

2.9 EXHIBIT 6: CALCULATION OF REVENUE DEFICIENCY OR SUFFICIENCY

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Exhibit 6 Filing Requirements: Cross Reference List

OEB Chapter 2 Filing Requirements- Heading/Sub-heading		Guelph Hydro Application Heading/Sub-heading	
2.9	Exhibit 6: Calculation of Revenue Deficiency or Sufficiency	2.9	Exhibit 6: Calculation of Revenue Deficiency or Sufficiency
	"Determination of Net Utility Income"	2.9.1	Determination of Net Utility Income
	"Statement of Rate Base"	2.9.2	Statement of Rate Base
	"Actual Utility Return on Rate Base"	2.9.3	Actual Utility Return on Rate Base
	"Indicated Rate of Return"	2.9.3.1	Indicated Rate of Return
	"Requested Rate of Return"	2.9.3.2	Requested Rate of Return
	"Deficiency or Sufficiency in Revenue"	2.9.4	Deficiency or Sufficiency in Revenue
	"Gross Deficiency or Sufficiency in Revenue"	2.9.5	Gross Deficiency or Sufficiency in Revenue
	"The applicant must provide a summary of cost drivers..."	2.9.6	Summary of Cost Drivers of Test Year Deficiency
	"The impacts of any change in methodologies..."	2.9.7	Impacts of Changes in Methodologies
2.9.1	Revenue Requirement Workform	Appendix 6-A	Revenue Requirement Work Form

1 **2.9 EXHIBIT 6: CALCULATION OF REVENUE DEFICIENCY OR**
2 **SUFFICIENCY**

3 Guelph Hydro has included the following information in this exhibit, excluding energy
4 costs (i.e. cost of power and associated costs) and revenues:

- 5 • Determination of Net Utility Income;
- 6 • Statement of Rate Base;
- 7 • Actual Utility Return on Rate Base;
- 8 • Indicated Rate of Return;
- 9 • Requested Rate of Return;
- 10 • Deficiency or Sufficiency in Revenue; and
- 11 • Gross Deficiency or Sufficiency in Revenue.

12 The information in this Exhibit supports Guelph Hydro's request in this Application for an
13 increase in its revenue requirement to support the proposed capital and operating
14 budgets for 2016; to service debt; to pay deemed PILs; and to earn the allowable return
15 on equity.

16 Guelph Hydro has determined that the Revenue Deficiency for the 2016 Test Year is
17 \$4,084,908.

18 The calculations on which this determination is based are set out below. The revenue
19 deficiency calculation does not include the following:

- 20 • Recovery of deferral and variance account amounts
- 21 • Other electricity charges which include energy commodity, transmission charges
22 and wholesale market service charges

1 These items are considered elsewhere in this Application and are treated either as
2 recoveries of regulatory assets or liabilities on the balance sheet, or as energy related
3 costs recorded in the OEB-prescribed Retail Settlement Variance Accounts.

4 **Revenue Requirement**

5 Guelph Hydro's revenue requirement is comprised of the following components:

- 6 • Operations, Maintenance, and Administration Expense;
- 7 • Property Taxes;
- 8 • Depreciation/Amortization Expense;
- 9 • Payments in Lieu of Income Taxes; and
- 10 • Return on Rate Base (Debt Interest Expenses + Return on Equity).

11 Guelph Hydro derives its revenue requirements primarily through distribution rates
12 charged to customers. Other revenues are derived from the Board-approved specific
13 service charges, late payment charges, and other distribution revenue as detailed in
14 [Exhibit 3, Tab 3](#), 2.6.3 Other Revenue.

15 These other revenues, described in detail in Exhibit 3, are treated as offsets against
16 Guelph Hydro's service revenue requirement to calculate the base revenue requirement
17 upon which class-specific distribution rates are calculated.

18 Guelph Hydro has included the OEB's Revenue Requirement Work Form ("RRWF") in
19 [Appendix 6-A](#) of this Exhibit as a PDF document and has included the "live" Excel
20 version.

21 Guelph Hydro has ensured that numbers entered in the RRWF reconcile with the
22 appropriate numbers in other exhibits of this Application.

1 **2.9.1 DETERMINATION OF NET UTILITY INCOME**

2 Guelph Hydro has computed its allowable 2016 Net Income to be \$6,062,116.

3 Table 6-1 provides the detailed Net Income calculation for the 2016 Test Year.

4 **Table 6-1 Determination of Net Utility Income**

<u>Line No.</u>	<u>Particulars</u>	<u>Initial Application</u>
	<u>Operating Revenues:</u>	
1	Distribution Revenue (at Proposed Rates)	\$32,112,227
2	Other Revenue	(1) <u>\$2,207,201</u>
3	Total Operating Revenues	<u>\$34,319,428</u>
	<u>Operating Expenses:</u>	
4	OM+A Expenses	\$16,404,861
5	Depreciation/Amortization	\$5,751,746
6	Property taxes	\$335,074
7	Capital taxes	\$ -
8	Other expense	<u>\$ -</u>
9	Subtotal (lines 4 to 8)	\$22,491,681
10	Deemed Interest Expense	<u>\$4,864,378</u>
11	Total Expenses (lines 9 to 10)	<u>\$27,356,059</u>
12	Utility income before income taxes	<u><u>\$6,963,369</u></u>
13	Income taxes (grossed-up)	<u>\$901,253</u>
14	Utility net income	<u><u>\$6,062,116</u></u>

5

1 **2.9.2 STATEMENT OF RATE BASE**

2 A summary of Guelph Hydro's Rate Base for the 2016 Test Year, calculated on Guelph
 3 Hydro's deemed capital structure in accordance with the OEB Filing Requirements, is
 4 summarized in Table 6-2. Guelph Hydro's 2016 Rate Base is \$162,960,102.

5 **Table 6-2 Rate Base:**

Line No.	Rate Base Particulars	Initial Application
1	Gross Fixed Assets (average) (3)	\$169,552,260
2	Accumulated Depreciation (average) (3)	(\$35,695,380)
3	Net Fixed Assets (average) (3)	\$133,856,880
4	Allowance for Working Capital (1)	\$29,103,222
5	Total Rate Base	\$162,960,102

7 **Allowance for Working Capital - Derivation**

Controllable Expenses	\$16,189,495
Cost of Power	\$207,681,446
Working Capital Base	\$223,870,940
Working Capital Rate % (2)	13.00%
Working Capital Allowance	\$29,103,222

8

1 **2.9.3 ACTUAL UTILITY RETURN ON RATE BASE**

2 Table 6-3 summarizes the computation of Guelph Hydro's actual 2015 rate of return on
 3 Rate Base of 5.48% and Guelph Hydro's 2016 requested rate of return on Rate Base of
 4 6.71%.

Table 6-3 Return on Rate Base

Description	2015 Bridge Actual	2016 Test Existing Rates	2016 Test - Required Revenue
Actual Return on Rate Base:			
Rate Base	\$159,195,402	\$162,960,102	\$162,960,102
	\$0	\$0	\$0
Interest Expense	\$4,821,710	\$4,864,378	\$4,864,378
Net Income	\$3,909,114	\$3,017,783	\$6,062,116
Total Actual Return on Rate Base	\$8,730,825	\$7,882,161	\$10,926,494
Actual Return on Rate Base	5.48%	4.84%	6.71%
Required Return on Rate Base:			
Rate Base	\$159,195,402	\$162,960,102	\$162,960,102
Return Rates:			
Return on Debt (Weighted)	5.05%	4.98%	4.98%
Return on Equity	9.42%	9.30%	9.30%
Deemed Interest Expense	\$4,821,710	\$4,864,378	\$4,864,378
Return On Equity	\$5,998,483	\$6,062,116	\$6,062,116
Total Return	\$10,820,193	\$10,926,494	\$10,926,494
Expected Return on Rate Base	6.80%	6.71%	6.71%

5
 6 **2.9.3.1 INDICATED RATE OF RETURN**

7 Guelph Hydro's 2016 Indicated Rate of Return is 6.71% as presented in Table 6-4 line
 8 21 of [Exhibit 6, Tab 5, Schedule 1](#), 2.9.5 Gross Deficiency or Sufficiency in Revenue,
 9 and it is calculated as the sum of Utility Net Income and Deemed Interest Expense
 10 divided by the Utility Rate of Return on Rate Base. The 2016 Indicated Rate of Return

1 at 2015 approved rates is 4.84%, 1.87% or 187 basis points below the requested rate of
2 return.

1 **2.9.3.2 REQUESTED RATE OF RETURN**

2 Guelph Hydro has determined its requested rate of return on Rate Base to be 6.71% or
3 \$10,926,494.

4 Table 6-3 above summarizes the computation of Guelph Hydro's expected 2015 rate of
5 return on Rate Base of 5.48% and Guelph Hydro's 2016 requested rate of return on
6 Rate Base of 6.71%.

7 As summarized in Table 6-3, in the absence of a change to distribution rates for 2016,
8 as proposed in this Application, and assuming that the 2015 Approved rates remained
9 unchanged, Guelph Hydro's return on Rate Base would be \$7,882,161, or a rate of
10 return of 4.84%.

1 **2.9.4 DEFICIENCY OR SUFFICIENCY IN REVENUE**

2 Guelph Hydro has provided a detailed calculation supporting its 2016 revenue
3 deficiency in Table 6-4 in this [Exhibit, Tab 5, Schedule 1](#), 2.9.5 Gross Deficiency or
4 Sufficiency in Revenue.

1 **2.9.5 GROSS DEFICIENCY OR SUFFICIENCY IN REVENUE**

2 Guelph Hydro has provided a detailed calculation supporting its 2016 revenue
3 deficiency in Table 6-4. The gross revenue deficiency is calculated as \$4,084,908.
4 Table 6-4 provides the revenue deficiency calculation for the 2016 Test Year at
5 Proposed Rates, which balances the revenue deficiency, net income and total return on
6 rate base.

7

1

Table 6-4 Revenue Deficiency Determination

Line No.	Particulars	Initial Application	
		At Current Approved Rates	At Proposed Rates
1	Revenue Deficiency from Below		\$4,084,908
2	Distribution Revenue	\$28,027,320	\$28,027,320
3	Other Operating Revenue Offsets - net	\$2,207,201	\$2,207,201
4	Total Revenue	\$30,234,520	\$34,319,428
5	Operating Expenses	\$22,491,681	\$22,491,681
6	Deemed Interest Expense	\$4,864,378	\$4,864,378
8	Total Cost and Expenses	\$27,356,059	\$27,356,059
9	Utility Income Before Income Taxes	\$2,878,461	\$6,963,369
10	Tax Adjustments to Accounting Income per 2013 PILs model	(\$2,652,036)	(\$2,652,036)
11	Taxable Income	\$226,426	\$4,311,333
12	Income Tax Rate	25.47%	25.47%
13		\$57,679	\$1,098,253
	Income Tax on Taxable Income		
14	Income Tax Credits	(\$197,000)	(\$197,000)
15	Utility Net Income	\$3,017,783	\$6,062,116
16	Utility Rate Base	\$162,960,102	\$162,960,102
17	Deemed Equity Portion of Rate Base	\$65,184,041	\$65,184,041
18	Income/(Equity Portion of Rate Base)	4.63%	9.30%
19	Target Return - Equity on Rate Base	9.30%	9.30%
20	Deficiency/Sufficiency in Return on Equity	-4.67%	0.00%
21	Indicated Rate of Return	4.84%	6.71%
22	Requested Rate of Return on Rate Base	6.71%	6.71%
23	Deficiency/Sufficiency in Rate of Return	-1.87%	0.00%
24	Target Return on Equity	\$6,062,116	\$6,062,116
25	Revenue Deficiency/(Sufficiency)	\$3,044,333	\$ -
26	Gross Revenue Deficiency/(Sufficiency)	\$4,084,908 (1)	

2

2.9.6 SUMMARY OF DRIVERS OF TEST YEAR DEFICIENCY

Table 6-5 below outlines the contributors to the revenue deficiency by revenue requirement component. Column A lists the 2012 approved amounts. Column B lists the 2016 revenue at existing rates shown in Table 6-4 allocated to each revenue requirement component based on the proportions in Column A. Column B estimates the revenue requirement components for revenue at existing rates based on the components assumed in existing rates. Column C calculates the increase included in the 2016 revenue at existing rates. Column D lists the 2016 proposed components. Finally, Column E represents the difference between Column C and Column B which provides an estimate of the revenue requirement components for the revenue deficiency of \$4,084,908.

Table 6-5 Revenue Deficiency by revenue requirement Component

Service Revenue Requirement	2012 Approved (A)	2016 Revenue at Existing Rates Allocated in Proportion to 2012 Approved (B)	Variance 2012 Approved vs. 2016 at existing rates (C) = (B) - (A)	2016 Proposed (D)	Revenue Deficiency (E) = (D) - (B)
OM&A including property taxes	\$14,222,500	\$15,372,718	\$1,150,218	\$16,739,935	\$1,367,217
Depreciation	\$4,238,024	\$4,580,766	\$342,742	\$5,751,746	\$1,170,980
Return on Rate Base	\$9,496,676	\$10,264,702	\$768,026	\$10,926,494	\$661,792
PILs	\$15,112	\$16,334	\$1,222	\$901,253	\$884,919
Total	\$27,972,312	\$30,234,520	\$2,262,208	\$34,319,428	\$4,084,908
					Difference (E) = (D) - (A)
Rate Base	\$139,676,719			\$162,960,102	\$23,283,383

There are three main contributors to the revenue deficiency of \$4,048,229 for the 2016 Test Year:

The first contributor is the cost increases in OM&A as detailed in Exhibit 4. The increase in OM&A (including property taxes) from the 2012 Board-approved amount to the 2016 proposed amount is \$2,517,435 as explained in [Exhibit 4, Tab 2](#), 2.7.2 Summary and Cost Driver Tables (please see Tables 4-4 to 4-6 and the supporting explanation for the

1 increase of \$2,517,435 in OM&A costs since 2012). Based on the information shown in
2 Table 6-5, \$1,150,218 of the increase is included in revenue at existing rates and the
3 remaining of \$1,367,217 contributes to the revenue deficiency. Guelph Hydro's
4 evidence in Exhibit 4 shows that:

- 5 • One of the key drivers of the OM&A deficiency stems from the need to hire
6 employees in key utility positions ahead of retirements.
- 7 • The second contributor to the revenue deficiency arises from the increase in
8 depreciation as detailed in [Exhibit 4, Tab 4](#), 2.7.4 Depreciation, Amortization and
9 Depletion.

10 The increase in depreciation from the 2012 Board-approved amount to the 2016
11 proposed amount is \$1,513,722 of which \$342,742 is included in the revenue at
12 existing rates and the remaining \$1,170,980 contributes to the revenue
13 deficiency. Guelph Hydro's evidence shows that the increase in the test year
14 depreciation expense is largely due to the added depreciation expense from the
15 change in net fixed assets between 2012 and 2016, as well as from a more
16 accurate accounting of determining depreciation expense from moving to IFRS
17 relative to the depreciation expense that was submitted in Guelph Hydro's 2012
18 rates application.

- 19 • The third main contributor is the increase in PILs as detailed in [Exhibit 4, Tab 5](#),
20 2.7.5 Taxes or Payments in Lieu of Taxes (PILs) and Property Taxes.

21 The increase in PILs from the 2012 Board-approved amount to the 2016
22 proposed amount is \$886,141 of which \$1,222 is included in the revenue at
23 existing rates and the remaining amount of \$884,919 contributes to the revenue
24 deficiency.

1 **2.9.7 IMPACTS OF CHANGES IN METHODOLOGIES**

- 2 Guelph Hydro has no changes in methodologies that could impact the overall revenue
3 deficiency and the cost drivers contributing to it.

APPENDIX 6-A: Revenue Requirement Work Form



Ontario Energy Board

Revenue Requirement Workform (RRWF) for 2015 Filers



Version 5.00

Utility Name	Guelph Hydro Electric Systems Inc.
Service Territory	
Assigned EB Number	EB-2015-0073
Name and Title	Cristina Birceanu, Director of Regulatory Affairs
Phone Number	519-837-4735
Email Address	cbirceanu@guelphhydro.com

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While this model has been provided in Excel format and is required to be filed with the applications, the onus remains on the applicant to ensure the accuracy of the data and the results.



Ontario Energy Board

Revenue Requirement Workform (RRWF) for 2015 Filers

[1. Info](#)

[2. Table of Contents](#)

[3. Data Input Sheet](#)

[4. Rate Base](#)

[5. Utility Income](#)

[6. Taxes PILs](#)

[7. Cost of Capital](#)

[8. Rev Def Suff](#)

[9. Rev Req](#)

[10. Tracking Sheet](#)

Notes:

- (1) Pale green cells represent inputs
- (2) Pale green boxes at the bottom of each page are for additional notes
- (3) Pale yellow cells represent drop-down lists
- (4) ***Please note that this model uses MACROS. Before starting, please ensure that macros have been enabled.***
- (5) ***Completed versions of the Revenue Requirement Work Form are required to be filed in working Microsoft Excel***



Revenue Requirement Workform (RRWF) for 2015 Filers

Data Input ⁽¹⁾

	Initial Application (2)	(6)	Per Board Decision
1 Rate Base			
Gross Fixed Assets (average)	\$169,552,260	\$ 169,552,260	\$169,552,260
Accumulated Depreciation (average)	(\$35,695,380) (5)	(\$35,695,380)	(\$35,695,380)
Allowance for Working Capital:			
Controllable Expenses	\$16,189,495	\$ 16,189,495	\$16,189,495
Cost of Power	\$207,681,446	\$ 207,681,446	\$207,681,446
Working Capital Rate (%)	13.00% (9)	13.00% (9)	13.00% (9)
2 Utility Income			
Operating Revenues:			
Distribution Revenue at Current Rates	\$28,027,320		
Distribution Revenue at Proposed Rates	\$32,112,227		
Other Revenue:			
Specific Service Charges	\$426,370		
Late Payment Charges	\$120,000		
Other Distribution Revenue	\$610,833		
Other Income and Deductions	\$1,049,998		
Total Revenue Offsets	\$2,207,201 (7)		
Operating Expenses:			
OM+A Expenses	\$16,404,861	\$ 16,404,861	\$16,404,861
Depreciation/Amortization	\$5,751,746	\$ 5,751,746	\$5,751,746
Property taxes	\$335,074	\$ 335,074	\$335,074
Other expenses			
3 Taxes/PILs			
Taxable Income:			
Adjustments required to arrive at taxable income	(\$2,652,036) (3)		
Utility Income Taxes and Rates:			
Income taxes (not grossed up)	\$671,671		
Income taxes (grossed up)	\$901,253		
Federal tax (%)	15.00%		
Provincial tax (%)	10.47%		
Income Tax Credits	(\$197,000)		
4 Capitalization/Cost of Capital			
Capital Structure:			
Long-term debt Capitalization Ratio (%)	56.0%		
Short-term debt Capitalization Ratio (%)	4.0% (8)	(8)	(8)
Common Equity Capitalization Ratio (%)	40.0%		
Preferred Shares Capitalization Ratio (%)			
	100.0%		
Cost of Capital			
Long-term debt Cost Rate (%)	5.18%		
Short-term debt Cost Rate (%)	2.16%		
Common Equity Cost Rate (%)	9.30%		
Preferred Shares Cost Rate (%)			

Notes:

General

Data inputs are required on Sheets 3. Data from Sheet 3 will automatically complete calculations on sheets 4 through 9 (Rate Base through Revenue Requirement). Sheets 4 through 9 do not require any inputs except for notes that the Applicant may wish to enter to support the results. Pale green cells are available on sheets 4 through 9 to enter both footnotes beside key cells and the related text for the notes at the bottom of each sheet.

- (1) All inputs are in dollars (\$) except where inputs are individually identified as percentages (%)
- (2) Data in column E is for Application as originally filed. For updated revenue requirement as a result of interrogatory responses, technical or settlement conferences, etc., use column M and Adjustments in column I
- (3) Net of addbacks and deductions to arrive at taxable income.
- (4) Average of Gross Fixed Assets at beginning and end of the Test Year
- (5) Average of Accumulated Depreciation at the beginning and end of the Test Year. Enter as a negative amount.
- (6) Select option from drop-down list by clicking on cell M10. This column allows for the application update reflecting the end of discovery or Argument-in-Chief. Also, the outcome of any Settlement Process can be reflected.
- (7) Input total revenue offsets for deriving the base revenue requirement from the service revenue requirement
- (8) 4.0% unless an Applicant has proposed or been approved for another amount.
- (9) Starting with 2013, default Working Capital Allowance factor is 13% (of Cost of Power plus controllable expenses). Alternatively, WCA factor based on lead-lag study or approved WCA factor for another distributor, with supporting rationale.



Revenue Requirement Workform (RRWF) for 2015 Filers

Rate Base and Working Capital

Line No.	Particulars		Initial Application				Per Board Decision
1	Gross Fixed Assets (average) (3)		\$169,552,260	\$ -	\$169,552,260	\$ -	\$169,552,260
2	Accumulated Depreciation (average) (3)		(\$35,695,380)	\$ -	(\$35,695,380)	\$ -	(\$35,695,380)
3	Net Fixed Assets (average) (3)		\$133,856,880	\$ -	\$133,856,880	\$ -	\$133,856,880
4	Allowance for Working Capital (1)		\$29,103,222	\$ -	\$29,103,222	\$ -	\$29,103,222
5	Total Rate Base		\$162,960,102	\$ -	\$162,960,102	\$ -	\$162,960,102

(1) Allowance for Working Capital - Derivation

6	Controllable Expenses		\$16,189,495	\$ -	\$16,189,495	\$ -	\$16,189,495
7	Cost of Power		\$207,681,446	\$ -	\$207,681,446	\$ -	\$207,681,446
8	Working Capital Base		\$223,870,940	\$ -	\$223,870,940	\$ -	\$223,870,940
9	Working Capital Rate % (2)		13.00%	0.00%	13.00%	0.00%	13.00%
10	Working Capital Allowance		\$29,103,222	\$ -	\$29,103,222	\$ -	\$29,103,222

Notes

- (2) Some Applicants may have a unique rate as a result of a lead-lag study. **The default rate for 2014 cost of service applications is 13%.**
 (3) Average of opening and closing balances for the year.



Revenue Requirement Workform (RRWF) for 2015 Filers

Utility Income

Line No.	Particulars	Initial Application				Per Board Decision
Operating Revenues:						
1	Distribution Revenue (at Proposed Rates)	\$32,112,227	(\$32,112,227)	\$ -	\$ -	\$ -
2	Other Revenue (1)	\$2,207,201	(\$2,207,201)	\$ -	\$ -	\$ -
3	Total Operating Revenues	\$34,319,428	(\$34,319,428)	\$ -	\$ -	\$ -
Operating Expenses:						
4	OM+A Expenses	\$16,404,861	\$ -	\$16,404,861	\$ -	\$16,404,861
5	Depreciation/Amortization	\$5,751,746	\$ -	\$5,751,746	\$ -	\$5,751,746
6	Property taxes	\$335,074	\$ -	\$335,074	\$ -	\$335,074
7	Capital taxes	\$ -	\$ -	\$ -	\$ -	\$ -
8	Other expense	\$ -	\$ -	\$ -	\$ -	\$ -
9	Subtotal (lines 4 to 8)	\$22,491,681	\$ -	\$22,491,681	\$ -	\$22,491,681
10	Deemed Interest Expense	\$4,864,378	(\$4,864,378)	\$ -	\$ -	\$ -
11	Total Expenses (lines 9 to 10)	\$27,356,059	(\$4,864,378)	\$22,491,681	\$ -	\$22,491,681
12	Utility income before income taxes	\$6,963,369	(\$29,455,049)	(\$22,491,681)	\$ -	(\$22,491,681)
13	Income taxes (grossed-up)	\$901,253	\$ -	\$901,253	\$ -	\$901,253
14	Utility net income	\$6,062,116	(\$29,455,049)	(\$23,392,934)	\$ -	(\$23,392,934)

Notes

Other Revenues / Revenue Offsets

(1)	Specific Service Charges	\$426,370		\$ -		\$ -
	Late Payment Charges	\$120,000		\$ -		\$ -
	Other Distribution Revenue	\$610,833		\$ -		\$ -
	Other Income and Deductions	\$1,049,998		\$ -		\$ -
	Total Revenue Offsets	\$2,207,201	\$ -	\$ -	\$ -	\$ -



Revenue Requirement Workform (RRWF) for 2015 Filers

Taxes/PILs

Line No.	Particulars	Application		Per Board Decision
<u>Determination of Taxable Income</u>				
1	Utility net income before taxes	\$6,062,116	\$ -	\$ -
2	Adjustments required to arrive at taxable utility income	(\$2,652,036)	\$ -	(\$2,652,036)
3	Taxable income	<u>\$3,410,080</u>	<u>\$ -</u>	<u>(\$2,652,036)</u>
<u>Calculation of Utility income Taxes</u>				
4	Income taxes	\$671,671	\$671,671	\$671,671
6	Total taxes	<u>\$671,671</u>	<u>\$671,671</u>	<u>\$671,671</u>
7	Gross-up of Income Taxes	\$229,582	\$229,582	\$229,582
8	Grossed-up Income Taxes	<u>\$901,253</u>	<u>\$901,253</u>	<u>\$901,253</u>
9	PILs / tax Allowance (Grossed-up Income taxes + Capital taxes)	<u>\$901,253</u>	<u>\$901,253</u>	<u>\$901,253</u>
10	Other tax Credits	(\$197,000)	(\$197,000)	(\$197,000)
<u>Tax Rates</u>				
11	Federal tax (%)	15.00%	15.00%	15.00%
12	Provincial tax (%)	<u>10.47%</u>	<u>10.47%</u>	<u>10.47%</u>
13	Total tax rate (%)	<u>25.47%</u>	<u>25.47%</u>	<u>25.47%</u>

Notes



Revenue Requirement Workform (RRWF) for 2015 Filers

Capitalization/Cost of Capital

Line No.	Particulars	Capitalization Ratio		Cost Rate	Return
		(%)	(\$)	(%)	(\$)
Initial Application					
	Debt				
1	Long-term Debt	56.00%	\$91,257,657	5.18%	\$4,723,581
2	Short-term Debt	4.00%	\$6,518,404	2.16%	\$140,798
3	Total Debt	60.00%	\$97,776,061	4.98%	\$4,864,378
	Equity				
4	Common Equity	40.00%	\$65,184,041	9.30%	\$6,062,116
5	Preferred Shares	0.00%	\$ -	0.00%	\$ -
6	Total Equity	40.00%	\$65,184,041	9.30%	\$6,062,116
7	Total	100.00%	\$162,960,102	6.71%	\$10,926,494
Per Board Decision					
	Debt				
1	Long-term Debt	0.00%	\$ -	0.00%	\$ -
2	Short-term Debt	0.00%	\$ -	0.00%	\$ -
3	Total Debt	0.00%	\$ -	0.00%	\$ -
	Equity				
4	Common Equity	0.00%	\$ -	0.00%	\$ -
5	Preferred Shares	0.00%	\$ -	0.00%	\$ -
6	Total Equity	0.00%	\$ -	0.00%	\$ -
7	Total	0.00%	\$162,960,102	0.00%	\$ -
	Debt				
8	Long-term Debt	0.00%	\$ -	5.18%	\$ -
9	Short-term Debt	0.00%	\$ -	2.16%	\$ -
10	Total Debt	0.00%	\$ -	0.00%	\$ -
	Equity				
11	Common Equity	0.00%	\$ -	9.30%	\$ -
12	Preferred Shares	0.00%	\$ -	0.00%	\$ -
13	Total Equity	0.00%	\$ -	0.00%	\$ -
14	Total	0.00%	\$162,960,102	0.00%	\$ -

Notes

(1) Data in column E is for Application as originally filed. For updated revenue requirement as a result of interrogatory responses, technical or settlement conferences, etc., use column M and Adjustments in column I



Revenue Requirement Workform (RRWF) for 2015 Filers

Revenue Deficiency/Sufficiency

Line No.	Particulars	Initial Application		Per Board Decision		Per Board Decision	
		At Current Approved Rates	At Proposed Rates	At Current Approved Rates	At Proposed Rates	At Current Approved Rates	At Proposed Rates
1	Revenue Deficiency from Below		\$4,084,908		(\$6,706,459)		\$22,491,681
2	Distribution Revenue	\$28,027,320	\$28,027,320	\$28,027,320	\$38,818,686	\$ -	(\$22,491,681)
3	Other Operating Revenue Offsets - net	\$2,207,201	\$2,207,201	\$ -	\$ -	\$ -	\$ -
4	Total Revenue	<u>\$30,234,520</u>	<u>\$34,319,428</u>	<u>\$28,027,320</u>	<u>\$32,112,227</u>	<u>\$ -</u>	<u>\$ -</u>
5	Operating Expenses	\$22,491,681	\$22,491,681	\$22,491,681	\$22,491,681	\$22,491,681	\$22,491,681
6	Deemed Interest Expense	\$4,864,378	\$4,864,378	\$ -	\$ -	\$ -	\$ -
8	Total Cost and Expenses	<u>\$27,356,059</u>	<u>\$27,356,059</u>	<u>\$22,491,681</u>	<u>\$22,491,681</u>	<u>\$22,491,681</u>	<u>\$22,491,681</u>
9	Utility Income Before Income Taxes	\$2,878,461	\$6,963,369	\$5,535,639	\$9,620,547	(\$22,491,681)	(\$22,491,681)
10	Tax Adjustments to Accounting Income per 2013 PILs model	(\$2,652,036)	(\$2,652,036)	(\$2,652,036)	(\$2,652,036)	\$ -	\$ -
11	Taxable Income	<u>\$226,426</u>	<u>\$4,311,333</u>	<u>\$2,883,603</u>	<u>\$6,968,511</u>	<u>(\$22,491,681)</u>	<u>(\$22,491,681)</u>
12	Income Tax Rate	25.47%	25.47%	25.47%	25.47%	25.47%	25.47%
13	Income Tax on Taxable Income	\$57,679	\$1,098,253	\$734,558	\$1,775,133	(\$5,729,448)	(\$5,729,448)
14	Income Tax Credits	(\$197,000)	(\$197,000)	(\$197,000)	(\$197,000)	\$ -	\$ -
15	Utility Net Income	<u>\$3,017,783</u>	<u>\$6,062,116</u>	<u>\$4,998,081</u>	<u>(\$23,392,934)</u>	<u>(\$16,762,233)</u>	<u>(\$23,392,934)</u>
16	Utility Rate Base	\$162,960,102	\$162,960,102	\$162,960,102	\$162,960,102	\$162,960,102	\$162,960,102
17	Deemed Equity Portion of Rate Base	\$65,184,041	\$65,184,041	\$ -	\$ -	\$ -	\$ -
18	Income/(Equity Portion of Rate Base)	4.63%	9.30%	0.00%	0.00%	0.00%	0.00%
19	Target Return - Equity on Rate Base	9.30%	9.30%	0.00%	0.00%	0.00%	0.00%
20	Deficiency/Sufficiency in Return on Equity	-4.67%	0.00%	0.00%	0.00%	0.00%	0.00%
21	Indicated Rate of Return	4.84%	6.71%	3.07%	0.00%	-10.29%	0.00%
22	Requested Rate of Return on Rate Base	6.71%	6.71%	0.00%	0.00%	0.00%	0.00%
23	Deficiency/Sufficiency in Rate of Return	-1.87%	0.00%	3.07%	0.00%	-10.29%	0.00%
24	Target Return on Equity	\$6,062,116	\$6,062,116	\$ -	\$ -	\$ -	\$ -
25	Revenue Deficiency/(Sufficiency)	\$3,044,333	\$ -	(\$4,998,081)	\$ -	\$16,762,233	\$ -
26	Gross Revenue Deficiency/(Sufficiency)	<u>\$4,084,908 (1)</u>		<u>(\$6,706,459) (1)</u>		<u>\$22,491,681 (1)</u>	

Notes:

(1) Revenue Deficiency/Sufficiency divided by (1 - Tax Rate)



Revenue Requirement Workform (RRWF) for 2015 Filers

Revenue Requirement

Line No.	Particulars	Application		Per Board Decision	
1	OM&A Expenses	\$16,404,861		\$16,404,861	
2	Amortization/Depreciation	\$5,751,746		\$5,751,746	
3	Property Taxes	\$335,074		\$335,074	
5	Income Taxes (Grossed up)	\$901,253		\$901,253	
6	Other Expenses	\$ -		\$ -	
7	Return				
	Deemed Interest Expense	\$4,864,378		\$ -	
	Return on Deemed Equity	\$6,062,116		\$ -	
8	Service Revenue Requirement (before Revenues)	<u>\$34,319,428</u>		<u>\$23,392,934</u>	
9	Revenue Offsets	<u>\$2,207,201</u>		<u>\$ -</u>	
10	Base Revenue Requirement (excluding Tranformer Owership Allowance credit adjustment)	<u>\$32,112,227</u>		<u>\$23,392,934</u>	
11	Distribution revenue	\$32,112,227		\$ -	
12	Other revenue	\$2,207,201		\$ -	
13	Total revenue	<u>\$34,319,428</u>		<u>\$ -</u>	
14	Difference (Total Revenue Less Distribution Revenue Requirement before Revenues)	<u>\$ -</u>	(1)	<u>(\$23,392,934)</u>	(1)

Notes

(1) Line 11 - Line 8

Revenue Requirement Workform (RRWF) for 2015 Filers

Tracking Form

The last row shown is the most current estimate of the cost of service data reflecting the original application and any updates provided by the applicant distributor (for updated evidence, responses to interrogatories, undertakings, etc.) Please ensure a Reference (Column B) and/or Item Description (Column C) is entered. Please note that unused rows will automatically be hidden and the PRINT AREA set when the PRINT BUTTON on Sheet 1 is activated.

⁽¹⁾ Short reference to evidence material (interrogatory response, undertaking, exhibit number, Board Decision, Code, Guideline, Report of the Board, etc.)

⁽²⁾ Short description of change, issue, etc.

60 Tracking Rows have been provided below. If you require more, please contact Industry Relations @ IndustryRelations@ontarioenergyboard.ca.

Summary of Proposed Changes

Reference ⁽¹⁾	Item / Description ⁽²⁾	Cost of Capital		Rate Base and Capital Expenditures			Operating Expenses			Revenue Requirement			
		Regulated Return on Capital	Regulated Rate of Return	Rate Base	Working Capital	Working Capital Allowance (\$)	Amortization / Depreciation	Taxes/PILs	OM&A	Service Revenue Requirement	Other Revenues	Base Revenue Requirement	Grossed up Revenue Deficiency / Sufficiency
	Original Application	\$ 10,926,494	6.71%	\$ 162,960,102	\$ 223,870,940	\$ 29,103,222	\$ 5,751,746	\$ 901,253	\$ 16,404,861	\$ 34,319,428	\$ 2,207,201	\$ 32,112,227	\$ 4,084,908