

1 Q. For each of the utilities named (KCM, page 28, lines 26-28), for the years
2 1992 to 2000 provide:

3

4 (a) the return on equity allowed by the appropriate regulator; and

5 (b) the return on equity actually earned by the utility.

6

7 A. (a) & (b)

8 Ms. McShane does not have a database that includes all of the values
9 requested. Please see discussion below for the individual utilities.

10

11 **BC Hydro**: Under Special Direction 8, the BCUC is required to ensure
12 electricity rates are sufficient to allow BC Hydro to achieve an annual rate of
13 return on equity equal to the return allowed, on a pre-income tax basis, by
14 the most comparable investor-owned energy utility regulated under the
15 Utilities Commission Act (i.e., BC Gas Utility Ltd.). To illustrate, the allowed
16 return for fiscal 1995 was 12.74%. At the present time, however, BC Hydro
17 is subject to a rate freeze which expires in September 2001; consequently,
18 no allowed returns have been derived by the BCUC in the past several years.

19

20 Ms. McShane does not have utility-only earned returns for BC Hydro. DBRS
21 reported the following actual returns on equity for the consolidated operations
22 of BC Hydro.

23

1992	1993	1994	1995	1996	1997	1998	1999
27.9%	16.2%	16.5%	13.4%	30.6%	36.0%	31.9%	40.4%

24

25 Source: DBRS, *The Canadian Electric Industry Utility*

1 **SaskPower**: SaskPower is not regulated on a rate base/rate of return basis.
2 It must submit applications to the Saskatchewan Rate Review Panel, which
3 conducts independent reviews of rate change requests, and, in turn, makes
4 recommendations to the government on the reasonableness of the request.
5 SaskPower has established the following financial targets.

6
7 ROE: Minimum 10%
8 Return on Capital: Minimum 9.25%
9 Capital Structure: Maximum 35% debt
10 Interest Coverage: Minimum 2 times

11
12 SaskPower's earned returns from 1992-2000 were:

13

1992	1993	1994	1995	1996	1997	1998	1999	2000
12.0%	8.6%	9.1%	8.3%	14.4%	12.6%	12.6%	12.3%	10.3%

14
15 Source: 1992-1999: DBRS, *The Canadian Electric Utility Industry*
16 2000: *Annual Report to Shareholders*

17
18 **Sask Energy**: Sask Energy, like SaskPower, is not regulated on a rate
19 base/rate of return basis. Sask Energy has set the following financial targets:

20
21 ROE: 12% distribution and transmission
22 Capital Structure: 40% debt (distribution)
23 35% debt (transmission)

24

1 Sask Energy's earned returns for 1999 and 2000 were:

2
 3
 4
 5
 6

	<u>1999</u>	<u>2000</u>
Distribution	3.3	4.5
Transmission	17.2	14.2

7 Source: 2000 Annual Report to Shareholders

8
 9

10 **EPCOR Utilities**: EPCOR's transmission rates are rate base/rate of return
 11 regulated by the AEUB; its generation was rate base/rate of return regulated
 12 by the AEUB until January 2001 and is now subject to long-term contracts
 13 which are intended to recover the cost of service including a return of long
 14 Canadas plus 4% on a 45% common equity ratio.

15

16 The returns that have been allowed by the AEUB are as follows:

17

1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
13.25%	13.25%	12.50%	11.88%	11.25%	a/	a/	9.25%	9.25%	b/	b/

18

19 a) negotiated settlement

20 b) negotiated settlement

21

1 EPCOR Utilities' ROEs from 1992-2000:

2

1992	1993	1994	1995	1996	1997	1998	1999	2000
13.2%	7.0%	22.8%	24.3%	17.8%	14.9%	16.0%	15.1%	17.0%

3

4 Source: 1992-1999: DBRS, *The Canadian Electric Utility Industry*
5 2000: *Annual Report to Shareholders*

6

7

8 **HydroOne:** HydroOne was created from Ontario Hydro effective April 1,
9 1999 to house the regulated transmission and distribution operations.
10 HydroOne's transmission and distribution operations were only subject to
11 rate base/rate of return regulation subsequent to that date. In its Transitional
12 Rate Order dated March 31, 1999, the Ontario Energy Board approved a
13 common equity return of 9.35% for transmission and distribution for both
14 1999 and 2001. For distribution rates, for 2001, HydroOne is using an ROE
15 of 9.88% as specified in the OEB's *Electricity Distribution Rate Handbook*,
16 which prescribed the same ROE for the Municipal Electrics under its
17 jurisdiction. HydroOne earned a return on average equity of 10.1% in 2000,
18 the only year for which a full year's data are available subsequent to its
19 creation. Ms. McShane does not have actual ROEs for the Municipal
20 Electrics for the limited time period during which rate base/ROE regulation
21 has been in effect.

22

23

24 **Northwest Territories Power:** NWTPC has been subject to rate base/rate
25 of return regulation since its operations were transferred from the Federal to
26 the Territorial government in 1987. Legislation provides that it is entitled to

1 earn a rate of return on the equity financing the rate base equal to the rate of
2 return earned by a private sector utility of similar risk.

3
4 NWTPC's last rate case was settled at the following ROEs:

5
6 1995/1996 11.75%
7 1996/1997 11.75%
8 1997/1998 11.5%

9
10 The actual returns on equity for NWTPC for 1992-2000 were:

11

1992	1993	1994	1995	1996	1997	1998	1999	2000
6.24%	10.47%	11.65%	12.06%	11.38%	9.39%	11.0%	11.2%	10.0%

12
13
14 **Yukon Energy:** Yukon Energy's most recent allowed returns on equity were:

15
16 1996 10.75%
17 1997 9.45%
18 1998 9.138%
19 1999 9.138%
20 2000 9.138%

21
22 Ms. McShane has not compiled the earned returns of YEC.