BOMA INTERROGATORY #32

INTERROGATORY

Ref: Exhibit D2, Tab 1, Schedule 1, p20

(a) Please explain the intent and rationale for the proposal to record a credit of $11.2 million payable to ratepayers in the 2018 CDNSADA and to remove it from forecast $31.1 million tax reduction from the termination of the update of forecast 2018 allowed revenues in forecast.

(b) What is the arithmetic relationship between the $31.1 million tax reduction and the $11.2 million credit in the deferral account? How can a tax credit be used in a deferral account? Why is the tax credit not simply included in forecast 2018 rates?

RESPONSE

(a) As described in Part (b) below, the $11.2 million credit proposed to be refunded through the CDNSADA is equivalent to the impact that the approved $31.1 million tax deduction would have on the determination of the Company's 2018 Allowed Revenue. As explained in the Company's evidence at Exhibit D2, Tab 2, Schedule 1, the intent of the Company's Discontinuance of Site Restoration Cost Rider proposal, inclusive of the proposal to move the impact of the approved forecast tax deduction from rates (where it was originally forecast to reside) and into the CDNSADA for refund, is to serve a couple of purposes; a) it will effect a final true-up of actual versus approved Rider D amounts and impacts at the end of 2017 versus 2018, thus minimizing the amount of over-refund to be collected back from ratepayers, and b) it will ensure that the final true-up of the CDNSADA will result in a credit to customers, as opposed to having to recover the expected over-return amount of $4 million which would be required without the proposed move of the tax deduct impact.

(b) The $11.2 million credit proposed to be refunded through the CDNSADA, as part of the Company's Discontinuance of Site Restoration Cost Rider proposal, is equivalent to the impact that the inclusion of a $31.1 million tax deduction would have on the determination of the Company's 2018 allowed revenue, and reflects the grossed-up value of the tax deduction ($31.1 million tax deduction * 26.5% tax rate / 73.5% reciprocal of the tax rate = $11.2 million). The Company is proposing to refund the revenue requirement value of a tax deduction through the CDNSADA as opposed to rates, for the reasons described in part (a) above. Any deferral or variance account which has accounting or CRA permitted income tax deductibility results in related tax

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impacts being cleared through the associated total revenue requirement, just as is the case in this proposal.

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