Q. On Page 3. On page 115 of Grant Thornton's report, Grant Thornton recommended that the Board obtain the impact that the variances between forecast and actual expenditures for 2014 and revised forecast expenditures for 2015 would have on both the revenue requirements and the rate base for the 2014 and 2015 test years. Please provide a table, with written explanation, indicating the impact on the 2014 and 2015 test year revenue requirements and rate base.

A. Based upon Grant Thornton's review, the 2014 Test Year capital additions to rate base were $148 million higher than 2014 actuals. Based upon the analysis, Grant Thornton recommended that the Board obtain from Hydro the impact that the variances between forecast and actual capital expenditures for 2014 and revised forecast capital expenditures for 2015 would have on both the revenue requirements and the rate base for the 2014 and 2015 test years. Please refer to the table below for the high level analysis ($millions):

		2014			2015			2016	
		PUB-487			PUB-487		2016	PUB-487	
	2014 Test Year	Scenario	Variance [1]	2015 Test Year	Scenario	Variance [2]	Forecast	Scenario	Variance [3]
Revenue Requirement	562.9	560.8	(2.1)	662.5	657.4	(5.1)	678.2	673.1	(5.1)
Average Rate Base	1692.6	1618.9	(73.7)	1802.0	1728.3	(73.7)	1849.5	1849.5	-
Return on Rate Base %	7.12%	7.32%	0.2%	6.82%	6.81%	-0.01%	6.46%	6.18%	-0.28%

Note 1: The reduction in 2014 Test Year Revenue Requirement of $2.1 million was primarily due to the reduction of $148 million in capital assets in service in 2014 Actuals in comparison to Test Year. Of the $148 million of asset additions that did not go into service in 2014, $110 million relates to the Holyrood CT project. The remainder of the difference is mainly due to projects that were carried over to 2015

that were forecasted to go into service in 2014 and projects that had lower costs incurred in 2014.

Note 2: The reduction in 2015 Test Year Revenue Requirement of $5.1 million is primarily caused by the assets discussed in Note 1 which were originally scheduled to go into service in 2014 but are presently forecast to go into service in 2015.

Note 3: The reduction in 2016 return on rate base is due to 2015 Test Year rates which do not consider that the Holyrood CT would be included in Rate Base for 12 months. In addition, Hydro's capital program is increasing which also has a negative impact on 2016 return on rate base. The update results in Hydro earning a rate of return on rate base below the lower end of the forecast range of return.