UNDERTAKING J3.4

Interrogatory

To calculate the net impact of the Niagara Tunnel Project on the deficiency for the test period.

Response

The impact on the test period revenue deficiency resulting from placing the Niagara Tunnel Project in service is provided below.

Niagara Tunnel Project Impact on Revenue Deficiency ($M)[1]

Line	Particulars	2014 Plan	2015 Plan	Test Period
1	Total Projected Net Plant Rate Base Amount[2]	1,473.6	1,457.7	
2	Less: Net Plant Amount Previously Reflected in Rate Base[3]	17.3	17.0	
3	Net Plant Amount Not Previously Reflected in Rate Base	1,456.3	1,440.7	
4	Weighted Average Cost of Capital[4]	6.95%	7.05%	
5	Increase in Cost of Capital (line 3 x line 4)	101.2	101.6	202.8
6	Increase in Depreciation Expense[5]	15.6	15.6	31.2
7	Increase in Gross Revenue Charge	15.8	19.8	35.6
8	Increase in Income Taxes[6]	25.0	25.6	50.6
9	**Increase in Revenue Requirement** (lines 5 through 8)	**157.6**	**162.6**	**320.2**
10	Revenue from Incremental Production at Current Rates	39.2	49.2	88.4
11	**Impact on the Deficiency** (line 9 - line 10)	**118.4**	**113.4**	**231.8**

[1] Numbers may not calculate due to rounding
[2] From Ex. B2-1-1 Table 1, cols. (c) and (f), line 22 for 2014 and 2015, respectively
[3] Represents amount associated with the portion of the Niagara Tunnel Project placed in service in 2007, as discussed in Ex. D1-2-1, section 1.2
[4] The weighted average cost of capital rates are based on a capital structure of 47% equity and 53% debt, as shown in N2-1-1, Attachment 5, p. 4 of 16, lines 1 and 2 respectively; debt cost rates of 4.81% in 2014 and 4.85% presented in Ex. C1-1-1 Table1 (2015) and Table 2 (2014), col. (c), line 4; and ROE rates per Ex. N2-1-1 section 2.6
[5] From Ex. B2-4-1 Table 2, col. (b), lines 12 and 22 for 2014 and 2015, respectively, as adjusted to exclude depreciation on the Niagara Tunnel Project assets placed in service in 2007 (discussed in Ex. D1-2-1, section 1.2)
[6] Based on an income tax rate of 25% in 2014 and 2015 as shown in Ex. F4-2-1 Table 5, line 29 and reflects the tax benefit of forecast Capital Cost Allowance income tax deductions over the test period. OPG's current payment amounts include the tax benefit of claiming early Capital Cost Allowance income tax deductions (noted in Ex. D1-2-1, p. 5, note 6). As a revenue deficiency calculation is incremental to the current revenue requirement, the income tax impact is net of CCA amounts reflected in current revenue requirement.