For 2-OB for the 2022 Bridge Year, the calculation of the day-weighted principal and interest expense, and of the weighted average cost of long-term debt in the year are missing, due to incorrect cell references. Please provide a revised version of 2-OB, in working Microsoft Excel format, for the 2022 Bridge Year, showing corrected calculations for the day-weighted principal and expense, and the weighted average cost of long-term debt.
b) Please confirm or correct that the weighted average cost of long-term debt for the 2022 bridge year is 3.52%.

c) What is the status of the forecasted loan of $2 million dollars to be executed in December 2022? If there is any update, please provide, and reflect in updated 2-OB schedules for the 2022 Bridge Year and 2023 Test Year.

5-Staff-66
Cost of Capital – Long-term Debt
Ref 1: Exhibit 5, Tab 1, Schedule 2, page 3
Ref 2: Exhibit 5, Tab 1, Schedule 2, Attachment 1
Ref 3: Appendix 2-OB (Revised August 12, 2022)
Ref 4: (EB-2009-0084) Report of the Board on the Cost of Capital for Ontario's Regulated Utilities, December 11, 2009, pages 53-54

Preamble:

In Exhibit 5/Tab 1/Schedule 2, on page 1, Kingston Hydro describes the affiliated debt, a Promissory Note between Kingston Hydro and the Corporation of the City of Kingston. A copy of the Promissory Note, as amended in 2011, is provided as Attachment 1 to Exhibit 5/Tab 1/Schedule 2.

Kingston Hydro notes that the Promissory Note has a principal of $10,880,619, has no fixed term and no terms for repayment. The debt rate of the Promissory Note is 5.87% per the 2011 amendment.

On page 1 of Exhibit 5/Tab 1/Schedule 2, Kingston Hydro states:

The interest rate included is estimated to be the deemed interest rate in effect in 2023. It is based on the lending rate provided from our lender in March 2022, plus 0.5%. Kingston Hydro proposes to update this rate once more information becomes available.

In Appendix 2-OB for the 2023 Test Year, filed on August 12, 2022, the rate for the Promissory Note is shown as 5.07%. This is different than the 4.54% rate shown for the Promissory Note for 2016-2022.

The EB-2009-0084 Report of the Board on the Cost of Capital for Ontario's Regulated Utilities states, on pages 53-54, that:

> **The deemed long-term debt rate will act as a proxy or ceiling for what would be considered to be a market-based rate by the Board in certain circumstances.** These circumstances include:

- For affiliate debt (i.e., debt held by an affiliated party as defined by the Ontario *Business Corporations Act*, 1990) with a fixed rate, the deemed long-term debt rate at the time of issuance will be used as a ceiling on the rate allowed for that debt.

…

- For debt that is callable on demand (within the test year period), the deemed long term debt rate will be a ceiling on the rate allowed for that debt. Debt that is callable, but not within the period to the end of the test year, will have its debt cost considered as if it is not callable; that is the debt cost will be treated in accordance with other guidelines pertaining to actual, affiliated or variable-rate debt.
- A Board panel will determine the debt treatment, including the rate allowed based on the record before it and considering the Board's policy (these Guidelines) and practice. The onus will be on the utility to establish the need for and prudence of its actual and forecasted debt, including the cost of such debt. [Emphasis in original]

Question(s):

a) Please explain the derivation of the 5.07% rate estimated for the 2023 Test Year.
b) Please explain what 0.5% addition to the lending rate provided by the lender (banking institution) represents, and how the resulting rate is a market-based rate.
c) When, and on what new information, is Kingston Hydro "propos[ing] to update this rate once more information becomes available"?
d) Please explain what rate Kingston Hydro is proposing for the 2023 Test Year, and how the proposed rate is compliant with the OEB's policy and practice as documented in the 2009 Cost of Capital Report. In the alternative, please explain.

Exhibit 6 – Revenue Deficiency or Sufficiency

6-Staff-67
PILs
Ref 1: Exhibit 6, Tab 2, Schedule 1, page 5
Ref 2: Exhibit 6, Tab 2, Schedule 1, page 3
Ref 3: Exhibit 9, Tab 1, Schedule 1, page 5
Ref 4: DVA Continuity Schedule, August 12, 2022
Ref 5: Exhibit 9, Tab 3, Schedule 1, Attachments 2, 3, 4

Preamble:

In Exhibit 6, Kingston Hydro stated that Account 1592 is not expected to continue past 2022. However, in Exhibit 9, Kingston Hydro is requesting to continue Account 1592 to capture future annual impacts of PILs.

Kingston Hydro is also proposing to smooth the impact of the elimination of the accelerated CCA in 2024.

Regarding Account 1592, PILs and Tax Variances, sub-account CCA Changes, OEB staff notes that no balances are shown for 2018 in the DVA Continuity Schedule or in Exhibit 9.

Kingston Hydro has included support for the 2019, 2020, and 2021 Account 1592 calculations in attachments to Exhibit 9.

Question(s):

a) If a reasonable forecast can be made, please include a forecasted balance and the supporting calculation for this balance (similar to those provided in the attachments to Exhibit 9) in Account 1592, PILs and Tax Variances, Sub-Account CCA Changes from January 1, 2022 to December 31, 2022. Please include this balance in cell BF83 of Tab 2b of the DVA Continuity Schedule. If this amount cannot be forecasted reasonably, please explain why not.
b) Given Kingston Hydro's smoothing proposal, please confirm that no new entries will be recorded in Account 1592, PILs and Tax Variances, Sub-account CCA Changes, subsequent to December 31, 2022, unless there are further changes to the current tax laws and rules governing CCA, not contemplated in the current proceeding, or if the OEB orders otherwise. If this is not the case, please explain.
c) Regarding Account 1592, PILs and Tax Variances, Sub-account CCA Changes, please confirm that no amounts for the period November 21, 2018 to December 31, 2018 were included in either the DVA Continuity Schedule or in Exhibit 9, as the impact of the Accelerated CCA amounts was not claimed on Kingston Hydro's 2018 tax return. If this is not the case, please explain.

6-Staff-68
PILs
Ref 1: Kingston_Updated 2023 CoS Appl_Test Year Income Tax PiLS No Acc CCA_20220812

Preamble:

In the PILs model that excludes the impact of accelerated CCA, Kingston Hydro has left Column 4, Cost of Acquisitions that are AIIP, blank for the test year Schedule 8 CCA tab, as it is assuming that no accelerated CCA is being taken. However, for the test year Schedule 8 CCA tab, Kingston Hydro has manually calculated the CCA by inserting a formula in Column 16, Terminal Loss, as opposed to leaving the default calculations in Column 17, CCA, "as is".

OEB staff notes that by Kingston Hydro manually inserting a formula, the PILs smoothing impact addition to the test year taxable income of $187,019 may be significantly understated.

Question(s):

a) Please explain the reasons for Kingston Hydro manually calculating CCA in Column 16 by inserting a formula, rather than leaving the default calculations in Column 17, CCA "as is".

Exhibit 7 – Cost Allocation

7-Staff-69
Revenue to Cost Ratio
Ref: Exhibit 7, Tab 2, Schedule 2, page 2

Preamble:

The 2023 Cost Allocation Study indicates the revenue-to-cost ratios for the Large Use and Street Lighting rate classes are below their respective minimum revenue-to-cost ratios. The total bill impacts for the Street Lighting rate class would exceed 10% so rates for the class are adjusted such that total bills increases are exactly 10% in 2023 and 2024, and a further increase in 2025 brings the class revenue-to-cost ratio to exactly 80%.

Question(s):

a) As scenarios, for the Street Lighting rate class please provide the total bill increases that would result from:
    i. Leaving the revenue to cost ratio at the status quo level in 2023

ii. Increasing the revenue to cost ratio to 80% in 2023

b) Has Kingston Hydro considered other options for mitigating the bill impact other than reducing the revenue-to-cost ratio further below bottom of the policy range in 2023? Please describe any approaches considered and why they were rejected.

7-Staff-70
Weighing Factors
Ref: Exhibit 7, Tab 1, page 2

Preamble:

Kingston Hydro has updated weighting factors for Services, and Billing and Collecting.

Question(s):

a) Please provide derivations of the updated weighting factors.

Exhibit 8 – Rate Design

8-Staff-71
Loss Factor
Ref: Exhibit 8, Tab 3, Schedule 1, page 2

Preamble:

The proposed loss factor of 1.0469 reflects an increase from the current approved loss factor of 1.0393. As Kingston Hydro notes, this is below the 5% threshold.

Question(s):

a) Does Kingston Hydro have any insights into the cause(s) of the increase in losses since 2016?

8-Staff-72
Low Voltage Service Rates
Ref: Exhibit 8, Tab 1, Schedule 1, page 15

Preamble:

2023 test year and 2022 bridge year forecast LV volume is based upon applying an average ratio of LV kW to kWh for the five most recent historical years to the test load forecast total kWh.

Question(s):

a) Please provide the low voltage expense that would result if 2022 Hydro One rates were applied to 2021 actual volume.

Exhibit 9 – Deferral and Variance Accounts

9-Staff-73
DVAs
Ref 1: Exhibit 9, Tab 4, Schedule 1, page 1
Ref 2: Exhibit 1, Tab 3, Schedule 8, page 1
Ref 3: Filing Requirements For Electricity Distribution Rate Applications - 2022 Edition for 2023 Rate Applications Chapter 2 Cost of Service, April 18, 2022, page 64 & 65

Preamble:

In Exhibit 9, Kingston Hydro stated that it is not requesting any new DVAs with this application.

In Exhibit 1, Kingston Hydro requested that its current OEB-approved 2022 rates be declared interim effective January 1, 2023, as necessary, if the required approvals cannot be issued by the OEB in time to implement final 2023 rates, effective January 1, 2023. Kingston Hydro requested that it 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.

OEB staff notes that in certain previous proceedings,[1] the OEB has approved a rate rider to capture forgone revenue resulting from an implementation date for approved new rates that was subsequent to the effective date of such rates, rather than establishing a DVA to capture such impacts.

Question(s):

[1] For example, EB-2021-0016, E.L.K. Energy Inc., Decision and Rate Order, June 30, 2022, p. 5

a) Please clarify if Kingston Hydro is maintaining its request to establish a new DVA.
b) If so, please provide the following:
    a. File a draft accounting order for this new DVA.
    b. Discuss the causation, materiality, and prudence criteria required when requesting the establishment of a new DVA, in accordance with the OEB's direction in its filing requirements.

9-Staff-74
DVAs
Ref 1: DVA Continuity Schedule, Tab 3. Appendix A, August 12, 2022
Ref 2: Exhibit 9, Tab 1, Schedule 1, page 4
Ref 3: EB-2020-0133, Report of the Ontario Energy Board, Regulatory Treatment of Impacts Arising from the COVID-19 Emergency, June 17, 2021, pages 43 & 38

Preamble:

Kingston Hydro stated that a review of the amounts recorded in Account 1509, Impacts Arising from the COVID-19 Emergency, was completed subsequent to year-end. Kingston Hydro determined that it did not meet the requirements to request disposition of balances accumulated in Account 1509. Kingston Hydro noted that it will be reversing its accruals.

However, Kingston Hydro is proposing to continue the following sub-accounts of Account 1509:

1. COVID-19 Billing & System Costs
2. COVID-19 Lost Revenue
3. COVID-19 Other Costs

The Report of the OEB states that following the issuance of that report, Account 1509 will be organized under the following sub-accounts for all utilities:[2]

1. Sub-account Impacts from Complying with Government/OEB-initiated Customer Relief Programs
2. Sub-account Bad Debt
3. Sub-account Capital-related Revenue Requirement Impacts

[2] The Forgone Revenues from Postponing Rate Implementation sub-account remains active for many utilities, pending final disposition of any residual balances that remain after the Forgone Revenue rate rider has expired. However, for the purposes of discussing the sub-accounts that remain applicable in the context of the COVID-19 consultation, that sub-account is being excluded.

4. Sub-account Other Costs and Savings

The Report of the OEB also stated that Account 1509 will remain in effect until the utility's subsequent rebasing application, when it is reasonable to presume that rates may be reset reflecting the revised operating conditions facing the utility.

Question(s):

a) Please explain why Kingston Hydro is proposing that Account 1509 will continue after rebasing.
b) If the OEB approves the continuance of Account 1509 for Kingston Hydro, please confirm that Kingston Hydro will organize its sub-accounts of Account 1509 under the above-noted sub-accounts, as applicable, in accordance with the Report of the OEB. If this is not the case, please explain.

9-Staff-75
DVAs
Ref 1: Exhibit 9, Tab 3, Schedule 1, pages 10-13
Ref 2: DVA Continuity Schedule, August 12, 2022
Ref 3: Kingston Hydro Letter to the OEB, April 22, 2020
Ref 4: Kingston Hydro Letter to the OEB, January 29, 2021
Ref 5: EB-2015-0083, Decision and Rate Order, Schedule C, Accounting Orders, November 26, 2015

Preamble:

As set out in Exhibit 9 and the DVA Continuity Schedule in this proceeding, Kingston Hydro has included zero transactions for the 2021 calendar year related to the following sub-accounts of Account 1508, Other Regulatory Assets:

- Revenue Requirement Differential Variance Account related to Capital Additions
- Earnings Sharing Mechanism Variance Account
- OPEB Forecast Cash vs. Forecast Accrual Differential Deferral Account

OEB staff notes that Kingston Hydro's Custom IR term ended December 31, 2020. However, Kingston Hydro requested and received OEB approval for two deferrals (both for 2021 and 2022 cost of service), which delayed the filing of its rebasing application to the current 2023 cost of service proceeding (with the proposed effective date of January 1, 2023).

In the Accounting Order for the Revenue Requirement Differential Variance Account related to Capital Additions, it was noted that Kingston Hydro will continue to record variances in this account until the actual capital additions catch up to the cumulative capital additions, or until Kingston's next rebasing, whichever comes first.

In the Accounting Orders for the Earnings Sharing Mechanism Variance Account and the OPEB Forecast Cash vs. Forecast Accrual Differential Deferral Account, it was noted that Kingston Hydro will seek disposition of these accounts in its next cost of service rate application.

Question(s):

a) Please provide Kingston Hydro's actual return on equity (ROE) for 2021, as the electricity utility scorecards for 2021 are not yet publicly available.
b) Please explain why zero transactions for the 2021 calendar year related to each of the above sub-accounts of Account 1508, Other Regulatory Assets were not recorded in the DVA Continuity Schedule, also given Kingston Hydro's deferred cost of service filing.
c) As applicable, please include the required transactions for the 2021 calendar year related to each of the above sub-accounts of Account 1508, Other Regulatory Assets in the relevant cells in column BD of Tab 2b of the DVA Continuity Schedule.

9-Staff-76
DVAs
Ref 1: Response to Error Checking Question #15, August 12, 2022
Ref 2: Exhibit 9, Tab 3, Schedule 1, page 9
Ref 3: DVA Continuity Schedule, August 12, 2022
Ref 4: Exhibit 9, Tab 3, Schedule 1, page 8 & 9

Preamble:

In this proceeding, Kingston Hydro is proposing to discontinue the following sub-accounts of Account 1508, Other Regulatory Assets, also discontinuing other DVAs:

- Specific Service Charge Variance Account
- Revenue Requirement Differential Variance Account related to Capital Additions
- Earnings Sharing Mechanism Variance Account
- OPEB Forecast Cash vs. Forecast Accrual Differential Deferral Account

Regarding the Specific Service Charge Variance Account, Kingston Hydro stated that it forecasted activity up until December 31, 2022, prior to the rebasing of rates on January 1, 2023. Kingston Hydro also stated that there will be no additional principal balances after December 31, 2022. However, OEB staff notes that no such forecast was included in the DVA Continuity Schedule.

Kingston Hydro stated that as per its 2016 Custom IR decision, effective January 1, 2016, in light of the OEB's stated intention to review Services Charges in a generic process, it was directed to establish a new variance account to capture any increase or decrease in specific service charge revenue caused by OEB ordered changes in rates for Specific Service Charges, including any change to the prevailing wireless attachment charge, until the effective date of its rebased rates.

Question(s):

a) If a reasonable forecast can be made, please include a balance in each of the above sub-accounts of Account 1508, from January 1, 2022 to December 31, 2022 and include these balances in the relevant cells in column BF of Tab 2b of the DVA Continuity Schedule, also given Kingston Hydro's deferred cost of service filing.
b) If a reasonable forecast cannot be made, please explain whether Kingston Hydro proposes to dispose the balances in each of the above sub-accounts relating to the 2022 calendar year in its next cost of service proceeding.
c) Please confirm that all the Account 1508 sub-accounts listed in the response to Error Checking Question #15 will be discontinued as of the proposed effective date of new rates of January 1, 2023. If this is not the case, please explain.

9-Staff-77
DVAs
Ref 1: Exhibit 9, Tab 3, Schedule 1, page 8 & 9
Ref 2: DVA Continuity Schedule, August 12, 2022

Preamble:

In the current proceeding, Kingston Hydro is requesting to dispose a credit balance of $540,977 in Account 1508, Other Regulatory Assets, sub-account Specific Service Charge Variance.

Regarding principal amounts, Kingston Hydro provided the following table in its application to support its request.

Table 4 – 1508 Sub-account Specific Service Charge Balances

USoA 1508 Sub-account	**2018**	**2019**	**2020**	**2021**
Specific Service Charge Variance Account	(15,033)	(167,346)	(173,855)	(173,855)
Cumulative Total	(15,033)	(182,379)	(356,234)	(530,089)

In its application, Kingston Hydro included a list of OEB-approved pole attachment charges.

Question(s):

a) Please confirm that the Account 1508, Other Regulatory Assets, sub-account Specific Service Charge Variance balance requested for disposition represents variances related to OEB-approved pole attachment charges. If this is not the case, please provide a breakdown showing other types of variances.
b) Please explain how any other OEB required changes to Kingston Hydro's specific service charges have been captured in the Account 1508, Other Regulatory Assets, sub-account Specific Service Charge Variance balance requested for disposition in the current proceeding.

9-Staff-78
DVAs
Ref 1: Exhibit 9, Tab 3, Schedule 1, page 10 & 11
Ref 2: DVA Continuity Schedule, August 12, 2022
Ref 3: EB-2015-0083, Settlement Proposal, November 3, 2015, page 13
Ref 4: EB-2015-0083, Decision and Rate Order, Schedule C, Accounting Orders, November 26, 2015
Ref 5: EB-2021-0037, 2022 IRM Rate Application, Appendix F, Capital Asset Variance Model – 2020 Variances, August 13, 2021
Ref 6: EB-2020-0034, 2021 IRM Responses to OEB Staff Questions, October 28, 2020, Q#7 and Q#8

Preamble:

Kingston Hydro is requesting to dispose a credit balance of $176,732 in Account 1508, Other Regulatory Assets, sub-account Revenue Requirement Differential Variance Account related to Capital Additions.

Regarding principal amounts, Kingston Hydro provided the following table in its application to support its request.

Table 6 – 1508 Sub-account Annual Revenue Requirement Differential Balances

USoA 1508 Sub-account	**2016**	**2017**	**2018**	**2019**	**2020**
Annual Revenue Requirement Differential Variance Account related to Capital Additions	(30,122)	(20,401)	(41,828)	(34,573)	(42,188)
Cumulative Total	(30,122)	(50,523)	(92,351)	(126,924)	(169,112)

In the current proceeding, Kingston Hydro stated that effective January 1, 2016, it established a new sub-account to record the revenue requirement associated with the difference between actual and forecasted cumulative capital additions (net of capital contributions) for 2016-2020.

In the 2016 Custom IR settlement proposal, parties agreed that Kingston Hydro will create a variance account wherein it will track, on an annual basis, variances in the cumulative revenue requirement arising from variances in three distinct capital forecasts, namely (i) System Renewal/System Service; (ii) System Access; and (iii) General Plant categories. The variances will be calculated by reference to the current forecast for each of the three categories in each year.

This settlement proposal further stated that variances and associated revenue requirement impacts will be computed and tracked on an annual basis. If Kingston Hydro adds to rate base less than its forecast cumulative amount in any of the three categories, the corresponding reduction in revenue requirement will be credited to the variance account and any cumulative reduction in revenue requirement in any of the three categories will be disposed of at the end of the term of the Custom IR Plan.

As mentioned in an earlier interrogatory, in the Accounting Order for the Revenue Requirement Differential Variance Account related to Capital Additions, it was noted that Kingston Hydro will continue to record variances in this account until the actual capital additions catch up to the cumulative capital additions, or until Kingston’s next rebasing, whichever comes first.

In its 2022 IRM application, Kingston Hydro filed Appendix F, Capital Asset Variance Model – 2020 Variance, that supported amounts recorded in the Revenue Requirement Differential Variance Account related to Capital Additions. In its 2021 IRM application, Kingston Hydro filed responses to OEB staff questions regarding this sub-account.

Question(s):

a) Please file on the record of this proceeding Appendix F, Capital Asset Variance Model – 2020 Variances, that was presented in Kingston Hydro's 2022 IRM application. Please provide this information in an Excel spreadsheet format.
b) In Kingston Hydro's model in Appendix F, please include analysis for the years 2016 to 2022. Please use the 2020 forecasted capital additions (as per the 2016 Custom IR proceeding) as a proxy for the 2021 and 2022 forecasted capital additions and confirm that no 2021 and 2022 forecasted capital additions were agreed to in the 2016 Custom IR proceeding. If they were agreed to, please explain.
c) Please also explain why in Appendix F:
    a. Regarding System Access Meters and System Access Road Construction, there are no columns showing 2016 and 2017 values.
    b. Regarding General Plant Truck, there are no columns showing 2018, 2019, and 2020 values
d) Using the model in Appendix F, please recompute the requested credit balance of $176,732 in Account 1508, Other Regulatory Assets, sub-account Revenue Requirement Differential Variance Account related to Capital Additions, to also reflect variances related to the 2021 and 2022 calendar years.
e) Using the model in Appendix F, please expand the Summary tab to reflect all principal amounts from 2016 to 2022 (and not only 2018, 2019, and 2020 entries).
f) Please file on the record of this proceeding, the 2021 IRM Responses to OEB Staff Questions Q#7 and Q#8.
g) Please update Table 1, Table 2, and Table 3 of the 2021 IRM Responses to OEB Staff Question Q#7b to include values for 2020, 2021, and 2022. Please provide this information in an Excel spreadsheet format.
h) Please explain the "allocation percentage" and how it was used by Kingston Hydro to develop Table 1, Table 2, and Table 3, as referred to in the 2021 IRM Responses to OEB Staff Question Q#7b 2).
i) For the years 2016 to 2022, please provide reasons why there are differences between the amounts shown in these updated tables (updated Table 1, Table 2, and Table 3) and the amounts shown in the updated Appendix F.

9-Staff-79
DVAs
Ref 1: Exhibit 9, Tab 1, Schedule 1, page 4 & 5
Ref 2: EB-2015-0304, Report of the Ontario Energy Board, Energy Retailer Services Charges, November 29, 2018, page 18
Ref 3: DVA Continuity Schedule, August 12, 2022

Preamble:

Kingston Hydro is requesting to continue Account 1518 and Account 1548 (the RCVAs) to track the variance between revenues derived from retail service charges and incremental costs of providing retail service.

However, in the Report of the OEB, the OEB stated that it "does not see merit in electricity distributors continuing to track these [RCVA] variances any further past rebasing. Following rebasing, those distributors are expected to include in their revenue requirement the difference between forecast costs and revenues associated with retail services."

In the current proceeding, Kingston Hydro is requesting to dispose a debit balance of Account 1518 of $155,421 and a debit balance of Account 1548 of $515,357.

Question(s):

a) If a reasonable forecast can be made, please include a balance in Account 1518 and Account 1548, from January 1, 2022 to December 31, 2022 and include these balances in cell BF71 and BF74 of Tab 2b of the DVA Continuity Schedule. If these amounts cannot be forecasted reasonably, please explain why not.
b) Please confirm whether it is Kingston Hydro's understanding that Account 1518 and Account 1548, should be discontinued (in accordance with the Report of the OEB) as of the proposed effective date of January 1, 2023. If this is not the case, please explain.
c) Please explain why the balances in Account 1518 (debit of $155,421) and Account 1548 (debit of $515,357) requested for clearance in this proceeding are high relative to Kingston Hydro's size.

9-Staff-80
DVAs
Ref 1: Exhibit 9, Tab 2, Schedule 1, page 2
Ref 2: Exhibit 8, Tab 4, Schedule 4, page 1
Ref 3: DVA Continuity Schedule, August 12, 2022

Ref 4: EB-2020-0061, Wellington North Power Inc., 2021 Cost of Service, OEB Letter, April 9, 2021
Ref 5: EB-2020-0061, Wellington North Power Inc., 2021 Cost of Service Cover Letter and the Settlement Proposal page 54 & 55, April 14, 2021

Preamble:

For the Street Lighting rate class there is a disposition impact that contributes to a total bill impact greater than 10%. Most of the total bill impact is the result of a component of the Group 2 rate rider that is driven by the increases to STRs (i.e., Account 1548, Retail Cost Variance Account – STR.)

OEB staff notes that Tab 7 of Kingston Hydro's DVA Continuity Schedule shows a large Group 2 rate rider of a debit of $9.6090/kW for the Street Lighting rate class. This large amount may be driven by the allocations on Tab 5 of the DVA Continuity Schedule for Account 1518, Retail Cost Variance Account – Retail, and Account 1548, Retail Cost Variance Account – STR, which use an allocator based on "# of customers", which is in accordance with OEB policy.[3] However, OEB staff is not clear if Kingston Hydro has used number of customers or number of connections as its allocator for Account 1518 and Account 1548 (the RCVAs).

OEB staff notes a similar issue arose in another proceeding (Wellington North Power 2021 Cost of Service settlement proposal). In the revised Wellington North Power settlement proposal, in response to a letter from the OEB, parties agreed that it would be appropriate to update the allocation of the RCVAs using number of customer accounts (instead of number of connections) for all classes.

Question(s):

a) Please confirm whether Kingston Hydro has used number of customers or number of connections as its allocator for Account 1518 and Account 1548 in Tab 5 of the DVA Continuity Schedule.
b) Please provide Kingston Hydro's viewpoint regarding the alternative rate design for all rate classes (especially the Street Lighting rate class), given the above noted observation.

9-Staff-81
Continued Use of the LRAMVA

[3] EB-2015-0304, Report of the Ontario Energy Board, Energy Retailer Services Charges, November 29, 2018, p. 18

Ref 1: Exhibit 9, Tab 1, Schedule 1, page 5
Ref 2: Exhibit 9, Tab 5, Schedule 1, page 8

Preamble:

The 2021 CDM Guidelines requires electricity distributors filing an application for 2023 rates to seek disposition of all outstanding LRAMVA balances related to previously established LRAMVA thresholds. In the first reference, Kingston Hydro states that it is seeking to continue to use the LRAMVA. In the second reference, Kingston Hydro states that is it not requesting continued use of the LRAMVA for distribution rate-funded CDM activities or LIP activities.

Question(s):

a) Please confirm if Kingston Hydro is seeking disposition of all outstanding LRAMVA balances and whether the LRAMVA would have a zero balance if disposition is approved.
b) Please confirm whether Kingston Hydro's request is that the LRAMVA be kept open (in the event of possible future CDM activities that may, upon OEB approval, be determined to be LRAM-eligible), but that Kingston Hydro is not requesting to use the LRAMVA for any CDM activities for 2023 or beyond at this time.

9-Staff-82
LRAMVA Workform – 2017 Savings
Ref: LRAMVA Workform, Tab 5 (Table 5-c)

Question(s):

a) Please provide the source of the net energy savings and net demand savings for the Save on Energy Coupon Program for 2017.
b) Please provide the source of the net energy savings and net demand savings for the Whole Home Pilot Program for 2017.

9-Staff-83
LRAMVA Workform – 2018, 2019, and 2020 Savings
Ref: LRAMVA Workform, Tab 5 (Tables 5-d, 5-e, and 5-f)

Question(s):

a) Please provide the source of the savings entered in Tab 5 for all programs for the years 2018, 2019, and 2020.
b) Please confirm that the Participation and Cost Report filed by Kingston Hydro was the report provided by the IESO or whether if it is a modified version that was prepared by Kingston Hydro. If it is not the report provided by the IESO, please provide a copy of the IESO's Participation and Cost Report.

9-Staff-84
LRAMVA Carrying Charges
Ref: LRAMVA Workform, Tab 6

Preamble:

The OEB has recently published its prescribed interest rate for deferral and variance account balances for Q3.

Question(s):

a) Please update the carrying charges for Q3 in Tab 6 of the LRAMVA Workform.
b) Please update any other associated models in accordance with 1-Staff-1 to reflect the updated balance and carrying charges for the LRAMVA.