

Exhibit 6:

REVENUE DEFICIENCY OR SUFFICIENCY

Exhibit 6: Revenue Deficiency Or Sufficiency

Tab 1 (of 2): Utility Revenue

1

OVERVIEW OF REVENUE REQUIREMENT

2 **Revenues at existing rates and proposed rates**

3 The current rates are based on Board approved rates effective May 1, 2013 through an
4 IRM proceeding (EB-2012-0134). Projected revenues based on existing Board approved
5 rates, which are used in calculating utility income, are comprised of distribution revenue
6 and other revenues.

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8 Details on existing and projected distribution revenue at existing rates are presented in
9 Exhibit 3, Tab 1. Other revenue is presented in Exhibit 3, Tab 3.

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11 Existing rates and proposed rates at 2014 levels are presented below. Details on the
12 proposed Revenue Requirement and impacts of the adoption of new capitalization
13 policies follow. Derivation of the 2014 proposed rates are presented at Exhibit 8.

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Table 6-1: Distribution Revenues at Current Rates and Proposed

Test Year Projected Revenue from Existing Variable Charges								
Customer Class Name	Variable Distribution Rate	per	Test Year Volume	Gross Variable Revenue	Transform. Allowance Rate	Transform. Allowance kW's	Transform. Allowance \$'s	Net Variable Revenue
Residential	\$0.0167	kWh	550,757,317	9,197,647			0	9,197,647
General Service < 50 kW	\$0.0137	kWh	172,195,536	2,359,079			0	2,359,079
General Service > 50 to 4999 kW	\$2.8723	kW	2,386,874	6,855,818	(\$0.60)	951,749	-571,049	6,284,769
Unmetered Scattered Load	\$0.0179	kWh	3,316,847	59,372			0	59,372
Street Lighting	\$4.4300	kW	27,932	123,740			0	123,740
Total Variable Revenue			728,684,506	18,595,655		951,749	-571,049	18,024,606

Test Year Projected Revenue from Existing Fixed Charges								
Customer Class Name	Fixed Rate	Customers (Connections)	Fixed Charge Revenue	Variable Revenue	TOTAL	% Fixed Revenue	% Variable Revenue	% Total Revenue
Residential	\$12.2900	60,335	8,898,206	9,197,647	18,095,853	49.17%	50.83%	61.11%
General Service < 50 kW	\$25.5300	5,272	1,615,130	2,359,079	3,974,209	40.64%	59.36%	13.42%
General Service > 50 to 4999 kW	\$72.7700	1,014	885,465	6,284,769	7,170,234	12.35%	87.65%	24.21%
Unmetered Scattered Load	\$10.3400	605	75,068	59,372	134,440	55.84%	44.16%	0.45%
Street Lighting	\$0.6100	15,515	113,570	123,740	237,310	47.86%	52.14%	0.80%
Total Fixed Revenue		82,741	11,587,439	18,024,606	29,612,045			

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Test Year

Test Year Projected Revenue from Proposed Variable Charges								
Customer Class Name	Variable Distribution Rate	per	Test Year Volume	Gross Variable Revenue	Transform. Allowance Rate	Transform. Allowance kW's	Transform. Allowance \$'s	Net Variable Revenue
Residential	\$0.0130	kWh	550,757,317	7,159,858			0	7,159,858
General Service < 50 kW	\$0.0121	kWh	172,195,536	2,088,622			0	2,088,622
General Service > 50 to 4999 kW	\$3.3228	kW	2,386,874	7,931,017	(\$0.60)	951,749	-571,049	7,359,968
Unmetered Scattered Load	\$0.0062	kWh	3,316,847	20,526			0	20,526
Street Lighting	\$3.9198	kW	27,932	109,489			0	109,489
Total Variable Revenue			728,684,506	17,309,512		951,749	-571,049	16,738,463

Test Year

Test Year Projected Revenue from Proposed Fixed Charges								
Customer Class Name	Fixed Rate	Customers (Connections)	Fixed Charge Revenue	Variable Revenue	TOTAL	% Fixed Revenue	% Variable Revenue	% Total Revenue
Residential	\$12.2900	60,335	8,898,206	7,159,858	16,058,064	55.41%	44.59%	55.65%
General Service < 50 kW	\$27.3200	5,272	1,728,372	2,088,622	3,816,994	45.28%	54.72%	13.23%
General Service > 50 to 4999 kW	\$105.7000	1,014	1,286,158	7,359,968	8,646,126	14.88%	85.12%	29.96%
Unmetered Scattered Load	\$10.3400	605	75,068	20,526	95,595	78.53%	21.47%	0.33%
Street Lighting	\$0.7000	15,515	130,326	109,489	239,815	54.34%	45.66%	0.83%
Total Fixed Revenue		82,741	12,118,130	16,738,463	28,856,594			

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1 **Proposed Revenue Requirement**

2 In order to continue to provide safe and reliable service to its customers and to be
 3 permitted an opportunity to earn its return on equity, Burlington Hydro requests approval
 4 of a Revenue Requirement of \$28,856,594. Derivation of the proposed revenue
 5 requirement for 2014 is presented below.

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Table 6-2: 2014 Proposed Revenue Requirement

Particulars	Application
OM&A Expenses	\$18,553,350
Amortization/Depreciation	\$4,182,434
Property Taxes	\$ -
Income Taxes (Grossed up)	\$137,696
Other Expenses	\$ -
Return	
Deemed Interest Expense	\$3,182,488
Return on Deemed Equity	\$4,738,640
Service Revenue Requirement (before Revenues)	\$30,794,608
Revenue Offsets	\$1,938,014
Base Revenue Requirement (excluding Transformer Ownership Allowance credit adjustment)	\$28,856,594
Distribution revenue	\$28,856,594
Other revenue	\$1,938,014
Total revenue	\$30,794,608

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1 Compared to its 2010 Board Approved Base Revenue Requirement of \$28,894,243,
 2 Burlington Hydro is proposing a 2014 Base Revenue Requirement of \$28,856,594. A
 3 high level side by side comparison of both Base Revenue Requirements is presented
 4 below. Further details and impacts are discussed further at Exhibit 6 Tab 1 Schedule 2.

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6 **Table 6-3: 2010 Revenue Requirement vs 2014 Revenue Requirement**

Particular	OldCGAAP	NewCGAAP	Difference
	2010 Board Approved	Test Year (CGAAP)	
OM&A Expenses	\$14,346,944	\$18,553,350	\$4,206,406
Amortization Expense	\$6,659,239	\$4,182,434	-\$2,476,805
Total Distribution Expenses	\$21,006,183	\$22,735,784	\$1,729,601
Regulated Return On Capital	\$7,692,291	\$7,921,128	\$228,837
<i>IFRS Adjustment</i>			
Grossed up PILs	\$2,004,088	\$137,696	-\$1,866,392
Service Revenue Requirement	\$30,702,562	\$30,794,608	\$92,046
Less: Revenue Offsets	\$1,808,319	\$1,938,014	\$129,695
Base Revenue Requirement	\$28,894,243	\$28,856,594	-\$37,649

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8 Burlington Hydro proposes for 2014:

9 1. A Rate Base of \$131.9M, an increase from the 2010 Board Approved amount of
 10 \$105.2M.

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12 2. A Base Revenue Requirement of \$28.8, a decrease from the 2010 Board
 13 Approved amount of \$28.9M.

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15 3. OM&A expenses of \$18.5M, an increase from the 2010 Board Approved amount
 16 of \$14.3M.

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1 **IMPACT OF NEW CAPITALIZATION POLICY ON THE**
2 **REVENUE REQUIREMENT**

3 The adoption of newly prescribed accounting policies has had a significant impact on the
4 allocation of the revenue requirement and determination of the rate base. The extension
5 of the typical useful lives of Burlington Hydro's assets has caused the depreciation
6 expense to decrease resulting in an increase in the value of the net fixed assets of the
7 utility and ultimately an increase to the utility's rate base. Burdens which are longer
8 eligible for capitalization have been removed from rate base and included as an
9 operating expense. The decrease in depreciation and increase in operational costs have
10 also had a significant impact on the PILs expense, reducing the amount by over 85%. A
11 side by side comparison is presented in the table below.
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Appendix 2-YB

Summary of Impacts to Revenue Requirement from Accounting Changes under CGAAP or ASPE

Revenue Component	Requirement	NewCGAAP	OldCGAAP	Difference	Reasons why the revenue requirement component is different under CGAAP or ASPE with the changes to the policies versus CGAAP without the changes to the policies
		2014 CGAAP or ASPE with the changes to the policies	2014 CGAAP without the changes to the policies		
Closing NBV 2013		\$105,132,271.29	\$102,557,183.16	\$2,575,088.13	Increase in NBV due to adoption of new acct policies
Closing NBV 2014		\$108,295,856.01	\$103,559,923.44	\$4,735,932.57	Increase in NBV due to adoption of new acct policies
Average NBV		\$106,714,063.65	\$103,058,553.30	\$3,655,510.35	Increase in NBV due to adoption of new acct policies
Working Capital		\$25,207,986.73	\$25,116,879.55	\$91,107.18	Increase in NBV due to adoption of new acct policies
Rate Base		\$131,922,050.38	\$128,175,432.85	\$3,746,617.53	
Return on Rate Base		\$7,921,127.59	\$7,928,184.00	-\$7,056.41	Increase in NBV due to adoption of new acct policies
				\$0.00	
OM&A (an estimate was used for 2014 OldCGAAP)		\$18,553,350.00	\$17,852,525.00	\$700,825.00	Increase in NBV due to adoption of new acct policies
Depreciation		\$4,566,460.28	\$6,659,239.00	-\$2,092,778.72	Increase in NBV due to adoption of new acct policies
PILs or Income Taxes (an estimate was used for 2014 OldCGAAP)		\$137,696.00	\$2,300,000.00	-\$2,162,304.00	Increase in NBV due to adoption of new acct policies
				\$0.00	
Less: Revenue Offsets		\$1,938,014.00	\$1,938,014.00	\$0.00	no change
Insert description of additional item(s) and new rows if needed.				\$0.00	
Total Base Revenue Requirement		\$33,116,647.87	\$36,677,962.00	-\$3,561,314.13	

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Table 6-4: Detailed Impact of New Accounting Policies on Revenue Requirement and Rate Base

Particular	2010 COS	2014 NewCGAAP	Diff	2014 OldCGAAP	2014 NewCGAAP	Diff
Long Term Debt	5.87%	4.16%	-1.71%	4.16%	4.16%	0.00%
Short Term Debt	2.07%	2.07%	0.00%	2.07%	2.07%	0.00%
Return on Equity	9.85%	8.98%	-0.87%	8.98%	8.98%	0.00%
Weighted Debt Rate	7.20%	4.02%	-3.18%	4.02%	4.02%	0.00%
Regulated Rate of Return	7.31%	6.00%	-1.31%	6.00%	6.00%	0.00%
Controlable Expenses (an estimate was used for 2014 OldCGAAP)	\$14,638,994	\$18,553,350	\$3,914,356	\$17,852,525	\$18,553,350	\$700,825
Power Supply Expense	\$136,277,349	\$175,354,241	\$39,076,892	\$175,354,241	\$175,354,241	\$0
Total Eligible Distribution Expenses	\$150,916,343	\$193,907,591	\$42,991,248	\$193,206,766	\$193,907,591	\$700,825
Working Capital Allowance Rate	15.00%	13.00%	-2.00%	13.00%	13.00%	0.00%
Total Working Capital Allowance ("WCA")	\$22,637,451	\$25,207,987	\$2,570,535	\$25,116,880	\$25,207,987	\$91,107
Fixed Asset Opening Bal 2013		\$105,132,271	\$105,132,271	\$102,557,183	\$105,132,271	\$2,575,088
Fixed Asset Opening Bal 2014		\$108,295,856	\$108,295,856	\$103,559,923	\$108,295,856	\$4,735,933
Average Fixed Asset	\$82,592,244	\$106,714,064	\$24,121,820	\$103,058,553	\$106,714,064	\$3,655,510
Working Capital Allowance	\$22,637,451	\$25,207,987	\$2,570,535	\$25,116,880	\$25,207,987	\$91,107
Rate Base	\$105,229,695	\$131,922,050	\$26,692,355	\$128,175,433	\$131,922,050	\$3,746,618
Regulated Rate of Return	7.31%	6.00%	-1.31%	6.00%	6.00%	0.00%
Regulated Return on Capital	\$7,692,291	\$7,921,128	\$228,837	\$7,928,184	\$7,921,128	-\$7,056
Deemed Interest Expense	\$3,546,241	\$3,182,488	-\$363,753	\$3,185,323	\$3,182,488	-\$2,835
Deemed Return on Equity	\$4,146,050	\$4,738,640	\$592,590	\$4,742,861	\$4,738,640	-\$4,221
OM&A	\$14,706,666	\$18,553,350	\$3,846,684	\$17,852,525	\$18,553,350	\$700,825
Depreciation Expense	\$6,659,239	\$4,566,460	-\$2,092,779	\$6,659,239	\$4,182,434	-\$2,092,779
PILs (an estimate was used for 2014 OldCGAAP)	\$2,004,088	\$273,625	-\$1,730,463	\$2,300,000	\$137,696	-\$2,026,375
Revenue Offset	\$1,808,319	\$1,938,014	\$129,695	\$1,938,014	\$1,938,014	\$0
Revenue Requirement	\$29,253,965	\$29,376,549	\$122,584	\$32,801,934	\$28,856,594	-\$3,425,385

Exhibit 6: Revenue Deficiency Or Sufficiency

Tab 2 (of 2): Deficiency or Surplus

1 **CALCULATION OF REVENUE DEFICIENCY OR**
2 **SURPLUS**

3 The purpose of this evidence is to quantify the expected return on Rate Base in the 2014
4 rate year at currently authorized rates using 2014 proposed Distribution Expenses,
5 deemed Interest Expense and PILs expense.

6 The table at the next section shows the Revenue Sufficiency/Deficiency calculation from
7 the Revenue Requirement Workform.

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Determination of Revenue Requirement (from Revenue Requirement Workform)			
	Particulars	At Current Approved Rates	At Proposed Rates
1	Revenue Deficiency from Below		(\$717,401)
2	Distribution Revenue	\$29,612,045	\$29,573,995
3	Other Operating Revenue Offsets - net	\$1,938,014	\$1,938,014
4	Total Revenue	\$31,550,059	\$30,794,608
5	Operating Expenses	\$22,735,784	\$22,735,784
6	Deemed Interest Expense	\$3,182,488	\$3,182,488
8	Total Cost and Expenses	\$25,918,271	\$25,918,271
9	Utility Income Before Income Taxes	\$5,631,787	\$4,876,337
10	Tax Adjustments to Accounting 2013 PILs model	Income per (\$4,083,678)	(\$4,083,678)
11	Taxable Income	\$1,548,109	\$792,659
12	Income Tax Rate	21.16%	21.16%
13	Income Tax on Taxable Income	\$327,521	\$167,696
14	Income Tax Credits	\$ -	\$ -
15	Utility Net Income	\$5,304,266	\$4,738,640
16	Utility Rate Base	\$131,922,050	\$131,922,050
17	Deemed Equity Portion of Rate Base	\$52,768,820	\$52,768,820
18	Income/(Equity Portion of Rate Base)	10.05%	8.98%
19	Target Return - Equity on Rate Base	8.98%	8.98%
20	Deficiency/Sufficiency in Return on Equity	1.07%	0.00%
21	Indicated Rate of Return	6.43%	6.00%
22	Requested Rate of Return on Rate Base	6.00%	6.00%
23	Deficiency/Sufficiency in Rate of Return	0.43%	0.00%
24	Target Return on Equity	\$4,738,640	\$4,738,640
25	Revenue Deficiency/(Sufficiency)	(\$565,626)	\$0
26	Gross Revenue Deficiency/(Sufficiency)	(\$717,401)	

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1 Burlington Hydro's existing rates are based on the Board-approved rates in 2010
2 following a cost of service rate application, and adjustments to its base distribution rates
3 in 2011 to 2013 under the Board's Third Generation Incentive Regulation Mechanism
4 ("3GIRM") which were then subject to yearly price cap adjustments applied in 2011,
5 2012 and 2013, respectively. Due to the adoption of the OEB prescribed new accounting
6 policies, Burlington Hydro finds itself in a position of sufficiency.

7 Details of the sufficiency are;

- 8 • Increase in OM&A of \$4.2M.
- 9 • An increase to average Net Fixed Assets of \$24.1M from \$82.5M of 2010
10 Board Approved to \$106.7M in 2014.
- 11 • An increase in Working Capital of \$2.5M from \$22.6M of 2010 Board
12 approved to 25.2M in 2014.
- 13 • A decrease in the Weighted Average Cost of Capital from 7.31% of 2010
14 Board approved to 6.00% in 2014.
- 15 • A decrease in Depreciation Expenses of over \$2.4M from \$6.6M of 2010
16 Board approved to \$4.2M in 2014.
- 17 • A decrease in deemed PILs expense of \$1.8M from \$2M in the 2010 Board
18 Approved value to \$137K in 2014.

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Causes of Revenue Deficiency or Surplus

Particular	2010 BA	2014 NewCGAAP	Diff
Long Term Debt	5.87%	4.16%	-1.71%
Short Term Debt	2.07%	2.07%	0.00%
Return on Equity	9.85%	8.98%	-0.87%
Weighted Debt Rate	7.20%	4.02%	-3.18%
Regulated Rate of Return	7.31%	6.00%	-1.31%
Controllable Expenses	\$14,638,994	\$18,553,350	\$3,914,356
Power Supply Expense	\$136,277,349	\$175,354,241	\$39,076,892
Total Eligible Distribution Expenses	\$150,916,343	\$193,907,591	\$42,991,248
Working Capital Allowance Rate	15.00%	13.00%	-2.00%
Total Working Capital Allowance ("WCA")	\$22,637,451	\$25,207,987	\$2,570,535
Fixed Asset Closing Bal 2013		\$105,132,271	\$105,132,271
Fixed Asset Closing Bal 2014		\$108,295,856	\$108,295,856
Average Fixed Asset	\$82,592,244	\$106,714,064	\$24,121,820
Working Capital Allowance	\$22,637,451	\$25,207,987	\$2,570,535
Rate Base	\$105,229,695	\$131,922,050	\$26,692,355
Regulated Rate of Return	7.31%	6.00%	-1.31%
Regulated Return on Capital	\$7,692,291	\$7,921,128	\$228,837
Deemed Interest Expense	\$3,546,241	\$3,182,488	-\$363,753
Deemed Return on Equity	\$4,146,050	\$4,738,640	\$592,590
OM&A	\$14,706,666	\$18,553,350	\$3,846,684
Depreciation Expense	\$6,659,239	\$4,182,434	-\$2,476,805
PILs (an estimate was used for 2014 OldCGAAP)	\$2,004,088	\$137,696	-\$1,866,392
Revenue Offset	\$1,808,319	\$1,938,014	\$129,695
Revenue Requirement	\$28,894,243	\$28,856,594	-\$37,649

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