IN THE MATTER OF
the Utilities Commission Act,
S.B.C. 1980, c. 60, as amended

and

IN THE MATTER OF
an Application by
ICG Utilities (British Columbia) Ltd.

DECISION

May 8, 1985

J.D.V. Newlands, Deputy Chairman and
Chairman of the Division
D.B. Kilpatrick, Commissioner
N. Martin, Commissioner

TABLE OF CONTENTS

APPEARANCES

MR. R.B. WALLACE	for the Applicant
MAYOR B. PALMER	for the City of Fort St. John
MR. K.C. MACKENZIE	for the Commission

MR. B. McKINLAY MR. S. WONG MR. R. BROWNELL	Commission Staff
MR. D. LEACH	Hearing Coordinator
ALLWEST REPORTING LTD.	Court Reporters

LIST OF EXHIBITS

The Application by ICG Utilities (British Columbia) Ltd. dated November 23, 1984 was heard in Fort St. John, British Columbia on March 26, 27 and 28, 1985.

The Application was heard by J.D.V. Newlands, Deputy Chairman, D.B. Kilpatrick, Commissioner and N. Martin, Commissioner.

I. THE APPLICATION

ICG Utilities (British Columbia) Ltd. applied by letter dated November 23, 1984 for interim and permanent rate relief to be effective January 1, 1985.

The Commission, pursuant to Order No. G-86-84 granted interim rate relief, effective January 14, 1985, in the amount requested subject to refund after hearing, 30 days after the Applicant provided copies to the municipalities and large industrial customers in accordance with the Commission's letter of June 21, 1984.

By letter dated February 13, 1985, the Applicant filed revised material and as a consequence sought additional rate relief of approximately $68,000.

At the commencement of the hearing in Fort St. John, the Applicant filed further revisions to its Application which eliminated the need for the additional revenue sought in their letter of February 13, 1985 and reduced the requested rate relief sought in their initial Application of November 23, 1984.

The Applicant has proposed that the cost of service of Fort St. John and Port Alice be combined which, if implemented, would result in a proposed increase of 5.4% for customers in the Fort St. John area and a 25% reduction for Port Alice customers.

The Applicant was represented by Mr. Jean B. de Grasse, Vice President and General Manager, B.C. Region; Mr. D. G. Olsen, Division Manager; Mr. A.W. Emmerzael, District Supervisor; Mr. Lloyd Guenther, Co-ordinator of Rate Administration and Property Records for ICG Utilities (Plains-Western) Ltd.; and with regard to the cost of capital, by Mr. G.M. Hoffman, Vice President and General Manager of ICG Utilities (Manitoba) Ltd. Mr. Hoffman has previously testified before this Commission and the Ontario Energy Board with regard to the cost of capital. Mr. Jean B. de Grasse was appointed Vice President and General Manager effective January 1985 and prior to this appointment the B.C. Region reported to the Alberta Regional Vice President.

II. BACKGROUND

ICG Utilities (British Columbia) Ltd. (" ICG (B.C.) ") is a wholly-owned subsidiary of ICG Utility Investments Ltd. which is itself a wholly-owned subsidiary of Inter-City Gas Corporation of Winnipeg, Manitoba (Ref. Appendix A attached). ICG (B.C.), which was providing piped propane service to Port Alice, British Columbia, pursuant to Commission Order No. G-2-84 dated January 12, 1984, acquired the British Columbia utility assets of ICG Utilties (Plains-Western) Ltd. which provided natural gas service to Fort St. John and Taylor regions of British Columbia.

Port Alice is a community of approximately 1,700 people located on Neroutsos Inlet near Quatsino Sound on the northwest coast of Vancouver Island. Prior to the acquisition of the Fort St. John assets, the Company had approximately 276 customers. The community is primarily dependent on the Western Forest Products pulp and paper mill located adjacent to the community itself.

The City of Fort St. John (population approximately 15,000) and the Village of Taylor (population approximately 1,000) are located in northeastern British Columbia with the local economy dependent primarily upon oil and gas activity, agriculture and, to a lesser extent, lumber. Consideration is being given to the construction of a pulp and paper mill in the Fort St. John area and if constructed, this would provide additional employment opportunities in the community and a large industrial load for the utility. Additional opportunities may develop for the utility if new grain facilities are constructed, and from the conversion of vehicles to run on compressed natural gas. Mr. Olsen testified at transcript page 55 that in his opinion natural gas was the preferred vehicle fuel in comparison to propane and both fuels were more economical than gasoline.

On November 5, 1984, ICG (B.C.) made application to the Commission for approval to issue a series of debt issues and equity shares in order to put in place an actual capital structure consistent with the deemed capital structure adopted by the Commission in its Decision dated February 10, 1984. The Commission approved the application pursuant to Commission Order No. G-70-84 dated November 30, 1984.

Since the debt issues involved represent a consolidation of previous deemed issues the effective cost will rise as the older lower interest rate portion is retired.

III. TEST PERIOD

The rate relief sought is for the test year ending December 31, 1985 based on a 12 month forecast. For purposes of comparison the Applicant provided expected 1984 results based on 7 months actual and 5 months forecast for 1984.

IV. RATE BASE

The Applicant's rate base has grown significantly in the last few years from approximately $4.4 million in mid-1981 to an estimated $7.2 million in mid-1985. While the growth in the past was primarily related to extension of gas service to rural areas, the current increase is primarily attributable to the proposed expansion of transmission capacity at a capital expenditure cost of approximately $450,000 and a proposed new office building at approximately $300,000 for which the land has already been purchased.

In view of the limited capacity available in the Applicant's existing transmission system to provide service to both existing and new customers, as well as the increased capacity which will be required due to the commencement of service of the Westcoast Transmission Company Limited straddle plant at Taylor in late 1985, the Commission has concluded that the public convenience and necessity require the installation of the additional transmission capacity requested at this time.

The Commission would encourage the Applicant to take all prudent measures to minimize the installation cost and will require that the Applicant keep detailed records of all intercorporate costs charged to this construction, for approval by the Commission upon completion of the project. This requirement is explained in the Cost of Service section of this Decision.

With regard to the proposed new office building, the site for which the Commission viewed with the Applicant and intervenors, the Commission believes that the benefits to the employees of the Company and purported efficiency to be gained by the Applicant, are not commensurate with the burden which is to be borne by the ratepayers at this time. Accordingly, the Commission has adjusted the rate base downward to reflect the removal of this proposed capital addition exclusive of the property already purchased, and the furniture and fixtures associated therewith have been deleted. The Commission is prepared, however, to approve early construction of this project if the Applicant can find sufficient savings in the estimated costs, or wishes to absorb any additional costs at this time. If this proves impossible, the Applicant can elect early construction but the resulting new assets must be kept out of the rate base until such time as the Commission deems it appropriate to include them.

The matter of the software costs of the customer service and management information system was considered previously by the Commission in its Decision dated December 5, 1983.

The Commission stated therein at page 3 as follows :

> " Included in the rate base is an amount of $102,250 for the development of computer systems. While accepting this expenditure, the Commission expects to be advised of significant expenditures planned by related companies, the cost of which will be allocated to the Applicant. "

The $102,250 mentioned above is a mid-year balance based on a beginning balance of $53,600 and a forecast expenditure of $97,300, resulting in a year-end forecast amount of $150,900. The actual accumulated expenditures at December 31, 1983 were approximately $184,000. In the 1984 Application the Applicant estimated a negligible increase in expenditures and the forecast amount at December 31, 1984, inclusive of Port Alice was approximately $188,000. The actual accumulated amount expended was expected to be approximately $221,000.

In the current (1985) Application the Applicant is forecasting a further expenditure of approximately $40,000 with accumulated expenditures at December 31, 1985 expected to be approximately $261,000. The Applicant plans that any unamortized balance will be amortized to the cost of service over its useful life, anticipated to be seven years.

The Commission is concerned with the magnitude of the expenditure as well as the apparent cost overruns which have occurred to December 31, 1984, approximating $70,000. If the overrun is compared to the accumulated balance at December 31, 1984 of approximately $221,000, the overrun is in excess of 46%. The Commission appreciates that these are allocated costs outside the control of the local management but nevertheless concludes that some restraint must be placed upon such intercorporate charges. Accordingly, the Commission has reduced the forecast 1985 expenditure of approximately $40,000 by 50% and has disallowed the apparent $33,000 by which now anticipated actual expenditure for 1984 has overrun the estimated or forecast level.

If, in the next proceeding, the Applicant can justify both the prudency of the entire expenditure and the need for this type of information to manage a utility of this size, the Commission will make the appropriate adjustment. In the alternative, the Commission will expect an operating system to be in place for which the cost to the Applicant's customers will not exceed $200,000. The Commission has made the appropriate adjustments in the attached Schedules.

The Commission has considered the balance of the proposed expenditures such as the planned $45,000 expenditure on new vehicles and stresses the importance and indeed necessity for their careful ongoing review by the Applicant.

V. COST OF SERVICE EXCLUDING RETURN

The Commission has considered the estimated cost of service put forward by the Applicant and concludes that adjustments are required.

(a) Shared Costs and Intercompany Charges

In its Decision dated January 22, 1982 with respect to the Applicant's test year ending December 31, 1981, the Commission's concerns regarding the nature and increasing magnitude of the intercompany charges levied against the Applicant by the parent company were clearly signalled on page 5 of that Decision as follows :

> " ...,however, the Applicant is put on notice that in future rate cases these charges will be subject to closer scrutiny and it will be expected of the Applicant to provide necessary details and reasons for their incurrence. Combining the operations of the British Columbia companies into a separate division may well act to reduce overall administrative costs. "

It is apparent from the evidence heard at the March 1985 hearing that overall shared administrative costs have increased very substantially since 1981.

Those costs, expected by the Applicant to reach $596,300, carried by approximately 6,400 customers in 1984 (ref. Appendices B and D attached to this Decision), while not directly comparable by reason of substantial differences in the particular corporate services involved, compare to 1974 total intercompany charges of $58,516 paid by the Fort St. John Division and borne by its 2,730 customers under its previous ownership and management by Plains-Western Gas & Electric Co. Ltd. (ref. Exhibit 12, December 1975 Plains-Western Hearing). In light of the relatively small size of the Applicant's utility operations, such a difference has been and remains of serious concern to the Commission.

In response to a request by Commission Counsel during the hearing, the Applicant filed as Exhibit 8 an analysis of shared costs comparing forecast costs for December 1985 test year to the outlook or expected actual costs for 1984, and to the forecast costs for the 1984 test year. This analysis clearly indicates that total shared costs in 1985 are forecast to exceed those forecast for the test year 1984 by 17.3%. Of equal significance is the indication that expected actual total shared costs for 1984 (1984 Outlook) exceeded forecast test year 1984 costs by 20.4% (ref. Appendix B attached to this decision).

The Commission's analysis of the Applicant's shared costs or intercompany charges is attached as Appendix C to this Decision, and is based entirely on evidence derived from the present and preceding applications. It indicates that total actual shared costs allocated to Fort St. John have increased from $190,500 in 1979 to $596,300 in 1984 ; an increase of $405,800 or 213% over a five-year period. Increases of 55.6% and 34.9% have occurred in the years 1983 and 1984 alone. Such increases, substantially exceeding as they do any rate of increase in revenue conceivably attainable by the Applicant, in the Commission's view are excessive and unreasonable in the circumstances. The Commission concludes that these increases, if not entirely responsible, have contributed substantially to the Applicant's recent history of losses and failure to achieve its allowed rate of return.

In cross-examination by Commission Counsel, the Applicant was asked to consider the question of whether or not the Fort St. John utility is deriving any cost benefit from being part of a large organization, as distinct from being on a stand-alone basis with respect to administrative costs. The Applicant was given overnight to respond and indicate the order of magnitude of any cost savings to the customer attributable to the shared services and costs thereof (ref. Transcript Vol. 1, page 96).

In response the Applicant chose to explain at length the reasons for the 1984-85 increases and/or decreases in shared costs indicated in Exhibit 8, (ref. Transcript Vol. 2, pp. 147-151) but made no attempt to respond to the question of customer benefits. While recognizing the difficulty of quantifying such benefits, the Commission concludes that the Applicant's failure to specify in qualitative if not quantitive terms, the benefits attributable to what otherwise appear to be excessive and unreasonable cost allocations from the parent company, cannot be overlooked by the Commission.

While the Applicant's witness was not prepared to respond to a question by the panel Chairman with respect to the comparability of corporate charges in similar small utilities like Fort Nelson Gas Ltd., this did raise the possibility that such comparisons might provide at least a helpful order-of-magnitude indication as to reasonableness of the costs being allocated to ICG (B.C.) (ref. Transcript Vol. 1, page 100).

Accordingly the Commission, to aid in reaching a fair conclusion in the matter, has derived from public sources a comparison of total intercompany charges borne by the customers of ICG (B.C.), as compared to those of Fort Nelson Gas Ltd., Columbia Natural Gas Limited, Northland Utilities (B.C.) Limited and Pacific Northern Gas Ltd. (attached as Appendix D). While the Commission recognizes and acknowledges such comparisons between companies are necessarily difficult and inconclusive, the order of magnitude of the difference between ICG (B.C.) and the others is so great that, in the

Commission's view, it supports a conclusion that the ICG (B.C.) costs are excessive for a small utility and therefore not properly in the public interest.

In the matter of shared costs and intercompany charges, in light of the facts and recent trends in these costs, and in the absence of meaningful evidence as to their reasonableness and the benefit to the utility customers therefrom, the Commission is not prepared to accept the unsupported assurances of the Applicant's witnesses.

The Commission's concerns, as noted heretofore, were clearly expressed in the 1981 Decision, and the apparent " volatility " in shared costs cannot be entirely attributed, in the Applicant's terms, to " . . . streamlining of the operations and application of better management principles and better controls. " (ref. Transcript Vol. 1, page 87) or to reorganization caused by acquisition of Northern and Central Gas Corporation (ref. Transcript Vol. 1, page 89). The concept of " control " by a division or subsidiary, of cost allocations by the parent company is weak at best. In this case, for example, the decision by the parent company to undertake major expenditures ($261,000 cumulative to year-end 1985) on the development of sophisticated computerized management information and billing systems, was initiated by the parent company. There is no evidence, as distinct from management assurances, that the Applicant will realize significant benefits or that such shared costs would have been considered essential and undertaken by ICG (B.C.) on a stand-alone basis.

Moreover, in cross-examination the Applicant was content to merely testify, that where corporate (parent company) costs such as financing, banking and shareholder relations, and assistance in rate applications, accounting and planning involve more than one company or division, the costs are " . . . allocated on some fair basis . . . " (ref. Transcript Vol. 1, page 89). In the Commission's view, such broad assurances are no substitute for specific evidence, where the end result is increasingly heavy allocations of cost from parent to subsidiary.

In light of the foregoing the Commission has reduced the Applicant's provision for shared costs of $581,100 in the application, to the level of $495,400 approved by the Commission for test year 1984 and will so order. In addition to the reduction in shared cost allocations the Commission, for the next rate application, will require specific evidence, as distinct from unsupported testimony, that the projected intercompany charges are reasonable and justified, without which further adjustments may be required.

(b) Line Loss

The line loss for Fort St. John was initially forecast to be approximately 3.02% and this was subsequently revised to a forecast of 3.33% for 1985.

Mr. de Grasse, at transcript page 232, states as follows :

> " We think it's definitely that 3 percent is too high. We're going by steps. Not having found any identifiables so far, identifiable sources of leaks, first of all. The target for 1985, of course, was a reduction of some 1 percent, I believe, from the information reported, a little better than 1 percent, 1.2 percent for '85. We'll gradually try to eliminate it to industry standards.
>
> I must add, Mr. Chairman, that not because I came aboard in January, but part of the work I will be doing is going over all of the steps that we've performed so far in the latter part of '84, and earlier than '84, and go through methodically and systematically to find out whether we've overlooked something. "

On the basis of that testimony, the Commission concludes that line losses should be shared equally between the customers and shareholders and accordingly has reduced the allowance to 1.7%, or half the revised forecast loss of 3.33%.

(c) Wages and Salaries

The Applicant has forecast an increase in wages and salaries of approximately 5% which is significantly in excess of the current rate of inflation. It would appear that this is primarily a result of Alberta contract settlements. The Commission finds such increases to be excessive at this time and though no adjustment has been made will expect greater efforts to be made to contain these increases in future.

(d) Provincial Budget

It appears from the 1985 Provincial Budget that some tax relief may be available to the Applicant in 1985 and escalate in the following years. However, the magnitude of the tax relief, if any for utilities, will not be definitely known until such time as the " regulations " are available. Accordingly, no adjustment has been made at this time.

(e) Amortization of Deferred Tax Balance

This Applicant in the past has used the normalized method for calculating income taxes and has recorded on its books a deferred tax balance of approximately $196,400. An issue in this proceeding was whether or not the aforementioned balance should be amortized to the cost of service at approximately 2% per annum. The Commission has considered this matter and although believing the concept may have merit in the future, concludes that it is premature at this time.

VI. CAPITAL STRUCTURE AND COST OF CAPITAL

Mr. Garry M. Hoffman, Vice-President and General Manager of ICG Utilities (Manitoba) Ltd. (previously Senior Vice-President, Administration of ICG Utilities Ltd.) gave evidence with regard to the proposed capital structure, and the cost of debt and equity used in the Application. In so doing, he proposed a capital structure based on a long-term debt component of 60.14%, short-term bank advances of 2.41%, preferred shares of 1.66% and common equity of 35.79%. This proposal results in a weighted common equity cost of 5.73% and an overall return on rate base of 14.41% and, as later amended, of 14.38%.

With regard to the embedded cost of debt, this has been determined by the Applicant on the basis of a series of promissory notes issued by ICG (B.C.) to ICG Utilities (Canada) Ltd. and ICG Utility Investments Ltd. Additional funds were assumed to be required in 1984 at a rate of 14.62%, this being the rate on the most recent note, maturing in 1996. The terms and conditions of the above-mentioned note between the Applicant and its related companies are the same as those contained in the agreements between these companies and the lenders, including interest costs, sinking fund requirements and cost of issuance. The additional funds required were assumed to be from short-term bank advances, on which the interest rate was originally assumed to be 13.50% and subsequently amended to 12.0%.

In determining the appropriate cost of equity, Mr. Hoffman considered the Discounted Cash Flow Method (DCF) and Equity Risk Premium Method.

In describing his use of the DCF method, Mr. Hoffman stated as follows :

> " As part of my evidence with respect to BCUC Order No. G-9-84, I had analyzed a group of Toronto Stock Exchange companies on the basis of coefficient of variation on their common equity earnings

per share. This group was analysed again this year on the basis of a longitudinal study. The companies were analyzed on the basis of three periods of data : sixty, forty-eight and thirty-six months. The companies were analyzed and grouped on the basis of coefficient of variation on their common equity earnings per share returns. The following table indicates the result of those studies.

ICG UTILITIES (BRITISH COLUMBIA) LTD.
DIRECT TESTIMONY OF GARRY M. HOFFMAN - Page 9

Period	C of V* Group	Return D.P.S.* Growth	E.P.S.* Growth
36	Low < 10%	10.89%	11.16%
	Med. > 10% < 20%	13.11%	15.78%
	High > 20%	18.12%	25.85%
	Total	13.50%	16.52%
48	Low < 10%	13.21%	8.86%
	Med. > 10% < 20%	12.99%	13.80%
	High > 20%	17.92%	24.06%
	Total	14.70%	16.66%
60	Low < 15%	13.13%	9.73%
	Med. > 15% < 20%	12.20%	10.16%
	High > 20%	16.48%	20.67%
	Total	14.60%	15.45%

I have concluded that a fair return on common equity of 16.5% is indicated. "

With respect to his application of the equity risk premium method the witness stated as follows :

" The equity risk premium method is based on the theory that the equity return holder requires, and does receive, a premium above what he could receive for riskless investment. The methodology uses, as a point of departure, the yield on government bonds(1) as representing the riskless return that is available to the investor.

---

(1) Assumed to be approximately 12.5%.

* - Coefficient of variation
- Dividends per share
- Earnings per share

> Added to this is a premium to allow for the variation of the forecast of actual inflation versus realized inflation and a further risk premium to allow for the equity investment, being one that has to bear all of the variations in the operating returns and results of the company. Based on today's current level of interest rates, a return on common equity would be in range of 15.5% to 16.5%. This would represent the bare equity return. "

Finally, to reflect financing costs and market pressures, Mr. Hoffman concluded that the rate should be increased to between 16.9% and 18%. However, after giving recognition to the economic conditions prevailing in Fort St. John, the witness recommended a 16% rate of return on equity or an increase of 3.2% over the previous approved return of 15.5%.

In cross-examination Mr. Hoffman was requested to reconcile his proposed rate of return on equity with that generally allowed by regulators in 1984 (15.25% to 15.8%) and at transcript page 320 he stated as follows :

> " I would say that the reason that my return is higher than the average of those companies is that I perceived the recent earnings record of ICG Utilities (British Columbia) to be considerably more volatile and therefore reflecting a higher risk which in turn requires a higher return ".

With regard to the element of judgement in reaching his conclusion, Mr. Hoffman stated at transcript page 319 as follows :

> " As, if you're familiar with any [rate of] return evidence, which I'm sure you are, a great deal of it is judgement applied to analysis. And that is what I did. "

With regard to the basic rate or risk free rate employed by Mr. Hoffman in his equity risk premium method, the following discussion took place commencing at transcript page 320, line 24 :

" Q : And the elements there are first of all, the basic rate ?

A : Yes, that's correct.

Q : And that's the rate on government bonds, bascially ?

A : Yes.

Q : What particular rate have you taken for that in your calculations ?

A : I've responded to that request in information request 8C and I used as a starting point 12.5 percent.

Q : That's a little higher than the 1984 average return on government bonds, is it not ?

A : That's correct. At the time I did my testimony, I had third quarter results for Schedule 1, which is the average yield to maturity on various bond indexes. And at that time it was 12.62 percent. The year average turned out to be 11.56 percent.

Q : And then fourth quarter, 11.13 percent?

A : Yes, that is correct.

Q : Should your basic rate not be revised in the light of the fourth quarter and annual figures ?

A : I don't believe so. The interest rates have fluctuated considerably, early in 1985, and I would think that my estimate of 12.5, seeing it's done prospectively for 1985, as what the average yield will be, is indicative of what may come to pass as a forecast. "

In light of the foregoing and with specific regard to the conclusion of the witness as to the prospective long-term interest rate, the Commission has considered the annual historic rates of 15.26% in 1981, 14.76% in 1982, 11.77% in 1983 and 12.88% in 1984 as well as the prospects for 1985.

The Commission believes that, in the present and prospective period of slow economic recovery, investors' expectations as to prospective rates of inflation are moderating and may be stabilized in the 3.5 to 4% level. Accordingly, the Commission concludes that a range of 10.75 to 11.25% is a more appropriate estimate of the prospective yield on long-term government bonds than the one to three year rate of 12.5% adopted by Mr. Hoffman. To assume a yield lower than 11.0% at this time would expose the Applicant's shareholders to undue and unnecessary risk. In the event that yields fall significantly below 11%, this can be reflected in the next rate decision with any current difference accruing to the benefit of shareholders who in the past may have suffered as a result of rising rates.

With regard to return on common equity, in testimony on behalf of the City of Fort St. John represented by His Worship Mayor Palmer and assisted by Mr. R.H. Blackwood, Municipal Manager, it was stated that the " City feels obligated, as it did in 1984, to protest this increase in rates for the purpose of enhancing profits during this period of economic depression ". At transcript page 245, Mayor Palmer further stated as follows :

> " Now, we recognize that a company has to be viable, and the operation has to be viable, and there has to be a fair return on investment. What we are saying is that given this point in time, we think 16% is excessive. We believe that the projected 9.57% return is ample, given the times and conditions that we have been faced with, and given the monopoly that the company does hold in the area ".

With respect to risk factors, the Commission concludes that the business risk attributable to the Applicant is low, due both to the economic stabilization which has taken place in Fort St. John and the composition of the Applicant's market, dependent as it is on residential, commercial and agricultural loads rather than more vulnerable major industrial loads. The Commission further concludes that the financial risk is medium to high due to the volatility of the recent earnings of the Applicant. As stated previously however, it is the view of the Commission that this volatility is directly related to the impact of intercorporate charges. Accordingly, the Commission has, in the circumstances, discounted this risk in determining the just and reasonable return on equity.

Reflecting the foregoing factors, and after consideration of the DCF and risk premium methods presented by the Applicant, the Commission concludes that the Applicant should have the opportunity to earn a rate of return of between 14.75% and 15.25% on the book common equity and for the purpose of determining the appropriate rates has adopted a return of 15.25% on common equity.

(a) Application for Approval of Additional Long-Term Financing

During the hearing in Fort St. John and in the interest of minimizing costs, the Applicant applied for approval of $720,000 of additional long-term financing on the same terms and conditions underlying the $3,075,000 provided ultimately by the Mortgage Insurance Company of Canada under a 1982 agreement.

The Commission agrees generally with the Applicant's financial witness who testified that long-term assets must be financed with long-term funds and that short-term bank debt should be used until sufficient funds are required to make a long-term issue economic. The Commission's concern with the Applicant's current proposal is that the proposed rate, which presumably results from prefunding, is substantially in excess of both current and prospective short and long-term rates.

On the basis of the evidence provided, the Commission will not, at this time, approve the requested additional financing at the rate proposed by the Applicant which is currently 14.62%, escalating to 14.87% in 1986 and held at that level until maturity in 1996.

The Commission will require and will be requesting additional information from the Applicant before making a final determination with regard to the additional long-term financing. The Commission concludes that, for the purpose of determining just and reasonable rates, the appropriate combined rate for both the short-term financing and the proposed long-term funds approximately $556,000 in the Application, is a deemed bank prime rate of 11%.

To ensure that both the customers and shareholders are fairly treated, the Commission directs that a fund be established to " insulate " both parties from short-term fluctuations in interest rates. If the actual prime rate paid is less than 11%, a credit will develop in the fund whereas conversely, if the actual rate paid exceeds 11%, a debit will result. This fund, as well as the actual rates paid by the customers, will be reviewed and adjusted if required at such time as a determination is made with regard to the appropriate long-term financing.

VII. OTHER MATTERS

In addition to the matters previously discussed, comments and in certain cases adjustments, are required with regard to increased gas requirement due to the Westcoast Transmission Company Limited " straddle plant ", amalgamation of Fort St. John with Port Alice and the rate restructuring proposed by the Applicant.

(a) Westcoast Transmission " Straddle Plant "

Westcoast Transmission Company Limited is constructing a facility at Taylor, British Columbia which will remove propane, butanes, etc. from the gas stream with the net result that to achieve the same amount of energy additional volumes will have to be purchased. This " deep cut " facility is scheduled for completion in the fall of 1985 and will require that the customers of the Applicant purchase approximately 2.5% more natural gas to achieve the equivalent benefit.

From the Applicant's operating perspective, the completion of this facility should eliminate both the hydrates problem and the " black dust " deposits at the gate station, as experienced to date. The Commission would encourage the Applicant to negotiate appropriate quality specifications with Westcoast, to ensure that hydrate and dust problems do not recur. Although no adjustments have been made to reflect the elimination of the increased costs which have been incurred due to the hydrates problem, an adjustment is required to prevent the overrecovery of fixed costs by the Applicant. This adjustment has been made on Schedule I attached.

(b) Amalgamation of Port Alice and Fort St. John

The Commission has considered the evidence put forward by the Applicant as well as the concerns expressed by the City of Fort St. John, with regard to the amalgamation of the cost of service exclusive of the cost of gas.

The Commission concludes that although periodic system investment from time to time may benefit one community more than the other, over time both will benefit from the respective capital investments, operating efficiencies and cost reductions which result from the amalgamations. Accordingly, the Commission concurs with the Applicant's proposal.

(c) Rate Restructuring

The Applicant in Exhibit 3, Tab 18 has reviewed its rate structure and has proposed increases in fixed charges of $3 per month for General Service customers, $22 per month for Large General Service 1 customers and $97 per month for Large General Service 2 customers. In addition, the Applicant proposes that the existing residential and commercial rates in Port Alice be combined into a Small General Service rate structure as currently in effect in Fort St. John.

The Applicant stated that the proposed restructuring was of a technical nature, would have a minimal impact on the customers' bills and that the proposed charges compared favourably to those charged by other utilities in the Province. The City of Fort St. John opposed the residential rate restructuring on the basis of the impact it may have on the residential customers.

The Commission concludes that the Applicant's proposals with regard to the amalgamation of the Port Alice Residential/Commercial and the restructuring of the Large Industrial Rates are appropriate and should be instituted at this time. With regard to the proposed rate restructuring of the Small General Service Rate, and in view of the concerns expressed by the City of Fort St. John and the Applicant's statement that it is a technical adjustment with no significant financial impact, the Commission concludes the fixed charge must remain at $3.00.

With regard to the fixed charge of $10 per month billed to commercial customers in Port Alice, against a filed tariff indicating no such charge, the Commission requires that the Applicant file a corrected tariff without delay if it is proposed to continue billing that charge. By this Decision it is further required that the Applicant advise the Commission as soon as possible as to the magnitude of the revenue received outside the provisions of its filed tariff.

VIII. HEARING COSTS

The Applicant has proposed that due to the frequency of applications and related hearing costs, that the costs incurred in this hearing as well as all costs remaining from previous hearings, should be written-off over one year.

In the Commission Decision dated February 10, 1984, the Commission, at page 6 stated, " With regard to the costs of hearings and especially the accumulated cost thereof, the Commission believes that certain of the costs represent extraordinary circumstances and hence has adopted a three-year amortization period. "

The Commission concludes that such treatment should be continued but that, in light of the foregoing conclusions with regard to intercompany charges, a two-year amortization of the costs incurred in this proceeding is appropriate. The Commission notes that the costs of this hearing have declined by 30%

from those of the previous proceeding. The Commission will continue to pursue ways to minimize the costs of public rate hearings. As has been stated in other Decisions, however, responsibility for the control of hearing costs does not rest entirely with the Commission, since such costs are dependent on the quality of the Application and responsible conduct by both the Applicant and intervenors.

In this proceeding the Commission was assisted in the control of costs by the Applicant, the City of Fort St. John, Mrs. Shoal and other participants. The Commission recognizes that in some circumstances the use of independent expert financial witnesses may be both necessary and justified.

In this instance, however, a major cost saving was achieved by the Applicant in electing to present its rate of return evidence through a highly qualified Executive from the parent company, rather than retaining outside consultants at costs which can range from $20,000 to $50,000, as has been the experience of some utilities in British Columbia.

The Commission is satisfied that the Applicant's use of an expert witness drawn from the management of an affiliated company did not prejudice the rate of return evidence in this proceeding, and in these circumstances was cost effective.

IX. DECISION

By this Decision the Applicant is granted the opportunity to earn a return of 15.25% on common equity within the range of 14.75% to 15.5%.

Consistent with Commission Order No. G-86-84 dated January 4, 1985, the Applicant is required to refund the interim increase applicable to the City of Fort St. John and surrounding area of approximately 5.4%, inclusive of interest calculated at the prime rate of the bank with which ICG Utilities (British Columbia) Ltd. conducts its business.

Effective June 1, 1985 or such earlier date as permitted by timely filing, revised rates are to be effective for the City of Fort St. John and surrounding area, and Port Alice. This will permit the Applicant the opportunity to achieve the utility revenue on an annualized basis as set forth in the attached schedules.

The new rates in effect in Fort St. John will be marginally lower than the rates in effect on January 13, 1985 and shall be designed in accordance with the Applicant's proposal as modified by this Decision.

DATED at the City of Vancouver, in the Province of British Columbia, this 8th day of May, 1985.

J.D.V. NEWLANDS, Deputy Chairman

D.B. Kilpatrick

D.B. KILPATRICK, Commissioner

N. MARTIN, Commissioner

BRITISH COLUMBIA UTILITIES COMMISSION

ORDER NUMBER G-42-85

PROVINCE OF BRITISH COLUMBIA

BRITISH COLUMBIA UTILITIES COMMISSION

IN THE MATTER OF the Utilities Commission Act, S.B.C. 1980, c. 60, as amended

and

IN THE MATTER OF an Application by ICG Utilities (British Columbia) Ltd.

BEFORE:	J.D.V. Newlands, Deputy Chairman and Chairman of the Division D.B. Kilpatrick, Commissioner; and N. Martin, Commissioner	May 8, 1985

O R D E R

WHEREAS a public hearing was held March 26, through 28, 1985 at Fort St. John, B.C. to hear, inter alia, a November 23, 1984 Application by ICG Utilities (British Columbia) Ltd. ("ICG (B.C.)"), as amended February 13, and March 25, 1985 pertaining to increases in its filed Tariff Rate Schedules effective January 1, 1985; and

WHEREAS Commission Order No. G-86-84 authorized effective January 14, 1985 a rate increase applicable to Fort St. John Residential, Commercial and Industrial customers with the interim increase subject to refund and a rate decrease applicable to Port Alice customers; and

WHEREAS the Commission has considered the Application and the evidence adduced thereon, all as set forth in a Decision issued concurrently with this Order.

.../2

BRITISH COLUMBIA
UTILITIES COMMISSION

ORDER
NUMBER G-42-85

NOW THEREFORE the Commission hereby orders ICG Utilities (British Columbia) Ltd. as follows:

1. The Commission will accept for filing, effective with consumption on and after June 1, 1985, or such earlier date as permitted by timely filing, amended Tariff Rate Schedules which will permit ICG (B.C.) the opportunity to generate the annual gross revenue requirement of approximately $7.6 million on an annualized basis, as set out in Schedule I of the Commission Decision dated May 8, 1985.

2. Refunds resulting from the amendments to the Tariff Rate Schedules as applicable to the City of Fort St. John and surrounding area are subject to interest calculated at the prime rate of the bank with which ICG (B.C.) conducts its business.

3. The Rate Base for the Test Year ending December 31, 1985 is approximately $7,100,000.

4. The total Revenue Requirement for the Test Year ending December 31, 1985 will allow ICG (B.C.) an opportunity to earn a rate of return on common share equity of 15.25%.

5. ICG (B.C.)will comply with the directions incorporated in the Commision's Decision.

DATED at the City of Vancouver, in the Province of British Columbia, this 8th day of May, 1985.

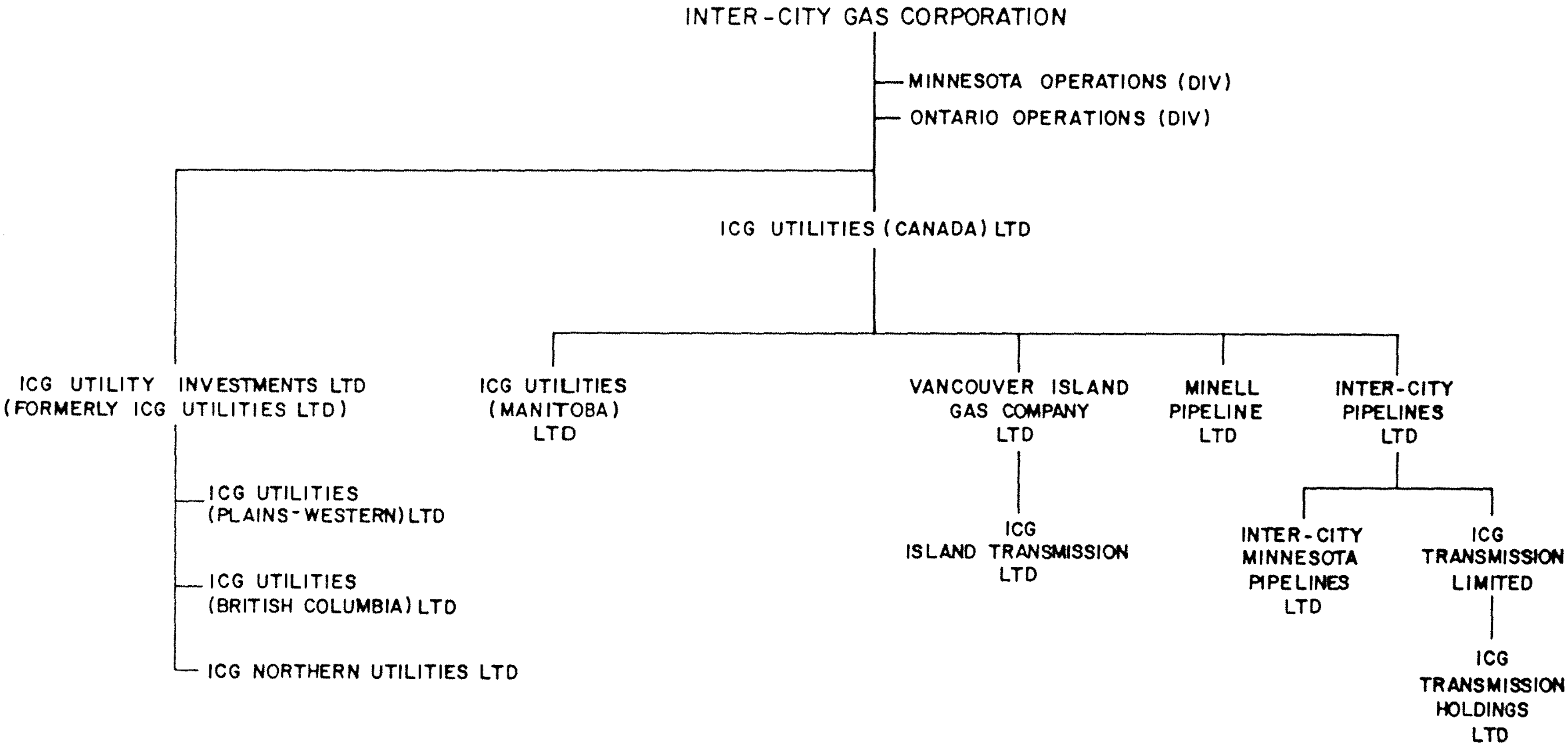
BY ORDER

D.B. Kilpatrick

Commissioner

UTILITIES DIVISION
ORGANIZATION CHART

AS OF JANUARY 1, 1985



APPENDIX A

EXHIBIT 8

APPENDIX B

ICG UTILITIES (BRITISH COLUMBIA) LTD
ANALYSIS OF SHARED COSTS

Line		1985 Forecast	1984 Outlook	1984 Applic.	Increase 1984-1985 Outlook to Forecast $	Increase 1984-1985 Outlook to Forecast %	Increase 1984-1985 Applic. to Forecast $	Increase 1984-1985 Applic. to Forecast %	Increase 1984-1984 Applic. to Outlook $	Increase 1984-1984 Applic. to Outlook %
	Divisional Shared Costs									
1	Engineering	32900	41800	21900	-8900	-21.3%	11000	50.2%	19900	90.9%
2	Marketing	7600	5200	3650	2400	46.2%	3950	108.2%	1550	42.5%
3	Customer Accounting	18800	25200	12500	-6400	-25.4%	6300	50.4%	12700	101.6%
	Administration									
4	Management	12200	15100	9940	-2900	-19.2%	2260	22.7%	5160	51.9%
5	Accounting & Finance	25100	33200	20300	-8100	-24.4%	4800	23.6%	12900	63.5%
6	Planning	6100	6000	4970	100	1.7%	1130	22.7%	1030	20.7%
7	Rate Administration	11000	15600	32900	-4600	-29.5%	-21900	-66.6%	-17300	-52.6%
8		54400	69900	68110	-15500	-22.2%	-13710	-20.1%	1790	2.6%
9	Total	113700	142100	106160	-28400	-20.0%	7540	7.1%	35940	33.9%
	Corporate Shared Costs									
	Administration									
10	Treasury	34000	37400	22870	-3400	-9.1%	11130	48.7%	14530	63.5%
11	Taxation	900	1100	490	-200	-18.2%	410	83.7%	610	124.5%
12	Internal Audit	6800	3500	2310	3300	94.3%	4490	194.4%	1190	51.5%
13	Fleet Administration	800	800	630	0	0.0%	170	27.0%	170	27.0%
14	Risk Management	1100	2300	1820	-1200	-52.2%	-720	-39.6%	480	26.4%
15	Research	1100	900	910	200	22.2%	190	20.9%	-10	-1.1%
16	Legal	4700	3900	3430	800	20.5%	1270	37.0%	470	13.7%
17	Human Resources	10600	12400	7280	-1800	-14.5%	3320	45.6%	5120	70.3%
18		60000	62300	39740	-2300	-3.7%	20260	51.0%	22560	56.8%
	Regional Shared Costs									
19	Operating & Maintenance	72400	70800	85200	1600	2.3%	-12800	-15.0%	-14400	-16.9%
20	Marketing	14600	9100	3700	5500	60.4%	10900	294.6%	5400	145.9%
21	Customer Accounting	97200	92800	80700	4400	4.7%	16500	20.4%	12100	15.0%
22	Administration	223200	219200	179900	4000	1.8%	43300	24.1%	39300	21.8%
23		407400	391900	349500	15500	4.0%	57900	16.6%	42400	12.1%
24	Total Shared Costs	581100	596300	495400	-15200	-2.5%	85700	17.3%	100900	20.4%
	Summary of Shared Costs									
25	Operating & Maintenance	105300	112600	107100	-7300	-6.5%	-1800	-1.7%	5500	5.1%
26	Marketing	23300	15200	8260	8100	53.3%	15040	182.1%	6940	84.0%
27	Customer Accounting	116000	118000	93200	-2000	-1.7%	22800	24.5%	24800	26.6%
28	Administration	336500	350500	286840	-14000	-4.0%	49660	17.3%	63660	22.2%
29	Total Shared Costs	581100	596300	495400	-15200	-2.5%	85700	17.3%	100900	20.4%

ICG UTILITIES (BRITISH COLUMBIA) LTD
SHARED COSTS ANALYSIS

(EXPENSES ONLY)

ACTUAL	1979 [1]	1980 [1]	1981 [2]	1982 [2]	1983 [3]	1984 [4]	1985
REGIONAL	$162,300	$221,400	$174,000	$185,500	$259,157		
DIVISION	28,200	37,800	49,300	66,700	116,855		
VIGAS	-	23,100	31,800	31,800	66,004		
TOTAL ACTUAL	$190,500	$282,300	$255,100	$284,000	$442,016	$596,300	??
% INCREASE OVER PREVIOUS YEAR		48.19%	-9.64%	11.33%	55.64%	34.90%	
TEST YEAR			$278,200 [1]		$337,900 [2]	$495,400 [4]	$581,100 [4]
BCUC ADJUST.			(45,000)		0	0	(85,700)
BCUC APPROVED			$233,200		$337,900	$495,400	$495,400
VARIANCE			($21,900)		($104,116)	($100,900)	
PERCENTAGE			9.39%		30.81%	20.37%	

NOTE:
- No charges to Port Alice included in years 1979 to 1982, and 1983 test year.
- Charges to Port Alice included in 1983 actual, 1984 and 1985.

[1] Undertaking Arising From Hearing dated Nov. 9, 1981, tab 7.
[2] Exh. 3C, 1982-1983 Rate Application, tab 8.06
[3] Exh. 6, tab 13.3, 1983-1984 Rate Application.
[4] Exh. 8, 1984-1985 Rate Application.

APPENDIX C

ICG UTILITIES (BRITISH COLUMBIA) LTD
INTER-CO CHARGE ANALYSIS

	ICG (B.C.)	COLUMBIA	NORTHLAND	PNG	FORT NELSON
	[1]	[2]	[3]	[4]	[5]
Inter-co charge	$581,100	$279,000	$180,000	$374,304	$8,100
Sales revenue	$7,583,669	$36,277,000	$4,118,000	$89,299,432	$1,917,000
Charge/sales $	$0.0766	$0.0077	$0.0437	$0.0042	$0.0042
# of customers	6,474	13,514	4,535	10,338	1,352
Charge/customer	$89.76	$20.65	$39.69	$36.21	$5.99

Note:
Charge per unit sold is not shown because ICG(B.C.) sales is mix of natural gas and propane.

[1] per Application (Exh. 8) and revised sales.
[2] per 1984-85 Exhibit 1 and Decision.
[3] per 1984 test year and Decision.
[4] per 1985 Application.
[5] per 1984-1985 Application, Exh. 5 Appendix D, item 5. and Decision.
(Gross administrative cost of $391,441 excluded by BCUC)

Schedule 1

ICG UTILITIES (BRITISH COLUMBIA) LTD

UTILITY INCOME AND EARNED RETURN
for the year ending December 31, 1985

	Per Application (Ex.3,p.10.1.1)	Applicant's Adjustments	Amended (Exhibit 6)	Commission Adjustments	Adjusted Balances
SALES VOLUME					
Natural gas-MCF	2,146,652	21,493	2,168,145	12,721 [1]	2,180,866
Propane-CCF	70,068		70,068		70,068
UTILITY REVENUE					
Gas sales -present rates	$7,277,139	$72,412	$7,349,551	$41,800 [1]	$7,391,351
Propane -present rates	234,118		234,118		234,118
	7,511,257		7,583,669		7,625,469
Gas sales -interim rates	392,250		392,250	6,883 [2]	399,133
Propane -interim rates	(58,610)		(58,610)		(58,610)
	333,640		333,640		340,523
Additional Deficiency		(14,360)	(14,360)		(400,827)
REVENUE REQUIREMENT	7,844,897	58,052	7,902,949		7,565,165
EXPENSES				28,100 [1]	
Cost of Natural Gas	4,603,990	59,974	4,663,964	(73,500)[3]	4,618,564
Cost of Propane	155,496		155,496		155,496
Operating	260,400		260,400		260,400
Maintenance	125,200		125,200		125,200
Sales Promotion	24,080		24,080		24,080
Customer Accounting	406,351		406,351		406,351
				(85,700)[4]	
Administration	611,016	(25,896)	585,120	(52,453)[5]	446,967
Amortization (CIAC)	(37,037)		(37,037)		(37,037)
Depreciation	287,752		287,752	(4,769)[6]	282,983
Municipal Taxes	196,629		196,629		196,629
Other Utility Revenue	(56,700)		(56,700)		(56,700)
	6,577,177	34,078	6,611,255		6,422,933
Utility Income before Taxes	1,267,720	23,974	1,291,694		1,142,232
Income Tax	244,428	7,975	252,403		166,378
EARNED RETURN	$1,023,292	15,999	$1,039,291		$975,854
UTILITY RATE BASE	$7,101,264	$126,076	$7,227,340		$7,066,286
RETURN ON RATE BASE %	14.41		14.38		13.81

Schedule I

[1] Fort St. John sales increased 2.5% in Nov. and Dec., 1985 due to in service of Westcoast Stripping Plant.

Nov. and Dec. Sales (Exh. 6, page 11.1.1R1 and 12.1.1R1):

508,853 Mcf * 2.5% = 12,721 Mcf

Gross sales = $(7,349,551 - 225,369) / 2,168,145 * 12,721 = $41,800

Cost of gas = $4,663,964 / 2,108,716 * 12,721 = $28,100

[2] Interim revenue increased due to increased sales per Applicant's amendment and [1].

[3] Line loss at Fort St. John adjusted to 1.7% from 3.33%. (Exh. 6, page 12.1.1R1)

(2,108,716 - 2,040,758)/3.33 * (3.33 - 1.7) * 4,663,964/2,108,716 = $73,500

[4] O&M and Administrative costs adjusted to reflect shared costs at 1984 Test Year levels.

1985 forecast (Exh. 8)	$581,100
1984 Application	495,400
	$ 85,700

[5] Hearing costs amortization per approved periods.

			Amort.	Adjustment
1981	per Application (Exh. 3, p.8.4.2)	$13,866		
	Approved amortization - 10 years		$2,311	$11,555
1984	per Application	$47,031		
	Approved amortization - 3 years		23,516	23,515
1985	per Application $41,766. Actual:	$48,766		
	Approved amortization - 2 years		24,383	17,383
			$50,210	$52,453

[6] Amortization of computer systems costs reduced (see Sch. II [1] (b)).

Schedule II

ICG UTILITIES (BRITISH COLUMBIA) LTD
Utility Rate Base for the Year Ending December 31,1985

	Per Application (Ex.3,p.5.1.1)	Applicant's Adjustments	Amended (Exhibit 6)	Commission Adjustments	Adjusted Balance
Gross plant in service					
Beginning of Year	$9,521,834	$0	$9,521,834	($33,380)[1]	$9,488,454
Accumulated Depreciation					
Beginning of Year	(1,370,957)		(1,370,957)		(1,370,957)
Net Plant in Service					
Beginning of Year	8,150,877		8,150,877		8,117,497
Gross plant in Service					
End of Year	10,609,543		10,609,543	(302,000)[2]	10,287,674
Accumulated Depreciation				(19,869)[1]	
End of Year	(1,627,627)		(1,627,627)	4,769 [1]	(1,622,858)
Net Plant in Service					
End of Year	8,981,916		8,981,916		8,664,816
Net Plant in Service					
Mid-Year	8,566,397		8,566,397		8,391,157
Head Office Average					
Net Plant Allocation	308,929		308,929		308,929
Less: Customer Contribution					
Mid-Year	(1,953,911)		(1,953,911)		(1,953,911)
Total Net Plant in Service					
Mid-Year	6,921,415		6,921,415		6,746,175
				($4,786)[3]	
Working Capital	376,249	126,076	502,325	18,972 [4]	516,511
Deferred Income Taxes	(196,400)		(196,400)		(196,400)
TOTAL RATE BASE	$7,101,264		$7,227,340		$7,066,286

Schedule II

[1] Portion of computer systems expenditure disallowed.

(a) difference between 1984 forecast and 1984 Outlook disallowed in beginning plant balance: $33,380

(b) 1/7 amortization related to (a): $4,769

(c) half of forecast 1985 expenditure disallowed: $39,737 x 1/2 = $19,869

[2] Removal of expenditure for new office building.

Structure and Improvements	$277,000
Furniture and Equipment	25,000
Total	$302,000

[3] Prepaid expenses excluded from working capital (per Vigas hearing). $4,786

[4] Balance of hearing costs increased per [5] in Schedule I.

	Exh. 3, page 8.4.1	Adjustment	Revised
Balance - beg. of year	$75,198	$(10,754)[a]	$64,444
costs incurred	54,520	7,000	61,520
Costs expensed	102,663	(52,453)[b]	50,210
Balance - end of year	27,055		75,754
Mid-year balance	51,127	18,972	70,099

[a] Beginning balances of Special studies for Plant records disallowed because they were not forecast in the 1983 and 1984 Applications.

[b] Amortization of hearing costs per Schedule I [5].

Schedule III

ICG UTLITIES (BRITISH COLUMBIA) LTD

CALCULATION OF INCOME TAXES ON UTILITY INCOME FOR THE YEAR ENDING DECEMBER 31, 1985

Utility Income before Taxes	$1,142,232	
Deduct: interest on debt	(583,675)	[1]
	558,557	
Add:		
Depreciation	282,983	
Amortization	(37,037)	
Write-off Rate Hearing costs	50,210	[2]
	296,156	
Deduct:		
Capital Cost Allowance	347,901	[3]
Rate Hearing Costs + studies	61,520	[2]
Overhead capitalized	122,000	
Cumulative Eligible Capital	2,616	
Inventory Allowance	718	
	534,755	
TAXABLE INCOME (LOSS)	$319,958	
INCOME TAX 52%	$166,378	

[1] Interest on debt equals debt cost components multiplied by rate base.
[2] Hearing cost write-off per Schedule II [4].
[3] CCA reduced by computer systems costs disallowance per Schedule II [1].

Schedule IV

ICG UTILITIES (BRITISH COLUMBIA) LTD

COMMON EQUITY AS AT DECEMBER 31, 1985

Common share capital December 31, 1984	$2,801,800
Retained Earnings	
Balance beginning of year	(242,196)
Forcast net income for the year	392,179 [1]
DEDUCT:	
Dividends incl. preferred	105,883
TOTAL December 31, 1985	$2,845,900
Common equity as at December 31, 1984	$2,559,604
MID-YEAR COMMON EQUITY	$2,702,752

[1] Forecast net income equals equity cost components multiplied by rate base.

Schedule V

ICG UTLITIES (BRITISH COLUMBIA) LTD

RETURN ON CAPITAL FOR THE YEAR ENDING DECEMBER 31, 1985

	Capitalization per Application (Exhibit 4)	Commission Adjustments	Capitalization Amount	Percentage %	% Average Embedded Cost	Cost Component %
Bank Advances	$182,506	$555,871 [1]	$738,377	9.75	11.000 [2]	1.07
Long-Term Debt	4,560,651	(555,871)	4,004,780	52.89	13.590	7.19
Preference Shares	126,059		126,059	1.67	6.480 [3]	0.11
Common Equity	2,713,884		2,702,752	35.69	15.250	5.44
	$7,583,100		$7,571,968	100.00		13.81

Schedule V

[1] Proposed additional L/T debt transferred to short term at 11%.

Per Application (Exh. 12, Schedule 5)	$3,630,871
Approved Order No. G-70-84	3,075,000
Difference	$555,871

[2] Average L/T debt cost reduced due to [1].

(Exh. 12, Schedule 6)	per Application	Adjustment	Balance
Average debt	$4,560,651	$(555,871)	$4,004,780
Average interest exp.	621,052	(81,268)	539,784
Foreign exchange loss	4,516		4,516
Total cost	625,569		544,300
Average cost	13.72%		13.59%

[3] Return on common equity reduced to 15.25%.