

BOMA INTERROGATORY #5

INTERROGATORY

Ref: Ibid

Please explain item (14.1) Elimination of allowable interest during construction. Please explain (a) what is being referred to; and (b) why is this item considered a reduction in income?

RESPONSE

The elimination of allowable interest during construction, referenced in Exhibit B, Tab 1, Schedule 4, page 2, and also in Exhibit B, Tab 3, Schedule 1, page 5, refers to the elimination of the interest expense offset (or credit) recorded in the corporate financials to recognize interest charged to construction work-in-progress (interest during construction), which is ultimately capitalized to the property, plant, and equipment component of rate base once assets are placed into service. The interest credit is eliminated as the allowable utility interest expense is calculated through the utility capital structure that funds rate base, which only includes assets in service.

The Company provided a similar response to an interrogatory from BOMA, Exhibit I.B.EGDI.BOMA.6, in the 2016 ESM proceeding (EB-2016-0142).

Witness: R. Small