BOARD STAFF INTERROGATORY #22

INTERROGATORY

Ref: ExF1/T1/S1/Table 1

Table shows a comparison of utility revenues for 2014 Board-approved, Placeholder 2015, and Test Year 2015.

Staff notes that the difference between 2014 Board-approved and Test Year 2015 is a $287.5 million increase in revenues for 2015. Please provide a reconciliation and brief explanation of the main drivers of the increase between 2014 and 2015.

RESPONSE

The following table provides a comparison of 2015 test year allowed revenues against 2014 Board approved allowed revenues, as well as brief notes explaining the variances contributing to the overall allowed revenue increase. Lines 1 through 20 summarize allowed revenues excluding Customer Care and CIS costs, as shown in Exhibit F1, Tab 2, Schedule 1, Column 6 for 2015, and the EB-2012-0459 Decision and Rate Order, Appendix A, page 1, Column 3 for 2014. Total 2015 and 2014 Customer Care and CIS allowed revenues, as shown in Column 7, Line 22 of Exhibit F1, Tab 2, Schedule 1, and Column 4, Line 22 of the EB-2012-0459 Decision and Rate Order, Appendix A, page 1, have been included at Line 21 of the following table.

ALLOWED REVENUES

Line No.		Col. 1 2015 Test Year	Col. 2 2014 Approved	Col. 3 Variance	Col. 4 Note
		($Millions)	($Millions)	($Millions)	
	Cost of Capital				
1.	Rate base	4,911.4	4363.6	547.8	a)
2.	Required rate of return	6.58%	6.79%	-0.21%	b)
3.		323.2	296.3	26.9	c)
	Cost of Service				
4.	Gas costs	1,687.1	1456.3	230.8	d)
5.	Operation and maintenance	336.5	332.7	3.8	e)
6.	Depreciation and amortization	249.0	235.8	13.2	f)
7.	Fixed financing costs	1.9	1.9	-	
8.	Municipal and other taxes	43.1	41.2	1.9	g)
9.		2,317.6	2,067.9	249.7	
	Miscellaneous operating and non operating revenue				
10.	Other operating revenue	(42.7)	(42.7)	-	
11.	Interest and property rental	-	-	-	
12.	Other income	(0.1)	(0.1)	-	
13.		(42.8)	(42.8)	-	
	Income taxes on earnings				
14.	Excluding tax shield	37.6	57.2	(19.6)	
15.	Tax shield provided by interest expense	(41.4)	(38.8)	(2.6)	
16.		(3.8)	18.4	(22.2)	h)
	Taxes on sufficiency / (deficiency)				
17.	Gross sufficiency / (deficiency) -w/out CC/CIS	(44.0)	66.0	(110.0)	
18.	Net sufficiency / (deficiency) -w/out CC/CIS	(32.4)	48.5	(80.9)	
19.		11.7	(17.5)	29.2	h)
20.	**Allowed Revenue Excluding CIS/CC**	2,605.9	2,322.3	283.6	
21.	**Customer Care and CIS Allowed Revenue**	118.0	114.1	3.9	i)
22.	**Total Allowed Revenue**	2,723.9	2,436.4	287.5	

Witness: R. Small

Notes:

a) The increase in rate base is primarily due to the higher forecast 2015 net property, plant, and equipment approved within EB-2012-0459, and an increase in 2015 gas in storage resulting from the updated 2015 volume forecast and gas supply plan, and updated pricing to reflect October 1, 2014 QRAM prices as opposed to October 1, 2013 QRAM prices.

b) The reduction in the required rate of return is due to a reduction in the 2015 return on equity, resulting from the Board's approved formula, combined with a reduction in the cost of debt, resulting from the impact of the inclusion of 2014 actual debt issuances and updated 2015 forecast cost rates.

c) The increase in the cost of capital is due to the increase in rate base, partially offset by a reduction in the required rate of return.

d) The increase in gas costs results from the updated 2015 volume forecast and gas supply plan, and updated pricing to reflect October 1, 2014 QRAM prices as opposed to October 1, 2013 QRAM prices.

e) The increase in 2015 operation and maintenance (O&M) costs is due to a $0.9 million increase in forecast RCAM and Other O&M, as approved in EB-2012-0459, a $2.8 million increase in forecast DSM costs, and $0.1 million increase in forecast pension and OPEB costs.

f) The increase in 2015 depreciation and amortization expense results from higher forecast depreciable property, plant, and equipment balances approved in EB-2012-0459.

g) The increase in municipal and other taxes was approved in EB-2012-0459, and results primarily from forecast growth in the taxable asset base and inflation.

h) The increase in forecast net income taxes, needed to achieve the allowed ROE and related earnings, is due to changes in taxable income resulting from the above mentioned year-over-year changes.

i) The increase in Customer Care and CIS costs results from the application of the EB-2011-0226 Board approved Settlement Agreement. The 2015 costs were determined by multiplying the 2015 smoothed revenue requirement per customer, of $55.88, by the updated 2015 customer forecast of 2,112,148, whereas 2014 costs were determined by multiplying the 2014 smoothed revenue requirement per customer, of $54.68, by the 2014 customer forecast of 2,086,534.