

BOMA INTERROGATORY #15

INTERROGATORY

Ref: Exhibit B, Tab 3, Schedule 1, p4

Please breakdown the (139.5) adjustment into its component parts, and explain each of the parts, and why it results in a reduction in the EGDI corporate revenue in arriving at revenue for regulatory purposes.

RESPONSE

Since the Company's adoption of U.S. GAAP for financial reporting purposes, which began in 2012, the Company has recorded entries within its financial results to gross-up revenues and expenses to reflect the approved clearance (or amortization) of certain deferral and variance accounts (regulatory assets and liabilities), the impacts of which were not previously recognized on the statement of earnings. The entries are performed to ensure compliance with U.S. GAAP. While the Company found that U.S. GAAP standards did not provide specific guidance on the clearance of deferral and variance accounts, it did find that the predominant accounting policy followed by peer companies (reporting under U.S. GAAP) was to gross-up revenues and expenses to reflect amounts refunded / collected in rates during the year. The net impact of the adjusting entries has no earnings impact, as the adjustment to revenues is fully offset by a corresponding adjustment to expenses. This can be seen in the combined impact of the elimination / adjusting entries to utility gas sales (shown at Exhibit B, Tab 3, Schedule 1, page 3, Line 1 with corresponding explanation on page 4), gas costs (shown at Exhibit B, Tab 4, Schedule 1, page 4, Line 1 with corresponding explanation on page 5), and O&M (shown at Exhibit B, Tab 4, Schedule 1, page 4, within Line 2 with corresponding explanation on page 5). The adjustments are eliminated from the presentation of actual utility results in order to provide alignment with how Board approved rates are established. The adjustment amount relates predominantly to amounts cleared in relation to the PGVA.

The Company provided a response to a similar interrogatory from BOMA in the 2015 ESM proceeding, EB-2016-0142.

Witnesses: R. Small
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