UNDERTAKING JT2.17

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To update Table 10 in pre-filed Concentric evidence with the latest estimates for last three years of interest coverage ratios, FFO, etc. and to show sources

RESPONSE

Table 10 from the pre-filed Concentric evidence is reproduced below for easy reference.

	2011 Estimate	2012 Budget	2013 Budget	2013 Budget Scenario 1	2013 Budget Scenario 2	2013 Budget Scenario 3
Equity Thickness	36%	36%	42%	36%	40%	45%
Earnings to Common Shareholders	$ 130	$ 128	$ 167	$ 146	$ 160	$ 178
Cash Flow	$ 407	$ 420	$ 457	$ 436	$ 450	$ 467
EBIT	$ 321	$ 311	$ 362	$ 343	$ 356	$ 371
EBITDA	$ 597	$ 603	$ 651	$ 632	$ 645	$ 661
Interest Expense	$ 142	$ 142	$ 136	$ 145	$ 139	$ 131
Total Assets (RateBase)	$ 3,975	$ 4,069	$ 4,120	$ 4,120	$ 4,120	$ 4,120
Short Term Debt (incl. Current Portion)	$ 124	$ 151	$ (22)	$ 225	$ 60	$ (146)
Long Term Debt	$ 2,320	$ 2,353	$ 2,312	$ 2,312	$ 2,312	$ 2,312
Preference Shares	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100
Equity	$ 1,431	$ 1,465	$ 1,731	$ 1,483	$ 1,648	$ 1,854
Interest Coverage	2.26	2.18	2.67	2.37	2.56	2.83
Debt/EBITDA	4.10	4.15	3.51	4.01	3.68	3.28
FFO/Interest	3.87	3.95	4.37	4.01	4.24	4.57
FFO/Avg. Debt	16.6%	16.8%	19.9%	17.2%	19.0%	21.6%
Debt to Capitalization	61.5%	61.5%	55.6%	61.6%	57.6%	52.6%

Notes:
2013 excludes CIS

Witnesses: K. Culbert
R. Fischer
M. Lister
D. Yaworsky

The updated table further below incorporates the actual 2011, 2012 Bridge, and updated 2013 Test Year data and also incorporates the updated interest rate forecasts, which were provided in interrogatory responses, as indicated in the source references as follows:

	2012 Rate	**2013 Rate**	**Source Reference**
Preference Shares	Original: 3.28% New: 2.72%	Original: 4.16% New: 3.20%	Exhibit I Issue E1 Schedule 7.2
Short Term Debt	Original: 2.50% New: 1.50%	Original: 3.70% New: 2.00%	Exhibit I Issue E1 Schedule 7.1
Long Term Debt	Original: 4.80% New: 3.50%	Original: 5.20% New: 4.10%	Exhibit I Issue E1 Schedule 20.1 Updated
Return on Equity	8.39%	Original: 9.42% Update: 9.03%	Exhibit E2 Tab 2 Schedule 1 Updated Evidence

The updated table is presented below. Note that the information provided in the original material contained in Table 10 portrayed differences from the requested equity ratio to be filled with the use of short term debt. The Company does not think this is appropriate, and as is indicated in the response to Undertaking JT2.16 (and the resulting updated Interrogatory responses for Exhibit I, Tab E1, Schedules 20.1 & 20.3). As a result, the Table below incorporates the updates for the Test Year including the Company's applied-for position (i.e., 42%) and for the scenario where the Board denies the Company's request in full (i.e., 36%), and the difference is made up for with the use of Long Term debt. The Company has not run similar scenarios for varying levels of equity versus Long Term debt tradeoffs.

Witnesses: K. Culbert
R. Fischer
M. Lister
D. Yaworsky

($ Millions)	2011 Actual Year	2012 Bridge Year	2013 Test Year	2013 Test Year - Scenario 1
Equity Thickness	36%	36%	42%	36%
Earnings to Common Shareholders	$ 138	$ 125	$ 156	$ 133
Cash Flow	$ 415	$ 416	$ 444	$ 421
EBIT	$ 349	$ 309	$ 354	$ 333
EBITDA	$ 626	$ 601	$ 642	$ 621
Interest Expense (Deemed)	$ 142	$ 141	$ 135	$ 146
Total Assets (RateBase)	$ 3,957	$ 4,069	$ 4,104	$ 4,104
Short Term Debt (incl. Current Portion)	$ 113	$ 151	$ (33)	$ 65
Long Term Debt	$ 2,320	$ 2,353	$ 2,313	$ 2,462
Preference Shares	$ 100	$ 100	$ 100	$ 100
Equity	1424.5	1464.732	1723.512	1477.296
Interest Coverage	2.46	2.19	2.62	2.28
Debt /EBITDA	3.89	4.17	3.55	4.07
FFO/Interest	393.5%	394.9%	428.3%	389.2%
FFO/Avg. Debt	17.1%	16.6%	19.5%	16.7%
Debt to Capitalization	61%	62%	56%	62%

Notes:

- 2013 excludes CIS
- Assumes full recovery of the deficiency
- Based on updated rate base and return on equity per June 2012 impact statement
- Based on new interest cost rates per interrogatory responses

Witnesses: K. Culbert
R. Fischer
M. Lister
D. Yaworsky