

October 16, 2012**Undertaking # 11**

Undertaking # 11

MPI to indicate what the '11/'12 actual would have been under the old methodology.

RESPONSE:

Ms Reichert was mistaken in her understanding of the cost allocation basis for the basic column for 2011/12 on the schedule included as the last page of the PUB book of documents tab 39. This column reflects the actual results based on the old cost allocation methodology (as do all the other columns on that schedule) and not the new cost allocation methodology as was indicated at the hearing.

The 2011/12 actual expenses for Basic using the old methodology for rate setting purposes are \$187.3 million, and is included in PUB (MPI) 2-17 (see attached). Only the allocation of 2011/12 normal operating expenses differs between the pro-formas in the General Rate Application (using the old methodology) and the Financial Statements (using the new methodology).

PUB (MPI) 2-17**Reference: PUB/MPI 1-38**

- a) For comparative purposes regarding the growth of Basic's costs relative to that of the Corporation as a whole, please provide the analysis requested in PUB/MPI 1-38(a), in a similar level of detail to TI.7.A for the Corporation as a whole and comment on the trend of increasing costs projected for 2013/14 and 2014/15.
- b) Please provide the relative percentage of corporate expenses for each expense category on the same basis as in PUB/MPI 1-33(g).
- c) Please restate PUB/MPI 1-38(a) and (b) having removed all special projects including, for example, but not limited to, Business Process Review and IT Optimization, and itemize all such projects.

RESPONSE:

- a) Refer to attachment.

Overall corporate costs are expected to decrease by 4.9% in 2013/14, primarily due to lower data processing costs. Overall corporate costs are expected to increase by 3.2% in 2014/15, primarily due to higher amortization of deferred development and data processing costs.

- b) Refer to attachment.
- c) Refer to attachment.

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PUB (MPI) 2-17 (a) & (c) Attachment

SUMMARY OF CORPORATE EXPENSES BY CATEGORY
For the Fiscal Years Ended February 28/29,

Normal Operations Expense Category	10/11 Actual	11/12 Actual	12/13 Forecast	13/14 Projected	14/15 Outlook	Compound Annual Growth Rate
						11/12 - 14/15
Compensation	139,565	153,695	150,208	153,360	155,101	0.3%
Data Processing	15,560	13,318	20,899	22,035	24,516	22.6%
Special Services	5,044	5,134	6,740	6,875	7,013	11.0%
Building Expenses	11,903	11,839	10,955	11,174	11,397	-1.3%
Amortization-Capital Assets	8,196	6,747	8,412	6,404	6,544	-1.0%
Amortization-Deferred Development	5,594	8,406	9,204	8,802	8,589	0.7%
Safety/Loss Prevention Programs	7,933	5,315	4,981	4,091	3,796	-10.6%
Telephone/Telecommunications	2,810	2,826	3,473	3,542	3,613	8.5%
Public Information/Advertising	3,280	2,744	2,970	3,029	3,090	4.0%
Printing, Stationery, Supplies	4,099	4,186	5,208	5,312	5,418	9.0%
Postage	3,212	3,667	3,866	3,943	4,022	3.1%
Regulatory/Appeal	4,109	3,472	3,265	3,330	3,397	-0.7%
Travel and Vehicle Expense	1,616	1,593	2,045	2,086	2,128	10.1%
Driver Education Program	3,316	3,832	4,083	4,165	4,248	3.5%
Grants in Lieu of Taxes	1,655	1,847	1,732	1,767	1,802	-0.8%
Furniture & Equipment/DP Equipment	1,773	2,497	1,460	851	1,372	-18.1%
Merchant Fees	416	8,441	8,186	8,350	8,517	0.3%
Other	5,502	6,466	7,355	7,501	7,652	5.8%
Total	225,583	246,025	255,042	256,617	262,215	2.1%

Improvement Initiatives Expense Category	10/11 Actual	11/12 Actual	12/13 Forecast	13/14 Projected	14/15 Outlook	Compound Annual Growth Rate
						11/12 - 14/15
Compensation	3,829	1,367	2,729	(550)	(908)	-187.3%
Data Processing	8,151	9,728	16,659	682	459	-63.9%
Special Services	2,372	3,971	1,090	373	-	-100.0%
Building Expenses	149	579	-	-	-	-100.0%
Amortization-Capital Assets	2	-	-	2,215	2,370	N/A
Amortization-Deferred Development	-	-	-	5,388	9,388	N/A
Safety/Loss Prevention Programs	802	897	800	400	200	-39.4%
Telephone/Telecommunications	21	-	-	-	-	N/A
Public Information/Advertising	180	327	-	-	-	-100.0%
Printing, Stationery, Supplies	2,081	119	-	-	-	-100.0%
Postage	431	-	-	-	-	N/A
Regulatory/Appeal	-	-	-	-	-	N/A
Travel and Vehicle Expense	26	9	25	-	-	-100.0%
Driver Education Program	-	-	-	-	-	N/A
Grants in Lieu of Taxes	-	-	-	-	-	N/A
Furniture & Equipment/DP Equipment	40	2,048	2,010	-	-	-100.0%
Merchant Fees	-	-	-	-	-	N/A
Other	403	94	732	252	114	6.6%
Total	18,487	19,139	24,045	8,760	11,623	-15.3%

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PUB (MPI) 2-17 (a) & (c) Attachment

SUMMARY OF CORPORATE EXPENSES BY CATEGORY
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Total Corporate Expense Category	10/11 Actual	11/12 Actual	12/13 Forecast	13/14 Projected	14/15 Outlook	Compound
						Annual Growth Rate
						11/12 - 14/15
Compensation	143,394	155,062	152,937	152,810	154,193	-0.2%
Data Processing	23,711	23,046	37,558	22,717	24,975	2.7%
Special Services	7,416	9,105	7,830	7,248	7,013	-8.3%
Building Expenses	12,052	12,418	10,955	11,174	11,397	-2.8%
Amortization-Capital Assets	8,198	6,747	8,412	8,619	8,914	9.7%
Amortization-Deferred Development	5,594	8,406	9,204	14,190	17,977	28.8%
Safety/Loss Prevention Programs	8,735	6,212	5,781	4,491	3,996	-13.7%
Telephone/Telecommunications	2,831	2,826	3,473	3,542	3,613	8.5%
Public Information/Advertising	3,460	3,071	2,970	3,029	3,090	0.2%
Printing, Stationery, Supplies	6,180	4,305	5,208	5,312	5,418	8.0%
Postage	3,643	3,667	3,866	3,943	4,022	3.1%
Regulatory/Appeal	4,109	3,472	3,265	3,330	3,397	-0.7%
Travel and Vehicle Expense	1,642	1,602	2,070	2,086	2,128	9.9%
Driver Education Program	3,316	3,832	4,083	4,165	4,248	3.5%
Grants in Lieu of Taxes	1,655	1,847	1,732	1,767	1,802	-0.8%
Furniture & Equipment/DP Equipment	1,813	4,545	3,470	851	1,372	-32.9%
Merchant Fees	416	8,441	8,186	8,350	8,517	0.3%
Other	5,905	6,560	8,087	7,753	7,766	5.8%
Total	244,070	265,164	279,087	265,377	273,838	1.1%

NOTE: In PUB 1-38 (b) the % of Basic to Corporate for 2010/11 was calculated post IFRS adjustments. As IFRS was not officially adopted until the 2011/12 fiscal year, the denominator used should be the actual 2010/11 total as in the above table.

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PUB (MPI) 2-17 (b) Attachment

SUMMARY OF CORPORATE EXPENSES BY CATEGORY
For the Fiscal Years Ended February 28/29,

Total Expense Category	Corporate				
	10/11 Actual	11/12 Actual	12/13 Forecast	13/14 Projected	14/15 Outlook
Compensation	143,394	155,062	152,937	152,810	154,193
Data Processing	23,711	23,046	37,558	22,717	24,975
Special Services	7,416	9,105	7,830	7,248	7,013
Building Expenses	12,052	12,418	10,955	11,174	11,397
Amortization-Capital Assets	8,198	6,747	8,412	8,619	8,914
Amortization-Deferred Development	5,594	8,406	9,204	14,190	17,977
Safety/Loss Prevention Programs	8,735	6,212	5,781	4,491	3,996
Telephone/Telecommunications	2,831	2,826	3,473	3,542	3,613
Public Information/Advertising	3,460	3,071	2,970	3,029	3,090
Printing, Stationery, Supplies	6,180	4,305	5,208	5,312	5,418
Postage	3,643	3,667	3,866	3,943	4,022
Regulatory/Appeal	4,109	3,472	3,265	3,330	3,397
Travel and Vehicle Expense	1,642	1,602	2,070	2,086	2,128
Driver Education Program	3,316	3,832	4,083	4,165	4,248
Grants in Lieu of Taxes	1,655	1,847	1,732	1,767	1,802
Furniture & Equipment/DP Equipment	1,813	4,545	3,470	851	1,372
Merchant Fees	416	8,441	8,186	8,350	8,517
Other	5,905	6,560	8,087	7,753	7,766
Total	244,070	265,164	279,087	265,377	273,838

Total Expense Category	Basic's Share				
	10/11 Actual	11/12 Actual	12/13 Forecast	13/14 Projected	14/15 Outlook
Compensation	101,449	109,659	107,037	108,817	110,208
Data Processing	11,614	12,677	19,288	17,640	19,620
Special Services	5,026	5,667	5,721	5,585	5,335
Building Expenses	8,818	8,678	8,040	8,390	8,571
Amortization-Capital Assets	6,481	5,272	6,659	6,452	6,702
Amortization-Deferred Development	5,231	7,704	8,335	11,988	14,777
Safety/Loss Prevention Programs	8,489	5,844	5,387	4,158	3,702
Telephone/Telecommunications	2,097	2,179	2,678	2,730	2,790
Public Information/Advertising	2,581	2,143	2,234	2,272	2,320
Printing, Stationery, Supplies	1,648	1,522	2,109	2,159	2,204
Postage	1,810	1,896	1,950	1,989	2,032
Regulatory/Appeal	4,078	3,433	3,231	3,297	3,363
Travel and Vehicle Expense	1,226	1,206	1,531	1,575	1,610
Driver Education Program	3,006	3,444	3,696	3,751	3,828
Grants in Lieu of Taxes	1,135	1,446	1,351	1,391	1,420
Furniture & Equipment/DP Equipment	1,427	3,259	1,148	652	1,085
Merchant Fees	-	6,182	6,036	6,157	6,280
Other	4,471	5,063	6,135	5,920	5,945
Total	170,587	187,274	192,566	194,923	201,792

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PUB (MPI) 2-17 (b) Attachment

SUMMARY OF CORPORATE EXPENSES BY CATEGORY**For the Fiscal Years Ended February 28/29,**

Total Expense Category	Basic's % of Corporate				
	10/11 Actual	11/12 Actual	12/13 Forecast	13/14 Projected	14/15 Outlook
Compensation	70.75%	70.72%	69.99%	71.21%	71.47%
Data Processing	48.98%	55.01%	51.36%	77.65%	78.56%
Special Services	67.77%	62.24%	73.07%	77.06%	76.07%
Building Expenses	73.17%	69.88%	73.39%	75.09%	75.20%
Amortization-Capital Assets	79.06%	78.14%	79.16%	74.86%	75.19%
Amortization-Deferred Development	93.51%	91.65%	90.56%	84.48%	82.20%
Safety/Loss Prevention Programs	97.18%	94.08%	93.18%	92.59%	92.64%
Telephone/Telecommunications	74.07%	77.11%	77.11%	77.08%	77.22%
Public Information/Advertising	74.60%	69.78%	75.22%	75.01%	75.08%
Printing, Stationery, Supplies	26.67%	35.35%	40.50%	40.64%	40.68%
Postage	49.68%	51.70%	50.44%	50.44%	50.52%
Regulatory/Appeal	99.25%	98.88%	98.96%	99.01%	99.00%
Travel and Vehicle Expense	74.67%	75.28%	73.96%	75.50%	75.66%
Driver Education Program	90.65%	89.87%	90.52%	90.06%	90.11%
Grants in Lieu of Taxes	68.58%	78.29%	78.00%	78.72%	78.80%
Furniture & Equipment/DP Equipment	78.71%	71.71%	33.08%	76.62%	79.08%
Merchant Fees	0.00%	73.24%	73.74%	73.74%	73.73%
Other	75.72%	77.18%	75.86%	76.36%	76.55%
Total	69.89%	70.63%	69.00%	73.45%	73.69%