

EB-2014-0080

Hearst Power Distribution Co. Ltd.

Material Requested in Teleconference

2-Staff-11 TC

- a) Hearst to file new Appendix 2 BA to ensure consistency between 2013 closing balance and 2014 opening balance

[Response: A revised set of OEB Appendices are filed with these responses](#)

- b) Hearst to file new Appendix 2 EC to ensure consistency with opening and closing balances in Appendix 2 BA

[Response: A revised set of OEB Appendices are filed with these responses](#)

- c) Hearst to update EDDVAR schedule to reflect corrections to Appendix 2 EC

[Response: A revised set of OEB Appendices are filed with these responses](#)

1-Staff-10 TC

- a) Hearst to identify concerns raised by Board of Directors in 2014 review of audited financial statements and describe how they were addressed.

[Response: Following the presentation of the 2014 audited financial statements, the HPDC Board of Directors discussed possible concerns or requested clarifications and more details on the following subjects:](#)

1. **Concern:** Change in accounting and capitalization policy as there was significant increases over previous years; **Response:** The Board of Directors is committed to continue its process to adhere to the OEB accounting handbook and future accounting changes have been implemented in 2015
2. **Concern:** Long term debt (note payable to Town of Hearst) needs to be addressed; **Response:** Will need to discuss with the Town of Hearst and revised the rate as the OEB does not allow HPDC to collect more approximately 5% for LTD from ratepayers
3. **Concern:** Disposal of smart meters (status); **Response:** The General Manager informed the Board that the disposal is in process and should be completed in 2015.
4. **Concern:** Return on equity achieved over deemed %; **Response:** The General Manager explained the reasons why HPDC achieve higher ROE %

2-VECC-3

- a) Hearst to provide written clarification that prior to the development of the DSP, its only asset assessment was its pole survey.

Response: Yes, the current HPDC manager confirms that, prior to the development of the DSP and at best of his knowledge and findings, only pole surveys were done.

- b) Hearst to provide an explanation of certain past accounting practices which would impact the reporting of actual past capital spending.

Response: Past accounting practices includes non-capitalization of overhead cost of labour and equipment, the netting of revenues against expenses or assets (specifically in the accounts for deferred revenues and expenses), and the non-capitalization of inexpensive items which were part of a capital project (ex: brackets, anchor bolts, etc).

4-Staff-40 TC

- a) Hearst to confirm that the OEB costs of \$25,000 contained in Appendix refer to consultant's review of the DSP.

Response: Hearst confirms that the OEB costs of 25,000\$ refers to the review of HPDC's 90 pages DSP. Please note that the actual cost to build the DSP for HPDC was close to 35,000\$, but the review cost of 25,000\$ is completely out of the utility's control.

4-VECC-32 TC

- a) Hearst to clarify whether it provides notification of availability of LEAP funding on its website, and if not when this might be done.

Response: HPDC doesn't currently advertise the LEAP program on its website and will look to do so shortly, on or before October 30th, 2015

4-Staff-42 TC

- d) Hearst to adjust its EDDVAR schedule to reflect corrections to LRAMVA balance per 4-Staff-42d).

Response: Hearst notes that the EDDVAR model filed on September 11 did reflect the correct balances.

3-VECC-14 TC

- a) Hearst to provide clarification of treatment of MicroFit kWh; specifically whether they were added for the purposes of the forecast.

Response: MicroFit and their consumed kWh are entered in the GS<50 customer class, therefore they pay the associate rates. The kWh generated are treated separately and charged a monthly fee as per the OEB approved "Service Charge" rate of 5.40\$. Please note the MicroFit customers pay for their own meters and service connection. HPDC is currently unable to connect any new loads since the Hydro One station is load constrained (refer to DSP for additional information).

- b) Hearst to clarify that large customer only continued production up to October 2007.

Response: Yes, HPDC confirms that an intermediate class customer had a significant drop of consumption after October 2007 as the mill operations were permanently shut down.

3-VECC-19 TC

- a) Hearst to confirm whether it will update its load forecast to reflect the delay in implementing its streetlighting CDM program.

Response: The streetlights program is scheduled to be in place in 2015 therefore the utility has kept the manual adjustment of 566,363 kWh and 6,500 kW in its proposed Load Forecast.

- b) If the streetlighting adjustment continues to apply to the load forecast, Hearst to describe how the adjustment was determined

Response: The manual adjustment was driven by the street lights upgrade, from incandescent to LED. As per the street light supplier, the new LED fixtures should reduce the consumption by 40% to 60%, therefore, for estimation and forecasting purposes, HPDC used a 50% reduction. Please note that the project is already awarded to a subcontractor and it is stated in that contract that all street lights shall be retrofitted prior to the end of 2015.

3-VECC-20 TC

- a) Hearst to provide its calculation of the net CDM adjustment to be used as the basis for future LRAM calculations.

Response: The utility anticipates that the 2014 savings of 707,000kWh will be used as persistence for 2015 and 2016. Burman Energy is responsible for the

determination of Hearst's LRAM and as such the utility reserves the right to revise future LRAM calculations as Burman Energy sees fit.

3-VECC-22-TC

- a) Hearst to reconcile loss factor as proposed in Application with that used in bill impact calculations.

Response: HPDC confirms that the loss factor to be used for the purpose of determining rates is 4.14%. The revised Bill Impacts shown as part of the Appendices dated October 5, 2015 show the correct loss factor of 4.14%.

3-VECC-23 TC

- a) Hearst to provide confirmation that Non-Utility Operations revenues and expenses will net to \$0 at the end of the year and describe the impact of GM salary on these expenses and O&M.

Response: In 2015, HPDC's accounting practices were changed to fully adhere to the OEB accounting handbook; therefore the netting of revenues and expenses was eliminated. In order to achieve this, street lighting as well as water revenues and expenses were accounted in Non-utility operations revenues and expenses. By the end of each year, the non-utility operations expenses should be very close to each other and the only variable portion of expenses is the time billed for the General Manager (5,000\$) versus the actual time (variable) spent by the GM on water issues.

7-VECC-35 TC

- b) Hearst to provide a reconciliation of the number of Sentinel Lights and Street Lights contained in its cost allocation model and the number provided in response to the interrogatory and consider whether any changes are required to the load forecast or cost allocation model as a result.

Response: The Cost Allocation filed with these responses have been revised to match the number of customer/connections in the 2015 Load Forecast.

- c) Hearst to review its methodology for determining the weighting factors for Billing and Collecting and clarify whether these have been determined on a "per bill" basis.

Response: Hearst confirms that it has followed the OEB's guidance (instruction sheet of the Cost Allocation model) to determine its weighting factors which were

presented in both the June 8th application and September 11 application. Hearst confirms that the evidence filed in Exhibit 7 of the June 8th application was incorrect and that the weighting factors were determined on a “per bill” basis.

d) 7-VECC-37 TC

- a) Hearst to correct the inclusion of underground conduits and underground conductor on Sheet I-4 of the cost allocation model.

Response: Sheet I-4 has been corrected to reflect the Break out of assets.

- b) Hearst to provide an updated cost allocation model to address anomalies as discussed with VECC and any further adjustments arising from the teleconference.

Response: A revised Cost Allocation model is being filed in conjunction with these responses.

7-VECC 36-37 TC

- c) Hearst to explain the proposed Residential revenue-to-cost ratio after all updates have been completed and provide the rationale.

Response: The revised revenue to cost calculation are presented below.

Revenue to Cost Ratio Allocation

Ratio Allocation				Target Range		3 Year Revenue to Cost Allignment			Bill Impacts
Customer Class Name	Calculated R/C Ratio	Proposed R/C Ratio	Variance	Floor	Ceiling	2016	2017	2018	
Residential	0.87	0.91	-0.04	0.85	1.15				4.39%
General Service < 50 kW	1.01	1.01	0.00	0.80	1.20				-2.72%
General Service > 50 to 4999 kW	1.65	1.40	0.25	0.80	1.20		1.20		8.36%
Intermediate	0.67	0.80	-0.13	0.80	1.20				4.70%
Sentinel Lights	0.67	0.80	-0.13	0.80	1.20				10.92%
Street Lighting	2.84	2.40	0.44	0.80	1.20		1.80	1.2	3.91%

Response: The Cost Allocation results of 1.65 for General Service >50 class fell outside of the Board designated range therefore, the utility proposes to lower it to 1.20 over 2 years. The first of the adjustments would lower it to 1.40 from 1.65. The final adjustment would be done in 2017.

The Cost Allocation results of 0.67 for the Intermediate class also fell outside of the Board designated range. The utility proposes to increase it to 0.80 in a one year adjustment.

The Cost Allocation results of 0.67 for the Sentinel class also fell outside of the Board designated range. The utility proposes to increase it to 0.80 in a one year adjustment.

The Cost Allocation results of 2.84 for the Street Lighting class also fell outside of the range and is being lowered to 1.20 over 3 years. The first of the adjustments would reduce it down to 2.40 from 2.84. The second adjustment down to 1.80 would be done in 2017 and the last of the adjustments down to 1.20 would be done in 2018.

The General Service < 50 is being left as is at 1.01..

The Cost Allocation results of 0.87 for the Residential class is inside the range. The utility is proposing to adjust the R/C ratio for the Residential class to 0.91.

The rationale for using the Residential class as the “catch-all” class is because of its size and overall revenues it collects compared to other classes. The utility is also of the view that at 0.87, the class is recovering less than its costs. Lastly, 4 of the 6 classes fell outside the Board designated range and had to be corrected.

8-VECC 38 TC

- a) Hearst to provide a completed Appendix 2PA from 2016 Chapter 2 Appendices to reflect its proposals for Residential Rate design.

Response: A revised set of OEB Appendices are filed with these responses

- b) Hearst to develop and provide methodology for calculating 10th percentile consumption and provide a calculation of bill impacts for these residential customers, both RPP and Non-RPP.

Response:

The 10% percentile was calculated in the following manner

- a) The utility produced a report which included *Residential Customer Number* and their *Monthly Consumptions*.
- b) The utility removed all records with consumptions less than 50kWh/month

- c) The report was then sorted by lowest to highest consumption.
- d) The utility then calculate the 10th percentile by taking 10% of the customer count (or number of records in the report) , (2125 customer = 212)
- e) The utility then found the record at line 212 and this customer's consumption became the "ceiling" for the lowest 10th percentile. In Hearst's case, the 10th percentile is 329.
- f) The report is being filed along with these responses.
- g) Hearst to consider whether extending recovery period for SMDR to 4 years from 2 years is required to mitigate bill impacts
Response: Hearst's SMDR was already being calculated over 4 years. The Bill Impacts reflect a four year rate rider. The Smart Meter Model is being filed along with these responses.

8-VECC-39 TC

Hearst to provide a table of the final fixed/variable ratios for each rate class.

Response: The first table below shows the proposed Fixed to Variable split. The second table shows Appendix 2-PA - New Rate Design Policy For Residential Customers.

Rate Design

Cost Allocation Results

		Cost Allocation – Minimum Fixed Rate (b)	
Customer Class Name	Rate	Fixed %	Variable %
Residential	\$10.79	42.78%	57.22%
General Service < 50 kW	\$11.44	33.91%	66.09%
General Service > 50 to 4999 kW	\$21.38	7.28%	92.72%
Intermediate	\$7.61	0.36%	99.64%
Sentinel Lights	(\$0.02)	-0.17%	100.17%
Street Lighting	\$4.56	61.49%	38.51%
TOTAL			

	Cost Allocation – Maximum Fixed Rate (b)	
Rate	Fixed %	Variable %
\$26.57	105.37%	-5.37%
\$29.58	87.72%	12.28%
\$46.34	15.77%	84.23%
\$27.16	1.28%	98.72%
\$9.29	87.96%	12.04%
\$15.59	210.12%	-110.12%

Existing Rates

	Current Rates and Split		
Customer Class Name	Rate	Fixed %	Variable %
Residential	\$9.19	38.36%	61.64%
General Service < 50 kW	\$19.76	59.25%	40.75%
General Service > 50 to 4999 kW	\$54.82	15.40%	84.60%
Intermediate	\$223.01	12.87%	87.13%
Sentinel Lights	\$7.09	86.56%	13.44%
Street Lighting	\$7.88	77.45%	22.55%
TOTAL			

	Calculated Rates at Current Split	
Rate	Fixed %	Variable %
\$9.67	38.36%	61.64%
\$19.98	59.25%	40.75%
\$45.26	15.40%	84.60%
\$272.90	12.87%	87.13%
\$9.14	86.56%	13.44%
\$5.75	77.45%	22.55%

Rate Design

		Proposed Fixed Charge	
Customer Class Name	Fixed Rate	Fixed %	Variable %
Residential	\$13.66	54.16%	45.84%
General Service < 50 kW	\$19.38	57.47%	42.53%
General Service > 50 to 4999 kW	\$54.82	18.66%	81.34%
Intermediate	\$223.01	10.52%	89.48%
Sentinel Lights	\$7.09	67.13%	32.87%
Street Lighting	\$5.75	77.48%	22.52%
TOTAL			

	Resulting Variable	
Variable (h)	Rate (i)	per
315,443	\$0.0128	kWh
79,917	\$0.0071	kWh
123,915	\$1.8883	kW
73,315	\$1.1884	kW
625	\$8.8853	kW
19,000	\$4.0474	kW

		Transf. Allowance (\$/kW):	(\$0.45)
Customer Class Name	kW	Rate	Total \$ (g)
Residential	0	\$0.45	0
General Service < 50 kW	0	\$0.45	0
General Service > 50 to 4999 kW	14,090	\$0.45	6,341
Intermediate	61,760	\$0.45	27,792
Sentinel Lights	0	\$0.45	0
Street Lighting	0	\$0.45	0
TOTAL	75,850		34,132

	Base Revenue Requirement \$	
Total (d)	Fixed	Variable
688,197	372,754	315,443
187,892	107,976	79,917
144,546	26,971	117,575
50,876	5,352	45,524
1,901	1,276	625
84,358	65,359	19,000
1,157,771	579,688	578,083

Appendix 2-PA

New Rate Design Policy For Residential Customers

Please complete the following tables.

A) Data Inputs

Test Year Billing Determinants for Residential Class	
Customers	2,274
kWh	24,632,439

Proposed Residential Class Specific Revenue Requirement ¹	\$ 688,197.42	(base rev req)
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Residential Base Rates on Current Tariff	
Monthly Fixed Charge (\$)	9.19
Distribution Volumetric Rate (\$/kWh)	0.016

B) Current Fixed/Variable Split

	Base Rates	Billing Determinants	Revenue	% of Total Revenue
Fixed	9.19	2,274	\$ 250,776.72	38.89%
Variable	0.016	24,632,439	\$ 394,119.03	61.11%
TOTAL	-	-	\$ 644,895.75	-

C) Calculating Test Year Base Rates

Number of Required Rate Design Policy Transition Years ²	4
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	Test Year Revenue @ Current F/V Split	Test Year Base Rates @ Current F/V Split	Reconciliation - Test Year Base Rates @ Current F/V Split
Fixed	\$ 267,615.18	9.81	\$ 267,695.28
Variable	\$ 420,582.24	0.0171	\$ 421,214.72
TOTAL	\$ 688,197.42	-	\$ 688,910.00

	New F/V Split	Revenue @ new F/V Split	Final Adjusted Base Rates	Revenue Reconciliation @ Adjusted Rates
Fixed	54.16%	\$ 372,760.74	13.66	\$ 372,754.08
Variable	45.84%	\$ 315,436.68	0.0128	\$ 315,295.23
TOTAL	-	\$ 688,197.42	-	\$ 688,049.31

Checks ³	
Change in Fixed Rate	\$ 3.85
Difference Between Revenues @ Proposed Rates and Class Specific	-\$ 148.12
	-0.02%

8-VECC-41 TC

- a) Hearst to provide total actual LV charges for most recent 3 years.

Response: The amounts recorded in account 4750 – Charges LV, were 56,639.07\$ in 2014, 53,731.06\$ in 2013 and 82,656.29\$ in 2012. In this account, HPDC does not have any expense for “low voltage” but rather amounts charged by a host distributor for transmission, including Rate Riders, Standard Supply Admin Charge, Meter Charge, Monthly Service charge and Common ST. Lines

8-VECC-42 TC

- a) Hearst to provide appropriate justification for its proposed Supply Facilities Loss Factor in accordance with Note H in Appendix 2-R.

Response: The Supply Facilities Loss Factor (From H1 and IESO) was determined by dividing row 16 “A(1)” by row 17 “A(2)”. This gives the actual loss factor. Since HPDC is partially embedded, using the actual SFLF is more reflective than using the pre-determined fix values.

8-VECC-43 TC

- a) Hearst to provide rationale for its proposed recovery/refund of 10 months of foregone revenues.

Response: The application was originally due on August 29 2014 and was filed (and accepted by the OEB) on June 8 2015 which represents a 10 month delay.

The rationale for calculating the foregone revenue in advance, rather than wait for the Board's decision, is to show its accountability for an application filed late but also to portray a more accurate bill impacts. The utility proposes to recalculate its foregone revenues once the Board has issued its decision.

Based on all updates and corrections arising from the teleconference, Hearst to provide a calculation of foregone revenues to reflect the following scenarios:

- January 1, 2015 (interim rates effective date) to December 31, 2015
- May 1, 2015 (rate year start) to December 31, 2015
- June 8, 2015 (filing date) to December 31, 2015

December 1, 2015 to December 31, 2015 (estimated Decision date to implementation)

Response: Table at the next pages show all 4 requested scenarios.

HPDC has added the corresponding live worksheets to the OEB Appendices. New (and updated) worksheets are highlighted in green.

Foregone Revenue Reconciliation

Determination of Rate Rider is based on the application being 10 months late

Monthly Service Charge	New Rate (1)	Existing Rate (2)		Difference	Rate Rider
Residential	\$13.66	\$9.19		\$4.47	\$3.73
General Service < 50 kW	\$19.38	\$19.76		-\$0.38	-\$0.32
General Service > 50 to 4999 kW	\$54.82	\$54.82		\$0.00	\$0.00
Intermediate	\$223.01	\$223.01		\$0.00	\$0.00
Sentinel Lights	\$7.09	\$7.09		\$0.00	\$0.00
Street Lighting	\$5.75	\$7.88		-\$2.13	-\$1.78
Distribution Volumetric Rate *	New Rate (1)	Existing Rate (2)		Difference	Rate Rider
Residential	\$0.0128	\$0.0160		-\$0.0032	-\$0.0027
General Service < 50 kW	\$0.0071	\$0.0067		\$0.0004	\$0.0003
General Service > 50 to 4999 kW	\$1.8883	\$2.3213		-\$0.4330	-\$0.3608
Intermediate	\$1.1884	\$1.0215		\$0.1669	\$0.1391
Sentinel Lights	\$8.8853	\$3.1198		\$5.7655	\$4.8046
Street Lighting	\$4.0474	\$2.2937		\$1.7537	\$1.4614

										Reconciliation				
Rate Class	Customers/ Connections	Number of Customers/Connections			Test Year Consumption		Proposed Rates			Revenues from proposed Foregone Rev Rate Rider	Rev at existing Rates	Rev at Proposed Rates	Difference in Rev Requirement	Rev Req to remit over 10 months
				AverageN (as per LF)	kWh	kW	Monthly Service Charge	Volumetric						
								kWh	kW					
Residential	Customers			2,272	24,632,439	-	\$3.73	-\$0.0027		\$35,975.98	\$644,895.75	\$688,197.42	\$43,301.67	\$36,084.72
General Service < 50 kW	Customers			464	11,285,619	-	-\$0.32	\$0.0003		\$1,821.57	\$185,706.59	\$187,892.47	\$2,185.88	\$1,821.57
General Service > 50 to 1499 kW	Customers			41	22,882,312	65,623	\$0.0000		-\$0.36	-\$22,894.67	\$171,391.43	\$144,546.08	-\$26,845.35	-\$22,371.12
Intermediate	Customers			2	21,583,172	61,692	\$0.0000		\$0.14	\$8,580.54	\$40,579.09	\$50,875.74	\$10,296.65	\$8,580.54
Sentinel Lighting	Connections			15	19,369	70	\$0.0000		\$4.80	\$336.32	\$1,495.56	\$1,900.96	\$405.39	\$337.83
Street Lighting	Connections			947	453,369	4,694	-\$1.7750		\$1.46	-\$13,315.52	\$100,337.08	\$84,358.45	-\$15,978.63	-\$13,315.52
Total										\$10,504.21	\$1,144,405.51	\$1,157,771.13	\$13,365.62	\$11,138.02

Foregone Revenue Reconciliation

Determination of Rate Rider is based on the foregone Revenue calculated over 12 month

Monthly Service Charge	New Rate (1)	Existing Rate (2)		Difference	Rate Rider
Residential	\$13.66	\$9.19		\$4.47	\$4.47
General Service < 50 kW	\$19.38	\$19.76		-\$0.38	-\$0.38
General Service > 50 to 4999 kW	\$54.82	\$54.82		\$0.00	\$0.00
Intermediate	\$223.01	\$223.01		\$0.00	\$0.00
Sentinel Lights	\$7.09	\$7.09		\$0.00	\$0.00
Street Lighting	\$5.75	\$7.88		-\$2.13	-\$2.13
Distribution Volumetric Rate *	New Rate (1)	Existing Rate (2)		Difference	Rate Rider
Residential	\$0.0128	\$0.0160		-\$0.0032	-\$0.0032
General Service < 50 kW	\$0.0071	\$0.0067		\$0.0004	\$0.0004
General Service > 50 to 4999 kW	\$1.8883	\$2.3213		-\$0.4330	-\$0.4330
Intermediate	\$1.1884	\$1.0215		\$0.1669	\$0.1669
Sentinel Lights	\$8.8853	\$3.1198		\$5.7655	\$5.7655
Street Lighting	\$4.0474	\$2.2937		\$1.7537	\$1.7537

										Reconciliation				
Rate Class	Customers/ Connections	Number of Customers/Connections		Test Year Consumption		Proposed Rates			Revenues from proposed Foregone Rev Rate Rider	Rev at existing Rates	Rev at Proposed Rates	Difference in Rev Requirement	Rev Req to remit over 10 months	
			AverageN (as per LF)	kWh	kW	Monthly Service Charge	Volumetric							
							kWh	kW						
Residential	Customers		2,272	24,632,439	-	\$4.47	-\$0.0032		\$43,171.17	\$644,895.75	\$688,197.42	\$43,301.67	\$43,301.67	
General Service < 50 kW	Customers		464	11,285,619	-	-\$0.38	\$0.0004		\$2,185.88	\$185,706.59	\$187,892.47	\$2,185.88	\$2,185.88	
General Service > 50 to 1499 kW	Customers		41	22,882,312	65,623	\$0.0000		-\$0.43	-\$27,630.67	\$171,391.43	\$144,546.08	-\$26,845.35	-\$26,845.35	
Intermediate	Customers		2	21,583,172	61,692	\$0.0000		\$0.17	\$10,296.65	\$40,579.09	\$50,875.74	\$10,296.65	\$10,296.65	
Sentinel Lighting	Connections		15	19,369	70	\$0.0000		\$5.77	\$403.59	\$1,495.56	\$1,900.96	\$405.39	\$405.39	
Street Lighting	Connections		947	453,369	4,694	-\$2.1300		\$1.75	-\$15,978.63	\$100,337.08	\$84,358.45	-\$15,978.63	-\$15,978.63	
Total									\$12,447.99	\$1,144,405.51	\$1,157,771.13	\$13,365.62	\$13,365.62	

Foregone Revenue Reconciliation

Determination of Rate Rider is based on the foregone Revenue calculated over 8 month

Monthly Service Charge	New Rate (1)	Existing Rate (2)		Difference	Rate Rider
Residential	\$13.66	\$9.19		\$4.47	\$2.98
General Service < 50 kW	\$19.38	\$19.76		-\$0.38	-\$0.25
General Service > 50 to 4999 kW	\$54.82	\$54.82		\$0.00	\$0.00
Intermediate	\$223.01	\$223.01		\$0.00	\$0.00
Sentinel Lights	\$7.09	\$7.09		\$0.00	\$0.00
Street Lighting	\$5.75	\$7.88		-\$2.13	-\$1.42
Distribution Volumetric Rate *	New Rate (1)	Existing Rate (2)		Difference	Rate Rider
Residential	\$0.0128	\$0.0160		-\$0.0032	-\$0.0021
General Service < 50 kW	\$0.0071	\$0.0067		\$0.0004	\$0.0003
General Service > 50 to 4999 kW	\$1.8883	\$2.3213		-\$0.4330	-\$0.2887
Intermediate	\$1.1884	\$1.0215		\$0.1669	\$0.1113
Sentinel Lights	\$8.8853	\$3.1198		\$5.7655	\$3.8437
Street Lighting	\$4.0474	\$2.2937		\$1.7537	\$1.1692

										Reconciliation				
Rate Class	Customers/ Connections	Number of Customers/Connections			Test Year Consumption		Proposed Rates			Revenues from proposed Foregone Rev Rate Rider	Rev at existing Rates	Rev at Proposed Rates	Difference in Rev Requirement	Rev Req to remit over 10 months
				AverageN (as per LF)	kWh	kW	Monthly Service Charge	Volumetric						
								kWh	kW					
Residential	Customers			2,272	24,632,439	-	\$2.98	-\$0.0021		\$28,780.78	\$644,895.75	\$688,197.42	\$43,301.67	\$28,867.78
General Service < 50 kW	Customers			464	11,285,619	-	-\$0.25	\$0.0003		\$1,457.26	\$185,706.59	\$187,892.47	\$2,185.88	\$1,457.26
General Service > 50 to 1499 kW	Customers			41	22,882,312	65,623	\$0.0000		-\$0.29	-\$18,158.67	\$171,391.43	\$144,546.08	-\$26,845.35	-\$17,896.90
Intermediate	Customers			2	21,583,172	61,692	\$0.0000		\$0.11	\$6,864.44	\$40,579.09	\$50,875.74	\$10,296.65	\$6,864.44
Sentinel Lighting	Connections			15	19,369	70	\$0.0000		\$3.84	\$269.06	\$1,495.56	\$1,900.96	\$405.39	\$270.26
Street Lighting	Connections			947	453,369	4,694	-\$1.4200		\$1.17	-\$10,652.42	\$100,337.08	\$84,358.45	-\$15,978.63	-\$10,652.42
Total										\$8,560.44	\$1,144,405.51	\$1,157,771.13	\$13,365.62	\$8,910.42

Foregone Revenue Reconciliation

Determination of Rate Rider is based on the foregone Revenue calculated over 6 month

Monthly Service Charge	New Rate (1)	Existing Rate (2)		Difference	Rate Rider
Residential	\$13.66	\$9.19		\$4.47	\$2.24
General Service < 50 kW	\$19.38	\$19.76		-\$0.38	-\$0.19
General Service > 50 to 4999 kW	\$54.82	\$54.82		\$0.00	\$0.00
Intermediate	\$223.01	\$223.01		\$0.00	\$0.00
Sentinel Lights	\$7.09	\$7.09		\$0.00	\$0.00
Street Lighting	\$5.75	\$7.88		-\$2.13	-\$1.07
Distribution Volumetric Rate *	New Rate (1)	Existing Rate (2)		Difference	Rate Rider
Residential	\$0.0128	\$0.0160		-\$0.0032	-\$0.0016
General Service < 50 kW	\$0.0071	\$0.0067		\$0.0004	\$0.0002
General Service > 50 to 4999 kW	\$1.8883	\$2.3213		-\$0.4330	-\$0.2165
Intermediate	\$1.1884	\$1.0215		\$0.1669	\$0.0835
Sentinel Lights	\$8.8853	\$3.1198		\$5.7655	\$2.8828
Street Lighting	\$4.0474	\$2.2937		\$1.7537	\$0.8769

Rate Class		Number of Customers/Connections		Test Year Consumption		Proposed Rates			Revenues from proposed Foregone Rev Rate Rider	Reconciliation			
										Rev at existing Rates	Rev at Proposed Rates	Difference in Rev Requirement	Rev Req to remit over 10 months
	Customers/Connections		AverageN (as per LF)	kWh	kW	Monthly Service Charge	Volumetric						
							kWh	kW					
Residential	Customers		2,272	24,632,439	-	\$2.24	-\$0.0016		\$21,585.59	\$644,895.75	\$688,197.42	\$43,301.67	\$21,650.83
General Service < 50 kW	Customers		464	11,285,619	-	-\$0.19	\$0.0002		\$1,092.94	\$185,706.59	\$187,892.47	\$2,185.88	\$1,092.94
General Service > 50 to 1499 kW	Customers		41	22,882,312	65,623	\$0.0000		-\$0.22	-\$13,422.68	\$171,391.43	\$144,546.08	-\$26,845.35	-\$13,422.67
Intermediate	Customers		2	21,583,172	61,692	\$0.0000		\$0.08	\$5,148.33	\$40,579.09	\$50,875.74	\$10,296.65	\$5,148.33
Sentinel Lighting	Connections		15	19,369	70	\$0.0000		\$2.88	\$201.79	\$1,495.56	\$1,900.96	\$405.39	\$202.70
Street Lighting	Connections		947	453,369	4,694	-\$1.0650		\$0.88	-\$7,989.31	\$100,337.08	\$84,358.45	-\$15,978.63	-\$7,989.31
Total									\$6,616.66	\$1,144,405.51	\$1,157,771.13	\$13,365.62	\$6,682.81

Foregone Revenue Reconciliation

Determination of Rate Rider is based on the foregone Revenue calculated over 1 month

Monthly Service Charge	New Rate (1)	Existing Rate (2)		Difference	Rate Rider
Residential	\$13.66	\$9.19		\$4.47	\$0.37
General Service < 50 kW	\$19.38	\$19.76		-\$0.38	-\$0.03
General Service > 50 to 4999 kW	\$54.82	\$54.82		\$0.00	\$0.00
Intermediate	\$223.01	\$223.01		\$0.00	\$0.00
Sentinel Lights	\$7.09	\$7.09		\$0.00	\$0.00
Street Lighting	\$5.75	\$7.88		-\$2.13	-\$0.18
Distribution Volumetric Rate *	New Rate (1)	Existing Rate (2)		Difference	Rate Rider
Residential	\$0.0128	\$0.0160		-\$0.0032	-\$0.0003
General Service < 50 kW	\$0.0071	\$0.0067		\$0.0004	\$0.0000
General Service > 50 to 4999 kW	\$1.8883	\$2.3213		-\$0.4330	-\$0.0361
Intermediate	\$1.1884	\$1.0215		\$0.1669	\$0.0139
Sentinel Lights	\$8.8853	\$3.1198		\$5.7655	\$0.4805
Street Lighting	\$4.0474	\$2.2937		\$1.7537	\$0.1461

										Reconciliation				
Rate Class	Customers/ Connections	Number of Customers/Connections		Test Year Consumption	Proposed Rates			Revenues from proposed Foregone Rev Rate Rider	Rev at existing Rates	Rev at Proposed Rates	Difference in Rev Requirement	Rev Req to remit over 10 months		
			AverageN (as per LF)	kWh	kW	Monthly Service Charge	Volumetric							
							kWh	kW						
Residential	Customers		2,272	24,632,439	-	\$0.37	-\$0.0003		\$3,597.60	\$644,895.75	\$688,197.42	\$43,301.67	\$3,608.47	
General Service < 50 kW	Customers		464	11,285,619	-	-\$0.03	\$0.0000		\$182.16	\$185,706.59	\$187,892.47	\$2,185.88	\$182.16	
General Service > 50 to 1499 kW	Customers		41	22,882,312	65,623	\$0.0000		-\$0.04	-\$1,582.68	\$171,391.43	\$144,546.08	-\$26,845.35	-\$2,237.11	
Intermediate	Customers		2	21,583,172	61,692	\$0.0000		\$0.01	\$858.05	\$40,579.09	\$50,875.74	\$10,296.65	\$858.05	
Sentinel Lighting	Connections		15	19,369	70	\$0.0000		\$0.48	\$33.63	\$1,495.56	\$1,900.96	\$405.39	\$33.78	
Street Lighting	Connections		947	453,369	4,694	-\$0.1775		\$0.15	-\$1,331.55	\$100,337.08	\$84,358.45	-\$15,978.63	-\$1,331.55	
Total									\$1,757.21	\$1,144,405.51	\$1,157,771.13	\$13,365.62	\$1,113.80	

- b) Hearst to provide a table of approved and actual ROE for 2010 to 2014, as well as explanations for variances.

<u>Description</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Deemend ROE		9.85%	9.85%	9.85%	9.85%
Achieved ROE		21.25%	41.81%	27.17%	24.31%

Response: Variances are due to the following factors: **1-** smart meter expenses which are deferred but meter expenses were accounted for in the 2010 COS; **2-** major variances in account 4325 “Merchandising, jobbing and misc revenues” which were 0.00\$ in the 2010 COS but 130,163\$ in the 2014 actuals; **3-** the smart meter capital investments which have been and continue to be deferred as of 2014; **4-** the interest income (50k\$ in 2014) was not included in the approved revenue requirement of the 2010 COS; and **5-** the amortization/depreciation decreased expenses by 50k\$ when HPDC changed its capitalization policies in 2013 for extended asset lives (MIFRS).

2-VECC-4 TC

- a) Hearst to confirm when it removed its stranded meters from rate base.

Response: Stranded meters, in value of 45,081\$ was removed from rate base as of January 1st, 2010.

Summary of Updated Schedules Requested

Upon completion of all corrections or updates requested, the following revised schedules and/or models, incorporating all changes, are requested:

- Changes Tracking Sheet (provided to Hearst by Board staff Sept 23)
 - [Note: the utility fixed and used the tracking sheet in the RRWF.](#)
- Appendix 2 BA
- Appendix 2 EC
- Appendix 2 PA (2015 Chapter 2 Appendices)
- EDDVAR Schedule
- Cost Allocation Model
- Load Forecast Model (if required)
- PiLs model
- Revenue Requirement Workform
- Bill Impacts
- [Smart Meter Model](#)

[Response: All above models are filed in conjunction with these responses.](#)