

INNISFIL HYDRO DISTRIBUTION SYSTEMS LIMITED

EB-2014-0086

UPDATED RESPONSE TO INTERROGATORIES

October 22, 2014



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SEC-11/U1 - 3.3.1

Please provide the Applicant's actual regulated ROE for 2013 and forecasted regulated ROE for 2014.

IHDSL Response:

IHDSL's actual ROE calculation for 2013 was 6.7% as submitted to the Board via RRR 2.1.5.6. The 2013 Actual Regulated ROE is shown in the following table on page 4.

IHDSL's forecasted ROE for 2014 is estimated to be 7.1%. The forecasted 2014 ROE Calculation is shown on page 5.

Template for Calculation of ROE on a Deemed Basis			
UTILITY NAME: Innisfil Hydro Distribution System Limited			
YEAR END DATE: December 31, 2013			
Please input based on your utility in the grey cells.			
Regulatory Net Income Calculation:		<i>Staff Comments</i>	
Regulated net income, as per RRR 2.1.13 reconciliation		\$ 218,973 A	<i>Must match regulated net income amount from 2.1.13 template. Input net surplus as positive number and net deficit as a negative number.</i>
Remove:			<i>Must match account 6115. Input deferred tax expense as a negative number and deferred tax income as a positive number.</i>
Future/deferred taxes		\$ (826,500) B	
Non rate regulated items		\$ 0 C	<i>As an example, non rate regulated items may include income/expenses associated with generation or CDM</i>
Adjustment to interest expense - for deemed debt		\$ 107,134 D (=W)	
Adjusted regulated net income		\$ 938,339 E = A-B-C-D	
Deemed Equity Calculation:		<i>Staff Comments</i>	
Rate Base:			
Cost of power		\$ 25,531,065 F	<i>Must match sum of accounts 4705 to 4750 inclusive. Input as positive number.</i>
Operating expenses		\$ 5,030,447 G	<i>Must approximate sum of accounts 4505-4640, 4805-5695, 6105, 6205-6225, 6310-6415. Input as positive number.</i>
Total		\$ 30,561,512 H = F + G	
Working capital allowance %		12.0%	<i>Must match percentage allowance in last approved CoS rate proceeding</i>
Total working capital allowance		\$ 3,667,381 J	
Fixed Assets			
Opening balance - regulated fixed assets (NBV)	\$ 28,527,378		<i>Please make the necessary adjustments to bring the fixed assets reported in the Audited Financial Statements to reflect the regulated rate base.</i>
Closing balance - regulated fixed assets (NBV)	\$ 34,567,672		<i>NBV = Net Book Value</i>
Average regulated fixed assets	\$ 31,547,525	\$ 31,547,525 K	
Total rate base		\$ 35,214,906 L = J + K	
Regulated deemed short-term debt	4.00%	\$ 1,408,596 M	
Regulated deemed long-term debt	56.00%	\$ 19,720,348 N	
Regulated deemed equity	40%	\$ 14,085,963 P	
		\$ 35,214,906	
Regulated Rate of Return on Deemed Equity		<i>Staff Comments</i>	
		6.7% Q = E / P	
ROE% from most recent cost of service application last approved EDR		8.98% R	<i>Must match approved ROE from last CoS rate proceeding</i>
Difference - maximum deadband 3%		-2.32% S = Q - R	
Interest adjustment on deemed debt:		<i>Staff Comments</i>	
Regulated deemed short-term debt - as above	\$ 1,408,596	6.67%	
Regulated deemed long-term debt - as above	\$ 19,720,348	93.33%	
	\$ 21,128,944	100.00%	
Short-term debt rate	2.07%	0.14%	<i>Interest rate on short-term debt from last approved CoS rate proceeding</i>
Long-term debt rate	4.36%	4.07%	<i>Interest rate on long-term debt from last approved CoS rate proceeding</i>
Average debt rate		4.21%	
Regulated deemed debt - as above	\$ 21,128,944		
Weighted average interest rate	4.21%		
Deemed interest	\$ 888,965 T		
Interest expense as per the OEB trial balance	\$ 781,831 U		<i>Must match sum of accounts 6005-6045</i>
Difference	\$ 107,134 V = T - U		
Utility tax rate	0.00%		<i>Distributor's Board-approved tax rate from the distributor's last rate application (IRM or CoS).</i>
Tax effect on interest expense	\$ 0		
Interest adjustment on deemed debt:	\$ 107,134 W		

Template for Calculation of ROE on a Deemed Basis			
UTILITY NAME: Innisfil Hydro Distribution System Limited			
YEAR END DATE: December 31,2014 -Forecast			EB-2014-0086 Sec IR- 11/U1
Please input based on your utility in the grey cells.			
Regulatory Net Income Calculation:			<i>Staff Comments</i>
Regulated net income, as per RRR 2.1.13 reconciliation		\$ 942,548 A	Must match regulated net income amount from 2.1.13 template. Input net surplus as positive number and net deficit as a negative number.
Remove:			Must match account 6115. Input deferred tax expense as a negative number and deferred tax income as a positive number.
Future/deferred taxes		\$ 0 B	
Non rate regulated items		\$ 0 C	As an example, non rate regulated items may include income/expenses associated with generation or CDM
Adjustment to interest expense - for deemed debt		\$ (60,870) D (=W)	
Adjusted regulated net income		\$ 1,003,418 E = A-B-C-D	
Deemed Equity Calculation:			<i>Staff Comments</i>
Rate Base:			
Cost of power		\$ 25,531,065 F	Must match sum of accounts 4705 to 4750 inclusive. Input as positive number.
Operating expenses		\$ 5,030,447 G	Must approximate sum of accounts 4505-4640, 4805-5695, 6105, 6205-6225, 6310-6415. Input as positive number.
Total		\$ 30,561,512 H = F + G	
Working capital allowance %		12.0%	Must match percentage allowance in last approved CoS rate proceeding
Total working capital allowance		\$ 3,667,381 J	
Fixed Assets			
Opening balance - regulated fixed assets (NBV)	\$ 28,527,378		Please make the necessary adjustments to bring the fixed assets reported in the Audited Financial Statements to reflect the regulated rate base.
Closing balance - regulated fixed assets (NBV)	\$ 34,567,672		NBV = Net Book Value
Average regulated fixed assets	\$ 31,547,525	\$ 31,547,525 K	
Total rate base		\$ 35,214,906 L = J + K	
Regulated deemed short-term debt	4.00%	\$ 1,408,596 M	
Regulated deemed long-term debt	56.00%	\$ 19,720,348 N	
Regulated deemed equity	40%	\$ 14,085,963 P	
		\$ 35,214,906	
Regulated Rate of Return on Deemed Equity			<i>Staff Comments</i>
		7.1% Q = E / P	
ROE% from most recent cost of service application last approved EDR		8.98% R	Must match approved ROE from last CoS rate proceeding
Difference - maximum deadband 3%		-1.86% S = Q - R	
Interest adjustment on deemed debt:			<i>Staff Comments</i>
Regulated deemed short-term debt - as above	\$ 1,408,596	6.67%	
Regulated deemed long-term debt - as above	\$ 19,720,348	93.33%	
	\$ 21,128,944	100.00%	
Short-term debt rate	2.07%	0.14%	Interest rate on short-term debt from last approved CoS rate proceeding
Long-term debt rate	4.36%	4.07%	Interest rate on long-term debt from last approved CoS rate proceeding
Average debt rate		4.21%	
Regulated deemed debt - as above	\$ 21,128,944		
Weighted average interest rate	4.21%		
Deemed interest	\$ 888,965 T		
Interest expense as per the OEB trial balance	\$ 949,835 U		Must match sum of accounts 6005-6045
Difference	\$ (60,870) V = T - U		
Utility tax rate	0.00%		Distributor's Board-approved tax rate from the distributor's last rate application (IRM or CoS).
Tax effect on interest expense	\$ 0		
Interest adjustment on deemed debt:	\$ (60,870) W		