

EP INTERROGATORY #10

INTERROGATORY

Reference: Exhibit D2 Tab 1 Schedule 1 Page 18

Preamble: The final balance in the 2017 CDNSADA will be transferred to the 2018 CDNSADA account. At present, the forecast 2017 ending balance is an approximate \$35 million debit/receivable, inclusive of an over refund versus the amount which was to be refunded through 2017, of approximately \$4.0 million in excess of the additional \$31.1 million that was expected to be refunded through Rider D during 2018.

A). Please explain why a refund of \$31.1 million cannot continue during 2018 until there is a zero balance in the CDNSADA account.

B). Please explain why this proposal is appropriate.

With the plan to discontinue Rider D in 2018, there will be no monthly debit to the CDNSADA, with corresponding credit to accounts receivable, for the actual amounts refunded to customers through Rate Rider D. The impact of this will be to reduce the forecast over refund (or debit/receivable) of \$35.1 million

RESPONSE

A). At present the Company is forecasting that it will have actually refunded, through Rider D, approximately \$35 million more than was planned/approved to be refunded through the end of 2017 (\$383.8 million forecast versus \$348.7 approved through 2017), or approximately \$4 million more than was planned/approved to be refunded through the end of 2018 (\$383.8 million forecast versus \$379.8 approved through 2018). Therefore, if the refund of an additional \$31.1 million were to continue in 2018, and assuming volumes occur as forecast, the Company would have refunded a total of \$414.9 million versus a total approved amount of \$379.8 million, and would in turn have to seek recovery of approximately \$35 million from customers in 2019 through clearance of the CDNSADA. As a result, the Company believes it would be more appropriate to discontinue Rider D at the end of 2017, to avoid refunding further amounts in 2018 that would be in excess of the total Board approved amount of \$379.8 million (ie., limit the over refund to approximately \$4 million, versus it growing to approximately \$35 million), only to have to turn around and recover that amount from ratepayers in 2019, through clearance of the CDNSADA. The Company believes that such a scenario could cause ratepayer confusion.

Witnesses: A. Mandyam
R. Small

The response to part B) below further illustrates how continuing the refund / Rider D in 2018 would not draw the CDNSADA balance to zero.

B). The balance in the CDNSADA, which reflects the cumulative variance between amounts approved for clearance and the actual amounts cleared, was derived through the cumulative impact of recording the following monthly entries or transactions:

1. To record the approved monthly net salvage refund amount to ratepayers, and to draw down the outstanding site restoration cost liability reflected in accumulated depreciation for rate base purposes

Debit: Other LT Liabilities (Accumulated Depreciation)
Credit: CDNSADA

2. To record the actual monthly net salvage refund amounts credited to customer bills

Debit: CDNSADA
Credit: Accounts receivable from customers

At the end of 2017, the amount which will be recorded through entry #1 to reflect the approved site restoration cost refund amount (credited to the CDNSADA) is \$348.7 million. However, the amount forecast to be recorded through entry #2 (debited to the CDNSADA), to reflect actual amounts refunded, is approximately \$383.8 million. Therefore, at the end of 2017 the Company forecasts a net debit/receivable balance in the CDNSADA of approximately \$35 million, which would reflect an over refund amount at that point in time.

Under the Company's proposal to discontinue Rider D at the end of 2017, entry #2 would not be required in 2018, but entry #1 would still be required in order to draw down the outstanding site restoration cost liability by the Board approved amount of \$379.8 million (thereby reflecting the approved impact on rate base). The recording of \$31.1 million through entry #1 throughout 2018, would therefore reduce the forecast 2017 over refund amount of \$35 million, to approximately \$4 million by the end of 2018.

Witnesses: A. Mandyam
R. Small