

**Hearst Power Distribution Ltd.**  
**EB-2014-0080**  
**Board Staff Interrogatories**

**General**

**Staff-1**

Upon completing all interrogatories from Board staff and intervenors, please provide an updated RRWF in working Microsoft Excel format with any corrections or adjustments that Hearst Power wishes to make to the amounts in the previous version of the RRWF included in the middle column. Please include documentation of the corrections and adjustments, such as a reference to an interrogatory response or an explanatory note.

**Staff-2**

**Chapter 2 Appendices, Sheet 8.3, Bill Impacts**

Upon completing all interrogatories from Board staff and intervenors, please provide updated bill impacts for all classes at the typical consumption / demand levels (e.g. 800 kWh for residential, 2,000 kWh for GS<50, etc.), reflecting any changes made during the interrogatory process.

***Exhibit 1 – Administrative Documents***

**1-Staff-3**

**Ref: Exhibit 1, Tab 2, Schedule 1**

Chapter 2 of the Filing Requirements states, “Distributors should specifically discuss in the application how they informed their customers on the proposals being considered for inclusion in the application, and the value of those proposals to customers (i.e. costs, benefits and the impact on rates). The application should discuss any feedback provided by customers and how this feedback shaped the final application”.

- a) What forms of outreach were employed to explain how the current application serves the needs and expectations of customers? If none were employed, please explain why.

- b) Please explain how feedback received from customers was incorporated into the application.

**1-Staff-4**

**Ref: Exhibit 1, Tab 5, Schedule 1 – Legal Application**

Hearst Power filed its original application for 2015 rates on March 5, 2015, and a complete application on June 8, 2015. Hearst Power has requested rates to be effective November 1, 2015.

- a) Please provide Hearst Power's expectations regarding filing its application for 2016 rates.
- b) Considering the possibility that a final rate order may not be in place for a November 1, 2015 effective date, what would be the implications to Hearst Power of maintaining the final approved 2015 rates from this proceeding throughout the 2016 rate year?

**1-Staff-5**

**Ref: Exhibit 1, Tab 5, Schedule 1 – Legal Application**

**Ref: EB-2014-0080 Interim Rate Order**

Hearst Power has applied for 2015 rates to be effective November 1, 2015. Hearst Power's current rates were declared interim as of January 1, 2015 until such time as a Final Rate Order is issued by the OEB through an Interim Rate Order dated December 15, 2014.

- a) Please provide a calculation of net income earned in excess of 300 basis points above the Board approved return on equity from January 1, 2015 to June 30, 2015.
- b) Please provide a forecast of net income earned in excess of 300 basis points above the Board approved return on equity from July 1, 2015 to October 31, 2015.
- c) Please explain whether Hearst Power would find it reasonable for the OEB to require Hearst Power to return the excess earnings calculated in parts a) and b) above, to its ratepayers and if not, why not.

### **1-Staff-6**

**Ref: Exhibit 1, Tab 2, Schedule 1**

**Ref: Filing Requirements for Electricity Distribution Rate Applications,  
Ch. 2, p. 8**

Chapter 2 of the Filing Requirements states,

*“The RRFE Report contemplates **enhanced** engagement between distributors and their customers to provide better alignment between distributor operational plans and customer needs and expectations.”  
(Emphasis added)*

- a) Please describe the differences between customer engagement conducted in preparation for the current application and previous customer engagement. Please explain how customer engagement has been enhanced.
- b) Hearst Power indicates that it has conducted a customer satisfaction survey with its residential class.
  - i. Please describe any customer engagement initiatives undertaken with other rate classes.
  - ii. Please provide the results of any studies conducted, or any available documentation of these initiatives

### **1-Staff-7**

**Ref: Exhibit 1, Tab 5, Schedule 11**

**Ref: Hearst Power Conditions of Service**

Board staff notes that s. 2.3.7.3 refers to charges for ongoing maintenance and verification of interval meters. Hearst Power has not indicated whether charges are contained in its Conditions of Service which do not appear on its Tariff of Rates and Charges.

- a) Please confirm that Hearst Power's Conditions of Service contains rates or charges that do not appear on its current or proposed Tariff of Rates and Charges. If confirmed, please list all such charges.
- b) Please provide a schedule outlining the revenues recovered from these rates and charges from 2010 to 2013 inclusive, and the revenue forecasted for the 2014 bridge and 2015 test years.

- c) Please explain whether, in Hearst Power's view, these rates and charges should be included on the tariff sheet of approved rates and charges.

**1-Staff-8**

**Ref: Exhibit 1, Tab 1, Schedule 3**

**Ref: Exhibit 2, Tab 6, Schedule 1, page 16**

Hearst Power has described the budget process, through which the capital and OM&A budgets are reviewed and approved by the Board of Directors.

- a) Please indicate when the described budget process was put in place and for what year the first budget was prepared under this process?
- b) Please describe the budget review process that was in place prior to the introduction of the process described in Hearst Power's evidence.
- c) Please indicate which parties were responsible to review and approve the capital plans for 2010 to 2013 as shown at Exhibit 2, Tab 6, Schedule 1, page 16.
- d) Please describe the process by which the variances from the capital plans from 2010 to 2013 were reviewed, and how these variances were considered in establishing subsequent capital budgets.
- e) Please provide a schedule of OM&A Variances, actual vs. budget for the years 2010 to 2014, similar to the schedule provided for capital budget variances at Exhibit 2, Tab 6, Schedule 1, page 16.
- f) Please describe the process and frequency by which variances from both capital and OM&A budgets are reviewed under the current budget process.
- g) Please explain how variances from budget will be considered in subsequent budgets under the current process.

**1-Staff-9**

**Ref: Exhibit 1, Tab 3, Schedule 1, Attachment 4, pages 3 and 16**

Hearst Power's balance sheet for December 31, 2014 shows accounts payable and accrued liabilities of \$1,915,775. This amount is broken down at page 9, but continues to show accounts payable of \$1.7 million. Board staff notes that total

expenses for the year are approximately \$10.5 million and that estimated monthly expenses would appear to be approximately \$880 thousand.

- a) Please provide a breakdown of the accounts payable of \$1.7 million.
- b) Please describe Hearst Power's policy for managing its accounts payable.

#### **1-Staff-10**

**Ref: Exhibit 1, Tab 5, Schedule 6**

**Ref: Exhibit 1, Tab 5, Schedule 6, Shareholder Declaration**

Hearst Power's evidence indicates that its Board of Directors does not have a separate audit committee. Board staff notes that Article 4.5 of the Shareholder Declaration, dated November 22, 2000, states that the "Shareholder anticipates that the Board will establish an Audit and Finance Committee to review financial results".

- a) Please explain why Hearst Power's Board of Directors has not yet established an Audit and Finance Committee.
- b) Please explain the process by which the Board of Directors reviews the audited financial statements of the Corporation.

#### ***Exhibit 2 – Rate Base***

#### **2-Staff-11**

**Ref: Exhibit 2, Chapter 2 Appendix 2-EC and Appendices 2-BA Fixed Asset Continuity Schedules for 2012, 2013 and 2014 under former CGAAP and Revised CGAAP**

According to Appendix 2-EC, Hearst Power has shown the following amounts for Account 1576:

Difference in Closing net PP&E, former CGAAP vs. revised CGAAP	(\$38,956)
Return on rate base associated with Account 1576 balance	(\$2,524)
Amount included in Deferral and Variance Account Rate Rider calc.	<b>(\$41,480)</b>

OEB staff notes that the opening net PP&E for 2013 per Appendix 2-EC is \$818,172 which does not match the Closing net PP&E for 2012 per Appendix 2-BA of \$876,244.

After adjusting for the above-noted discrepancy, OEB staff has calculated the following amount for Account 1576:

Difference in Closing net PP&E, former CGAAP vs. revised CGAAP	(\$97,028)
Return on rate base associated with Account 1576 balance	(\$6,287)
Amount that should be included in Deferral and Variance Account Rate Rider calc.	<b>(\$103,315)</b>

- a) Please adjust the appropriate schedules or explain the discrepancy, and provide supporting evidence as necessary.

## **2-Staff-12**

**Ref: Exhibit 2, Tab 3, Schedule 1**

**Ref: Board Letter- Allowance for Working Capital for Electricity Distribution Rate Applications, June 3, 2015**

Hearst Power has calculated its allowance for working capital using the 13% default value applicable for 2015 applications. On June 3, 2015, the OEB issued a letter indicating that “effective immediately” the OEB would adopt a default value of 7.5% of the sum of the cost of power and OM&A expenses to calculate working capital allowance. Hearst Power states that the policy does not apply to this application, which is for 2015 rates. Hearst Power filed its complete 2015 rate application on June 8, 2015.

- a) Please provide any other explanations as to why Hearst Power’s 2015 application, filed simultaneously with 2016 applications, should not be subject to the OEB’s 7.5% default value, which is effective immediately.
- b) Please provide a calculation of Working Capital Allowance and Rate Base using the 7.5% default value in the event the OEB decides to apply the updated rate.

## **2-Staff 13**

**Ref: Exhibit 2, Tab 6, Schedule 1, page 32-33**

Hearst Power’s capital plan includes the planned expenditure of \$85,000, out of a total capital budget of \$184,000 in the test year for its pole replacement program.

- a) Please explain how the project reflects customer preferences identified through customer engagement.

- b) Please describe and quantify where possible the benefits that the applicant's customers will realize from this investment.
- c) Please describe any alternatives to capital investment that were assessed and rejected in favour of the proposed capital investment.

#### **2-Staff-14**

**Ref: Exhibit 2, Tab 6, Schedule 1, page 5**

Hearst Power indicates that it gathers "relevant information" to assess the condition of its assets.

- a) Please provide examples of the "relevant information" gathered.

#### **2-Staff-15**

**Ref: Exhibit 2, Tab 6, Schedule 1, page 5**

**Ref: Exhibit 2, Tab 6, Schedule 1, page 16**

Hearst Power states that, under its previous General Manager, "budgets were approved but the work was not completed nor was the money spent".

- a) Please identify the projects that were approved from 2010 to 2013 but not completed.
- b) Please quantify the backlog of projects that has arisen through this period.
- c) Please indicate how the backlog of uncompleted projects from 2010 to 2013 has been reflected in the current distribution system plan.
- d) If these projects have not been included in the current plan, how does Hearst Power plan to eliminate this backlog?

#### **2-Staff-16**

**Ref: Exhibit 2, Tab 6, Schedule 1, page 18**

Hearst Power has provided its Asset Management Process diagram at page 18. Board staff notes that the process does not include the categories of General Plant or O&M.

- a) Please describe Hearst Power's basis for forecasting investment requirements under these categories.

**2-Staff-17**

**Ref: Exhibit 2, Tab 6, Schedule 1, page 19**

**Ref: Exhibit 2, Tab 6, Schedule 1, page 25-26**

Hearst Power has provided a high level justification of projects on page 19, as well as selection criteria on pages 25-26.

- a) Does Hearst Power plan to put in place a quantifiable projects prioritization methodology?
- b) If so, when will this methodology be put in place?

**2-Staff-18**

**Ref: Exhibit 2, Tab 6, Schedule 1, Appendix B**

Hearst Power has provided detailed system outage information at Appendix B. Board staff notes that defective equipment appears to be the single biggest contributing cause of interruptions other than loss of supply. According to Appendix B, none of the outages were caused by pole failures while several, in addition to blown fuses and failed lightning arrestors, were due to broken switches and blown transformers.

- a) Please explain how the pole replacement program will improve reliability?
- b) In addition to replacing lightning arrestors, does Hearst Power have a plan to address failures of transformers and switches (excluding those included within the System Service Investment budget category for improving SAIDI)?

**2-Staff-19**

**Ref: Exhibit 2, Tab 6, Schedule 1, page 13**

**Ref: Exhibit 2, Tab 6, Schedule 1, page 33**

On page 13 of the DSP, Hearst Power indicates that it “will review its system’s ability to restore customers through switching and add additional switches at strategic points to make this achievable”.

- a) When is the system ability review expected to be completed?
- b) If it has not yet been completed, how was the need of adding one solid blade switch per year under the System Service Investment Category for improving SAIDI determined?



**2-Staff-20**

**Ref: Exhibit 2, Tab 6, Schedule 1, page 21-22**

Hearst Power has not provided asset counts for pad mounted switchgear or overhead line switches.

- a) What is the number of units in each of the asset categories?

**2-Staff-21**

**Ref: Exhibit 2, Tab 6, Schedule 1, page 14**

**Ref: Exhibit 2, Tab 6, Schedule 1, page 25**

On page 14 of the DSP, Hearst Power indicates that it inspected poles that were over 35 years old. Three paragraphs below and on page 25, Hearst Power states that it surveyed the condition of poles more than 30 years in service.

- a) What was the minimum age for assessing the poles?

**2-Staff-22**

**Ref: Exhibit 2, Tab 6, Schedule 1, page 27**

Hearst Power states that in 2019 a new survey of the condition of the poles will be carried out for poles that have been in service for 30 years or more.

- a) Is Hearst Power considering a more precise method of pole testing in addition to visual inspections and hammer testing?

**2-Staff-23**

**Ref: Exhibit 2, Tab 6, Schedule 1, Appendix D, page 70**

**Ref: Exhibit 2, Tab 6, Schedule 1, Appendix E, page 81**

Appendices D and E of the DSP describe the justification of the pole replacement program and the rating system for pole condition. Hearst has determined that 126 poles or approximately 11% of the poles examined have a rating of 17 or lower.

- a) What was the basis for selecting 17 as the threshold for replacement?
- b) Please provide a distribution chart of the scores of all poles examined.
- c) Please explain the escalation rate of 5% per year for annual cost projections.

**2-Staff-24**

**Ref: Exhibit 2, Tab 6, Schedule 1, page 33**

Hearst Power has provided a table in section 4.6.1 which includes the pole replacement program and one other of several non-material projects in this investment category.

- a) Please explain the inclusion of the costs of Overhead Conduits in this table.

**2-Staff-25**

**Ref: Exhibit 2, Tab 6, Schedule 1, page 32-33**

Board staff notes the significant impact of one bucket truck on General Plant expenditures in 2012. Hearst Power indicates that there are no material General Plant expenditures planned for 2015-2019.

- a) Does Hearst Power have a contingency plan in place should a new truck or boom be required between 2015 and 2019?

**2-Staff-26**

**Ref: Exhibit 2, Tab 7, Schedule 1**

**Ref: Appendix 2-G**

Hearst Power has included a table of Service Reliability Indicators in Exhibit 2, Tab 7, Schedule 1 which is inconsistent with the Exhibit filed at Appendix 2-G in the revised Chapter 2 Appendices filed June 8, 2015.

- a) Please confirm that the revised Appendix 2-G is based on 2014 actual SAIDI and SAIFI as at December 31, 2014. If this is not the case, please provide an updated Appendix 2-G.
- b) Please provide the most current 5 year historical average SAIDI and SAIFI, based on full year 2014 actual information.
- c) Please complete the table of Service Quality Indicators in Appendix 2-G for all categories listed.

### ***Exhibit 3 – Load Forecast***

#### **3-Staff-27**

**Ref: Exhibit 1, Executive Summary, page 5**

**Ref: Exhibit 1, Tab 5, Schedule 4**

**Ref: Exhibit 3, Tab 1, Schedule 4, Economic Overview**

At Exhibit 1, page 5, Hearst Power explains its increased return on equity in 2013 by an economic increase in the wood industry sector. In the Economic Overview to its load forecast, Hearst Power states that the forestry industry was “challenged”, adversely affecting employment. Hearst also indicates that it expects the status quo over the planning horizon.

- a) Please reconcile these conflicting statements regarding economic growth in the region and explain how it will impact the load forecast.

#### **3-Staff-28**

**Ref: Exhibit 3, Tab 1, Schedule 6**

Hearst Power has provided a list of the variables tested as inputs, and those which have been excluded. Board staff notes that several economic indicators were tested and all have been excluded from the equation, as well as customer count.

- a) Please explain why economic indicators would not be an appropriate explanatory variable for the forecast equation.
- b) Please provide the results in a table similar to Table 3.16 for the excluded variables.

#### **3-Staff-29**

**Ref: Exhibit 3, Tab 1, Schedule 6, Wholesale Purchases**

In explaining its adjustments to wholesale purchases, Hearst Power states that it has removed 4.3 million kWh in Fit and Microfit generation.

- a) Please explain why these amounts have been removed in the adjustment to wholesale purchases.
- b) Please provide a recalculation of the load forecast including the Fit and Microfit kWh in wholesale purchases.
- c) Please provide revised Tables 3.9 and 3.10 to include totals for each year.

### **3-Staff-30**

**Ref: Exhibit 3, Tab 1, Schedule 8, page 28**

Hearst Power states that it was unable to run the regression analysis without having 20 years of history for all variables, which was not available.

- a) Please explain why the required history was not available, and for which variables.

### **3-Staff-31**

**Ref: Exhibit 3, Tab 2, Schedule 1**

**Ref: Chapter 2 Appendices, Appendix 2-I, CDM Workform**

Board staff notes that there appear to be some anomalies in Hearst Power's calculation of the CDM adjustment.

- a) Please complete the "net to gross" conversion by entering the required information in Columns C and D at Rows 83 to 86 in Appendix 2-I.
- b) Please confirm that no CDM adjustment was incorporated into Hearst Power's last approved load forecast for 2010 rates. If this is the case, please remove the entry in Cell B 166 of the Appendix.
- c) Please adjust the loss factor at Cell B122 to correspond with the loss factor calculated at Appendix 2-R.
- d) Please recalculate the CDM adjustment and Final Weather-Adjusted Load Forecast based on these corrections.

### **3-Staff-32**

**Ref: Exhibit 3, Tab 4, Schedule 3, Other Revenue Variance Analysis**

Hearst Power appears to use the same variance explanation regarding accounting anomalies for Revenues From Merchandise Jobbing in 2012, 2013 and 2014.

- a) Please confirm that the practice of netting revenues and expenses in this category was corrected in 2012.
- b) Please explain why the problem appears to have occurred again in 2013 and 2014.

## **Exhibit 4 – OM&A**

### **4-Staff-33**

- a) Please confirm that Hearst Power is planning to implement monthly billing by December 31, 2016 for all customer classes. If not, please explain why not.
- b) Please provide the number of Residential and GS <50 kW customers that are currently billed on a monthly and on a bi-monthly basis.
- c) Please identify any impacts that the implementation of monthly billing has had, or is forecasted to have in the 2015 test year on billing and collection expenses or any other OM&A category.
- d) Please provide a breakdown of the costs associated with the implementation of monthly billing.
- e) Please quantify any offsetting costs (benefits) associated with the implementation of monthly billing.
- f) Please identify the percentage of customers on e-billing as of December 31, 2014. If Hearst Power does not provide e-billing to its customers please explain the reasons.
- g) Please describe Hearst Power's efforts to promote e-billing to its customers.
- h) Please describe other initiatives that Hearst Power has undertaken, or intends to undertake, to manage the costs of monthly billing for all customers.

### **4-Staff-34**

**Ref: Exhibit 4, Tab 3, Schedule 1, page 20**

Hearst Power shows a variance of \$74,572 between Board approved and 2015 proposed expense for Overhead Lines. The variance is explained to be the result of adjustments to employee vacations in 2012 and graduation of one apprentice to journeyman (and subsequent loss of this employee) during 2013. Board staff notes that these program costs have increased by approximately 37% from 2010 Board approved levels.

- a) Please explain how vacations were calculated from 2002 to 2012.
- b) Did this adjustment apply to vacation for all employees?
- c) How was the adjustment applied to other programs?

- d) What was the total amount of the adjustment?
- e) Please confirm that this was a one-time adjustment with no impact on subsequent years' costs. If not, please explain how subsequent years are impacted.
- f) What level of employee was hired to replace the journeyman who left in 2013?
- g) Have there been any other changes in salary levels, other than contracted increases?
- h) What were the contracted wage increases in 2010, 2011 and 2012?

#### **4-Staff-35**

**Ref: Exhibit 4, Tab 3, Schedule 1, page 21**

Hearst Power states that the increase in total compensation for non-union employees is attributable to a cost of living increase and a provision for benefit coverage.

- a) To which positions does this category refer?
- b) Please provide the salary inflation applied for 2013, 2014 and 2015.

#### **4-Staff-36**

**Ref: Exhibit 4, Tab 3, Schedule 1, page 24**

**Ref: Appendix 2-K**

Hearst Power has provided headcount at page 24 of Exhibit 4, Tab 3, Schedule 1, page 24 and also at Appendix 2-K. Board staff notes that the position of Field Superintendent is shown for 12 months in 2015 in the written evidence, but for only 9 months in the excel version.

- a) Please clarify the number of months applicable to this position for 2015.
- b) If this position will be vacant for part of the year, please provide the impact to 2015 compensation.

#### **4-Staff-37**

**Ref: Exhibit 4, Tab 3, Schedule 1, page 24**

**Ref: Exhibit 3, Tab 4, Schedule 1, page 53**

Hearst Power states that it has created other interest revenues with a change in its investment savings account to compensate for the additional employee expense. Board staff notes that the short term investment interest shown at Exhibit 3 appears to remain constant from 2011 to 2015.

- a) Please describe the change to the investment savings account and quantify the impact.
- b) If applicable, please update Other Revenues to reflect this change.

#### **4-Staff-38**

**Ref: Exhibit 4, Tab 3, Schedule 4, page 26-27**

**Ref: Exhibit 4, Tab 3, Schedule 4, Inter-Corporate Services Agreement**

Hearst Power has provided its Corporate Cost Allocation and Shared Service information at Exhibit 4, page 27, as well as the accompanying intercorporate agreement. Board staff notes that the intercorporate agreement does not appear to address time spent by Hearst Power staff and appears to be inconsistent with the information shown in Appendix 2-N.

- a) How were the shared service costs determined?
- b) Please provide any cost allocation study performed to support the figures shown in Appendix 2-N.
- c) Has Hearst Power included the costs of services provided to Hearst Power from the Town of Hearst in its evidence?
- d) Please update Appendix 2-N to include services provided to Hearst Power from the Town of Hearst, such as insurance, office space, etc.
- e) Please reconcile the annual lump sum payment of \$31,000 for Shared Services shown at Schedule A to the agreement with the information included in Appendix 2-N.

#### **4-Staff-39**

**Ref: Exhibit 4, Tab 3, Schedule 6, page 36**

Hearst Power has provided its 2014 vendor list and states that there is only one material purchase. Board staff notes that there are other material purchases, other than the one described.

- a) Please provide an explanation for the material payments made to EARTH Holdings Inc. and Strategik Builders.

#### **4-Staff-40**

**Ref: Exhibit 4, Tab 3, Schedule 6, page 41**

**Ref: Appendix 2-M**

Board staff requests further clarity regarding the costs related to the preparation of this application to be amortized over the 5-year IRM period.

- a) Please provide an itemized list of one-time costs related to the preparation of this application including:
  - Consultant costs to prepare DSP;
  - Consultant costs to prepare this application (allocated amount to exclude any ongoing regulatory work)
  - Intervenor costs
  - Publication costs
  - OEB costs (assume \$25k for consultant)
  - Legal costs
- b) Please describe any further costs which you feel should be included among one-time costs.
- c) Please update OM&A costs to reflect this revision to the one-time costs to be amortized.

#### **4-Staff-41**

**Ref: Exhibit 4, Tab 5, Schedule 2, 2014 Tax Return**

Hearst Power's 2014 tax return indicates taxable income was \$79,667 but that no taxes were payable.

- a) Please explain why no taxes were payable.

#### **4-Staff-42**

**Ref: Exhibit 4, Tab 6, Schedule 2**

**Ref: Chapter 2 of the Filing Requirements for Electricity Distribution Rate Applications, 2.7.6.2**

**Ref: Exhibit 9, Tab 4, Schedule 1**

Chapter 2 of the Filing Requirements states that distributors who have rebased in 2010 are not eligible for lost revenue associated with the persistence of legacy programs in 2010 and beyond. Hearst Power states that it is not requesting recovery of revenue from any pre-2011 CDM activities. Board staff notes that the first line in Table 4.9 refers to "Pre-2011 Programs Completed in 2011".

- a) Please confirm that this entry refers to pre-2011 CDM activities.
- b) Please adjust the requested LRAM amounts to remove all pre-2011 CDM activities.
- c) Please reconcile the amount requested with the balance for recovery in Account 1568 shown at Exhibit 9, Tab 4, Schedule 1.



- d) Please make any necessary corrections to the continuity schedule and rate rider calculations for the LRAMVA.

***Exhibit 5 – Cost of Capital***

**5-Staff-43**

**Ref: Exhibit 5, Tab 1, Schedule 3**

Hearst Power states that its sole long term debt instrument is to the Town of Hearst issued at \$1.8M in 2001. Hearst Power has provided a promissory note supporting this instrument, dated June 1, 2001.

- a) Please confirm that this is the most recent promissory note related to this long term debt. If not, please provide all updated promissory notes.

**5-Staff-44**

**Ref: Exhibit 1, Tab 3, Schedule 1 – Historical Financial Statements**

**Ref: Exhibit 5, Tab 1, Schedule 3**

The terms of the June 1, 2001 Promissory Note state that interest cannot exceed net income. Board staff notes that for 2011 to 2014, interest on long-term debt exceeds the net income, as shown below:

Year	Interest Expense	Net Income
<b>2011</b>	135,000	3,663
<b>2012</b>	300,000	175,058
<b>2013</b>	177,000	125,603
<b>2014</b>	175,000	96,265

- a) Please explain how the long term debt payments in 2011, 2012, 2013 and 2014 were calculated and determined.
- b) Please indicate which parties must authorize the amount of long term debt repayments in any given year.
- c) Please provide an explanation for overpayments as shown in the above table.

## **5-Staff-45**

**Ref: Exhibit 5, Tab 1, Schedule 3**

Board staff notes that the 12% interest rate charged on the promissory note to the Town of Hearst is well in excess of the maximum long term debt rate that Hearst Power is allowed to recover from its customers through rates.

- d) Has Hearst Power considered renegotiating the promissory note with the Town of Hearst? If not, why not?
- e) Has Hearst Power considered replacing this promissory note with third party debt at a lower rate? If not, why not?

## ***Exhibit 7 – Cost Allocation***

### **7-Staff-46**

**Ref: OEB Letter, June 12, 2015, Cost Allocation Policy for Streetlighting Rate Class**

**Ref: Cost Allocation Model**

On June 12, the OEB released its revised policy for cost allocation for the Streetlighting rate class. Primary and Line Transformer assets are now to be allocated using a street lighting adjustment factor (SLAF) calculated as follows:

$$\text{SLAF} = \frac{(\text{Residential NCP4/Number of Residential customers})}{(\text{Streetlight NCP4/Number of Devices*})}$$

Adjusted Connections are to be used in place of the actual number of connections for the CCP and CCLT allocators in the model:

$$\text{Adjusted Connections} = \frac{\text{Number of Devices}}{\text{SLAF}}$$

\*Please note number of “devices”, not connections.

The Board’s policy has also narrowed the revenue-to-cost range applicable to the Streetlighting rate class to 80% - 120%, from the current range of 70% - 120%.

- a) Please calculate adjusted connections for Hearst Power as shown above.

- b) Please input the calculated adjusted connections in the Cost Allocation model at Sheet I6.2 in cells I 23 and I 24.
- c) Please change the formulas on Sheet E3 at cells H 21 and H 22 to pick up the values input in part b) above.
- d) Please provide the completed model and tables of the resulting class revenue requirements and revenue to cost ratios, including any proposed adjustments and rationale.

**7-Staff-47**

**Ref: Exhibit 7, Tab 3, Schedule 1, page 19**

Hearst Power proposes to reduce the revenue to cost ratio for its GS > 50kWh class over two years to bring it to the ceiling of the target range.

- a) Please provide the resulting bill impacts of adjustments to the revenue to cost ratios over one year; three years; and four years.

***Exhibit 8 – Rate Design***

**8-Staff-48**

**Ref: Exhibit 8, Tab 1, Schedule 5, page 15**

Hearst Power states that proposes to maintain “most of” its current Retail Service Charges and Specific Service Charges.

- a) Please clarify which Retail Service Charges and Specific Service Charges Hearst Power plans to eliminate and its rationale.

**8-Staff-49**

**Ref: Exhibit 8, Tab 1, Schedule 15**

Upon completing all interrogatories from Board staff and intervenors, please provide an updated calculation of the foregone revenue.

## ***Exhibit 9 – Deferral and Variance Accounts***

### **9-Staff-50**

**Ref: Exhibit 9, EDDVAR Continuity Schedule**

**Ref: Regulatory Audit Report, page 2**

Hearst Power has shown several adjustments in the “Adjustments – Other” columns for 2012 and 2013. The Note 2 at the bottom of the EDDVAR model states the following:

Please provide explanations for the nature of the adjustments. If the adjustment relates to previously Board Approved disposed balances, please provide amounts for adjustments and include supporting documentations.

- a) Please explain each adjustment shown under the “Adjustments – Other” columns in Hearst Power’s EDDVAR schedule.

### **9-Staff-51**

**Ref: Exhibit 9, EDDVAR Continuity Schedule**

**Ref: Regulatory Audit Report, page 2**

OEB staff has calculated the difference between the Approved Interim Balance and the Revised Audited Balance as follows:

	<b>Interim approved</b>	<b>Revised Audit</b>	<b>Diff.</b>
1550	-34,263	-30,860	-3,403
1580	-13,762	-92,166	78,404
1584	-33,069	43,371	-76,440
1586	-10,549	-10,537	-12
		-	
1588	-73,765	120,553	46,788
1588GA	72,567	72,782	-215
1590	3,037	-993	4,030
		-	
<b>Total</b>	<b>-89,804</b>	<b>138,956</b>	<b>49,152</b>
		-	
<b>EX GA</b>	<b>-162,371</b>	<b>211,738</b>	<b>49,367</b>

OEB staff has also calculated the amounts shown in the “Adjustments – Other” columns as follows:

**Adjustments on Continuity Schedule**

	<b>2012 p</b>	<b>2012 i</b>	<b>2013 p</b>	<b>2013 i</b>	<b>Total adjs.</b>
1550	-51,755	-3,424			-55,179
1580					0
1584	-1,409				-1,409
1586	-1,374				-1,374
1588	33,714				33,714
1588GA	-13,842				-13,842
1590					0
			-		-
1595 -10	29,509		184,523	-15,382	170,396
1595 - 11	48,512		-22,010	-6,092	20,410
			-		-
<b>Total</b>	<b>43,355</b>	<b>-3,424</b>	<b>206,533</b>	<b>-21,474</b>	<b>188,076</b>
<b>EX GA</b>	<b>57,197</b>	<b>-3,424</b>			
1562	-7379	-423			-7,802
1592	7379	423			7,802
1592	-5267				-5,267
			-		-
<b>Grand Total</b>	<b>38,088</b>	<b>-3,424</b>	<b>206,533</b>	<b>-21,474</b>	<b>193,343</b>

- a) Please reconcile the differences between the two Tables above for each account.

**9-Staff-52**

**Ref: Exhibit 9, page 11, Account 1595**

**Ref: EDDVAR Continuity Schedule**

- a) Hearst Power has stated that only Account 1595 - 2008 has been proposed in this application for disposition. However, OEB staff notes that the EDDVAR Continuity schedule shows a zero balance with respect to 2008 residual amounts. Please clarify and confirm the amount requested for disposition in this proceeding.
- b) Account 1595 – 2010 – The amount proposed for disposition per Exhibit 9, page 11 is a credit of \$233,640. The EDDVAR schedule shows the claim amount to be a credit of \$152,852. Please clarify and confirm the amount proposed for disposition in this proceeding.
- c) Account 1595 – 2011 – OEB staff notes that there were no dispositions in 2011 rates for Hearst Power.
- i. Please provide the correct rate year for this proposed disposition
  - ii. The amount shown in Exhibit 9, page 11 differs from the amount shown on the continuity schedule. Please correct the error and file the appropriate evidence as needed.
  - iii. Please confirm that balances in Account 1595 requested for disposition are audited residual balances, i.e. the rate riders had ended as of December 31, 2014 for the proposed dispositions.

**9-Staff-53**

**Ref: Exhibit 9, Tab 4, Schedule 2 – Rate Rider Calculations**

**Ref: EDDVAR Continuity Schedule**

OEB staff notes a discrepancy between the evidence filed for disposition term, amount for disposition for all accounts, and amount for disposition for Global Adjustment as follows:

	Ex. 9/Tab 4/Sch. 2	EDDVAR Tab “Rate Rider Calculations”
Term of disposition – all accounts except GA	2 years	1 year
Balance for disposition – all accounts except GA	-\$236,637	-\$506,432
Balance for disposition – GA	\$134,528	\$14,598

- a) Please correct the appropriate evidence and refile the corrected schedules as necessary.

**9-Staff-54**

**Ref: Exhibit 9, Tab 5, Schedule 2**

**Ref: Guideline G-2011-0001, Smart Meter Funding and Cost Recovery – Final Disposition, s. 3.5**

Board staff notes that Hearst Power has not followed all of the requirements of Guideline G-2011-0001 in support of its request to recover smart meter costs. Specifically, section 3.5 outlines the minimum information that should be provided.

- a) Please provide a copy of the letter from the Fairness Commissioner indicating Hearst Power's authorization to conduct smart meter activities.
- b) Please provide a general description of contractual arrangements with selected vendors.
- c) Please provide the meter types and numbers of each type installed for each rate class.
- d) Please indicate when Hearst Power commenced TOU billing, and describe any delays which may have occurred.

**9-Staff-55**

**Ref: Exhibit 9, Tab 5, Schedule 2**

**Ref: Guideline G-2011-0001, Smart Meter Funding and Cost Recovery – Final Disposition**

**Ref: Smart Meter Model**

Board staff notes that installation of smart meters for GS >50kW and Intermediate customers is beyond minimum functionality.

- a) Please provide the rationale for installation of smart meters for these two customer classes.

**9-Staff-56**

**Ref: Exhibit 9, Tab 5, Schedule 2**

**Ref: Smart Meter Model**

Please outline and quantify any incremental costs savings realized through the installation of smart meters.

**9-Staff-57****Ref: Exhibit 9, Tab 5, Schedule 2****Ref: Smart Meter Model, Sheet 3**

Board staff notes that Hearst Power has entered the minimum corporate tax rates into the model for 2010 and beyond. Board staff notes that Hearst Power's 2010 Final Rate Order incorporates tax credits which reduce its tax rate built into rates to 6.97%.

- a) Please correct the tax rate in the model to reflect the effective tax rate approved in Hearst Power's last cost of service application, or explain the use of an unadjusted minimum tax rate.
- b) Please verify and correct as necessary the aggregate corporate income tax rate for 2006 to 2009 to reflect an organization of Hearst Power's size.

**9-Staff-58****Ref: Exhibit 9, Tab 5, Schedule 2****Ref: Smart Meter Model, Sheet 3**

Board staff notes that the cost of service parameters on page 3 of the model are incomplete and contain certain anomalies.

- a) Please verify and enter the appropriate cost of service parameters for 2006 to 2009.
- b) Please verify and enter the approved short term interest rate for all years.
- c) Please ensure the entries on Line 31 of page 3 reflect approved return on equity, rather than total cost of capital.

**9-Staff-59****Ref: Exhibit 9, Tab 5, Schedule 2****Ref: Smart Meter Model, Sheets 8 and 8A**

Hearst Power has applied for rates effective November 1, 2015. Board staff notes that Hearst Power has not applied interest beyond June 2014 for either its funding revenues or OM&A expense.

- a) Please update the model to include interest on both Sheet 8 and 8A to November 1, 2015.



**9-Staff-60**

**Ref: Exhibit 9, Tab 5, Schedule 2**

**Ref: Smart Meter Model, Sheet 9**

Board staff notes that Hearst Power's model shows 1000 metered customers for 2015 on Sheet 9.

- a) Please correct the value in cell Y46 to show Hearst Power's metered customers.