

COST ALLOCATION

7-Energy Probe-40

Ref: Exhibit 7 & Sheet I5.2 Cost Allocation Model

- a) Please confirm that HHHI does not have any rate base associated with non-residential services and that this is why the services account (1855) is allocated entirely to the residential rate class. If this cannot be confirmed, please explain why there is no weighting to any of the non-residential rate classes.
- b) Please explain how the weightings shown for billing and collecting have been calculated based on the response to VECC Supplementary Interrogatory #39 dated January 24, 2012 in EB-2011-0271. In particular please illustrate how the information and weightings found in VECC Tables 2-2 and 2-3 have been combined to arrive at the weightings found in Sheet I5.2.
- c) Has HHHI updated its analysis for the weightings for collecting and billing since EB-2011-0271? If not, why not?

Response:

- a) Confirmed.
- b) The billing and collecting weighting calculations are shown in Table IRR - 73.

Table IRR - 73 : Calculation of Billing and Collecting Weightings

	Residential	General Service less than 50 kW	General Service 50 to 999 kW	General Service 1,000 to 4,999 kW	Street Lighting	Sentinel Lighting	Unmetered Scattered Load
Billing							
Rankings from VECC IRR#39 EB-2011-0271	1	1	10	10	10	2	3
Effort - Billing Ratio	0.50	0.50	0.85	0.75	0.75	0.75	0.75
Billing weighting with effort	0.5	0.5	8.5	7.5	7.5	1.5	2.6
Collecting							
Rankings from VECC IRR#39 EB-2011-0271	10	7	4	1	1	2	2
Effort - Collecting Ratio	0.50	0.50	0.15	0.25	0.25	0.25	0.25
Collecting weighting with effort	5.0	3.5	0.6	0.3	0.3	0.5	0.6
Total Billing and Collecting Weighting							
Total Rankings with effort	5.5	4.0	9.1	7.8	7.8	2.0	3.2
Final weighting with Residential as baseline (1.00)	1.0	0.7	1.7	1.4	1.4	0.4	0.6
Weighting Factor for Billing and Collecting from I5.2	1.0	0.7	1.7	1.4	1.4	0.4	0.6

- c) In preparing this application, HHHI reviewed the weightings for all cost allocation determinants. HHHI determined that there were no material changes to the weightings and thus no changes required.

7-VECC-29

**Reference: E7/T1/S1, pages 2-4 /
EB-2011-0271, VECC Supplemental IR#39 b)**

- a) With respect to Table VECC 2-3, provided in EB-2011-0271, VECC #39, please re-calculate the relative weighting factors with the value for Residential set at 1.0 per the Board's direction with respect to weighting factors.
- b) Using the forecasted expense amounts for 2016 for Customer Billing and for Collecting, the Billing weightings per Table VECC 2-1 (EB-2011-0271) and the results from part (a) for Collecting, please re-calculate the overall weighting factors for Billing and Collecting.
- c) Please provide a revised version of the Cost Allocation model using the weighting factors per part (b).

Response:

- a) Please see 7-Energy Probe-40 part (b).
- b) Please see 7-Energy Probe-40 part (b).
- c) HHHI has not revised the Cost Allocation model as the weighting factors as seen in Sheet I5.2 of the model did not change as a result of part (b) of this interrogatory.