

**EB-2013-0139 Hawkesbury Hydro Inc.
Addendum to IR Responses filed on November 6th 2013.**

Addendum filed on November 12, 2013

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.

HHI response: A revised set of tables based on the revised Cost Allocation Model filed in conjunction with these responses (or on November 6th) are replicated below.

The Base Revenue Requirement reconciles with the Base Revenue Requirement shown in the RRWF and Cost allocation model. The percentages shown under “Existing Rates” originate from the existing split from revenues at current rates (see Table 8 below for percentages).

Table 5: Cost Allocation Results

<u>Cost Allocation Results</u>		REVENUE ALLOCATION (sheet 01)						CUSTOMER UNIT COST PER MONTH (sheet 02)			
Customer Class Name	Service Rev Req (row40)		Misc. Revenue (mi) (row19)		Base Rev Req		Rev2Cost Expenses %	Avoided Costs (Minimum Charge)	Directly Related	Minimum System with PLCC	Maximum Charge
Residential	1,058,601	59.31%	124,359	79.14%	934,242	57.40%	101.82%	\$6.55	\$9.99	\$13.33	\$13.33
General Service < 50 kW	252,470	14.15%	17,091	10.88%	235,379	14.46%	107.80%	\$10.82	\$15.42	\$20.38	\$20.38
General Service > 50 to 4999 kW	446,970	25.04%	11,564	7.36%	435,406	26.75%	87.44%	\$7.79	\$11.73	\$26.50	\$97.35
Unmetered Scattered Load	1,071	0.06%	95	0.06%	976	0.06%	104.37%	\$5.81	\$8.96	\$12.11	\$12.11
Sentinel Lighting	1,181	0.07%	100	0.06%	1,081	0.07%	147.00%	\$0.28	\$0.43	\$2.99	\$2.99
Street Lighting	24,527	1.37%	3,929	2.50%	20,598	1.27%	167.72%	\$0.00	\$0.01	\$1.63	\$1.63
TOTAL	1,784,820	100.00%	157,138	100.00%	1,627,682	100.00%					

Table 6: Cost Allocation of Revenue Requirement

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Revenue Reallocation - Service Revenue Requirement

Customer Class Name	Base Revenue Requirement %						Revenue Offsets		Service Revenue Requirement \$		
	Cost Allocation Results		Existing Rates		Proposed Allocation		%	\$	Cost Allocation	Existing Rates	Rate Application
Residential	57.40%	934,241	58.58%	953,478	57.40%	934,242	79.14%	124,359	1,058,600	1,077,837	1,058,601
General Service < 50 kW	14.46%	235,379	15.67%	255,072	14.46%	235,379	10.88%	17,091	252,470	272,163	252,470
General Service > 50 to 4999 kW	26.75%	435,406	23.30%	379,264	26.75%	435,406	7.36%	11,564	446,970	390,828	446,970
Unmetered Scattered Load	0.06%	976	0.06%	1,023	0.06%	975	0.06%	95	1,071	1,118	1,070
Sentinel Lighting	0.07%	1,081	0.10%	1,635	0.07%	1,081	0.06%	100	1,181	1,735	1,181
Street Lighting	1.27%	20,598	2.29%	37,208	1.27%	20,598	2.50%	3,929	24,527	41,137	24,527
TOTAL		1,627,680		1,627,680	100.00%	1,627,680		157,138	1,784,818	1,784,818	1,784,818

Table 7: Revenue to Cost Ratios

Revenue to Cost Ratio Allocation

Customer Class Name	Calculated R/C Ratio	Proposed R/C Ratio	Variance
Residential	1.02	1.00	-0.02
General Service < 50 kW	1.08	1.00	-0.08
General Service > 50 to 4999 kW	0.87	1.00	0.13
Unmetered Scattered Load	1.04	1.00	-0.04
Sentinel Lighting	1.47	1.00	-0.47
Street Lighting	1.68	1.00	-0.68

Target Range	
Floor	Ceiling
0.85	1.15
0.80	1.20
0.80	1.20
0.70	1.20
0.70	1.20
0.70	1.20

Table 8: Revenues at Current Rates

Test Year

Customer Class Name	Test Year Projected Revenue from Existing Fixed Charges							
	Fixed Rate	Customers (Connections)	Fixed Charge Revenue	Variable Revenue	TOTAL	% Fixed Revenue	% Variable Revenue	% Total Revenue
Residential	\$5.9900	4,950	355,806	433,260	789,066	45.09%	54.91%	58.58%
General Service < 50 kW	\$13.8400	634	105,295	105,794	211,089	49.88%	50.12%	15.67%
General Service > 50 to 4999 kW	\$97.3500	98	114,484	199,383	313,866	36.48%	63.52%	23.30%
Unmetered Scattered Load	\$6.3900	5	383	463	847	45.28%	54.72%	0.06%
Sentinel Lighting	\$1.6300	21	411	943	1,353	30.35%	69.65%	0.10%
Street Lighting	\$0.6200	1,215	9,040	21,753	30,792	29.36%	70.64%	2.29%
Total Fixed Revenue		6,923	585,418	761,596	1,347,014			

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Please find at the next page a revised version of **Appendix A-EE Account 1576 - Accounting Changes under CGAAP**.

File Number: 0
Exhibit:
Tab:
Schedule:
Page:
Date:

Appendix 2-EE
Account 1576 - Accounting Changes under CGAAP
2013 Changes in Accounting Policies under CGAAP

Assumes the applicant made capitalization and depreciation expense accounting policy changes under CGAAP effective January 1, 2013

	2010 Rebasing Year	2011	2012	2013	2014 Rebasing Year	2015	2016	2016	2017
Reporting Basis	CGAAP	IRM	IRM	IRM	CGAAP - ASPE	IRM	IRM	IRM	IRM
Forecast vs. Actual Used in Rebasing Year	Forecast	Actual	Actual	Forecast	Forecast				
				\$	\$	\$	\$	\$	\$
PP&E Values under former CGAAP									
Opening net PP&E - Note 1				2,452,875					
Net Additions - Note 4				2,587,987					
Net Depreciation (amounts should be negative) - Note 4				-231,450					
Closing net PP&E (1)				4,809,411					
PP&E Values under revised CGAAP (Starts from 2013)									
Opening net PP&E - Note 1				2,452,875					
Net Additions - Note 4				2,582,987					
Net Depreciation (amounts should be negative) - Note 4				-202,714					
Closing net PP&E (2)				4,833,148					
Difference in Closing net PP&E, former CGAAP vs. revised CGAAP				-23,736					

Effect on Deferral and Variance Account Rate Riders

Closing balance in Account 1576	-	23,736
Return on Rate Base Associated with Account 1576 balance at WACC - Note 2	-	1,419
Amount included in Deferral and Variance Account Rate Rider Calculation	-	25,156

WACC 5.98%

**# of years of rate rider
disposition period** 1

Notes:

CGAAP and revised CGAAP should be the same.

2 Return on rate base associated with Account 1576 balance is calculated as:

the variance account opening balance as of 2014 rebasing year x WACC X # of years of rate rider disposition period

* Please note that the calculation should be adjusted once WACC is updated and finalized in the rate application.

3 Account 1576 is cleared by including the total balance in the deferral and variance account rate rider calculation.

4 Net additions are additions net of disposals; Net depreciation is additions to depreciation net of disposals.