

1    Q.    **Reference: 2014 Cost Recovery Application, Appendix A, 2014 Test Year COS**  
2           Please provide the 2014 COS that removes the rural portion of the rate base for  
3           purposes of calculating the rate base available for return on equity (i.e. on the same  
4           basis as the 2007 GRA was prepared).

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7    A.    The impact to the 2014 COS of removing the rural portion of the rate base for  
8           purposes of calculating the available return on equity would be \$5.6 millions as  
9           provided in Table 1.

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11           The return on equity on rural assets is reflected in the rural deficit derived in the  
12           2014 Test Year Cost of Service Study. Hydro notes that Island **Industrial** customers  
13           are not allocated any portion of the rural deficit in determining revenue  
14           requirement or rates.

**Table 1: Calculation of Return on Equity excluding Rural Assets**

	<b>As Filed</b>	<b>Revised</b>	<b>Difference</b>
Total Rate Base	1,692,567,000	1,692,567,000	-
Less: Rural Portion	-	(269,205,159)	(269,205,159)
Rate Base Available for Equity Return	<b>1,692,567,000</b>	<b>1,423,361,841</b>	<b>(269,205,159)</b>
<b>Corporate Targets:</b>			
Capital Structure: Percent of Debt	71.331%	71.331%	-
Return	7.051%	7.051%	-
Weighted Average Return: Debt	<b>5.030%</b>	<b>5.030%</b>	-
Capital Structure: Percent of Equity	23.565%	23.565%	-
Return	8.800%	8.800%	-
Weighted Average Return: Equity	<b>2.074%</b>	<b>2.074%</b>	-
Weighted Average Cost of Capital	<b>7.103%</b>	<b>7.103%</b>	-
<b>Return on Rate Base (\$):</b>			
Return on Debt	85,128,483	85,128,483	-
Return on Equity	35,099,439	29,516,824	(5,582,615)
Return on Rate Base (\$)	<b>120,227,922</b>	<b>114,645,307</b>	<b>(5,582,615)</b>