

**Hearst Power Distribution Company Limited  
2010 Electricity Distribution Rates  
EB-2009-0266  
Board Staff Preliminary Interrogatories**

Note: If in responding to any of these interrogatories, Hearst Power makes reference to its pre-filed evidence, please quote the page number(s) in Hearst Power's *electronic* filing.

**General**

**1) Filing Consistent Information**

It would appear that certain data have been variously stated in the application such that it is unclear which values the Applicant is relying on and what the appropriate resultant rates should be.

If in addressing these interrogatories and those of VECC any data is found to be inconsistently filed and this affects the rates requested, please file one complete consistent set of models, worksheets, data, etc. covering all key aspects of the application, in a manner that reflects Board current policies, guidelines, etc.

**Exhibit 2: Rate Base**

**2) Rate Base Overview**

Ref: Exhibit 2/1/1/p1

In Exhibit 2/1/1/p1 the rate base forecast for 2010 is shown as \$2,355,582. In Exhibit 5/1/2/p3 the rate base forecast for 2010 is shown as \$2,453,870.

Please rationalize and state the value the Applicant is relying on.

**3) Rate Base Summary Table**

Ref: Exhibit 2/1/2/p1

Board staff is unable to replicate the Average Book Values in Table 2.1.2.

Beginning with the continuity table, please show the calculations for the 2009 and 2010 Average Book Values.

#### **4) Variance Analysis on Rate Base Summary Table**

Ref: Exhibit 2/1/3/p2

References are made to the effect on the rate base for 2009 and 2010 caused by adding Smart Meters. However, the requirements outlined in the Board's recent Guideline on Smart Meters do not appear to be adhered to.

Please confirm that the addition of the Smart Meters to the rate base is consistent with the Board's Guideline G-2008-0002, Smart Meter Funding and Cost Recovery, October 22, 2008, or recalculate as required.

#### **5) Capital Budget By Project**

Ref: Exhibit 2/5/1

The Applicant explains that capital projects are added in 2009 and 2010 in support of its Smart Meter program and in support of other programs/projects.

Please list separately the 2009 and 2010 capital expenditures which support (a) the Smart Meter program and (b) other programs/projects.

#### **6) Capital Expenditures**

Ref: Exhibit 2/5/1/p1

On page 1, it states: "In the 2009, Additions/Adjustments column of the 'Assets with Depreciation' tab, the total capital spending was \$462,867." However, the continuity statement filed under Exhibit 2/2/1/p5, shows the total additions for 2009 is \$469,061.09.

Please explain the difference between these two 2009 capital addition amounts and state the amount that the Applicant will rely on.

#### **7) Accumulated Amortization**

Ref: Exhibit 2/3/1

In Table 2.3.1 the Applicant shows the accumulated amortization for the 2006 to 2010 period.

Please confirm that the Applicant has followed the Board's guidance regarding the half-year depreciation rule in all aspects of the preparation of this application, or, if not, please provide an explanation for not doing so.

### **Exhibit 3: Loads, Customers – Throughput Revenue**

#### **8) Summary of Operating Revenue**

Ref: Exhibit 3/1/2-3

In Table 3.1.2 the Applicant shows the 2009 Operating Revenue to be \$951,727 whereas in Exhibit 3/1/3/p1 the value is quoted as \$918,095.

By utilizing the proposed rates and the proposed load forecast, please reconcile the two values of the Operating Revenue (together with the Revenue Requirement), and state the Operating Revenue amounts for 2009 and 2010 that the Applicant is relying on.

#### **9) Customer Count and Normalized Volume Forecast**

Ref: Exhibit 3/2/2-3

In Tables 3.2.2 and 3.2.3 the Applicant shows its customer count and volume forecasts by customer class.

Please confirm that the Applicant is requesting a 2010 customer/connection count forecast (Table 3.2.2) of 2,768 customers/connections (i.e. approximately zero percent change from the 2009 value) and a 2010 volume forecast (Table 3.2.3) of 86,167,555 kWh (i.e. approximately 10.2% increase from the 2009 value).

### **Exhibit 4: Operating Costs**

#### **10) OM&A Expenses**

Ref: Exhibit 4/2/1, Exhibit 4/2/2, Exhibit 4/3/1 and Exhibit 4/3/2

In the quoted exhibits the Applicant appears to provide 2006-2010 OM&A values that do not match. For example; the 2010 OM&A Expenses are shown in Exhibit 4/2/1 as \$867,878, in Exhibit 4/2/2 as \$817,752, in Exhibit 4/3/1 as \$1,022,204 (or \$876,545?) and in Exhibit 4/3/2 as \$876,545.

Please rationalize the OM&A values shown in the four exhibits, clarify if the Applicant intends the term “OM&A Expenses” to have the same meaning throughout, and re-file the exhibits as necessary so they contain consistent data on which the Applicant is relying.

## **11) PILs**

Ref: Exhibit 1/2/4

In the Revenue Requirement Work Form the amount related to “Adjustment required to arrive at taxable utility income” appears to be missing. Also, three different “Net Income Before Taxes” amounts have been located: \$65,956 (page 477); \$92,810 (RRWF); \$377,428 (Exhibit 4/7/1/ p1).

Please provide the value of the apparently missing adjustment and the value of the “Net Income Before Taxes” amount that the Applicant will rely on, and utilize these values in completing the PILs calculations.

### **Exhibit 5: Cost of Capital and Rate of Return**

## **12) Promissory Note**

Ref: Exhibit 5/1/3

In Exhibit 5/1/3 the Applicant provides a copy of the *\$1.8 million* promissory held by the Town of Hearst. In the Notes to Financial Statements, December 31, 2008, footnote #13, entries are made for 2008 and 2009 showing a *\$1.7 million* demand loan payable.

Please explain the apparent discrepancy.

### **Exhibit 6: Calculation of Revenue Deficiency or Surplus**

## **13) Revenue Deficiency Calculation**

Ref: Exhibit 6/1/1/p2

On lines 15 to19 in the “At Proposed Rates” column of Table 6.1.1.1 the Applicant provides various financial data.

Please reconcile the data noted above with the financial data shown on lines 1 to 7 in the “Cost Rate” column in Exhibit 5/1/2/p3.

### **Exhibit 7: Cost Allocation**

## **14) Cost Allocation Model**

Ref: Exhibit 7/1/1/Appendix A

Please provide all the cost allocation models in live Excel format as stated in the above reference.

### **15) Cost Allocation Model**

Ref: Exhibit 7/1/2/pp5-6

On pages 5 & 6, the Applicant provided Sheet O1 of the Cost Allocation model showing the total revenue of \$1,184,786.

- a) Please confirm whether the above stated Sheet O1 excludes the revenues and costs associated with transformer ownership allowance.
- b) Please confirm whether the "Distribution Revenue" is calculated based on the proposed distribution rates and the forecast of billing quantities in the test year.
- c) If the answer to (b) is negative, please recalculate the revenue to cost ratios based on the steps mentioned in (b) and file the model in live Excel format.

### **16) Cost Allocation Model**

Ref: Exhibit 7/1/1/pp5-6

On pages 5 & 6, Hearst Power provided Sheet O1 of the Cost Allocation model with the total revenue of \$1,184,786.

Please provide an alternative calculation using the most recently approved distribution rates and the forecast of billing quantities in the test year, prorated upwards or downwards (as applicable) to match the 2010 proposed revenue requirement, and file the model in live Excel format.

### **17) Cost Allocation Model**

Ref: Exhibit 7/1/1/pp7-8

On pages 7 & 8, Hearst provided Sheet O1 of the Cost Allocation model titled "Cost Allocation Model – Proposed Rates, Transformer Ownership Allowance Removed". In the model, the total revenue is \$1,219,272.

- a) Please explain whether the model excludes the transformer ownership allowance from both revenues and costs sides.
- b) If the Transformer Ownership Allowance is removed from revenues, please explain why the total revenue would increase to \$1,219,272 as compared to the Sheet O1 of the model on listed pages 5 & 6.
- c) Please explain what the model listed on pages 7 & 8 is demonstrating in terms of the revenue to cost ratios.

## **18) Test Year Revenue Impacts**

Ref: Exhibit 7/1/1/p4

In Table 7.1.1.5, staff calculates that the total of the “Test Year Revenue Assuming Proposed Revenue to Cost Ratios (\$)” is \$1,065,855. However under Exhibit 8/1/1/ p2/Table 8.1.1.1, the total allocated revenue is \$1,171,603.

Please explain the difference between these two total amounts, the amounts in each customer class and confirm the amount the Applicant will rely on.

## **Exhibit 8: Rate Design**

### **19) Rate Design Overview**

Ref: Exhibit 8/1/1/p1

On page 1, it states: “Hearst Power has determined its total 2010 service revenue requirement to be \$1,184,796. The total revenue offset, as set out in Exhibit 3, in the amount of \$118,930 (excluding SSS) reduces Hearst Power’s total service requirements to a base revenue requirement of \$1,065,866, which is used to determine the proposed distribution rates.”

- a) Please confirm whether the base revenue requirement has excluded the low voltage charges, Transformer ownership allowances, and standard supply charges.
- b) Please confirm whether the proposed rates stated in Table 8.1.1.3 have also excluded the low voltage charges, Transformer ownership allowances, and standard supply charges.
- c) If the answer to (b) is negative, please provide a set of proposed 2010 monthly rates and charges that excludes the low voltage charges, Transformer ownership allowances, and standard supply charges and provide reconciliation that the proposed rates are equal to the base revenue requirement of \$1,065,866.
- d) Under Exhibit 8/1/5/p1/Table 8.1.5.2, the total distribution revenue is \$1,058,101. Please reconcile the difference with the 2010 proposed base revenue requirement and confirm the value the Applicant will rely on.

### **20) 2010 Revenue Reconciliation**

Ref: Exhibit 8/1/5/p1

In Table 8.1.5.2 the Applicant purports to show a reconciliation of expected revenue and revenue requirement. However, the reconciliation is not evident.

Using the proposed load forecast and proposed rates, please provide detailed calculations showing the reconciliation of the 2010 expected revenue and revenue requirement.