CUI 2017 Utility Rate Request Final Submission

Appendix 3

Information Requests from City Administration

& Consultant

December 16, 2016

Question 1:

Reference: Section 1, Table 1.1, page 4 of 30

CUI reports an "average customer bill" at page 4, bottom of Table 1.1. Please provide the calculations to come to that average customer bill, including all units assumed (e.g., Tier 1, Tier 2 usage) or using whatever method was used to calculate the average bill.

Response:

The average customer bill increase was calculated based on a residential customer's bill using 18 m3.

$29.93 + ($1.43 x 18 m3) + $43.00 + ($1.31 x 18 m3) + $19.68 + $23.03 + $4.09 + $3.56 = $172.60

Question 2:

Reference: Section 2, page 5 of 30

CUI reports an ROE of 1.8% in 2017, 3.2% in 2018 and 5.3% in 2019. Please provide the calculations for these percentages. Please ensure to reconcile the values (showing the calculation of both the numerator and the denominator) with the following:

1) Reported Rate Base Net Income (e.g., is this value the numerator for the ROE calculation).

2) Values in Table 2.1 for RB assets (e.g., are these values the denominator in the ROE calculation).

3) The relative amount of equity versus debt assumed to be financing the RB versus Non-RB assets, consistent with the LTD and Shareholder's Equity values shown on page 7.

4) The exclusion of any forecast of Construction in Progress included in page 7.

Response:

2017 – 1.8% ROE x 72,584,968 (December 31, 2016 estimated Shareholder's equity as defined by non-rate base assets = 1,306,529. This amount is then allocated to each department based on December 31, 2016 gross rate-base asset balances. Water-$22.8 million (40%), Sanitary-$18.4 million (32%), Storm-$15.2 million (26%), Solid Waste-$949K (2%), Admin-$66K (0%) as recorded in the table under question 13.

2018 – 3.2% ROE x 72,466,328 (December 31, 2017 estimated Shareholder's equity) = 2,318,928. This amount is then allocated to each department based on December 31, 2017 gross rate-base asset balances. Water-$23.3 million (32%), Sanitary-$29.1 million (40%), Storm-$17.7 million (25%), Solid Waste-$1.7 million (2%), Admin-$226K (0%).

2019 – 5.3% ROE x 72,591,709 (December 31, 2018 estimated Shareholder's equity) = 3,847,361. This amount is then allocated to each department based on December 31, 2018 gross rate-base asset balances. Water-$26.7 million (35%), Sanitary-$29.7 million (39%), Storm-$17.7 million (23%), Solid Waste-$1.9 million (2%), Admin-$226K (0%).

Question 3:

Reference: Section 2.1, Table 2.1, page 6 of 30

Section 2.1, Statement of Financial Position, page 7 of 30

Please explain the differences (reconcile) the values between Table 2.1 and the reported Property Plant and Equipment shown at page 7, by year. (e.g., does Table 2.1 use Gross Plant values? If so, please provide Table 2.1 showing Net Plant values, consistent with page 7).

Response:

Contributed vs Non-Contributed Asset Reconciliation - NBV

	Useful Life (Years)	2017 - Forecast				2018 - Forecast				2019 - Forecast			
		Additions		Retirements		Additions		Retirements		Additions		Retirements	
		RB	Non-RB	RB	Non-RB	RB	Non-RB	RB	Non-RB	RB	Non-RB	RB	Non-RB
Land	Indefinite	0	0	0	0	0	0	0	0	0	0	0	0
Land Improvements	19-25	-3	0	0	0	-3	48	0	0	-3	-3	0	0
Buildings	1-50	1,031	1,379	0	0	-127	-12	0	0	-127	-12	0	0
Engineered Srtuctures	1-50	11,423	16,699	0	0	1,631	8,752	0	0	-1,444	3,841	0	0
Machinery & Equipment	1-12	497	0	0	0	746	0	-49	0	384	0	0	0
Vehicles	3-12	-36	0	0	0	161	0	0	0	101	0	-75	0
CIP	N/A	0	0	0	-10,919	0	0	0	0	0	0	0	0
Total in year changes		12,912	18,078	0	-10,919	2,407	8,788	-49	0	-1,090	3,826	-75	0
Total year end asset value		64,401	41,642	0	0	66,760	50,430	0	0	65,596	54,256	0	0

In the budget model the disposal of a collection vehicle in 2018 was inadvertently included as part of Machinery & Equipment instead of Vehicles. The amounts are minor and highlighted.

Question 4:

Reference: Section 3, page 13 of 30

a) Please confirm that the "salaries, wages and benefits" category from 2017 forward includes Customer Relations (billing) staff (per note 4) which were previously charged directly to the lines of business. Please provide an estimate of the scale of these amounts for 2015 had they been included in the values at page 13.

b) Please confirm that the "materials, goods and services" category from 2017 forward includes billing expenses such as stationary, printing, postage (per note 5) which were previously charged directly to the lines of business. Please provide an estimate of the scale of these amounts for 2015 had they been included in the values at page 13

c) Please indicate how Note 7 relates to changes in the Other Expenses line.

Response:

a) Confirmed – due to the organizational structure in 2015, 2016 actuals are a better comparable. 2016 CSA salaries & wages actuals would include approximately $225K.

b) 2017 and forward billing expense such as stationary, printing, postage will be recorded in Administration budget. In the past billing expenses, such as stationary, printing, postage would have been recorded in material, goods and supplies or general and administrative or contracted services.

   Due to the organizational structure in 2015, 2016 actuals are a better comparable. 2016 billing postage include approximately $45K. 2016 billing stuffing includes approximately $16K. 2016 stationary includes approximately $5K.

c) This was a typographical error. Note 7 relates to accretion of preferred shares on the statement labeled Note 8. Note 6 relates to other expenses on the statement labeled Note 7.

Question 5:

Reference: Section 2, Note 4, page 5 of 30

Page % (note 4) indicates that only revenue from signed development agreements are included in the forecasts.

Please confirm that all projects expected to be financed based on development agreements are included in the forecasts (e.g., the costs are included in the Non-Rate Base assets, but not the Development Agreement recoveries).

Please also confirm that this has no adverse effect on the calculation of the Rate Base Net Income, as all development agreement revenue is included only in the Financial Statement Net Income, not the Rate Base Net Income.

Response:

Confirmed. All OSL project costs are included in the forecasts. Financing and amortization related to these projects are considered non-rate base.

CUI was advised by City Administration during a meeting in August 2016 that it did not expect any new development agreements to be signed in 2017. Accordingly, CUI did not forecast any new revenue for development agreements.

Question 6:

Reference: Section 2, page 7 of 30

Please confirm that page 7 is the comprehensive Balance Sheet, including donated assets.

Response:

Confirmed. Page 7 is the comprehensive balance sheet which includes developer contributed (donated) assets.

Question 7:

Reference: Section 3.2, pages 14 of 30 and 15 of 30

Per page 14-15, in CUI's forecasts for each year, does the adjustment to the water loss percentage only drive lower costs from Calgary (e.g., avoided leaks) or is it also assumed to drive added revenue, and if so, what is the assumed breakdown of the benefit.

Response:

For the purposes of developing CUI's budget and forecasting model it was assumed that all water loss is unbilled revenue. However, if the water loss is due to leaks, this will result in lower costs from City of Calgary. If the water loss is due to unbilled revenue, this will result in higher revenue.

Question 8:

Reference: Section 3.1, Note 4, page 6 of 30

Section 3.2, Note 4, page 20 of 30

Please provide the Calgary volumes assumed for each of Water and Sanitary to calculate the 2016-2019 Water Supply and Waste Water charges. If possible, please provide similar values for the forecasts prepared one year ago.

Response:

	Water (000's)					
	Budget 2017		**Forecast 2018**		**Forecast 2019**	
Total Revenue on Utility Statements	$ 5,172		$ 5,870		$ 6,710	
1) Penalties and interest income	153		174		198	
2) Sales of goods and services	5,019		5,696		6,512	
Goods & Services Detail		**Qty m3**		**Qty m3**		**Qty m3**
Residential Revenue	4,529	1,295,047	5,058	1,311,500	5,806	1,355,624
Existing volume		1,277,215		1,268,551		1,321,257
Growth volume		17,832		42,949		34,367
Non-Residential Revenue	407	97,741	466	101,574	553	107,364
Existing volume		93,604		95,987		99,873
Growth volume		4,137		5,587		7,491
Subtotal	4,936	1,392,788	5,524	1,413,074	6,359	1,462,988
Meter Fee	53		138		113	
Admin Fee	22		23		24	
Miscellaneous	8		11		16	
Lifecycle Fund - Residential	0		0		0	
Lifecycle Fund - Non-Residential	0		0		0	
Subtotal	83		172		153	

Notes:

1) Volume is prorated based on customer count for both residential and non residential customers
2) Meter Fee and Admin Fee is allocated 100% to water.
3) Lifecycle Fund is allocated 100% to sanitary.

	Sanitary (000's)					
	Budget 2016		**Forecast 2017**		**Forecast 2018**	
Total Revenue on Utility Statements	$ 5,741		$ 6,451		$ 7,150	
1) Penalties and interest income	0		0		0	
2) Sales of goods and services	5,741		6,451		7,150	
Goods & Services Detail		**Qty m3**		**Qty m3**		**Qty m3**
Residential Revenue	5,050	1,295,047	5,685	1,311,500	6,302	1,355,624
Existing volume		1,277,136		1,268,368		1,321,115
Growth volume		17,911		43,132		34,509
Non-Residential Revenue	414	97,741	479	101,574	553	107,364
Existing volume		93,059		95,297		99,020
Growth volume		4,682		6,277		8,344
Subtotal	5,464	1,392,788	6,164	1,413,074	6,855	1,462,988
Meter Fee	0		0		0	
Admin Fee	0		0		0	
Miscellaneous	0		0		0	
Lifecycle Fund - Residential	263		272		279	
Lifecycle Fund - Non-Residential	14		15		16	
Subtotal	**277**		**287**		**295**	

Notes:
1) Volume is prorated based on customer count for both residential and non residential customers
2) Meter Fee and Admin Fee is allocated 100% to water.
3) Lifecycle Fund is allocated 100% to sanitary.

Question 9:

Reference: Section 3.3, page 18 of 30

The 2015 rate request (January 11, 2016 document provided to Mayor and Council) indicated a projected customer count of 5,997 residential and 220 commercial. The current page 18 indicates 6,127 residential and 185 commercial at Dec 31, 2016:

a) Please confirm residential numbers in 2016 are up by 130 customers, compared to 25 customers forecast for 2016 in the January 11, 2016 document.

b) Please explain the drop of 35 commercial customers (compared to a projected growth of 12 customers) compared to the January 11, 2016 document.

Response:

a) Confirmed – CUI has added 130 residential customers in 2016.

b) In the spring of 2016 CUI discovered discrepancies when relying on the customer count as pulled from its financial reporting / customer billing system. As a result, CUI created a formal monthly customer count process. In order to estimate December 31, 2016, we used August 31, 2016 count and assumed no customer growth for September – December. The customer count numbers also include irrigation accounts.

Question 10:

Reference: Section 2, page 6 of 30

Does Table 2.1 include forecast Construction in Progress, or only assets in service?

Response:

Yes Table 2.1 includes forecast Construction in Progress. Due to budget and forecasting model limitations, the total amount of CIP assets was added into the year they are expected to be complete. For example, the Rainbow Road Gravity Trunk Phase 1 project totaling $4.2 million was added to assets in 2017. This ensured amortization was only taken if the project was complete.

Question 11:

Reference: Section 2, Table 2.1, page 6 of 30

Do the "additions" in Table 2.1 only include spending in the year shown, or additions to PPE that include spending from previous years?

Response:

No, "additions" in Table 2.1 include spending in the year the project is completed. Due to budget and forecasting model limitations, the total amount of CIP assets was added into the year they are expected to be complete. For example, the Rainbow Road Gravity Trunk Phase 1 project totalling $4.2 million was added to assets in 2017. This ensured amortization was only taken if the project was complete.

Question 12:

Reference: Section 2, page 7 of 30

What happened to the $9.058 million in Construction in Progress from year end 2015? Did this spending turn into projects added to PPE in 2016?

Response:

No. The $9.058 million shown in CUI's 2015 financial statements are expected to remain as CIP in 2016. The projects are expected to be completed in 2017 and added to PPE in 2017.

Question 13:

Reference: Section 2, page 6 of 30

Please provide a table that generally reconciles from year-end 2015 PPE values (per Financial Statement note 10) to the values shown in note 8 of page 6 ($93 million), and to the opening values of Table 2.1 for 2017 of $82.311 million (calculated as $72.082 million plus $43.729 million less $14.572 million less $18.928 million)?

Response:

Non-Contributed Asset Reconciliation

		2015			2016 - Q3 & Q4 Forecast						
	Useful				Additions		Retirements				
	Life	RB	Non-RB	Total	RB	Non-RB	RB	Non-RB	RB	Non-RB	Total
Land	Indefinite	3,420	1,105	4,525	0	0	0	0	3,420	1,105	4,525
Land Improvements	19-25 years	74	0	74	0	0	0	0	74	0	74
Buildings	1-50 years	1,371	583	1,954	0	0	0	0	1,371	583	1,954
Engineered Srtuctures	1-50 years	51,085	16,076	67,161	0	7,214	0	0	51,085	23,290	74,375
Machinery & Equipment	1-12 years	744	0	744	100	0	0	0	844	0	844
Vehicles	3-12 years	389	0	389	150	0	0	0	539	0	539
CIP	N/A	0	9,058	9,058	0	1,959	0	-99	0	10,919	10,919
Total		57,083	26,823	83,906	250	9,173	0	-99	57,333	35,897	93,230

Question 14

Reference: Section 3.3, Note 6, page 17 of 30

Please confirm the following:

a) all amortization expense for all Contributed Assets is outside of the rate base revenue requirement. Please confirm this is shown on the line entitled "Contributed Asset Amortization" on page 16

b) all amortization expense on Offsite Levy financed assets (or the OSL financed portion of assets that are split between Rate Base and OSLs) is outside of the rate base revenue requirement. Please indicate where this is included on page 16 (e.g., "Offsite Levy Expense"? "Contributed Asset Amortization"?)

c) all interest costs associated with OSL financed assets is outside of the rate base revenue requirement. Please indicate where this is included on page 16 (e.g., "Offsite Levy Expense?")

d) Is there any Return on Equity expense associated with assets outside of Rate Base? Is this included as an expense in any way on page 16?

Response:

a) Confirmed – all amortization for contributed assets is excluded from rate base revenue and shown on the line entitles "Contributed asset amortization."

b) Confirmed – all amortization expense for OSL assets are included in contributed asset amortization. If the asset is split between rate base and non-rate base, the amortization is also split between rate base and non-rate base.

c) Confirmed - interest expense related to OSL projects is included in offsite levy expense. If the asset is split between rate base and non-rate base, the financing is also split between rate base and non-rate base.

d) No – there is no RoE expense associated with assets outside of rate base. As described in our response to Question 2 above, RoE is calculated based on a % of CUI's Shareholder Equity and allocated to each line of business based on the non-contributed gross asset values.

Question 15:

Reference: Section 3.3, Note 6, page 17 of 30

Are these asset balances Gross or Net Book Values? If Gross, please provide the Net Book Values, if possible.

Response:

Net book values:

2016 – $20.1 million

2017 – $20.0 million

2018 – $22.7 million

2019 – $22.6 million

Question 16:

Reference: Section 3.3, Table 3.3.1, page 22 of 30

If a project is "S/G" and is financed 80:20 (per page 21 note 8) is both the S and the G considered to be financed 80:20? (or, for example, is all G funded by debt and all S funded by equity?)

Response:

2017 all S/G sanitary projects are 100% financed. 2018-2019 S/G sanitary projects are financed 80% with the remainder 20% being financed by equity.

Question 17:

Reference: Appendix 1, Section 2.1, page 4 of 25

Please provide an estimate of the meter replacement costs for 2015 and 2016.

Response:

2015 meter replacement costs – approximately $105K

2016 meter replacement costs – approximately $36K (up to November 30, 2016)

Question 18:

Reference: Section 3.3, Note 12, page 17 of 30

Does the definition of "Contributed Asset" in this note include OSL financed assets not in rate base? [this would appear to be the case, as the asset value grows by $1 million in 2019 concurrent with the NW Reservoir project which is a Growth project].

Response:

Yes, per the CUI Mandate & Regulatory Framework document approved by Council on November 21, 2016 the definition of contributed asset includes OSL funded projects and as such they are not included in rate base.

Question 19:

Reference: Section 3, page 10 of 30

How did CUI determine the Rate Base Net Income to target by each utility function for each of 2017, 2018 and 2019?

Response:

Further to the Financial Sustainability Measures prescribed in the CUI Mandate & Regulatory Framework document CUI was seeking to balance all four of the measures. In consideration of measure #4, CUI reflected on the advice provided by the City's consultant during the 2016 rate review process which described 15% as a typical maximum limit for rate changes. Weighing all these factors, CUI targeted a rate increase of 15% for the average residential customer in 2017 and 10% in each of 2018 and 2019. This had the effect of generating a RoE of 1.8% in 2017, 3.2% in 2018 and 5.3% in 2019.

Question 20:

Reference: Section 2, Note 8, page 6 of 30

Please confirm CUI continues to use accounting policies that charge a full year of depreciation to assets in the year they come into service regardless as to when in the year, they come into service. Please confirm this is applied to both forecasts as well as to actuals.

Response:

Yes – CUI continues to use the accounting policy as follows: In the year of acquiring an asset or putting an asset into service, CUI shall record 100 percent of the annual depreciation amount (no half year rule). In the year of disposal of an asset, CUI shall not record a depreciation amount. This policy is applied to both forecasts as well as to actuals.

Question 21:

Reference: Section 3.5, Note 5, page 29 of 30

Please confirm this should reference storm services and not “water services”. If not, please explain the relative role of this position in storm and water services.

Response:

As described in the organization chart provided on page 12 of our submission, CUI has begun referring to the team which includes the water, sanitary and stormwater operational employees collectively as the Water Services team. CUI plans to add one new position which will support each of the departments equally and as such the related salary, wages and benefits expense has been split between the three lines of business: water, sanitary, and storm services, equally.

Question 22:

What are your assumptions around bulk water sales? (# of customers or fills or days and avg volume /fill)?

Response:

Bulk water sales were factored into predicting the total amount of water that would be billed out to customers and purchased from the City of Calgary. In order to determine December 31, 2016 volumes, January – August 2016 actuals were used and by examining trends September – December was predicted. The model then factors growth into the m3 charged to customers.

Question 23:

Reference: Section 2, Note 12, page 6 of 30

What would be the impact of reducing CPI to 1.2% vs 1.7% that was used; City assumed 1.2% (CPI – July 2016); the 1.7% applied to the rate request year seems high, considering this is a 5-year average.

Response:

CUI arrived at a CPI of 1.7% by taking Alberta's 2011-2015 average inflation rate. CUI used this rate as it is the prescribed escalator in the EPCOR contract.

The impact of a change in 2017 would be minor as our major contracts (eg. ENMAX, EPCOR, tonnage rates) is under contract escalation rates. Also, financing charges and amortization expense is not impacted by inflation.

The 2018 impact would be a decrease in expense of $35K and the 2019 impact would be a decrease in expenses of $71K.

Question 24:

What are the components included in the OSL expense?

Response:

Financing charges associated to OSL projects.

Question 25:

Reference: Section 2, Note 1, page 7 of 30

The 2016 budget indicated a total comprehensive net loss of $3,710K. We don't have a statement which shows the Rate base net income (loss) related to this comprehensive loss. Can you indicate the Rate base net income (loss) budgeted for 2016 and reconcile the variance from this amount to the forecasted profit currently reported ($236K)?

Response:

The $3,710 is only the 2016 budget up to September 30, 2016. The $3,950 is the entire budget for 2016.

CHESTERMERE UTILITIES INC.
Consolidated Statement of Operations & Comprehensive Income Forecast
For the Period Ending December 31, 2016
($000's)

	YTD Actuals	Forecast	2016 Total	2016 Budget	Variance
Revenue					
Sale of goods and services [1]	8,509	2,729	11,238	12,241	1,003
Other revenue	204	68	273	273	0
Penalties	113	**47**	159	174	15
	8,826	**2,844**	**11,670**	**12,687**	**1,017**
Expenses					
Water supply and w aste management charges	2,880	885	3,765	3,780	15
Contracted Services [2]	1,619	754	2,373	3,078	705
Amortization [3]	1,303	463	1,766	3,169	1,403
Salaries, w ages and benefits	744	249	993	994	1
Financing costs	0	0	0	0	0
Materials, goods and supplies	443	498	942	865	-76
General and administrative expenses	214	51	265	343	77
Other expenses	8	1	9	4	-5
	7,213	**2,901**	**10,114**	**12,234**	**2,121**
Admin and board expenses	909	411	1,321	1,364	43
Rate base net income (loss) for the year	**704**	**-469**	**236**	**-910**	**-1,146**
Contributed Assets [4]	974	5,920	6,894	834	-6,060
Offsite Levy Revenue	13	78	92	90	-2
Offsite Levy Expense [5]	401	186	587	2,410	1,822
Accretion of preferred shares	1,165	388	1,554	1,554	0
Net income (loss) for the year	**125**	**4,956**	**5,081**	**-3,950**	**-9,030**

Question 26:

Reference: Section 2, Note 1, page 7 of 30

Given the Q3 2016 as proxy for the balance sheet statement – where are the 'plugs' used in your projected balance sheet? And what are the amounts?

Response:

Estimated the balance of B/S items based on previous year's balances – AFDA, inventory, prepaid, investments, A/P, current portion of debt, common shares, and accumulated OCI.

Recorded contributed assets expected in 2016 from developers for residential phases including Lakepointe Phase 2, Westmere Phase 24, Rainbow Road South, Westmere Phase 21, Westmere Phase 22B, Westmere Phase 23, Kinniburgh Phase 4, Lakepointe Phase 1, and Offsite Cove Waterman. Totaling $5.9 million and corresponding depreciation for $118K.

Recorded amortization expense for existing assets for October-December for approximately $461K.

Recorded Q4 capital project costs – leak detection equipment for $53K and corresponding depreciation for $5K and cart purchases for $5K and corresponding depreciation for $1K..

Question 27:

Reference: Section 2, page 7 of 30

What contributes to the significant decrease in accrued liabilities from 2015 to 2017?

Response:

The financing for Lift Station 13 is currently in accounts payable until a financing arrangement has been determined.

Question 28:

Reference: Section 2, page 5 of 30

There appears to be only $135K in new offsite levy revenue shown between 2017 and 2019. Based on the CUI's growth projections for 2017, 2018 and 2019, it would be expected this revenue should be $150K, $538K and $892K respectively. Should this revenue be included?

Response:

As described in the notes to the relevant RBNI statements, CUI has only included revenue from signed development agreements included in the forecasts and the values presented in the statements reflect the agreements that are known to CUI.

CUI would be pleased to receive any new information that the City can provide regarding new development agreements which have been executed which support the numbers provided in its question.

Question 29:

Reference: Section 3.3, Note 2, page 20 of 30

When is the life cycle fund fee planned to cease? What directs this decision?

Response:

There is no plan to cease the Lifecycle Fund at this point. As outlined in our response to Mayor Matthew's question on December 5th (which can be found at Appendix 2 – page 12 of these materials) there are both pros and cons to the construct of this fund.

It is important to note that if the fund does cease, rate base revenue requirement for the related lines of business would increase by a corresponding amount to cover any loss of revenue generated by the Lifecyle Fund rate.

Question 30:

Reference: Section 3.1, Note 6, page 14 of 30

What is the assumption on bad debt expense? How is the amount calculated for 2017 and on? Is this a rate based component because it is related exclusively to the customers' existing today?

Response:

To manage the risk of non-payment, CUI has put into place a very robust collections process and implemented a new customer deposit policy. As per our model as at October 27, 2016 – 100% of A/R balance over 120 days, 100% of A/R balance 90-119 days, and 50% of A/R balance 60-89 days have been calculated as an Allowance for Doubtful Account which totals $73,200. As CUI gain more experience in the collection program we will review the AFDA percentage factors.

Yes, these amounts are considered a rate base expense because it relates exclusively to the payment default of rate base customers, in the same way that income generated from penalties and fees accrues to the benefit of all rate base customers.

Question 31:

Reference: Section 2, page 8 of 30

Based on the 20% CUI portion of project costs (excluding sanitary which was calculated at 100% debt finance for only year 2017), the amounts required are $289K in 2017, $2.8M in 2018 and $1.2M in 2019 – roughly $4.3M in total. How is CUI planning to finance this considering the balances in cash and deferred revenue do not appear sufficient?

Response:

Financing for CUI's capital has assumed the following; sanitary projects in 2017 are 100% financed and 80% in subsequent years. All other projects assume an 80% financing requirement. The remainder of projects are financed with cash.

Question 32:

Where is the interest earned on Off-site Levies in CUI's bank account balances recorded?

Response:

Interest earned on positive Off-Site Levy account balances are recorded as penalties and interest, on page 13 of 30.

Question 33:

Reference: Section 2, page 7 of 30

The Current portion of Long Term Debt ("LTD") is constant at $482K for 2017, 2018 and 2019, given that LTD debt is increasing shouldn't the current portion should also be increasing?

Response:

Current portion of LTD was budgeted consistently. LTD is calculated based on inputted loans and then subtracts the current portion amount so there is no impact on the interest or principal calculations.

Question 34:

Reference: Section 2, page 7 of 30

Does CUI have a principle and interest schedule in its budget and forecasting model to show cash payment through the period? If so, what assumptions were used?

Response:

Yes, however, as described in Note 2, page 8 CUI's budget and forecasting model has a limitation which requires that requires the financial instruments are shown being opened and closed each year. Financing for new capital projects is assumed to begin at July 1 of each year. EPCOR projects (water and sanitary) have an assumed interest rate of 6% and all other projects have an assumed interest rate of 3.1%.

Question 35:

Reference: Section 3.3, page 18 of 30

Please confirm the variable rates for 2017 is correct.

Response:

There is a typographical error in this table, the variable rate for 2017 is $0.4889. CUI can confirm that the correct value has been used in its budget and forecasting model.

Question 36:

From the 2015 Audited Financial Statements – Note 11 – the Accrued Liability of $5,503,400 includes the costs for LS#13 and typical year-end liabilities. Please provide the actual 2015 amounts for LS#13 and accrued liability.

Response:

Lift Station accrued A/P - $5,125,932

Other accrued A/P - $377,468