**Ontario Energy Board**
P.O. Box 2319
27th. Floor
2300 Yonge Street
Toronto ON M4P 1E4
Telephone: 416- 481-1967
Facsimile: 416- 440-7656
Toll free: 1-888-632-6273

**Commission de l'énergie de l'Ontario**
C.P. 2319
27e étage
2300, rue Yonge
Toronto ON M4P 1E4
Téléphone; 416- 481-1967
Télécopieur: 416- 440-7656
Numéro sans frais: 1-888-632-6273

Ontario

**BY E-MAIL**

October 7, 2013

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: Hydro Hawkesbury Inc.**
**2014 Distribution Rate Application**
**Board Staff Interrogatories**
**Board File No. EB-2013-0139**

In accordance with Procedural Order No. 1, please find attached Board Staff Interrogatories in the above proceeding.

Yours truly,

*Original Signed By*

Silvan Cheung
Advisor – Applications & Regulatory Audit

Encl.

cc: Parties to EB-2013-0139 proceeding

**Board Staff Interrogatories**
**2014 Electricity Distribution Rates**
**Hydro Hawkesbury Inc. ("HHI")**
**EB-2013-0139**
**October 7, 2013**

## EXHIBIT 1 – ADMINISTRATIVE DOCUMENTS

### 1.0-Staff-1

Ref: Exhibit 1/ Tab 2/ Schedule 3 – Budget Directives and Assumptions

On page 24 of the above reference, HHI states:

> The proposed OM&A cost expenditures for the 2014 Test year are the result of a business planning and work prioritization process that ensures that the most appropriate cost effective solutions are put in place.

a) Please provide more detail of HHI's prioritization process: i.e. who is involved and how is the process carried out?
b) Please provide the type of decision criteria or strategy used to determine which solutions are the most cost effective for HHI and its customers.

### 1.0-Staff-2

Ref: Exhibit 1/ Tab 2/ Schedule 7 – Revenue Requirement Work Form

a) Based on the responses to the interrogatories from all parties, please submit a Microsoft Excel file containing an updated RRWF (version 3.00) that represents any changes the applicant wishes to make to the amounts in the previous version of the RRWF. Column E of Sheet 3 should remain unchanged. Adjustments or changed numbers should be input into the applicable cells on columns I or M.
b) Please provide a list of all changes made to HHI's original application (by exhibit), including an updated derivation of its revenue requirement, PILs calculation, base rates, rate adders/riders, and bill impacts.

## EXHIBIT 2 – RATE BASE

### 2.0-Staff-3

Ref: Exhibit 2/ Tab 2/ Schedule 2 & 5 – Poles replacement

In Exhibit 2/ Tab 2/ Schedule 5/ page 79, HHI states:

> Poles are prioritized for replacement based upon age, condition and potential adverse impact on the reliability of the distribution system. Further details on pole replacements can be found at E2.T2.S8.

However HHI did not provide data or information on the current age and condition of the poles in E2.T2.S8.

a) Please provide the data and explain the prioritization process that HHI currently employs.

In Exhibit 2/ Tab 2/ Schedule 2, HHI provides the actual and forecasted costs for poles replacement for Historical, Bridge and Test years. Staff has prepared a table below summarizing the costs.

| | 2010 Actual | 2011 Actual | 2012 Actual | 2013 Bridge | 2014 Test |
|---|---|---|---|---|---|
| Poles replacement costs | $28,411 | $27,659 | $80,902 | $99,000 | $89,000 |

b) Please explain why the poles replacement expenditures increased significantly in 2012 and are expected to increase even further in 2013 and 2014.
c) In Exhibit 2/ Tab 2/ Schedule 8, HHI indicates that 33 poles will be replaced in 2014. Please provide the number of poles replaced in 2010, 2011 and 2012 and forecast replacement for 2013.
d) Please identify whether HHI plans to replace all the budgeted poles in 2013 and 2014 by internal workforce or by contractor.

### 2.0-Staff-4

Ref: Exhibit 2/ Tab 1/ Schedule 4 – 2012 Incremental Capital Module ("ICM")

On page 9 of the above reference, HHI states:

In its 2012 IRM application, HHI applied to recover the revenue requirement associated with the incremental capital costs of $1,517,813 associated with the replacement of existing transformers with a new 25MVA in addition to the incremental capital costs of $712,909 associated with the above mentioned 44kV substation.

a) Please confirm whether the replacement of existing transformers with a new 25MVA is for HHI's 110 kV station.
b) Please provide the actual capital expenditures for the work that HHI requested in its 2012 IRM application for both the 110kV and 44kV substations.
c) If the work for the two stations is not completed, please provide the latest estimated in-service dates.
d) Please confirm whether the gross book value and the accumulated depreciation for the above transformer projects reflected in rate base correspond to the actual capital expenditures.
e) Please compare actual capital expenditures with the Board-approved amounts as stated in EB-2011-0173 for the works related to the above two stations and provide an explanation for variances.
f) Based on the actual capital expenditures for the two stations and the latest estimated in-service date, please re-calculate the incremental revenue requirement using the ICM work form and compare to the rate rider revenue collected.

**2.0-Staff-5**

Ref: Exhibit 2/ Tab 2/ Schedule 5 – Station

On page 66 of the above reference, HHI lists three of the projects for its 2014 capital program:

- Regular Expenditures on the New 55T1 and 55T2 and 55T3 ($25,000)
- Regular Expenditures on 43T2 ($10,000)
- Regular Maintenance of 44kV substation ($60,000)

a) Please confirm whether the above projects were approved as part of the ICM expenditures.
b) If not, please explain the difference between the projects above and the approved ICM project.

**2.0-Staff-6**

Ref: Exhibit 2/ Tab 2/ Schedule 5 – Transformer – 2014 Capital Expenditures

On page 70 of the above reference, HHI states:

> No discussion in early 2013 on possible system expansion (Subdivision). It has been HHI's experience to see these projects evolve early in the New Year. HHI must have the required transformation for future addition on our distribution system and/or replacement of transformers in case of failure.

a) Please clarify what projects that HHI is expecting to evolve.
b) In regard to system expansion, what is the extent (number of houses) of the expansion HHI is expecting?
c) Is HHI expecting a capital contribution from the developer? If so, how much is it?
d) Please confirm that the capital contribution has not been included in rate base.

**2.0-Staff-7**

Ref: Exhibit 2/ Tab 1/ Schedule 2/ Page 6 – Rate Base Variance

The 2013 Working Capital Allowance shows an increase of $996,242, which represents a 63% increase as compared to 2012. HHI explained that the Working Capital Allowance increase is proportional to the increase in OM&A. However in Exhibit 4/ Tab 1/ Schedule 2, the 2013 OM&A increase is $126,320 (12.6%) as compared to 2012.

a) Please provide the reason(s) for the remainder of the increase in Working Capital Allowance in 2013.
b) Please provide a calculation as provided in Exhibit 3/ Tab 3/ Schedule 8 to illustrate the Power Supply Expense for 2012.

**2.0-Staff-8**

Ref: Exhibit 2/ Tab 2/ Schedule 1 – Green Energy Plan

HHI did not submit its Green Energy Plan to the OPA for review and has therefore not filed a letter of comment ("OPA Comment Letter") as it is required to do as part of the basic Green Energy Plan filing. The matter was raised by the Board in its letter to HHI dated, June 24, 2013. In response, HHI stated:

"*As such, it was decided that the utility would file a very basic plan for the single purpose of satisfying the Board's requirements.* ***Having the OPA review a basic generic GEA application which reflects a lack of interest in Hawkesbury' service area was deemed unnecessary***." [Emphasis added]

a) Board staff observes that one of the benefits of an OPA review are that it allows for co-ordinated planning of renewable generation investments – a key aspect in achieving the goals of the Green Energy Act. HHI has stated that it did not submit its Green Energy Plan for OPA review on grounds that such a review was "unnecessary". Given the benefits of an OPA review and that the filing of the OPA Comment Letter is an established filing requirement, please elaborate on your earlier response and explain why HHI believes the OPA's review of its Green Energy Plan is "unnecessary".
b) The OPA's review typically involves the review of the following 4 topics: Status of FIT and micro-FIT applications received by a distributor and an estimate of future applications that are expected; identification of upstream transmission constraints; and, identification of opportunities for integrated planning solutions. In the absence of the OPA Comment Letter the Board has no way of confirming whether the information contained in HHI's Green Energy Plan with respect to the above noted topics is accurate. In the absence of an OPA Comment Letter, is HHI able to provide any additional evidence that will allow the Board to confirm that the information contained in the Green Energy Plan with respect to the noted topics is acceptable to the OPA?
c) Given the response to the Board's June 24, 2013 letter, please confirm that HHI has not had any discussions with the OPA in relation to the development of its Green Energy Plan. Alternately, if HHI has had discussions with the OPA in relation to the development of its Green Energy Plan, please provide a summary of the discussions and identify any concerns that may have been expressed by the OPA on this matter.

**2.0-Staff-9**

Ref: Exhibit 2/ Tab 2/ Schedule 1/ Page 8 – Green Energy Plan; Ontario Regulation 330/09

At the above reference HHI states:

*"…the utility does not expect any material investments in renewable infrastructure. The utility does expect modest growth in renewable generation and minor system expansion/upgrades to accommodate*

*renewable generation but does not seek to fund those expansions through this GEA Plan."*

a) Are the "expansion/upgrade" investments that are referenced above included in HHI's Test Year capital expenditure plan?
b) If the investments are included in the Test Year capital expenditure budget, please identify the investments and explain why these investments are not identified in the Green Energy Plan, as required under the Board's filing requirements.
c) If the investments are known and have been included in the Test Year capital budget, please provide the appropriate cost responsibility for the investments (as stated in section 3 of the Distribution System Code) and HHIs proposal for sharing of costs under Ontario Regulation 330/09.

**2.0-Staff-10**

Ref: Exhibit 9/ Tab 1/ Schedule 1/ Page 12 - Disposition of Account 1535 – Smart Grid OM&A Deferral Account

HHI is proposing to dispose of Account 1535 – Smart Grid OM&A deferral account with the balance of $1,901. At the above reference HHI states:

*"… includes expenses associated with preparing the Smart Grid Portion of a GEA plan.*

*……costs incurred in this variance account were in relation to a study that was done back in 2010 to determine if the substation had enough capacity to accommodate FIT and MicroFIT connections."*

If the expenses are associated with preparing the Smart Grid Portion of a GEA plan, please identify which portion of the GEA plan is related to these expenses and explain why such expenses are related to FIT and MicroFIT connections.

**2.0-Staff-11**

Ref: Exhibit 2/ Tab 3/ Schedule 1 – Service Quality and Reliability Performance

In Table 12 of the above reference, HHI provides service reliability indices for 2010, 2011, and 2012. Please explain why the loss of supply adjusted service reliability indices changed notably in 2011 as compared to 2010 and 2012.

## EXHIBIT 3 – OPERATING REVENUE

### 3.0-Staff-12

Ref: Exhibit 3/ Tab 1/ Schedule 4/ Table 13 – Regression Model

The estimated model statistics shown in Table 13 indicate that Ottawa economic region Full-Time Employment ("FTE") has a negative coefficient of -1925.48 and is statistically insignificant (t = -0.60 with a p-value of 49%). It is unintuitive for consumption to be negative as it relates to economic activity.

a) Please explain why the FTE variable was retained even though it has an unintuitive sign and is statistically insignificant.
b) Was Ontario real GDP (or alternatively, given Hydro Hawkesbury's service territory, Ontario + Québec real GDP) tried as a variable of economic activity?
c) Please re-run the regression model excluding the Ottawa region FTE model. Provide all model statistics and estimates for 2013 and 2014.
d) Provide the monthly Mean Average Percentage Error and a graph, similar to Exhibit 3/Tab 1/Graph 1 but showing the monthly actuals and predicted values based on the model run in c).
e) Provide the same information in d) for the estimated model documented in Table 13.

### 3.0-Staff-13

Ref: Exhibit 3/ Tab 1/ Schedule 4/ Table 17 and 18 – Customer Forecast

a) HHI indicates that Residential counts are expected to grow by 81 from 2012 to 2014. Please explain the basis for this expectation.
b) In Table 17, HHI provides load forecast for Residential customers, in which the table includes an adjustment for new customers for 2013 and 2014. Please explain how the adjustment for 2014 would reflect the expectation as indicated in (a).
c) HHI indicates that General Service < 50 counts are expected to increase by 18 from 2012 to 2014. Please explain the basis for this expectation.
d) In Table 18, HHI provides load forecast for General Service < 50 customers, in which, the table includes an adjustment for new customers for 2013 and 2014. Please explain how the adjustment for 2014 would reflect the expectation as indicated in (c).

**3.0-Staff-14**

Ref: Exhibit 3/ Tab 1/ Schedule 4/ Table 22 and 23 – Customer Forecast

Please confirm that the entries shown in Tables 22 and 23 for Streetlights, Sentinel Lights and Unmetered Scattered Load are for connections and not for customers, as labeled.

**3.0-Staff-15**

Ref: Exhibit 3/ Tab 1/ Schedule 5/ Table 24, 25, 26 and 27 – CDM Adjustment to Load Forecast

In this Exhibit 3/ Tab 1/ Schedule 5, HHI documents the calculation of the adjustment for CDM to the load forecast. This is largely based on the methodology used in 2013 cost of service applications. HHI has included an adjustment to use gross versus net CDM savings as measured by the OPA.

In its Decision EB-2012-0113 regarding Centre Wellington Hydro's 2013 Cost of Service rates application, the Board determined that the CDM adjustment to the load forecast should be based on the "net" savings as documented in the OPA report (or in a third-party evaluation that conforms with the OPA's documentation).

a) Based on the final 2012 OPA results, if that report is available, please file a completed Appendix 2-I from the Filing Requirements for Transmission and Distribution Applications issued on July 17, 2013 as a replacement for Tables 24, 25 and 26. If not available, please calculate based on the preliminary 2012 Q4 OPA report provided in Exhibit 3/Tab 3/Appendix B. The completed Appendix 2-I should also be provided in a working Microsoft Excel format.
b) Please provide an update to Table 27 based on the results of a).
c) If available, please provide the final 2012 OPA report.

## *EXHIBIT 4 – OPERATING COSTS*

### 4.0-Staff-16

Ref: Exhibit 4/ Tab 2/ Schedule 2 – Employee Compensation

In Appendix 2-K, the employee costs for 2013 indicates an 8.0% increase and a further 2.6% increase in 2014.

a) Please provide the reason(s) for these increases.
b) Please also provide the information that HHI used in determining the appropriate salaries.

### 4.0-Staff-17

Ref: Exhibit 4/ Tab 1/ Schedule 4 – Bad Debt Expense

HHI explains that the Bad Debt expense is estimated to increase to a level of about $20,000 for 2013 based on updated requirements in the Distribution System Code. It further estimates an incremental increase of $10,000 to $30,000 in 2014 for the same reason. Please explain the reason for an increase of $20,000 for 2013 and a further $10,000 increase in bad debt expense for 2014 due to the DSC requirements.

### 4.0-Staff-18

Ref: Exhibit 4/ Tab 1/ Schedule 8/ Table 13 – Regulatory Costs

HHI documents an amount of $65,400 in regulatory costs for the test year and has provided a table (Table 13) showing a breakdown of the different types of services required. Please identify the services that Deloitte provided for the amounts documented.

### 4.0-Staff-19

Ref: Exhibit 4/ Tab 1/ Schedule 9 - Low Income Energy Assistance Program (LEAP)

Please state whether or not HHI has included an amount in its 2014 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.

**4.0-Staff-20**

Ref: Exhibit 4/ Tab 7/ Schedule 2/ Page 60 – LRAMVA
Hydro Hawkesbury 2011 Final Annual OPA CDM Data

HHI has provided two tables that show the allocation of final net CDM program savings (kWh and kW) for both 2011 and 2012.

a) Please reconcile the total 2011 net energy savings (kWh) shown in your application (720,000 kWh) with the total 2011 net energy savings (kWh) in the Final OPA Report (717,718 kWh). Please provide a table that shows what programs HHI has included under each rate class.
b) Please reconcile the total 2011 net peak demand savings (kW) shown in your application (150.00 kW) with the total 2011 net peak demand savings (kW) in the Final OPA Report (149 kW). Please also provide a table that shows what programs HHI has included under each rate class.
c) Please discuss the reasonableness of requesting approval of the 2011 persisting savings in 2012 at this time, prior to the 2012 Final OPA Results being published.
d) Please discuss if HHI will be updating its application to include a request for approval of its 2012 LRAMVA amounts related to its 2012 OPA Province-Wide CDM Programs. If HHI plans on updating its application, please discuss when it will do so.

**4.0-Staff-21**

Ref: Exhibit 4/ Tab 7/ Schedule 2/ Page 59- 60 – LRAMVA

HHI noted in the fifth paragraph on page 59 that it is not requesting carrying charges on its LRAM amount. Later, in the first paragraph on page 60, HHI noted that it is seeking to recover carrying charges on its LRAM amount up until December 31, 2013.

a) Please reconcile these statements regarding carrying charges.
b) If HHI is seeking approval of carrying charges at this time, please provide the carrying charges calculations and update the LRAMVA amount and rate riders accordingly.

**4.0-Staff-22**

Ref: Exhibit 4/ Tab 7/ Schedule 2/ Page 61 – LRAMVA Rate Rider Table
Guidelines for Electricity Distributor Conservation and Demand Management (EB-2012-0003), Section 13.5 and Appendix B

HHI indicates it has entered its total requested LRAMVA amounts, both for 2011 savings and persisting 2011 program savings in 2012, into Account 1576.

Section 13.5 of the CDM Guidelines notes that the Board has established Account 1568 as the LRAM variance account. It further notes that accounting guidelines regarding the LRAMVA can be found at Appendix B to the Guidelines.

a) Please explain why HHI should use account 1576 for the subject amounts. If this is an error, please confirm and correct when re-filing the continuity schedule. Please provide an updated LRAMVA Rate Rider Table.
b) Please provide a scenario where the LRAMVA Rate Rider table only includes LRAMVA amounts for 2011 program savings in 2011 and does not include any 2011 persisting savings in 2012.

**EXHIBIT 5 – COST OF CAPITAL AND RATE OF RETURN**

**5.0-Staff-23**

Ref: Exhibit 5/ Tab 2/Appendix 2-OB – Long-term Debt

a) Why does HHI document that all debt owed to the Town of Hawkesbury is "third party" debt rather than "affiliated" debt?
b) Exhibit 5/Tab 2/Schedule 1/ Table 4 documents that the SUB 44kV loan for $741,098 is due to Infrastructure Ontario, while Appendix 2-OB documents that the lender is the Town of Hawkesbury. Please confirm the lender and whether the debt is third party or affiliated.

## EXHIBIT 7 – COST ALLOCATION

### 7.0-Staff-24

Ref: Exhibit 7/ Tab 1/Table 6 – Cost Allocation

In the above reference, HHI provides the calculations for the cost allocation of the revenue requirement. In Table 6 HHI provides the revenue and cost allocation for all the classes. Please provide detailed calculations to illustrate how the amounts and percentage under "Existing Rates" columns are calculated.

## EXHIBIT 8 – RATE DESIGN

### 8.0-Staff-25

Ref: Exhibit 8/ Tab 1/ Page 10-11 – Fixed and Variable Charges;
Exhibit 8/ Tab 9/ Schedule 2

In reference to Exhibit 8/ Tab 1/ Page 11, HHI states:

> HHI's current MSC of $5.99 is the lowest in Ontario and has been for many years. The utility's variable charge is the second lowest in Ontario. With Hawkesbury's lack of growth, aging population and high level of unemployment, HHI states that an increase in MSC is necessary to ensure a level of revenue stability for the utility.

a) Based on the most recent 12 months of billing data, please provide the number of Residential customers whose average monthly consumption is within each of the following ranges:
   - 0 - 250 kWh
   - >250-500 kWh
   - >500-800 kWh
   - >800-1,000 kWh
   - >1,000 kWh

b) Please provide Residential bill impact calculations at 250 kWh, 500kWh, 1,000kWh, and 1,500kWh.

c) If any of the total bill impacts provided in (b) is over 10%, please provide an alternative fixed to variable split in order to mitigate the bill impact.

**8.0-Staff-26**

Ref: Exhibit 8/ Tab 1/ Schedule 1 – Fixed and Variable Charges

On Table 1 of the above reference, HHI has used the Bridge year volumes calculating the projected revenue from existing variable charges.

a) Please explain HHI's rationale for using the Bridge year instead of Test year (2014) volumes.
b) Please re-file the table using the Test year volumes.

**8.0-Staff-27**

Ref: Exhibit 8/ Tab 2/ Schedule 1 – Retail Transmission Service Rates

In the above reference, HHI is proposing adjustments to its RTSRs to offset the over-collection based on its existing rates. It appears that the RTSR model filed by HHI has not been updated based on the latest Uniform Transmission Rates and Hydro One Sub-Transmission Rates.

Please update the RTSR model by using the updated 4.0 version, which is based on the latest Uniform Transmission Rates (EB-2012-0031) and Hydro One Sub-Transmission Rates (EB-2012-0136) and provide the revised RTSR rates.

**8.0-Staff-28**

Ref: Exhibit 8/ Tab 5/ Schedule 1-2 –Low Voltage Charges

In the above reference, HHI states that the 2013-14 estimates of total LV charges were calculated based on an average of the last 2 years and adjusted upwards to reflect the projected load growth in 2014.

a) Please provide the actual LV charges for the years of 2011 and 2012 and illustrate how the forecast for 2014 LV charge of $97,608 is calculated.
b) In Table 15 of the above reference, the 2013 forecast LV charge is $58,655 and the 2014 forecast LV charge increases to $97,608. Please provide the reason(s) for this increase between the Bridge Year and Test Year.

**8.0-Staff-29**

Ref: Exhibit 8/ Tab 3/ Schedule 1 – Specific Service Charges

HHI is proposing to increase four of its specific service charges which are Change of occupancy charge, Disconnect/Reconnect at meter-after regular hours, Install/Remove load control device-after regular hours, and Service call-after regular hours. In Exhibit 3/ Tab 3/ Schedule 5, HHI states that the current rates are not sufficient to fully recover the actual costs.

Please provide the number of requests HHI has received in previous years (2010, 2011, and 2012) for each of the above service requests.

**8.0-Staff-30**

Ref: Exhibit 8/ Tab 7/ Schedule 1 – Stranded Meters

In Exhibit 8/Tab 7/ Schedule 1, HHI has documented its proposal for recovery of stranded meter rate riders.

a) In Table 9, HHI documents 89.26% allocation of the net book value ("NBV") of stranded meters to the residential class and 10.74% for the GS < 50 kW class. Please provide the basis for the proposed allocation.
b) Please provide a copy of Sheet I7.1 from HHI's 2010 cost of service rates application.
c) Based on the information provided in b), please provide class-specific SMRRs for the Residential and GS < 50 kW using the capital weighted meter costs and customers to allocate the NBV of stranded meters to the Residential and GS < 50 kW customer classes. Please adequately document the methodology for allocating the costs between the classes. Where available, spreadsheets for documenting the data and calculations should be provided in a working Microsoft Excel format.
d) Please explain why HHI is proposing a two-year recovery period for the proposed stranded meter rate riders.

**EXHIBIT 9 – DEFERRAL AND VARIANCE ACCOUNTS**

**9.0-Staff-31**

Ref: Exhibit 9/ Tab 1/ Schedule 6/ Table 2 - Account 1588 RSVA- Power;
Exhibit 1/ Tab 3/ Schedule 1;
Chapter 2, Cost of Service Filing Requirements for Electricity Distribution Rate Applications dated July 17, 2013, 2.12, p.48-49

HHI provided the 2009 to 2012 Audited Financial Statements as well as Table 2: Energy Sales and Cost of Power Expenses.

Board staff notes that HHI did not provide the reconciliation between the energy sales and cost of power in Table 2 and the 2009-2012 Audited Financial Statements.

Please provide the reconciliation between the total energy sales and cost of power in Table 2 and the total energy sales and cost of power in the 2009 to 2012 Audited Financial Statements and please explain the differences.

**9.0-Staff-32**

Ref: Exhibit 9/ Tab 1/ Schedule 9/ Page 22-23 - LRAMVA

HHI notes that it has sought disposition of the total LRAMVA balance of $6,818 which includes $1,423 in residual balances from the previous LRAM Rate Rider. HHI goes on to state that it is requesting disposition of the December 31, 2012 audited balance, plus forecasted interest through December 30, 2013 of a debit balance of $5,316.60 as detailed in Section E4.T7.S2 with carrying charges calculated at $78.

Also, Board staff notes that it has been the Board's practice not to true-up approved LRAM amounts.

a) Please reconcile the statements in the first paragraph and confirm the total LRAMVA balance for which HHI is seeking approval.
b) Please discuss the residual LRAM rate rider balance of $1,423 and explain why HHI believes it is appropriate to true-up a historically approved LRAM amount.
c) Please provide an updated LRAMVA amount excluding the residual LRAM balances.
d) Please provide an updated rate rider table reflecting the confirmed LRAMVA balance for which HHI is seeking approval.

**9.0-Staff-33**

Ref: HHI's responses to the Board letter requesting additional information, dated September 11, 2013 – Account 1576, Accounting Changes under CGAAP; Board letter dated June 25, 2013 regarding Policy Changes for Account 1575 & 1576; Exhibit 2/ Tab 2/ Schedule 6

In Exhibit 2/ Tab 2/ Schedule 6, HHI indicates that indirect overhead costs, such as general and administrative costs that are not directly attributable to an asset, are no longer capitalized as of January 1, 2013.

In the light of HHI's new capitalization policy on indirect overhead, Board staff notes that in Appendices 2-B for 2013, there were no changes in the total cost additions for the fixed assets accounts and notes that the total cost additions of $2,603,100 in Appendix 2-EE are the same under both the Old CGAAP and New CGAAP.

a) Please explain why the total additions for 2013 in Appendices 2-B under the New CGAAP have not changed in accordance with HHI's new capitalization policy, and please update all related evidence to reflect the change in new capitalization policy effective on January 1, 2013.

In the June 25, 2013 Board letter to Licensed Electricity Distributors and All other Interested Parties, the Board states:

> The Board will require the use of separate rate riders for the disposition of the balances in Accounts 1575 and 1576.

Board staff also notes that HHI did not provide a separate calculation for the rate rider for Account 1576 for the credit balance of $30,580.

b) HHI incorrectly included the balance in Account 1575 for disposition in Attachment 2 of the September 11, 2013 response. Please make the correction in the evidence to show the disposition of the balance recorded in Account 1576 rather than Account 1575. If HHI is of the view that this change should not be made, please explain why.
c) Please remove the credit balance of $30,580 in Account 1575 shown in Attachment 2 from the total account balances ($181,860) and file the recalculated new total account balances allocated to each rate class (1588 excluding sub account GA). In addition, please re-file the rate riders for the Deferral/Variance Accounts (Account 1588 Excluding GA). If HHI is of the view that this change should not be made, please explain why.
d) Please calculate and file separate rate riders for each class for the disposition of the balance of Account 1576.