

ENERGY PROBE INTERROGATORY #1

INTERROGATORY

References: Exhibit B, Tab 1, Schedule 1 and Schedule 2; Exhibit B, Tab 5, Schedule 3

Preamble: All revenues that would otherwise be included in revenue in a cost of service application shall be included in revenues in the calculation of the earnings calculation and only those expenses (whether operating or capital) that would be otherwise allowable as deductions from earnings in a cost of service application, shall be included in the earnings calculation. Actual ROE is determined using utility earnings divided by deemed common equity at 36% of actual utility rate base. The allowed 2016 ROE is 9.19%.

- a) What was EGDI's average long term debt rate for 2016?
- b) What is EGDI's normalized actual return on equity for 2016?
- c) What is the normalized ROE *excluding adjustments*?
- d) What is the actual X factor in 2016 compared to forecast?

RESPONSE

- a) EGD's effective weighted average long term debt cost rate was 4.95%, as shown Exhibit B, Tab 5, Schedule 1, Column 4, Row 1, and Exhibit B, Tab 5, Schedule 3, page 1, Column 2, Row 5.
- b) EGD's 2016 normalized utility actual return on equity, excluding the impact of earnings sharing, was 9.422% as shown at Exhibit B, Tab 5, Schedule 1, Column 4, Row 17. Reflecting the impact of \$3.4 million in earnings sharing results in a 2016 normalized utility actual return on equity of 9.306%.
- c) The Company is unclear as to which adjustments are being referred to, and as a result is unable to provide the requested calculation.
- d) The Company's rates for 2014 through 2018 are set through the application of its approved custom incentive regulation model, which did not contain a typical I – X formula.

Witness: R. Small