

1 Q. **2013 Forward Average Rate Base**

2 Table 9 Deferred Charges page 3.30 shows deferred charges include CDM cost in
3 the ending amount of \$4.8M. Exhibit 9 Tables 5 and 6 show the determination of
4 the opening CDM balance of \$2.4M. Hydro includes \$2.6M in 2013 for CDM costs to
5 be deferred. Table 6 of Exhibit 9 shows that Hydro has not achieved that level of
6 CDM spending in prior years. Please discuss whether or not Hydro will achieve the
7 \$2.6M CDM expense in 2013.

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10 A. The \$2.63M CDM expense for 2013 includes costs associated with the deferral
11 account, and does not include non-regulated activities. Hydro will not achieve this
12 expense in 2013 due primarily to lower than budgeted participation in the Industrial
13 Energy Efficiency Program (IEEP) resulting in a much lower than expected payout of
14 incentive funds. Continued low participation in the IEEP has been the largest
15 contributor to Hydro not achieving the CDM spending budgets and is expected to
16 be the largest factor for the variance from the 2013 budget. Hydro does expect to
17 achieve the \$1.95M CDM expense associated with the deferral account, as
18 described in the 2013 Conservation Cost Deferral and Program Expansion Report,
19 filed with the Board in January 2013.