

1 Q. **Reference: CA-NLH-109**

2 Please explain and provide any sensitivity analysis, reconciliation or other analysis undertaken
3 by Hydro to assess and test the reasonableness of the overall results of the 2027 Test Year Cost
4 of Service Study, including whether the resulting changes in allocated cost responsibility among
5 customer classes were reasonable. If Hydro did not undertake any such analysis, please explain
6 why not.

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9 A. The completion of the Test Year Cost of Service Study incorporates a number of checks and
10 balances, including but not limited to:

- 11 • Balancing the revenue requirement and rate base provided in Schedule D with the Cost
12 of Service to ensure all costs and credits are included.
- 13 • Assigning capital assets to the proper system for inclusion in revenue requirement and
14 to a specific customer when assets are specifically assigned, and review of these
15 assignments.
- 16 • Reviewing cost allocations to ensure methodology changes approved since the 2019
17 Test Year in Board Order Nos. P.U. 37(2019) and P.U. 14(2026) are properly reflected in
18 the Cost of Service as well as those proposed in Chapter 6, Sections 6.2 and 6.3.
- 19 • Reviewing the revenue-to-cost ratios between the 2019 Test Year and 2027 Test Year
20 for reasonableness.
- 21 • Reviewing the resulting rate changes for reasonableness based on changes to allocated
22 revenue requirement. In the 2027 Cost of Service Study, the proposed changes to base
23 rates reflect the rate mitigation plan announced in 2024.