

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

General

Reference to Electronic Filing

If in responding to any of these Board staff or VECC supplemental interrogatories, Hearst Power makes reference to its pre-filed evidence, its September 15, 2010, responses or its October 1, 2010, Addendum to Cost of Service Application EB-2009-0266, please identify the page number(s) in Hearst Power's *electronic* filing.

Please note that these interrogatories, in general, are based on the most recently-filed evidence on a subject matter; in many cases this is the October 1, 2010, Addendum to Cost of Service Application EB-2009-0266.

1. Filing Consistent Information

Ref: Applicant's "Addendum to Cost of Service Application EB-2009-0266" filed with the Board on October 1, 2010.

In response to the first round of interrogatories, the Applicant filed an amended load forecast and updated models on October 1, 2010.

- a) Please confirm that the updated values contained in the October 1, 2010, re-filed forecast and the resulting models are the values on which the Applicant will now rely and for which it requests Board approval.
- b) If in response to this current round of Board staff and VECC supplemental interrogatories the Applicant provides further updated evidence, please:
 - I. confirm that it is the values in the newly-filed evidence on which the Applicant will now rely and for which it requests Board approval, and
 - II. please file one consistent set of models, worksheets, data, etc. covering all key aspects of the application, in a manner that reflects current Board policies, guidelines, etc.

2. Responses to Letters of Comment

Following publication of the Notice of Application, has the Applicant received any letters of comment in respect of this application? If so, please confirm whether a

reply was sent by the Applicant in response to such comments and if so, please file copies of such responses with the Board. If not, please explain why a response was not sent and confirm if the Applicant intends to respond and file a copy of the response if and when such response is given.

Exhibit 1: Administrative Documents

3. Effective Date of Rate Change

Ref.: Exhibit 1, Tab 1, Schedule 2

In a letter dated March 5, 2009, the Board advised all electricity distributors that “Applicants are encouraged to file applications for 2010 as soon as possible, and no later than August 28, 2009 for rates to become effective May 1, 2010.”

Please explain the reasons for Hearst’s late filing of its 2010 rate application.

4. Rate Schedule – Smart Meters and Street Lights

Ref: Exhibit 1/1/2 Appendix A; Appendix T filed September 15, 2010; and Addendum to Cost of Service Application EB-2009-0266, Appendix 1-1, filed October 1, 2010.

No reference is made to Smart Meters or Street Lights in the Rate Schedule.

- a) Please indicate if this is intentional and if so, please explain.
- b) If appropriate, please file an updated Rate Schedule.

5. Monthly Rates and Charges – Transformer Allowance

Ref: Exhibit 1/1/2 Appendix A and Appendix T filed September 15, 2010.

The Transformer Ownership Allowance is shown on the schedule of Monthly Rates and Charges as \$0.35 per kW.

Please provide rationale and the supporting calculations for reducing this charge from \$0.60 per kW in the currently-approved schedule of Monthly Rates and Charges to \$0.35 per kW in the current schedule.

6. Summary of Application

Ref: Exhibit 1/2/1/pp1-3

On page 1 the statement is made: "The Applicant has made significant one time...mitigation decisions..." On page 3 the statement is made: "The Test Year revenue requirement is that forecast by Hearst Power as needed to enable it to earn a lower than generally permitted, but reasonable, return for fiscal 2010."

Please explain both statements.

7. Budget Overview

Ref: Exhibit 1/2/2/p1

The statement is made regarding the Revenue Forecast: "The forecast revenue does not include the load and associated revenue reduction and therefore overstates the expected 2010 revenue and return to Hearst Power." Later the statement is made: "The Test Year forecast class billing demand is above those encountered in the most recent history."

Please confirm if Hearst Power has based its October 1, 2010, filed load forecast on the most likely future circumstances and, if not, why not.

8. Pro-Forma Financial Statements – 2009, 2010

Ref: Exhibit 1/3/2

The 2009 and 2010 pro-forma data is presented.

Please re-file the table in the same format but with 2009 actual data.

9. Revenue Requirement Work Form

Ref: Response to Board staff interrogatories #2 and #3 (and associated Appendices BS-B and I) and Addendum to Cost of Service Application EB-2009-0266, un-numbered table "Rate Base", filed October 1, 2010.

The Applicant revised various data in its re-filed Revenue Requirement Work Form.

- a) Please file detailed calculations and show clearly all assumptions that were used in producing the Cost of Power total of \$6,866,179.
- b) Please explain why, in response to the preliminary interrogatories,
 - I. The Applicant increased the long-term debt rate from 5.87% in the original filing to 12.5% in the latest filing,
 - II. OM&A Expenses increased from \$867,878 to \$935,399, and
 - III. Amortization/Depreciation decreased from \$145,659 to \$139,718.

10. Changes to Revenue Requirement

Ref: Response to Board staff interrogatory #1 (and associated Appendix II "Summary of Changes to Revenue Requirement")

On page 2 of the Appendix the Applicant notes: "The changes to the OM&A relates to Hearst..."

Please provide details of:

- a) the proposal to eliminate specific rate riders,
- b) the cost of rebasing the OM&A expenses, and
- c) the \$270,085 amount.

Exhibit 2: Rate Base

11. SAIDI, SAIFI, CAIDI

Ref: Exhibit 2/7/2/p1

Table 2.7.2.1 provides a summary of the Applicant's service quality statistics for 2006 to 2008 for both "Excluding Hydro One" and "Total System".

- a) Please confirm that the service quality statistics are consistent with the Applicant's RRR filings.
- b) Where the information is available, please expand the SAIDI, SAIFI and CAIDI elements in Table 2.7.2.1 for the years missing in the range 2003 to 2009.
- c) Please confirm that the Total System data in Table 2.7.2.1 includes Hydro One's failure of supply.

12. Conditions of Service

Ref: Exhibit 8.1.6

In the pre-filed evidence the Applicant refers to its Conditions of Service.

- a) Please identify any rates and charges that are included in the Applicant's Conditions of Service and provide an explanation for the nature of the costs being recovered.
- b) Please provide a schedule outlining the revenues recovered from these rates and charges from 2006 to 2009, and the revenue forecasted for the 2010 test year.
- c) Please explain whether, in the Applicant's view, these rates and charges should be included on the Applicant's tariff sheet.

13. Depreciation Expenses

Ref: Response to VECC interrogatory #6b (and associated Appendix D)

In Appendix D the Applicant files various information including that related to "Additions" and "Smart Meters".

- a) Please rationalize the \$133,800 value for Additions in 2010 with the \$248,696 value reported in various other appendices.
- b) Please explain why in the Sub-Total for Other Plant for 2010, some columns (e.g. columns e and g) *include* Smart Meter costs, some columns (e.g. column c) *exclude all* Smart Meter costs, and some columns (e.g. column a) *include some* Smart Meter costs.

14. Variance Analysis on Rate Base Summary Table

Ref: Response to Board staff interrogatory #4.

The Applicant states: "Hearst determined that since 100% of its Smart Meters would be installed by the end of 2010, it was eligible to recover its costs through the Rate Base and regular OM&A expenses."

Please confirm that Hearst has not yet installed all its Smart Meters.

15. Capital Budget By Project

Ref: Response to Board staff interrogatory #5.

Board staff asked for details of "2009 and 2010 capital expenditures which support (a) the Smart Meter program and (b) other programs/projects." The

details provided in the interrogatory response appear only to detail Smart Meter and *their* related capital projects.

Please provide the information as originally requested; that is, to provide details of Smart Meter and *all other* capital projects; list separately the 2009 and 2010 capital expenditures which support (a) the Smart Meter program and (b) other programs/projects.

16. Net Assets

Ref: Response to Board staff interrogatory #1 (and associated Appendix I – Summary of Changes to Rate Base, section: Gross Assets – Property, Plant and Equipment and Accumulated Depreciation)

The Applicant provides 2009 and 2010 values for Gross Assets and Depreciation but not the resulting Net Asset values.

Please rationalize the resulting Net Asset values in Appendix I for each year with the Net Book Values columns in Appendix BS-C filed September 15, 2010.

Exhibit 3: Loads, Customers – Throughput Revenue

17. Forecasting Methodology

Ref: Exhibit 3/2/1 and Addendum to Cost of Service Application EB-2009-0266, filed October 1, 2010.

In the exhibit the Applicant explains the approach taken to establishing its customers/connections count and load forecasts. However, it would appear that a different approach is used in the October 1, 2010, Addendum to Cost of Service Application EB-2009-0266. Board staff understands the essentials of the approach used *in the October 1, 2010, filing* is:

- The historical number of customers in each class is extrapolated to obtain the 2010 customers/connections count forecasts.
- For the weather sensitive classes (Residential, GS<50kW and GS>50kW) the NAC value (i.e. the non-weather corrected kWh per customer) for each class is calculated and 2005-2009 average for each class is used in determining the 2010 load. (For greater certainty: It is understood that weather normalization based on the Hydro One data developed for the 2006 Informational Filing was NOT used.)

- For the weather sensitive classes, the 2010 forecast values are determined by multiplying the forecasted number of customers in each class by the applicable NAC value. .
- For the Intermediate, Street Lights and Sentinel Light classes, the most recent 12 months of actual data were used as the 2010 forecast values.
 - a) Please confirm or correct Board staff's understanding as expressed in the above summary.
 - b) Please explain the rationale for the load forecasting method used for developing the larger customers' forecasts and provide the supporting data.
 - c) Please clarify the extent to which the larger customers have been retained in their original customer classes.

18. Load Forecast Volumes

Ref: Addendum to Cost of Service Application EB-2009-0266, filed October 1, 2010.

The Applicant provided an Excel spreadsheet showing the details of its load forecast calculations.

- a) Please explain the *physical* difference or differentiation intended to be captured in Sheet C1 – Load Data and Forecast by including both “Actual” and “*Normalized*” values for 2008, 2009 and 2010, provide the rationale of the conversion process including a detailed explanation of any weather normalization, and show the detailed calculations used to make the conversions.
- b) Please explain the rationale for the Loss Factor (value 1.0509) on Sheet C1 – Load Data and Forecast being different from the Loss Factor (value 1.0312) in the Addendum's Appendix 1-1, and clarify the value on which the Applicant will rely.
- c) Please explain why, unlike the Total Loss Factors in the Applicant's currently approved tariff sheet, the (Total?) Loss Factor in the Addendum's Appendix 1-1 is the same for both the *Secondary* Metered Customers <5000kWh and *Primary* Metered Customers <5000kWh.
- d) Please confirm that the Metered Kilowatt-Hours on Sheet C1 – Load Data and Forecast are indeed actual unmodified values.
- e) Please provide a reconciliation of the load forecast and the Revenue Requirement by multiplying the load forecast volumes in the October 1, 2010, filing by the charges in the Addendum's Appendix 1-1 Monthly Rates and Charges (appropriately revised for omissions and any errors).

19. Customer Count and Normalized Volume Actual Values

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 provide the 2009 *actual* values and the 2010 year-to-date actual values (and identifying the latest month for which data is included) in Tables 3.2.2 and 3.2.3 format.

Exhibit 4: Operating Costs

20. OM&A Expenses

Ref: Response to Board staff interrogatory #10 (and supporting Appendix BS-G)

The Applicant provides various cost data in the appendix.

- a) Please confirm that Total Eligible Distribution Expenses is the same as OM&A, or explain.
- b) Please explain why in Appendix BS-G, the 2006, 2007 and 2008 actual Total Eligible Distributions have changed from the original filing; if there was a slippage in expenditures from one year to the next, please give details.

21. Revenue Offsets

Ref: Responses to VECC interrogatory #11a and #25e (and associated Appendix N)

Miscellaneous Service Revenues are shown as decreasing from \$23,288 (in 2009) to \$9,170 (in 2010).

- a) Please explain the expected drop in Miscellaneous Service Revenues and file supporting evidence.
- b) What were the 2009 actual values and the 2010 year-to-date values for Miscellaneous Service Revenues (and please state the latest month of 2010 data included).

22. OM&A Expenses

Ref: Exhibit 4/2/1

In Table 4.2.1, the Applicant shows, among other data, the 2009 forecasted OM&A expenses.

Please provide the 2009 *actual* values and 2010 year-to-date actual values in Table 4.2.1 format (and state the latest month of 2010 data included).

23. Assumptions for Increases to OM&A

Ref: Exhibit 4/2/1/p1

Inflation appears to be built into the Applicant's OM&A costs.

Please identify the inflation rate used for the 2010 OM&A forecast and the source document(s) for the inflation assumptions.

24. OM&A Cost Drivers

Ref: Response to VECC interrogatory #14 (and supporting Appendix P).

The Applicant files information on its cost drivers including \$52,079 in 2010 for Meter Reading Expenses.

- a) Please clarify if these are *additional* expenses associated with Smart Meters only or the total expenses for all meter reading.
- b) What were the meter reading costs for regular meters?

25. Regulatory Costs

Ref: Exhibit 4/2/4

In Table 4.2.4.1 the Applicant shows "Operating expenses associated with staff resources allocated to regulatory matters" for "2009 Bridge Year" and "2010 Test Year".

- a) Please confirm that these are *additional* costs that the Applicant incurred (such as paid overtime, backfilling with external resources, etc.) that were truly in addition to regular staff wages.
- b) If a portion of these operating expenses were for regular wages for existing staff, please estimate how much was for regular wages for existing staff and how much was for truly *additional* costs.

26. Late Payment Penalty (LPP)

Ref: Exhibit 4/1/1/p1

Please state whether or not the Applicant has included an amount for recovery of late payment penalty litigation costs in its 2010 Test Year application. If yes, please identify the amount and explain how the Applicant is proposing to recover the amount (e.g. customer rate classes that would be affected and whether the amount would be recovered by means of a fixed or variable charge or a combination thereof). If yes, please provide evidence supporting the amount allocated to the Applicant (e.g. through the settlement agreement).

27. Variance Analysis On OM&A Costs Table

Refs: Exhibit 4/3/2

The Applicant provides variance explanation for certain years but does not include an explanation for the 2009 Bridge Year.

Please provide a variance explanation for the 2009 Bridge Year.

28. Purchase of Services

Refs: Exhibit 4/5/2

The Applicant provides a summary in Table 4.5.2.1 of its larger purchases including, for a number of these, an explanation of the tendering process used.

Please provide an entry in the "Summary of the tendering cost process/summary of approach" column for ECMI, Sensus and Olameter

29. Harmonized Sales Tax

Ref: Exhibit 4

The PST and GST were harmonized effective July 1, 2010. Historically, unlike the GST, the PST was included as an OM&A expense and was also included in capital expenditures. Due to the harmonization of the PST and GST, regulated utilities may benefit from a reduction in OM&A expenses and capital expenditures on an actual basis.

- a) Please state whether or not the Applicant has adjusted its Test Year revenue requirement to account for reductions to OM&A expense and capital expenditures that the Applicant may realize due to the implementation of the HST effective July 1, 2010. If yes, please identify separately the amounts for OM&A and capital and provide an explanation of how each of those amounts was derived. If no, please identify the amounts in OM&A expense and capital expenditures for the Test Year that were previously subject to PST and are now subject to HST.
- b) Please state how Hearst is proposing to pass on its HST savings.

30. Low Income Energy Assistance Program (LEAP)

Please state whether or not the Applicant has included an amount in its 2010 Test year revenue requirement for the LEAP emergency assistance program.

- a) If yes, please identify the amount.
- b) If no, please provide the following calculation: 0.12% of the total distribution revenue proposed by the Applicant for the 2010 Test Year.
- c) Please state whether or not the Applicant has included an amount in its 2010 Test year revenue requirement for any legacy program(s), such as Winter Warmth. If so, please identify the amount and provide a breakdown identifying the cost of each program along with a description of each program.

Exhibit 5: Cost of Capital and Rate of Return

31. Promissory Note

Ref: Response to Board staff interrogatory #12

The second sentence of the response reads: "The loan to Hearst Power is in fact in the amount of \$1.7 million."

Please confirm that the intended response was that "the *balance of the promissory note* is in the amount of \$1.7 million".

Exhibit 7: Cost Allocation

32. Revenue to Cost Ratios

Ref: Response to Board staff interrogatories #15, #16 and #17 (and supporting Appendix BS-K)

The Applicant provided revised Revenue to Cost ratios in the response.

Please confirm that the ratios in the "HPL-2010 scaled to 100%" column in Table 7 of the appendix are the ratios directly utilized in calculating the re-filed rates.

33. Adjustment to Transformer Allowance

Refs: Exhibit 7/1/1/pp1-2 and Exhibit 8/1/1/p4

The Applicant makes reference to the adjustment made to the transformer allowance.

Please provide details of the adjustment including the justification and supporting calculations for reducing the Transformer Allowance from \$0.60 to \$0.35 per kW.

Exhibit 8: Rate Design

34. Loss Adjustment Factors

Ref: Exhibit 8/1/4/p1

In Table 8.1.4.1 the Applicant shows the Total Loss Factors for the years 2004 to 2008.

Please explain why the Applicant's Total Loss Factors are trending upwards over time.

35. Conditions of Service

Ref: Exhibit 8/4/3/p1

Occasionally rates and charges are contained in an applicant's Conditions of Service.

- a) Please identify any rates and charges that are included in the Applicant's Conditions of Service and provide an explanation for the nature of any costs being recovered.
- b) Please provide a schedule outlining the revenues recovered from these rates and charges from 2006 to 2009 and the revenues forecasted for the 2010 Test Year.
- c) Please explain whether in the Applicant's view, these rates and charges should be included on the Applicant's tariff sheet.

Exhibit 9: Deferral and Variance Accounts

36. Smart Meters

Ref: Response to VECC interrogatory #30.

The Applicant references the Smart Meter-related approvals it is seeking from the Board.

- a) Please set out in detail the Smart Meter-related approvals the Applicant is requesting from the Board.
- b) Please indicate whether the approvals sought by Hearst are in compliance with the Board's Guideline G-2008-0002.
- c) Please clarify the Applicant's intended actions on stranded meters.
- d) Please explain how, if the requested approvals are granted, the implementation of the approvals will be reflected in the customers' bills.

37. Clearance of Deferral and Variance Accounts

Ref: Exhibit 9/1/3/p1

- a) Please state the amounts (principal and interest) in each of the deferral and variance accounts that the Applicant proposes to dispose of.
- b) Hearst Power is requesting disposition over 4 years. However, Table 9.1.3.1 only presents rate riders based on 1 year disposition. Please provide a calculation for the rate-riders over 4 years. (Please ensure that all other deferral and variance account interrogatories have been addressed before performing these calculations.)
- c) Please confirm that Hearst Power has complied with, and applied correctly, the Board's accounting policy and procedures for calculation of the final disposition balance. If Hearst Power has used other practices in the calculation, please explain where these are located in the filing and why it has taken the approach it has taken.
- d) Has Hearst Power reviewed the Regulatory Audit & Accounting Bulletin 200901 dated October 15, 2009, and ensured that it has accounted for its

account 1588 and sub-account Global Adjustment in accordance with this Bulletin?

- e) Would Hearst Power agree to the establishment of a variance account to capture the reductions in OM&A and capital expenditures due to Harmonized Sales Tax?

38.Account 1565

Ref: Exhibit 9/1/2

- a) Please explain why Hearst Power has not recorded any amounts in account 1566, the net of the balance in account 1565 and why the corresponding offsetting balance in 1566 is not zero.
- b) Please confirm that all entries made in accounts 1565 and 1566 are consistent with the accounting procedures in Article 220 of the Accounting Procedures Handbook and the Board's FAQs dated December 2005.

39.Accounts 1570 and 1571

Ref: Exhibit 9/1/2

Why has Hearst Power excluded accounts 1570 and 1571 from its calculation of the rate riders?

40.Account 1588 – Global Adjustment

Ref: Exhibit 9/1/2

- a) Please confirm that the Global Adjustment ("GA") principal balance proposed for disposition is based on the procedures identified by the Accounting Procedures Handbook.
- b) Please provide an allocation of the December 31, 2008 balance of the GA sub-account (plus interest to April 30, 2010) based on the 2008 kWh for non-RPP customers.
- c) Please calculate a separate rate rider for the recovery of the proposed GA balance using the allocated amounts and the 2010 non-RPP consumption data (kWh or kW as applicable) as the billing determinant.
- d) Please provide a variation of rate rider calculations presented in spreadsheet ZRebasingworksheetsbyExhibit0801.xls excluding the Power (GA) subaccount from the calculations.
- e) Please calculate a separate rate rider for the recovery of the proposed balance of subaccount Power – Global Adjustment of account 1588 using the amounts in b) above and using, as the billing determinant, the 2010 non-RPP consumption data (kWh or kW as applicable).

- f) If Hearst Power were to establish a separate rate rider to dispose of the balance of the Power (Global Adjustment) sub-account of account 1588, please provide Hearst Power's views as to whether this rate rider would be applicable to MUSH ("Municipalities, Universities, Schools and Hospitals") sector customers.
- g) If the answer to f) is negative, does Hearst Power have the capability in its billing system to exclude MUSH sector customers to which the separate rate rider for the for the disposition of the account 1588 subaccount Power (Global Adjustment) Balance would apply?

41. Allocation of Account 1590

Refs: Exhibit 9 / 3 / 3 / p1

According to the "Report of the Board on Electricity Distributors' Deferral and Variance Account Review Initiative (EDDVAR)" (EB-2008-0046), disposition of account 1590 is to be allocated to rate classes in proportion to the recovery share as established when rate riders were implemented.

If the Applicant has used kWh, please recalculate the rate rider using the default allocation factor as per the Board report EB-2008-0046.

~ end of supplemental interrogatories~