
EXHIBIT 9 – DEFERRAL AND VARIANCE ACCOUNTS

Interrogatory 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***

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

approved new rates that was subsequent to the effective date of such rates, rather than establishing a DVA to capture such impacts.

Question(s):

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.

Response

a) Kingston would prefer a rate rider to capture forgone revenue rather than establishing a DVA to capture such impacts.

b) Part (b) is not applicable as Kingston would prefer a rate rider to capture forgone revenue.

EXHIBIT 9 – DEFERRAL AND VARIANCE ACCOUNTS

Interrogatory 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:¹

- 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***
- 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.***

¹ ***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.***

1 **Response**

2

3 a) Kingston will not be seeking continued use of Account 1509 after rebasing.

4

5 b) Part (b) is not applicable as Kingston will not be seeking continued use of Account

6 1509 after rebasing.

EXHIBIT 9 – DEFERRAL AND VARIANCE ACCOUNTS

Interrogatory 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**

1 *effective date of January 1, 2023).*

2
3 *In the Accounting Order for the Revenue Requirement Differential Variance*
4 *Account related to Capital Additions, it was noted that Kingston Hydro will*
5 *continue to record variances in this account until the actual capital additions*
6 *catch up to the cumulative capital additions, or until Kingston's next rebasing,*
7 *whichever comes first.*

8
9 *In the Accounting Orders for the Earnings Sharing Mechanism Variance Account*
10 *and the OPEB Forecast Cash vs. Forecast Accrual Differential Deferral Account, it*
11 *was noted that Kingston Hydro will seek disposition of these accounts in its next*
12 *cost of service rate application.*

13
14 **Question(s):**

- 15
16 *a) Please provide Kingston Hydro's actual return on equity (ROE) for 2021, as*
17 *the electricity utility scorecards for 2021 are not yet publicly available.*
18 *b) Please explain why zero transactions for the 2021 calendar year related to*
19 *each of the above sub-accounts of Account 1508, Other Regulatory Assets*
20 *were not recorded in the DVA Continuity Schedule, also given Kingston*
21 *Hydro's deferred cost of service filing.*
22 *c) As applicable, please include the required transactions for the 2021 calendar*
23 *year related to each of the above sub-accounts of Account 1508, Other*
24 *Regulatory Assets in the relevant cells in column BD of Tab 2b of the DVA*
25 *Continuity Schedule.*

Response

a) Kingston's actual return on equity for 2021 was 8.39%.

b) Kingston has calculated 2021 amounts for the above sub-accounts of Account 1508 and updated the DVA Continuity Schedule to include applicable amounts in column BD.

c) For Account 1508 - Other Regulatory Assets sub-account Revenue Requirement Differential Variance Account related to Capital Additions, Kingston has update the DVA Continuity Schedule to include (\$23,720) for 2021 in cell BD55.

For Account 1508 - Other Regulatory Assets sub-account Earnings Sharing Mechanism Variance Account, Kingston underearned in 2021. There is no update to the DVA Continuity Schedule for this sub-account.

For Account 1508 - Other Regulatory Assets sub-account OPEB Forecast Cash vs. Forecast Accrual Differential Deferral Account, Kingston has update the DVA Continuity Schedule to include \$22,226 for 2021 in cell BD58.

EXHIBIT 9 – DEFERRAL AND VARIANCE ACCOUNTS

Interrogatory 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.***

Response

a) Kingston has forecast the following amounts for 2022:

	Principal Adjustments to 2017-2020	Principal Adjustments related to 2022	Net Principal Adjustment (column BF)
Specific Service Charge Variance Account		(\$ 97,332)	(\$ 97,332)
Revenue Requirement Differential Variance Account related to Capital Additions	\$ 72,805	(\$ 29,342)	\$ 43,463
Earnings Sharing Mechanism Variance Account	(\$ 21,545)	-	(\$ 21,545)
OPEB Forecast Cash vs. Forecast Accrual Differential Deferral Account	\$ 100,342	\$ 8,584	\$ 108,926

b) Kingston has updated balances to include a reasonable forecast for 2022 for the above listed sub-accounts of Account 1508.

c) Confirmed. Kingston requests discontinuance of all the Account 1508 sub-accounts listed in the response to Error Checking Question #15 as of the proposed effective date of new rates of January 1, 2023.

EXHIBIT 9 – DEFERRAL AND VARIANCE ACCOUNTS**Interrogatory 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

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

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.*

Response

- a) Confirmed. Account 1508, Other Regulatory Assets, sub-account Specific Service Charge Variance balance represents variances related to OEB-approved pole attachment charges only.
- b) There are no other OEB required changes to Kingston Hydro's specific service charges (other than pole attachment charges) that have been captured in Account 1508, Other Regulatory Assets, sub-account Specific Service Charge Variance balance requested for disposition.
- The difference between the requested amount of (\$540,977) and the amount in Table 4 of (\$530,089) is interest.

EXHIBIT 9 – DEFERRAL AND VARIANCE ACCOUNTS

Interrogatory 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

1 *agreed to, please explain.*

2 ***c) Please also explain why in Appendix F:***

3 ***a. Regarding System Access Meters and System Access Road Construction,***
4 ***there are no columns showing 2016 and 2017 values.***

5 ***b. Regarding General Plant Truck, there are no columns showing 2018, 2019,***
6 ***and 2020 values***

7 ***d) Using the model in Appendix F, please recompute the requested credit***
8 ***balance of \$176,732 in Account 1508, Other Regulatory Assets, sub-account***
9 ***Revenue Requirement Differential Variance Account related to Capital***
10 ***Additions, to also reflect variances related to the 2021 and 2022 calendar***
11 ***years.***

12 ***e) Using the model in Appendix F, please expand the Summary tab to reflect all***
13 ***principal amounts from 2016 to 2022 (and not only 2018, 2019, and 2020***
14 ***entries).***

15 ***f) Please file on the record of this proceeding, the 2021 IRM Responses to OEB***
16 ***Staff Questions Q#7 and Q#8.***

17 ***g) Please update Table 1, Table 2, and Table 3 of the 2021 IRM Responses to***
18 ***OEB Staff Question Q#7b to include values for 2020, 2021, and 2022. Please***
19 ***provide this information in an Excel spreadsheet format.***

20 ***h) Please explain the “allocation percentage” and how it was used by Kingston***
21 ***Hydro to develop Table 1, Table 2, and Table 3, as referred to in the 2021 IRM***
22 ***Responses to OEB Staff Question Q#7b 2).***

23 ***i) For the years 2016 to 2022, please provide reasons why there are differences***
24 ***between the amounts shown in these updated tables (updated Table 1, Table***
25 ***2, and Table 3) and the amounts shown in the updated Appendix F.***

Response

a) See Excel File: 9 Staff 78a Kingston Settlement Capital Additions Variance Model - 2020 App F

b) No capital additions for 2021 and 2022 were agreed to in the 2016 Custom IR. Any variances at the end of the 2020 have been calculated, as per the revised model filed – refer to 9-SEC-26 filing. The revenue requirement impact for 2021 and 2022 that resulted from end of period variances (2016-2020) has now been included in the revised model 9-SEC-26 filing.

c) Answered below.

a. Upon review of the Capital Asset Variance Accounts for 2016-2020 there was no longer any underspending regarding OEB category System Access. In 2016 and 2017 the System Access was over budget and thus in the historic filing there were no columns needed for 2016 and 2017 values.

b. See revised 9-SEC-26 filing, there are now amounts showing in 2019 and 2020. There are no amounts in 2018 as General Plant was over budget in 2018.

d) Due to the fact there was no agreement regarding capital additions for 2021 and 2022 in the 2016 Custom IR there are no variances for those years to reflect in the model. Continued impacts to revenue requirement for 2021 and 2022 due to the variances for the period ending in 2020 have been reflected in the revised model filing.

1 e) See revised model in 9-SEC-26 filing.

2
3 f) See file: 9 Staff 78f 2021 IRM Responses to OEB Staff Q7&8 attached.

4
5 g) Refer to 9-SEC-26 filing which provides the information requested.

6
7 h) Forecast capital projects within the 2016-2020 DSP along with actual costs for
8 capital projects are categorized by OEB category based on the specific capital
9 project.

10
11 i) Upon an additional review, and as a result of the above questions and 9-SEC-26,
12 Kingston Hydro has filed a revised model, which can be found in 9-SEC-26 filing.

Response to Ontario Energy Board (OEB)

Interrogatory #9-Staff-78 (f)

Attachment 1 of 1

(EB-2020-0034: Staff Question – 7; Ref: Kingston Hydro's
2016 Custom IR Settlement Proposal dated November 3,
2015)

Staff Question - 7

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

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

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

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

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

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

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

Kingston Hydro Response:

Confirmed.

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

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

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

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

		2016	2017	2018	2019	2020
Annual Approved CAPEX	a					

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

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

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

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

Table 1:

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

Table 2:

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

Table 3:

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

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

Kingston Hydro Response:

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

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

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

Staff Question - 8

Ref: Kingston Hydro's excel file for the Capital Addition Variance Model

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

- General Plant- ESM software: variance of (\$9,030.40)
 - General Plant-Truck: variance of nil
 - System Renewal/System Service: variance of nil
 - System Access – Meters: Variance of (\$19,963.17)
 - System Access – Russel St.: variance of (\$5,579.58)
- a) Please clarify that the requested balance of (\$34,573) in Account 1508 is as at December 31, 2019 or December 31, 2020?

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

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

Kingston Hydro Response:

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

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

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

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

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

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

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

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

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

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

Kingston Hydro Response: See above.

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

Kingston Hydro Response:

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

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

EXHIBIT 9 – DEFERRAL AND VARIANCE ACCOUNTS

Interrogatory 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.**

1 **Question(s):**

- 2
- 3 **a) If a reasonable forecast can be made, please include a balance in Account**
- 4 **1518 and Account 1548, from January 1, 2022 to December 31, 2022 and**
- 5 **include these balances in cell BF71 and BF74 of Tab 2b of the DVA Continuity**
- 6 **Schedule. If these amounts cannot be forecasted reasonably, please explain**
- 7 **why not.**
- 8 **b) Please confirm whether it is Kingston Hydro's understanding that Account**
- 9 **1518 and Account 1548, should be discontinued (in accordance with the**
- 10 **Report of the OEB) as of the proposed effective date of January 1, 2023. If this**
- 11 **is not the case, please explain.**
- 12 **c) Please explain why the balances in Account 1518 (debit of \$155,421) and**
- 13 **Account 1548 (debit of \$515,357) requested for clearance in this proceeding**
- 14 **are high relative to Kingston Hydro's size.**

Response

a) Kingston has forecast balances for Account 1518 and Account 1548 from January 1, 2022 to December 31, 2022. These balances are included cell BF71 and BF74 of Tab2b of the DVA Continuity Schedule.

Description	2015 Closing Balance	2016	2017	2018	2019	2020	2021	2022 Bridge Year
4082 - Retail Service Revenue		\$ (14,573)	\$ (13,192)	\$ (11,688)	\$ (16,746)	\$ (18,421)	\$ (17,881)	(18,006)
5315 - EBT Hub Service Costs		21,190	21,179	21,321	2,180	1,791	1,714	1,691
5315 - Other Retail Costs		21,299	22,240	23,320	24,238	25,403	26,586	28,155
1518 - RCVA Retail - Activity		27,916	30,227	32,953	9,672	8,773	10,419	11,840
1518 - RCVA Retail - Balance	\$ 25,457	\$ 53,373	\$ 83,600	\$ 116,553	\$ 126,225	\$ 134,998	\$ 145,417	\$ 157,257
4084 - Retail STR Revenue		\$ (318)	\$ (187)	\$ (129)	\$ (255)	\$ (151)	\$ (198)	(158)
5315 - EBT Hub Service Costs		63,896	66,720	69,959	72,713	76,208	79,759	84,466
1548 - RCVA STR - Activity		63,579	66,533	69,830	72,458	76,057	79,561	84,308
1548 - RCVA STR - Balance	\$ 61,251	\$ 124,830	\$ 191,362	\$ 261,192	\$ 333,650	\$ 409,707	\$ 489,268	\$ 573,576

b) Kingston understands that Account 1518 and Account 1548 should be discontinued effective January 1, 2023.

c) Kingston earns minimal revenue from retailer transactions compared to the costs incurred. The costs include salaries and benefits for 90% of a FTE Systems Analyst to manage retailer transactions.

EXHIBIT 9 – DEFERRAL AND VARIANCE ACCOUNTS

Interrogatory 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

1 on “# of customers”, which is in accordance with OEB policy.¹ However, OEB
2 staff is not clear if Kingston Hydro has used number of customers or number of
3 connections as its allocator for Account 1518 and Account 1548 (the RCVAs).

4
5 OEB staff notes a similar issue arose in another proceeding (Wellington North
6 Power 2021 Cost of Service settlement proposal). In the revised Wellington North
7 Power settlement proposal, in response to a letter from the OEB, parties agreed
8 that it would be appropriate to update the allocation of the RCVAs using number
9 of customer accounts (instead of number of connections) for all classes.

10
11 **Question(s):**

- 12
13 a) Please confirm whether Kingston Hydro has used number of customers or
14 number of connections as its allocator for Account 1518 and Account 1548 in
15 Tab 5 of the DVA Continuity Schedule.
16 b) Please provide Kingston Hydro’s viewpoint regarding the alternative rate
17 design for all rate classes (especially the Street Lighting rate class), given the
18 above noted observation.

19
20 **Response**

- 21
22 a) Kingston has used the number of connections as its allocator for Account 1518 and
23 Account 1548 in Tab 5 of the DVA Continuity Schedule.
24 b) Kingston’s viewpoint regarding the alternative rate design for all classes (especially

¹ EB-2015-0304, Report of the Ontario Energy Board, Energy Retailer Services Charges, November 29, 2018, p. 18

1 the Street Lighting rate class), given the noted observation that the nature of the
2 RCVAs is to record costs of managing transactions in the retail market, and that a
3 high amount of the balances are allocated to the streetlighting class, is that it would
4 be more appropriate and fair to update the allocation of the RCVAs using number of
5 customer accounts (instead of connections) for all classes.

EXHIBIT 9 – DEFERRAL AND VARIANCE ACCOUNTS

Interrogatory 9-Staff-81

Continued Use of the LRAMVA

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.

1 ***b) Please confirm whether Kingston Hydro's request is that the LRAMVA be kept***
2 ***open (in the event of possible future CDM activities that may, upon OEB***
3 ***approval, be determined to be LRAM-eligible), but that Kingston Hydro is not***
4 ***requesting to use the LRAMVA for any CDM activities for 2023 or beyond at***
5 ***this time.***

6
7 **Response**

8
9 a) Yes.

10
11 b) Yes.

EXHIBIT 9 – DEFERRAL AND VARIANCE ACCOUNTS

Interrogatory 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.

Response

a) Kingston _2017 Final Verified Annual LDC CDM Program Results_Kingston Hydro Corporation_Report_20180629 _20220617.

b) Kingston _2017 Final Verified Annual LDC CDM Program Results_Kingston Hydro Corporation_Report_20180629 _20220617.

EXHIBIT 9 – DEFERRAL AND VARIANCE ACCOUNTS

Interrogatory 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.***

Response

- a)** Savings related to Save On Energy programs are found in the "LDC Progress" tab of the Participation and Cost Report – Kingston Hydro Corporation 2019 04. Savings for 2019 and 2020 from the Smart Thermostat program were taken from participation numbers and figures from the IESO's Cost Effectiveness Tool. Participation information can be found in Tab 8.a. Smart thermostats, and the Cost Effectiveness Tool was submitted with the initial application.
- b)** Yes, the Participation and Cost Report is from the IESO.

EXHIBIT 9 – DEFERRAL AND VARIANCE ACCOUNTS

Interrogatory 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.

Response

- a) Kingston has updated the carrying charges for Q3 onwards in Tab 6 of the LRAMVA Workform. Revised LRAMVA Workform is included with the IR responses.
- b) Kingston has updated the DVA Continuity Schedule to reflect the updated balances and carrying charges for the LRAM. Revised DVA Continuity Schedule is included with the IR responses.

Interrogatory 9-SEC-26

[Ex.9-31, p. 10] Kingston Hydro has requested disposition of a \$175,195 credit for Other Regulatory Assets - Revenue Requirement Differential Variance Account related to Capital Additions. The application states ‘...Kingston Hydro recorded variances in this account until the actual capital additions caught up to the cumulative capital additions or until Kingston’s next rebasing year.’:

- a) Please provide a table showing for each year from 2016 to 2020 actual and forecasted cumulative capital additions (net of capital contributions).***
- b) Kingston Hydro has not recorded any amount in the variance account in 2021 and 2022. Please provide the required information to show that ‘the actual capital additions caught up to the cumulative capital additions’ in 2021.***

Response

- a) Tables for each year from 2016 to 2020

2016

OEB Category	Actuals	Budget	Variance	Cumulative
System Access	740,391	494,799	- 245,592	- 245,592
System Renewal/System Service	4,170,948	4,060,205	- 110,743	- 110,743
General Plant	330,531	821,176	490,645	490,645
	5,241,870	5,376,179	134,309	134,309

2017

OEB Category	Actuals	Budget	Variance	Cumulative
System Access	548,751	414,661	- 134,091	- 379,683
System Renewal/System Service	2,221,023	2,178,870	- 42,153	- 152,896
General Plant	659,740	306,240	- 353,499	137,145
	<u>3,429,514</u>	<u>2,899,771</u>	<u>- 529,743</u>	<u>- 395,434</u>

2018

OEB Category	Actuals	Budget	Variance	Cumulative
System Access	332,530	582,853	250,323	- 129,360
System Renewal/System Service	4,228,975	3,299,150	- 929,825	- 1,082,721
General Plant	475,781	407,997	- 67,784	69,361
	<u>5,037,286</u>	<u>4,290,000</u>	<u>- 747,286</u>	<u>- 1,142,720</u>

2019

OEB Category	Actuals	Budget	Variance	Cumulative
System Access	567,880	395,143	- 172,737	- 302,097
System Renewal/System Service	3,550,778	3,332,042	- 218,736	- 1,301,458
General Plant	408,491	421,815	13,324	82,685
	<u>4,527,149</u>	<u>4,149,000</u>	<u>- 378,149</u>	<u>- 1,520,869</u>

2020

OEB Category	Actuals	Budget	Variance	Cumulative
System Access	713,523	364,238	- 349,285	- 651,381
System Renewal/System Service	3,161,919	3,240,046	78,126	- 1,223,331
General Plant	45,342	298,266	252,924	335,610
	<u>3,920,784</u>	<u>3,902,550</u>	<u>- 18,234</u>	<u>- 1,539,103</u>

- 1 b) After a further review of Other Regulatory Assets - Revenue Requirement
2 Differential Variance Account related to Capital Additions the total amount
3 requested for disposition is now \$156,705
4
5 The file 9 SEC 26b Capital Additions Variance Model, will show the complete
6 calculations for the entries for the variance account from 2016 to 2022.

Response to School Energy Coalition (SEC)

Interrogatory #9-SEC-26 (b)

Attachment 1 of 1

(Capital Additions Variance Model)

Final Line Summary:

		2016	2017	2018	2019	2020	2021	2022	
ERM	General Plant	(21,532.06)	(45,704.90)	(2,006.78)	-	-	-	-	
Truck	General Plant	(6,770.31)	(9,160.80)	-	(498.42)	(10,633.95)	(23,720.28)	(29,342.22)	
	Total	(28,302.37)	(54,865.70)	(2,006.78)	(498.42)	(10,633.95)	(23,720.28)	(29,342.22)	(149,369.73)

Kingston Hydro
Capital Additions Variance Model
General Plant - ERM Software

Depreciation Years	5
CCA Rate	55%
PILs Rate	26.5%
Deemed STD%	4.0%
Deemed LTD%	56.0%
Deemed Equity %	40.0%

	2016	2017	2018	2019	2020	2021	2022
Fixed Asset Continuity							
Opening Balance	-	(278,581)	(61,524)	-	-	-	-
Capex Variance	(309,535)	172,389	67,784			-	-
Depreciation (1/2 year)	30,953	44,668	-				
Closing Balance	(278,581)	(61,524)	6,260	-	-	-	-
Average Balance (Rate Base)	(139,291)	(170,053)	(27,632)	-	-	-	-

UCC Continuity							
Opening Balance	-	(224,413)	23,997	23,997	23,997	23,997	23,997
Capex Variance	(309,535)	172,389	-	-	-	-	-
CCA	85,122	76,020	-	-	-	-	-
Closing Balance	(224,413)	23,997	23,997	23,997	23,997	23,997	23,997

Cost of Capital							
Short-Term Debt	1.65%	1.65%	1.65%	1.65%	1.65%	1.65%	1.65%
Long-Term Debt Rate	3.91%	3.91%	3.92%	3.92%	3.92%	3.92%	3.92%
Weighted Debt Rate	3.76%	3.76%	3.77%	3.77%	3.77%	3.77%	3.77%
Equity	9.19%	9.19%	9.19%	9.19%	9.19%	9.19%	9.19%

PILS Calculation							
Cost of Equity Capital	(5,120)	(6,251)	(1,016)	-	-	-	-
Add Depreciation	(30,953)	(44,668)	-	-	-	-	-
Deduct CCA	85,122	76,020	-	-	-	-	-
PILs Income	49,048	25,101	(1,016)	-	-	-	-
PILS before Gross-Up	12,998	6,652	(269)	-	-	-	-
Pils Grossed Up	17,684	9,050	(366)	-	-	-	-

Revenue Requirement ("RR")							
Depreciation	(30,953)	(44,668)	-	-	-	-	-
Cost of Capital:							
Debt	(3,142)	(3,836)	(625)	-	-	-	-
Equity	(5,120)	(6,251)	(1,016)	-	-	-	-
PILS Gross-up	17,684	9,050	(366)	-	-	-	-
Annual RR Variance	(21,532)	(45,705)	(2,007)	-	-	-	-

Kingston Hydro
Capital Additions Variance Model
General Plant - Truck

Depreciation Years	12
CCA Rate	30%
PILs Rate	26.5%
Deemed STD%	4.0%
Deemed LTD%	56.0%
Deemed Equity %	40.0%

	2016	2017	2018	2019	2020	2021	2022
Fixed Asset Continuity							
Opening Balance	-	(173,564)	-	-	(12,769)	(254,044)	(231,857)
Capex Variance	(181,110)	181,110	-	(13,324)	(252,924)	-	-
Depreciation (1/2 year)	7,546	7,546	-	555	11,649	22,187	22,187
Closing Balance	(173,564)	15,093	-	(12,769)	(254,044)	(231,857)	(209,670)
Average Balance (Rate Base)	(86,782)	(79,236)	-	(6,384)	(133,407)	(242,951)	(220,763)

UCC Continuity							
Opening Balance	-	(153,944)	-	-	(11,325)	(222,913)	(156,039)
Capex Variance	(181,110)	181,110	-	(13,324)	(252,924)	-	-
CCA	27,167	19,017	-	1,999	41,336	66,874	46,812
Closing Balance	(153,944)	46,183	-	(11,325)	(222,913)	(156,039)	(109,228)

Cost of Capital							
Short-Term Debt	1.65%	1.65%	1.65%	1.65%	1.65%	1.65%	1.65%
Long-Term Debt Rate	3.91%	3.91%	3.92%	3.92%	3.92%	3.92%	3.92%
Weighted Debt Rate	3.76%	3.76%	3.77%	3.77%	3.77%	3.77%	3.77%
Equity	9.19%	9.19%	9.19%	9.19%	9.19%	9.19%	9.19%

PILS Calculation							
Cost of Equity Capital	(3,190)	(2,913)	-	(235)	(4,904)	(8,931)	(8,115)
Add Depreciation	(7,546)	(7,546)	-	(555)	(11,649)	(22,187)	(22,187)
Deduct CCA	27,167	19,017	-	1,999	41,336	66,874	46,812
PILs Income	16,430	8,558	-	1,209	24,783	35,756	16,509
PILs before Gross-Up	4,354	2,268	-	320	6,568	9,475	4,375
Pils Grossed Up	5,924	3,085	-	436	8,936	12,892	5,952

Revenue Requirement ("RR")							
Depreciation	(7,546)	(7,546)	-	(555)	(11,649)	(22,187)	(22,187)
Cost of Capital:							
Debt	(1,958)	(1,787)	-	(144)	(3,017)	(5,494)	(4,992)
Equity	(3,190)	(2,913)	-	(235)	(4,904)	(8,931)	(8,115)
PILS Gross-up	5,924	3,085	-	436	8,936	12,892	5,952
Annual RR Variance	(6,770)	(9,161)	-	(498)	(10,634)	(23,720)	(29,342)

1 **DEFERRAL AND VARIANCE ACCOUNTS (EXHIBIT 9)**

2
3 **Interrogatory 9.0 –VECC -46**

4
5 **Reference: Exhibit 9, Tab 1, Schedule 1, page 4**

6
7 **a) Please explain the rationale for continuation of the various COVID-19**
8 **accounts.**

9
10 **Response**

11
12 a) Kingston will discontinue use of the various COVID-19 accounts with this rate
13 application.

DEFERRAL AND VARIANCE ACCOUNTS (EXHIBIT 9)

Interrogatory 9.0 –VECC -47

Reference: Exhibit 9, Tab 1, Schedule 1, page 4

a) Please provide an explanation/description of the \$93,670 in IFRS Transition Costs including when these costs were incurred.

Response

a) The IFRS Transition Costs of \$93,670 are costs incurred between 2009 and 2016. These costs include staff education and training, an IFRS Planning and Advisory Engagement with KPMG (\$30,800), incremental staff wages and benefits for conversion and implementation, and costs of final implementation for fiscal year 2015 with 2014 restated in the audited financial statements.

Kingston's 2015 audited financial statements were the corporation's first statements prepared in accordance with IFRS. Kingston restated its opening balance sheet at January 1, 2014, its IFRS transition date, by applying IFRS retrospectively, except where prohibited.

These costs were incurred as detailed in the table following:

1

Year	Description	IFRS Transition Costs	Accumulated IFRS Transition Costs
2009	IFRS Planning & Advisory Engagement, Staff Training	\$ 42,702	\$ 42,702
2010	Staff Training	\$ 790	\$ 43,492
2011	Staff Training	\$ 2,198	\$ 45,690
2012	Staff Time	\$ 27,326	\$ 73,016
2013	Staff Training	\$ 1,163	\$ 74,180
2014	Consulting and Implementation	\$ 2,700	\$ 76,880
2016	Consulting and Implementation - Audit FY2015	\$ 16,790	\$ 93,670