

UNDERTAKING JT1.1

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TR 1, page 11

To explain how Tecumseh office facility allocations will be handled; what methodology will be used; how the evidence be updated, to the extent that there are any changes.

RESPONSE

The Tecumseh office facility costs are currently charged to the Structures and Improvements accounts (0452) as set out in the Board's uniform system of accounts, and have been allocated to regulated Storage Operations.

Under the cost treatment endorsed by Black & Veatch (Exhibit D2, Tab 5, Schedule 1, pages 20 and 21), these costs would be better grouped with the Company's, other general plant to achieve overhead allocation to all areas of the business, including the unregulated storage business.

None of the costs for the Tecumseh office facility will be added to rate base before 2014, so there is nothing required in the way of changes or updates to the accounting treatment of actual costs incurred for this project. Note that Line 100 of the Table at Exhibit B1, Tab 2, Schedule 2, mistakenly identified a 2013 in-service date for the project. Despite that reference, no amounts related to the project are contained in the as-filed 2013 rate base.

To be consistent with this methodology change, there are some facility costs to be reallocated. These would be the warehouse constructed in 2007/2008 and the recently constructed Sombra warehouse built this past winter. The gross value of these buildings is in the order of \$3.2 million with a net value of just under \$3.0 million.

These amounts will be regrouped such that the unregulated storage business will be allocated a portion of them through its allocation for A&G and Overheads. The net impact for 2013 is a slight increase to the unregulated storage allocation.

The Company estimates the net impact to be less than \$25,000, which, in the Company's view, does not warrant an evidence update.

Witness: J. Sanders