

**Exhibit 6:**

**REVENUE DEFICIENCY OR SUFFICIENCY**

Exhibit 6: Revenue Deficiency Or Sufficiency

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**Tab 1 (of 2): Utility Revenue**

## REVENUE FROM EXISTING RATES

Greater Sudbury's approved May 1, 2012 IRM rates along with the 2013 load forecast are shown in Tables 1 and 2 below, which indicate the distribution revenue assuming the 2013 load forecast with current rates would be \$22,495,379.

**Table 1 - 2013 Load Forecast and Current Variable Rates**

Customer Class Name	Variable Distribution Rate	per	Volume	Gross Variable Revenue	Transform. Allowance Rate	Transform. Allowance kW's	Transform. Allowance \$'s	Net Variable Revenue
Residential	\$0.0124	kWh	401,373,120	4,977,027				4,977,027
General Service < 50 kW	\$0.0186	kWh	141,856,898	2,638,538				2,638,538
General Service > 50 to 4999 kW	\$4.2709	kW	969,057	4,138,746	(\$0.60)	217,000	(130,200)	4,008,546
Unmetered Scattered Load	\$0.0123	kWh	1,437,650	17,683				17,683
Street Lighting	\$10.8171	kW	22,306	241,286	(\$0.60)			241,286
Sentinel Lighting	\$11.8706	kW	1,269	15,064	(\$0.60)			15,064
<b>TOTAL VARIABLE REVENUE</b>				<b>12,028,344</b>		<b>217,000</b>	<b>(130,200)</b>	<b>11,898,144</b>

**Table 2 - 2013 Load Forecast and Current Fixed Rates**

Customer Class Name	Fixed Rate	Customer (Connections)	Fixed Charge Revenue	Variable Revenue	TOTAL
Residential	\$16.1400	42,512	8,233,724	4,977,027	13,210,751
General Service < 50 kW	\$21.5500	4,061	1,050,175	2,638,538	3,688,713
General Service > 50 to 4999 kW	\$164.4900	531	1,048,130	4,008,546	5,056,676
Unmetered Scattered Load	\$8.0500	345	33,327	17,683	51,010
Street Lighting	\$3.7200	9,578	427,562	241,286	668,848
Sentinel Lighting	\$3.7100	436	19,411	15,064	34,475
<b>TOTAL VARIABLE REVENUE</b>			<b>10,812,329</b>	<b>11,898,144</b>	<b>22,710,472</b>

## OVERVIEW OF REVENUE REQUIREMENT

Greater Sudbury is proposing a base revenue requirement of \$23,544,760 to be recovered through rates. Table 1 compares the proposed revenue requirement to the last Board approved base revenue requirement of \$22,793,669.

**Table 1 - Revenue Requirement Overview**

	<b>2013 Projection</b>	<b>2009 Approved</b>
OM&A Expenses	15,564,617	11,669,545
3850-Amortization Expense	3,876,864	5,102,602
<b>Total Distribution Expenses</b>	<b>19,441,482</b>	<b>16,772,147</b>
Regulated Return On Capital	5,461,647	5,530,124
PILs (with gross-up)	201,660	2,139,278
<b>Service Revenue Requirement</b>	<b>25,104,788</b>	<b>24,441,549</b>
Less: Revenue Offsets	1,550,028	1,647,880
<b>Base Revenue Requirement</b>	<b>23,554,760</b>	<b>22,793,669</b>

Exhibit 6: Revenue Deficiency Or Sufficiency

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**Tab 2 (of 2): Deficiency or Sufficiency**

## **CALCULATION OF REVENUE DEFICIENCY**

Greater Sudbury's net revenue deficiency is \$800,544. Grossed up for PILS the revenue deficiency is \$844,288. This deficiency is calculated based on the difference between the 2013 Forecast Test Year load forecast and customer count based on the current 2012 approved rates of \$22,710,472.

The rate base amount is \$88,079,710, which is the basis for the calculation for the regulated return on amount of \$5,461,647.

The revenue deficiency calculation is detailed in Exhibit 6, Tab 2, Schedule 1, Attachment 1. The Test Year Rate Base calculation is included as Exhibit 6, Tab 2, Schedule 1, Attachment 2.

Table of Revenue Deficiency

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## Sudbury (ED-2002-0559)

2013 EDR Application (EB-2012-0126) version: 1  
November 9, 2012

### X31 Revenue Sufficiency / Deficiency

	2013 <input type="checkbox"/> Projection
Utility Income (see below)	4,661,103
Utility Rate Base	88,079,710
Indicated Rate of Return	5.29%
Requested / Approved Rate of Return	6.20%
Sufficiency / (Deficiency) in Return	(0.91%)
<b>Net Revenue Sufficiency / (Deficiency)</b>	<b>(800,544)</b>
Provision for PILs/Taxes	(43,744)
<b>Gross Revenue Sufficiency / (Deficiency)</b>	<b>(844,288)</b>
Deemed Overall Debt Rate	4.25%
Deemed Cost of Debt	2,248,499
Utility Income less Deemed Cost of Debt	2,412,604
Return On Deemed Equity	6.85%
<b>UTILITY INCOME</b>	
Total Net Revenues	24,260,500
OM&A Expenses	15,564,617
Depreciation & Amortization	3,876,864
Taxes other than PILs / Income Taxes	
Total Costs & Expenses	19,441,482
Utility Income before Income Taxes / PILs	4,819,018
PILs / Income Taxes	157,915
<b>Utility Income</b>	<b>4,661,103</b>

Statement of Rate Base

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# **Sudbury (ED-2002-0559)**

**2013 EDR Application (EB-2012-0126) version: 1**  
**November 9, 2012**

## **Test Year Rate Base**

	<b>2013 Projection</b>
<i>Net Capital Assets in Service:</i>	
Opening Balance	68,090,111
Ending Balance	79,344,639
Average Balance	73,717,375
Working Capital Allowance <i>(see below)</i>	14,362,335
<b>Total Rate Base</b>	<b>88,079,710</b>

### ***Expenses for Working Capital***

<u><i>Eligible Distribution Expenses:</i></u>	
3500-Distribution Expenses - Operation	6,914,732
3550-Distribution Expenses - Maintenance	2,163,820
3650-Billing and Collecting	3,146,864
3700-Community Relations	78,108
3800-Administrative and General Expenses	3,261,093
3950-Taxes Other Than Income Taxes	
Total Eligible Distribution Expenses	15,564,617
3350-Power Supply Expenses	94,914,882
Total Expenses for Working Capital	110,479,500
Working Capital factor	13.0%
<b>Working Capital Allowance</b>	<b>14,362,335</b>



## DRIVERS OF REVENUE DEFICIENCY

The increase in the revenue requirement for 2013 is due to the following factors:

1. The increase in the OM&A requirements from the 2009 Board approved levels of approximately \$3.5 million based on the main cost drivers identified in Exhibit 6, Tab 2, Schedule 2, Attachment 1. Greater Sudbury has provided a full discussion on the increases to the OM&A in Exhibit 4, Tab 3, Schedule 1.
2. The decrease in revenue offsets is mainly due to the fact certain service charges that should have been reduced in 2009 and attributed to water were overstated. With the elimination of water billing the service charge revenues have declined in 2013.
3. A decrease in depreciation and amortization largely due to the implementation of updated useful lives of assets. The decrease is offset by the transfer of smart meter capital to rate base in 2013 and its associated amortization as well as a general increase in rate base.
4. A decrease in the deemed interest expense as a result of the weighted average deemed date rate dropping to 4.25% in 2013 as compared to 6.86% in the previous Cost of Service filing.
5. A decrease in income taxes is the result of an overall decline in tax rates from 2009 to 2013 as well as a significant adjustment to 'taxable income' due to the fact CCA deductions of \$6,204,030 are significantly higher than the depreciation values of \$4,184,494.
6. An increase related to the deemed return on equity. The equity rates approved in 2009 was 8.01% as compared to 9.12% in the 2013 Test Year.
7. An overall decrease in consumption since the last approved load forecast in 2009 of approximately 3.4% (over 37.5 million less kWh) on the kWh throughput and 4.39% (45,500 kW) on the demand component resulting in a deficiency of approximately \$266,000. A full discussion of the changes to the load forecast is found at Exhibit 3, Tab 2, Schedule 1.

**Drivers of the 2013 Revenue Deficiency**

	<b>Impact</b>	<b>Reference in Evidence</b>
<b><i>Increases in OM&amp;A</i></b>		
Change in capitalization of overhead	\$ 983,813	Exhibit 2, Tab 2, Schedule 1, Attachment 2
Monthly billing (Increase in Postage/Stationary)	\$ 115,737	Exhibit 4, Tab 3, Schedule 1
Net Smart Meter Incremental OM&A	\$ 451,326	Exhibit 4, Tab 3, Schedule 1
Bad Debt Expense	\$ 235,000	Exhibit 4, Tab 3, Schedule 1
OMERS rate increase	\$ 360,121	Exhibit 4, Tab 4, Schedule 1
Net change in FTEs (excluding OMERS)	\$ 545,834	Exhibit 4, Tab 4, Schedule 1
Progression and Cost of Living excluding OMERS	\$ 528,718	Exhibit 4, Tab 4, Schedule 1
Business Process Improvement/System Integration Project	\$ 225,000	Exhibit 4, Tab 1, Schedule 1, Attachment 2
Additional emphasis on Distribution Operations/Maintenance	\$ 395,828	Exhibit 4, Tab 3, Schedule 1
Other OM&A Increases	\$ 145,186	Exhibit 4, Tab 3, Schedule 1
Increase in allocations to affiliates	\$ (413,127)	Exhibit 1, Tab 1, Schedule 11, Attachment 1
<b><i>Total OM&amp;A Change</i></b>	<b>\$ 3,573,436</b>	
Increase related to an decrease in Revenue Offsets	\$ 97,852	Exhibit 3, Tab 3, Schedule 1
Decrease in Depreciation and Amortization	\$ (1,225,738)	Exhibit 4, Tab 7/Exhibit 2, Tab 3
Decrease in Deemed Interest Expense	\$ (624,190)	Exhibit 5, Tab 1
Increase (decrease) in PILs	\$ (1,798,973)	Exhibit 4, Tab 8
Increase in return on Capital	\$ 555,713	Exhibit 5, Tab 1
Increase related to declining Load Forecast/Customer Growth	\$ 266,188	Exhibit 3, Tab 1 & 2
<b><i>Total Deficiency</i></b>	<b>\$ 844,288</b>	