BOMA INTERROGATORY #31

INTERROGATORY

Ref: Exhibit D2, Tab 2, Schedule 1, p3; Site Restoration Cost Adjustment (Rider D)

(a) How was Rider D constructed and designed? Please explain the arithmetic used to calculate Rider D in each of 2014, 2015, 2016, and 2017, both forecast and actual.

(b) Please explain the following sentence (the last sentence in paragraph 9):

"The main contributors to the anticipated debt variance balance are the higher actual volumes in 2014 and the higher Rider D unit rates that year versus the other years, partially offset by lower actual volumes in 2016 and 2017 due to warmer than normal weather".

(c) Please confirm that in eliminating Rider D on December 31, 2017 and creating a deferral account and clearing that account in May 2018 in the ESM proceeding, EGD is removing a credit to rates of $31.4 million in 2018, and recovering its overpayment of about $35.1 million one year earlier than otherwise and thereby increasing its 2018 cash flow by about $66 million, before incorporating the income tax credit to ratepayers.

(d) What is EGD's most current forecast of the likely actual amount which will be collected from Rider D in 2018 if Rider D is left in place? What has been the amount collected to date, as at October 31st?

RESPONSE

(a) The Site Restoration Credit Clearance unit rates (Rider D) were designed based on the Board Approved cost allocation methodology for the rate base assets which make up the site restoration reserve, primarily services and mains. This approach allows for stability in the year over year amounts which are allocated to each class as the allocators do not change substantially between the rate classes.

Table 1 below illustrates the Site Restoration Credit allocation by rate class for 2017. The allocation of the 2017 amount of $77.5 million in site restoration credits to the customer rate classes can be seen in Line 4.

Witnesses: K. Culbert
A. Kacicnik
B. Mandyam
R. Small
A. Patel

The unit rates were developed based on the 2017 allocated credit amounts to the rate classes (Table 2, Line 5) divided by 2017 Board Approved delivery volumes (Table 2, Line 6 or 7). This same methodology was applied to develop the 2014 to 2016 unit rates. Please also see response to APPrO Interrogatory #2 at Exhibit I.D2.EGDI.APPRO.2.

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TABLE 1: SITE RESTORATION CREDIT ALLOCATION

DECEMBER 31, 2017

(thousand dollars)

ITEM NO.	DESCRIPTION	Col. 1 SITE RESTORATION CREDIT	Col. 2 RATE 1	Col. 3 RATE 6	Col. 4 RATE 9	Col. 5 RATE 100	Col. 6 RATE 110	Col. 7 RATE 115	Col. 8 RATE 125	Col. 9 RATE 135	Col. 10 RATE 145	Col. 11 RATE 170	Col. 12 RATE 200	Col. 13 RATE 300	Col. 14 RATE 300 Int
	DISTRIBUTION FACILITIES														
1.1	Delivery Demand TP > 4"	11,323	5,265	4,514	0	0	290	142	957	0	15	12	126	2	0
1.2	Delivery Demand TP <= 4"	1,243	631	541	0	0	35	17	0	0	2	1	15	0	0
1.3	Delivery Demand HP	3,583	1,841	1,578	0	0	101	50	0	0	5	4	0	1	4
1.4	Delivery Demand LP	19,402	9,968	8,547	0	0	548	263	0	1	28	24	0	3	21
1.5	Cust. Rel Plant	15,460	14,262	1,195	0	0	2	0	0	0	0	0	0	0	0
1	Total Mains	51,012	31,968	16,376	0	0	976	471	957	2	50	42	141	5	24
2.	Services	26,239	23,266	2,887	0	0	42	5	4	5	11	19	0	0	1
3.	Storage Facilities and Measurement and Regulations	228	154	65	0	0	3	1	2	0	0	0	1	0	0
4.	**Total Site Restoration Credit**	**77,479**	**55,388**	**19,327**	**1**	**0**	**1,021**	**478**	**964**	**7**	**61**	**61**	**142**	**5**	**25**

TABLE 2: DETERMINATION OF SITE RESTORATION CREDIT CLEARANCE TO CUSTOMERS

FROM JANUARY 1, 2017 TO DECEMBER 31, 2017

ITEM NO.	DESCRIPTION	Col. 1 SITE RESTORATION CREDIT/ TOTAL	Col. 2 RATE 1	Col. 3 RATE 6	Col. 4 RATE 9	Col. 5 RATE 100	Col. 6 RATE 110	Col. 7 RATE 115	Col. 8 RATE 125	Col. 9 RATE 135	Col. 10 RATE 145	Col. 11 RATE 170	Col. 12 RATE 200	Col. 13 RATE 300	Col. 14 RATE 300 Int
5.	Total Site Restoration Credit Clearance to Customers ($ '000)	77,479	55,388	19,327	1	0	1,021	478	964	7	61	61	142	5	25
6.	Delivery Volume from January to December (10^3 m^3)	11,752,101	4,911,478	4,862,269	263	0	861,435	490,292	-	60,899	63,318	296,313	170,843	-	34,992
7.	Contract Demand from January to December (10^3 m^3)	-	-	-	-	-	-	-	119,224	-	-	-	-	187	-
8.	Credit to Customers (¢/m^3)	-	1.1277	0.3975	0.2837	0.0000	0.1185	0.0974	0.8086	0.0114	0.0958	0.0207	0.0829	2.7992	0.0718

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(b) The explanation in the sentence referenced should have said; "*The main contributors to the anticipated debit variance balance are the higher actual volumes in 2014 & 2015 and the higher Rider D unit rates in those years versus the other years, partially offset by lower actual volumes in 2016 and 2017 due to warmer than normal weather".* Said differently, this means that the total higher than forecast volume variances in 2014 and 2015 was greater than the total lower than forecast volume variances in 2016 and 2017, therefore contributing to the over refund amounts of Rider D in the early years being greater than the under refund amounts in the later years. Also contributing to this is the fact that Rider D unit rates were higher in the earlier years versus later years due to the pattern of higher total annual amounts approved for return to customers by the Board during the early years as compared to the later years.

(c) The proposal to cease Rider D at the end of 2017 will in fact avert a negative cash flow to the Company in 2018. With the expectation that at the end of 2017 the Company will have refunded more than the total $379.8 million approved for refund (which amounts to a total negative cash flow to the Company over the four years), any additional refunds in 2018 would result in a further negative cash flow to the Company, which would need to be recovered in 2019.

(d) Rider D is approved and designed for a crediting of amounts to customers not recovery of amounts. If Rider D was left in place for 2018, it would bedesigned to return $31.1 million (as originally approved in EB-2012-0459) utilizing the forecast volumes included within this proceeding. The Company's updated actual to date cumulative balance of Rider D refunds at October 31, 2017 + remaining 2 months is an estimated over-credit of $ (3.7) million.

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