UNDERTAKING JT4.10

Undertaking

WITH REFERENCE TO THE ATTACHMENT TO IR C1-01-0-EP-007, FOR CONCENTRIC TO RESPOND TO THE FOLLOWING QUESTIONS: 1. TO PLEASE EXPAND THE COLUMN THAT SAYS "RATE CASE RETURN ORIGINAL COST PERCENT"; 2. FOR THE PERIOD 2015 TO 2020, PLEASE PROVIDE THE FOLLOWING: (A) THE AVERAGE ROE, (B) THE AVERAGE RATE CHANGE, (C) RATE CASE RETURN ORIGINAL COST PERCENTAGE, AND FOR COMMON EQUITY TO TOTAL CAPITAL PERCENT; 3. TO PROVIDE THE SAME AVERAGE DATA AS WAS PROVIDED IN THE SECOND PART FOR THE CANADIAN UTILITIES IN THE CONCENTRIC SAMPLE; 4. TO PROVIDE THE SAME DATA FOR THE SAME PERIOD, 2015 TO 2020, FOR OPG.

Response

The following response was prepared by Concentric Energy Advisors:

For context, the referenced Attachment reflects rate case statistics for all U.S. electric utilities (not just those in Concentric's proxy group) for the period 2006-2020.

The term "rate case return original cost percentage" refers to the authorized weighted average cost of capital for U.S. electric utilities established in rate cases over the 2006-2020 period.

The data requested in 2.(a)-(d) for U.S. utilities for each of the years 2015-2020 is provided in the referenced Attachment. The averages of the annual figures shown for this period are as follows: ROE – 9.68%; rate change/revenue – 3.96%;[1] rate case return original cost percentage – 7.09%; and the annual common equity to total capital percent – 49.28%.

Concentric is not aware of a source that publishes comparable rate case summary data for Canadian utilities. Please see Attachment 1 to Ex. L-C1-01-Staff-042 for the authorized ROE and deemed equity ratio information for Canadian regulated utilities for 2010-2021.

The requested data for OPG is provided in Chart 1, below.

[1] Note, the "Rate Change/Revenue (%)" in the referenced Attachment reflects rate changes established through base rate changes in rate cases over the period.

Chart 1

Line No.		Return on Equity (%)	Rate Change (%)	Rate Case Return Original Cost (%)	Common Equity to Total Capital (%)
		Note 1	Note 2	Note 3	Note 4
1	**2020**	9.06	6.8	6.44	45
2	**2019**	9.16	(0.9)	6.46	45
3	**2018**	9.16	1.0	6.50	45
4	**2017**	9.16	0.3	6.65	45
5	**2016**	9.30	0.0	6.85	45
6	**2015**	9.30	0.0	6.85	45
7	**2015-2020 Average**	9.19	1.2	6.63	45

Note

1 Per Ex. L-A1-03-Staff-008.

2 Changes in production-weighted nuclear and hydroelectric base payment amounts approved in EB-2013-0321, EB-2016-0152, EB-2018-0243 and EB-2019-0209. There were no OEB-approved base payment amount changes in 2016. A single set of nuclear and hydroelectric base payment amounts was approved for 2014 and 2015 in EB-2013-0321. For simplicity, all calculations assume a January 1 effective in each corresponding year.

3 Lines 1 to 4 are OEB-approved weighted average cost of capital percentages from EB-2016-0152 Payment Amounts Order, App. A, Tables 11 to 14, line 6. Lines 5 and 6 are the OEB-approved weighted average cost of capital percentage (for 2015) from EB-2013-0321 Payment Amounts Order, App. A, Table 6b, line 6.

4 Lines 1 to 4 per EB-2016-0152 Payment Amounts Order, App. A, Tables 11 to 14, line 5. Lines 5 and 6 per EB-2013-0321 Payment Amounts Order, App. A, Table 6b, line 5.