

**Exhibit 6 – Calculation of Revenue Deficiency or Sufficiency:**

<b>Exhibit</b>	<b>Tab</b>	<b>Schedule</b>	<b>Appendix</b>	<b>Contents</b>
<b>6 – Calculation of Revenue Deficiency or Sufficiency</b>	1	1		Overview
		2		Revenue Deficiency Determination
		3		Summary of Drivers of Test Year Deficiency
		4		Impacts of Changes in Methodologies
		6-1		Appendix 6-1 Revenue Requirement Work Form
		6-2		Appendix 6-2 Appendix 2-YB Summary of Impacts to Revenue Requirement

1 **OVERVIEW:**

2 The information in this Exhibit supports CND's request in this Application for an increase in  
3 its revenue requirement to support the proposed capital and operating budgets for 2014;  
4 service debt; pay deemed PILs; and earn the allowable return on equity.

5 CND has determined that its Revenue Deficiency for the 2014 Test Year is \$3,772,502.  
6 The calculations on which this determination is based are set out below. The revenue  
7 deficiency calculation does not include the following:

- 8 • Recovery of deferral and variance account amounts
- 9 • Other electricity charges which include energy commodity, transmission charges  
10 and wholesale market service charges

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

14 **Revenue Requirement:**

15 CND's revenue requirement is comprised of the following components:

- 16 • Operations, Maintenance, and Administration Expenses;
- 17 • Property Taxes;
- 18 • Depreciation/Amortization Expense;
- 19 • Payments in Lieu of Income Taxes; and
- 20 • Return on Rate Base (Debt Interest Expense + Return on Equity)

21 CND derives its service revenue requirement primarily through distribution rates charged to  
22 customers. Other revenues are derived from OEB-approved specific service charges; rent  
23 from electric property; late payment charges; interest; and other miscellaneous sources.

- 1 These other revenues, described in detail in Exhibit 3, are treated as offsets against CND's
- 2 service revenue requirement to calculate the base revenue requirement upon which class-
- 3 specific distribution rates are calculated.
  
- 4 CND has included the OEB's Revenue Requirement Work Form as Appendix 6-1 as a PDF
- 5 document and has in addition, included the live Excel Version.

1 **REVENUE DEFICIENCY DETERMINATION:**

2 **Determination of Net Utility Income:**

3 CND has computed its allowable 2014 Net Income to be \$4,757,909. Table 6-1 provides  
 4 the detailed Net Income calculation for the 2014 Test Year.

5 **Table 6-1 Determination of Net Utility Income:**

Line No.	Particulars	Initial Application
	<b><u>Operating Revenues:</u></b>	
1	Distribution Revenue (at Proposed Rates)	\$27,966,045
2	Other Revenue	(1) <u>\$1,299,379</u>
3	Total Operating Revenues	<u>\$29,265,424</u>
	<b><u>Operating Expenses:</u></b>	
4	OM+A Expenses	\$15,803,311
5	Depreciation/Amortization	\$4,756,246
6	Property taxes	\$155,664
7	Capital taxes	\$ -
8	Other expense	<u>\$ -</u>
9	Subtotal (lines 4 to 8)	\$20,715,221
10	Deemed Interest Expense	<u>\$3,792,294</u>
11	Total Expenses (lines 9 to 10)	<u>\$24,507,515</u>
12	<b>Utility income before income taxes</b>	<u><u>\$4,757,909</u></u>
13	Income taxes (grossed-up)	<u>\$ -</u>
14	<b>Utility net income</b>	<u><u>\$4,757,909</u></u>
	<b>Note: (1) Other Revenues/Revenue Offsets</b>	
	Specific Service Charges	\$554,855
	Late Payment Charges	\$137,500
	Other Distribution Revenue	\$607,024
	Other Income and Deductions	<u>\$ -</u>
	<b>Total Revenue Offsets</b>	<u><u>\$1,299,379</u></u>

1 **Rate Base:**

2 A summary of CND's Rate Base for 2014 Test Year, calculated on CND's deemed capital  
 3 structure in accordance with the OEB Filing Requirements, is summarized in Table 6-2.  
 4 CND's 2014 Rate Base is \$132,458,506.

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

Rate Base	Notes	Initial Application
Particulars		
Gross Fixed Assets (average)	(3)	\$213,750,900
Accumulated Depreciation (average)	(3)	(\$103,263,094)
Net Fixed Assets (average)	(3)	\$110,487,806
Allowance for Working Capital	(1)	\$21,970,700
<b>Total Rate Base</b>		<b>\$132,458,506</b>

**Notes**

(1)

**Allowance for Working Capital - Derivation**

Controllable Expenses		\$15,958,975
Cost of Power		\$153,046,408
Working Capital Base		\$169,005,383
Working Capital Rate %	(2)	13.00%
Working Capital Allowance		\$21,970,700

(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.

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1 **Utility Return on Rate Base:**

2 CND has determined its required rate of return on Rate Base to be 6.46% or \$8,550,204.  
 3 Summarized in Table 6-3 is the computation of CND's expected 2013 rate of return on Rate  
 4 Base of 4.65% and CND's 2014 requested rate of return on Rate Base of 6.46%.

5 As summarized in Table 6-3, in the absence of the change in distribution rates for 2014, as  
 6 proposed in this Application, and assuming that the 2013 Approved rates remained  
 7 unchanged, CND's rate of return on Rate Base would be 3.61%.

8 **Table 6-3 Return on Rate Base:**

Description	2013 Bridge Actual	2014 Test Existing Rates	2014 Test - Required Revenue
<b>Actual Return on Rate Base:</b>			
Rate Base	123,363,640	132,458,506	132,458,506
Interest Expense	3,549,419	3,792,294	3,792,294
Net Income	2,187,986	985,407	4,757,910
<b>Total Actual Return on Rate Base</b>	<b>5,737,405</b>	<b>4,777,702</b>	<b>8,550,204</b>
<b>Actual Return on Rate Base</b>	4.65%	3.61%	6.46%
<b>Required Return on Rate Base:</b>			
Rate Base	123,363,640	132,458,506	132,458,506
<b>Return Rates:</b>			
Return on Debt (Weighted)	4.80%	4.77%	4.77%
Return on Equity	9.85%	8.98%	8.98%
Deemed Interest Expense	3,549,419	3,792,294	3,792,294
Return On Equity	4,860,527	4,757,910	4,757,910
<b>Total Return</b>	<b>8,409,946</b>	<b>8,550,204</b>	<b>8,550,204</b>
<b>Expected Return on Rate Base</b>	6.82%	6.46%	6.46%

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1 **Deficiency or Sufficiency in Revenue:**

2 CND has provided a detailed calculation supporting its 2014 revenue deficiency in Table 6-  
3 4. The net revenue deficiency is calculated as \$3,772,502. Table 6-4 provides the revenue  
4 deficiency calculations for the 2014 Test Year at Proposed Rates, which balances the  
5 revenue deficiency, net income and total return on rate base.

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**Table 6-4 Revenue Deficiency Determination**

Line No.	Particulars	At Current Approved Rates	At Proposed Rates
1	Revenue Deficiency from Below		\$3,772,502
2	Distribution Revenue	\$24,193,543	\$24,193,543
3	Other Operating Revenue	\$1,299,379	\$1,299,379
	Offsets - net		
4	<b>Total Revenue</b>	<b>\$25,492,922</b>	<b>\$29,265,424</b>
5	Operating Expenses	\$20,715,221	\$20,715,221
6	Deemed Interest Expense	\$3,792,294	\$3,792,294
8	<b>Total Cost and Expenses</b>	<b>\$24,507,515</b>	<b>\$24,507,515</b>
9	<b>Utility Income Before Income Taxes</b>	<b>\$985,407</b>	<b>\$4,757,909</b>
10	Tax Adjustments to Accounting Income per 2013 PILs model	(\$4,641,026)	(\$4,641,026)
11	<b>Taxable Income</b>	<b>(\$3,655,618)</b>	<b>\$116,884</b>
12	Income Tax Rate	0.00%	0.00%
13	<b>Income Tax on Taxable Income</b>	<b>\$ -</b>	<b>\$ -</b>
14	<b>Income Tax Credits</b>	<b>\$ -</b>	<b>\$ -</b>
15	<b>Utility Net Income</b>	<b>\$985,407</b>	<b>\$4,757,909</b>
16	<b>Utility Rate Base</b>	<b>\$132,458,506</b>	<b>\$132,458,506</b>
17	Deemed Equity Portion of Rate Base	\$52,983,402	\$52,983,402
18	Income/(Equity Portion of Rate Base)	1.86%	8.98%
19	Target Return - Equity on Rate Base	8.98%	8.98%
20	Deficiency/Sufficiency in Return on Equity	-7.12%	0.00%
21	Indicated Rate of Return	3.61%	6.46%
22	Requested Rate of Return on Rate Base	6.46%	6.46%
23	Deficiency/Sufficiency in Rate of Return	-2.85%	0.00%
24	Target Return on Equity	\$4,757,910	\$4,757,910
25	Revenue Deficiency/(Sufficiency)	\$3,772,502	(\$0)
26	<b>Gross Revenue Deficiency/(Sufficiency)</b>	<b>\$3,772,502 (1)</b>	

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

1 **SUMMARY OF DRIVERS OF TEST YEAR DEFICIENCY:**

2 Table 6-5 provides a summary of the principle drivers that contribute to CND's 2014  
 3 revenue deficiency.

4 **Table 6-5 Drivers of Revenue Deficiency**

Drivers of the Revenue Deficiency		
Description	Impact on Revenue Deficiency	Reference
OM&A (excluding Impact of Change in Accounting Policy under CGAAP)	\$4,483,029	Exhibit 4; Note 1
Impact of Change in Accounting Policy under CGAAP (Rate Base, OM&A, Depreciation <sup>4</sup> )	(\$1,363,597)	Exhibit 6, Table 6-6
Payment in lieu of taxes ("PILs")	(\$1,039,587)	Exhibit 4
Return on Incremental Rate Base (Excluding Impact of Change in Accounting Policy under CGAAP)	\$1,487,794	Exhibit 2; Note 2
Reduction in Other Revenue Offset/Other	\$204,863	Exhibit 3; Note 3
<b>Total Revenue Deficiency</b>	<b>\$3,772,502</b>	

**Notes:**

(1) OM&A

OM&A Increase - 2014 Test Year vs. 2010 Board Approved	5,771,203	Exhibit 4
OM&A - Impact of Change in Accounting Policy under CGAAP	(1,288,174)	Appendix 2-YB
Increase in OM&A, Excluding Impact of Change in Accounting Policy under CGAAP	<u>4,483,029</u>	

(2) Return on Incremental Rate Base - 2014 Test Year vs. 2010 Board Approved

Change in Rate Base, Excluding Impact of Change in Accounting Policy under CGAAP:		
Rate Base - Based on CGAAP without the Change to Accounting Policy	128,139,269	Appendix 2-YB
Rate Base - 2010 Board Approved Rate Application	105,108,395	2010 Board Approved
Increase in Rate Base, Excluding Impact of Change in Accounting Policy under CGAAP	<u>23,030,874</u>	
Effective Rate of Return on Rate Base	<u>6.46%</u>	
Return on Incremental Rate Base	<u>1,487,794.00</u>	

(3) Other Revenue Offset/Other

Other Revenue - 2014 Test Year	1,299,379
Other Revenue - 2010 Board Approved	1,490,410
Increase in revenue required to offset reduction in Other Revenue Offset	(191,031)
Miscellaneous/Other	(13,832)
	<u>(204,863)</u>

(4) Depreciation computation represents total change in depreciation expense between 2014 and 2010;  
 Depreciation includes impact of change in useful lives, as well as increased depreciation expense on  
 higher average net book value of assets.

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1 The following is a brief explanation of each of the drivers identified in Table 6-5:

2 1. OM&A, Excluding Impact of Changes in Accounting Policies

3 Total OM&A expenditures from the CND's 2010 Board Approved Rate Rebasing  
4 Application were \$10,032,108. Total OM&A as proposed in this Application are  
5 \$15,803,311, representing an increase of \$5,771,203. Included in the amount of  
6 \$5,771,203 is \$1,288,174 of incremental OM&A resulting from CND revising its  
7 capitalization policies under CGAAP to reflect changes that were required in accordance  
8 with regulatory accounting requirements and that align to the capitalization principles if CND  
9 were to adopt International Financial Reporting Standards ("IFRS"). Excluding the OM&A  
10 impact attributable to the change in accounting policies, OM&A increased by \$4,483,029,  
11 resulting in an increase in revenue requirement.

12 2. Impact of Changes in Accounting Policies under GCAAP

13 The impact of CND's change in its capitalization policies, including changes in the useful  
14 lives of assets, as described in Exhibit 2, is a reduction in the revenue requirement of  
15 (\$1,363,597). Table 6-6 below provides the detailed calculation and components of this  
16 amount, including the increase in OM&A of \$1,288,174, as described above, a decrease in  
17 the depreciation expense (\$3,005,410), and the impact on the rate of return on rate base.

18 3. PILS

19 CND has computed PILs for the 2014 Test Year as \$Nil. This compares to the 2010 Board  
20 Approved PILs amount of \$1,039,587. As a result, PILs accounts for a reduction in the  
21 revenue requirement of \$1,039,587. PILs calculations are included in Exhibit 4.

22 4. Return on Incremental Rate Base, Excluding Impact of Change in Accounting  
23 Policies

24 The 2010 Board Approved Rate Base was \$105,108,395 compared to the proposed Rate  
25 Base of \$132,458,506. This represents an increase in Rate Base of \$27,350,111.  
26 Excluding the impact on rate base of the change in accounting policy, which has been  
27 computed as \$4,319,237 as per Table 6-6 (Appendix 6-2, 2-YB), Rate Base has increased

1 by \$23,030,874. Based on an effective rate of return on rate base of 6.46%, the increase in  
2 rate base since 2010 Board Approved has resulted in an increase in the revenue  
3 requirement of approximately \$1,487,794. Details with respect to CND's Rate Base are  
4 provided in Exhibit 2.

5 5. Reduction in Other Revenue Offsets/Other

6 Other Revenue for the 2014 Test Year is projected to be \$1,299,379 (Exhibit 3, Tab 4, Sch.  
7 1) as compared to \$1,490,410 for 2010 Board Approved. This represents an increase in  
8 revenue requirement of \$191,031. Other miscellaneous amounts contribute to the balance.

1 **IMPACTS OF CHANGES IN METHODOLOGIES:**

2 Effective January 1, 2012, CNL revised its capitalization policies under CGAAP to reflect  
 3 changes that were required in accordance with regulatory accounting requirements and that  
 4 align to the capitalization principles if CNL were to adopt International Financial Reporting  
 5 Standards (“IFRS”).

6 The change in accounting policies has resulted in material changes to CNL’s OM&A and  
 7 Depreciation/Amortization expenditures, as well as Rate Base. Details with respect to  
 8 these changes are described in more detail in Exhibit 2 and Exhibit 4.

9 Table 6-6 (Appendix 6-2, 2-YB) summarizes the estimated impacts of the change in  
 10 accounting policies, which results in an overall reduction to the Total Base Revenue  
 11 Requirement of \$1,363,597.

12 **Table 6-6 (Appendix 6-2, 2-YB) Summary of Impacts to Revenue Requirement from**  
 13 **Accounting Changes under CGAAP**

Revenue Requirement Component	2014 CGAAP or ASPE with the changes to the policies	2014 CGAAP without the changes to the policies	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
Closing NBV 2013	104,158,053	100,916,274	3,241,779	Change in useful lives and capitalization policy
Closing NBV 2014	116,817,559	111,775,246	5,042,313	Change in useful lives and capitalization policy
Average NBV	110,487,806	106,345,760	4,142,046	Change in useful lives and capitalization policy
Working Capital	21,970,700	21,793,509	177,191	Impact of Change in OM&A
Rate Base	132,458,506	128,139,269	4,319,237	
Return on Rate Base	8,550,204	8,271,397	278,807	
			-	
OM&A	15,803,311	14,515,137	1,288,174	Increase in OM&A due to change in capitalization policy
Depreciation	4,756,246	7,761,656	(3,005,410)	Reduction due to change in useful lives and capitalization policy
PIs or Income Taxes	-	-	-	
Property taxes	155,664	80,832	74,832	Increase due to change in capitalization policy
Less: Revenue Offsets	(1,299,379)	(1,299,379)	-	
			-	
			-	
			-	
and new rows if needed.			-	
<b>Total Base Revenue Requirement</b>	<b>27,966,046</b>	<b>29,329,643</b>	<b>(1,363,597)</b>	

14

1

**Appendix 6-1**

2

**Revenue Requirement Work Form**



# Revenue Requirement Workform



Version 4.00

Utility Name	Cambridge and North Dumfries Hydro
Service Territory	
Assigned EB Number	EB-2013-0116
Name and Title	Grant Brooker, Manager, Regulatory Affairs
Phone Number	519.621.8405 Ext 2340
Email Address	gbrooker@camhydro.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.***



# Revenue Requirement Workform

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[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](#)

**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

## Data Input <sup>(1)</sup>

	Initial Application <sup>(2)</sup>		(6)	Per Board Decision
<b>1 Rate Base</b>				
Gross Fixed Assets (average)	\$213,750,900		\$ 213,750,900	\$213,750,900
Accumulated Depreciation (average)	(\$103,263,094) <sup>(5)</sup>		(\$103,263,094)	(\$103,263,094)
<b>Allowance for Working Capital:</b>				
Controllable Expenses	\$15,958,975		\$ 15,958,975	\$15,958,975
Cost of Power	\$153,046,408		\$ 153,046,408	\$153,046,408
Working Capital Rate (%)	13.00% <sup>(9)</sup>		13.00% <sup>(9)</sup>	13.00% <sup>(9)</sup>
<b>2 Utility Income</b>				
<b>Operating Revenues:</b>				
Distribution Revenue at Current Rates	\$24,193,543			
Distribution Revenue at Proposed Rates	\$27,966,045			
<b>Other Revenue:</b>				
Specific Service Charges	\$554,855			
Late Payment Charges	\$137,500			
Other Distribution Revenue	\$607,024			
Other Income and Deductions				
Total Revenue Offsets	\$1,299,379 <sup>(7)</sup>			
<b>Operating Expenses:</b>				
OM+A Expenses	\$15,803,311		\$ 15,803,311	\$15,803,311
Depreciation/Amortization	\$4,756,246		\$ 4,756,246	\$4,756,246
Property taxes	\$155,664		\$ 155,664	\$155,664
Other expenses				
<b>3 Taxes/PILs</b>				
<b>Taxable Income:</b>				
Adjustments required to arrive at taxable income	(\$4,641,026) <sup>(3)</sup>			
<b>Utility Income Taxes and Rates:</b>				
Income taxes (not grossed up)	\$ -			
Income taxes (grossed up)	\$ -			
Federal tax (%)	0.00%			
Provincial tax (%)	0.00%			
Income Tax Credits				
<b>4 Capitalization/Cost of Capital</b>				
<b>Capital Structure:</b>				
Long-term debt Capitalization Ratio (%)	56.0%			
Short-term debt Capitalization Ratio (%)	4.0% <sup>(8)</sup>		(8)	(8)
Common Equity Capitalization Ratio (%)	40.0%			
Preferred Shares Capitalization Ratio (%)	0.0%			
	100.0%			
<b>Cost of Capital</b>				
Long-term debt Cost Rate (%)	4.96%			
Short-term debt Cost Rate (%)	2.07%			
Common Equity Cost Rate (%)	8.98%			
Preferred Shares Cost Rate (%)	0.00%			

### 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

## Rate Base and Working Capital

Line No.	Particulars		Initial Application				Per Board Decision
1	Gross Fixed Assets (average)	(3)	\$213,750,900	\$ -	\$213,750,900	\$ -	\$213,750,900
2	Accumulated Depreciation (average)	(3)	(\$103,263,094)	\$ -	(\$103,263,094)	\$ -	(\$103,263,094)
3	Net Fixed Assets (average)	(3)	\$110,487,806	\$ -	\$110,487,806	\$ -	\$110,487,806
4	Allowance for Working Capital	(1)	\$21,970,700	\$ -	\$21,970,700	\$ -	\$21,970,700
5	<b>Total Rate Base</b>		<b>\$132,458,506</b>	<b>\$ -</b>	<b>\$132,458,506</b>	<b>\$ -</b>	<b>\$132,458,506</b>

### (1) Allowance for Working Capital - Derivation

6	Controllable Expenses		\$15,958,975	\$ -	\$15,958,975	\$ -	\$15,958,975
7	Cost of Power		\$153,046,408	\$ -	\$153,046,408	\$ -	\$153,046,408
8	Working Capital Base		\$169,005,383	\$ -	\$169,005,383	\$ -	\$169,005,383
9	Working Capital Rate %	(2)	13.00%	0.00%	13.00%	0.00%	13.00%
10	Working Capital Allowance		\$21,970,700	\$ -	\$21,970,700	\$ -	\$21,970,700

#### 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

## Utility Income

Line No.	Particulars	Initial Application		Per Board Decision	
<b>Operating Revenues:</b>					
1	Distribution Revenue (at Proposed Rates)	\$27,966,045	(\$27,966,045)	\$ -	\$ -
2	Other Revenue	(1) \$1,299,379	(\$1,299,379)	\$ -	\$ -
3	<b>Total Operating Revenues</b>	<b>\$29,265,424</b>	<b>(\$29,265,424)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Operating Expenses:</b>					
4	OM+A Expenses	\$15,803,311	\$ -	\$15,803,311	\$ -
5	Depreciation/Amortization	\$4,756,246	\$ -	\$4,756,246	\$ -
6	Property taxes	\$155,664	\$ -	\$155,664	\$ -
7	Capital taxes	\$ -	\$ -	\$ -	\$ -
8	Other expense	\$ -	\$ -	\$ -	\$ -
9	<b>Subtotal (lines 4 to 8)</b>	<b>\$20,715,221</b>	<b>\$ -</b>	<b>\$20,715,221</b>	<b>\$ -</b>
10	Deemed Interest Expense	\$3,792,294	(\$3,792,294)	\$ -	\$ -
11	<b>Total Expenses (lines 9 to 10)</b>	<b>\$24,507,515</b>	<b>(\$3,792,294)</b>	<b>\$20,715,221</b>	<b>\$ -</b>
12	<b>Utility income before income taxes</b>	<b>\$4,757,909</b>	<b>(\$25,473,130)</b>	<b>(\$20,715,221)</b>	<b>\$ -</b>
13	Income taxes (grossed-up)	\$ -	\$ -	\$ -	\$ -
14	<b>Utility net income</b>	<b>\$4,757,909</b>	<b>(\$25,473,130)</b>	<b>(\$20,715,221)</b>	<b>\$ -</b>

### Notes

#### Other Revenues / Revenue Offsets

(1)	Specific Service Charges	\$554,855	\$ -	\$ -	\$ -
	Late Payment Charges	\$137,500	\$ -	\$ -	\$ -
	Other Distribution Revenue	\$607,024	\$ -	\$ -	\$ -
	Other Income and Deductions	\$ -	\$ -	\$ -	\$ -
	<b>Total Revenue Offsets</b>	<b>\$1,299,379</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>



# Revenue Requirement Workform

## Taxes/PILs

Line No.	Particulars	Application		Per Board Decision	
<u>Determination of Taxable Income</u>					
1	Utility net income before taxes	\$4,757,910	\$ -	\$ -	
2	Adjustments required to arrive at taxable utility income	(\$4,641,026)	\$ -	(\$4,641,026)	
3	Taxable income	<u>\$116,884</u>	<u>\$ -</u>	<u>(\$4,641,026)</u>	
<u>Calculation of Utility income Taxes</u>					
4	Income taxes	\$ -	\$ -	\$ -	
6	Total taxes	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
7	Gross-up of Income Taxes	\$ -	\$ -	\$ -	
8	Grossed-up Income Taxes	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
9	PILs / tax Allowance (Grossed-up Income taxes + Capital taxes)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
10	Other tax Credits	\$ -	\$ -	\$ -	
<u>Tax Rates</u>					
11	Federal tax (%)	0.00%	0.00%	0.00%	
12	Provincial tax (%)	0.00%	0.00%	0.00%	
13	Total tax rate (%)	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	

## Notes



# Revenue Requirement Workform

## Capitalization/Cost of Capital

Line No.	Particulars	Capitalization Ratio		Cost Rate	Return
<b>Initial Application</b>					
		(%)	(\$)	(%)	(\$)
	<b>Debt</b>				
1	Long-term Debt	56.00%	\$74,176,763	4.96%	\$3,682,618
2	Short-term Debt	4.00%	\$5,298,340	2.07%	\$109,676
3	<b>Total Debt</b>	<b>60.00%</b>	<b>\$79,475,103</b>	<b>4.77%</b>	<b>\$3,792,294</b>
	<b>Equity</b>				
4	Common Equity	40.00%	\$52,983,402	8.98%	\$4,757,910
5	Preferred Shares	0.00%	\$ -	0.00%	\$ -
6	<b>Total Equity</b>	<b>40.00%</b>	<b>\$52,983,402</b>	<b>8.98%</b>	<b>\$4,757,910</b>
7	<b>Total</b>	<b>100.00%</b>	<b>\$132,458,506</b>	<b>6.46%</b>	<b>\$8,550,203</b>
<b>Per Board Decision</b>					
		(%)	(\$)	(%)	(\$)
	<b>Debt</b>				
1	Long-term Debt	0.00%	\$ -	0.00%	\$ -
2	Short-term Debt	0.00%	\$ -	0.00%	\$ -
3	<b>Total Debt</b>	<b>0.00%</b>	<b>\$ -</b>	<b>0.00%</b>	<b>\$ -</b>
	<b>Equity</b>				
4	Common Equity	0.00%	\$ -	0.00%	\$ -
5	Preferred Shares	0.00%	\$ -	0.00%	\$ -
6	<b>Total Equity</b>	<b>0.00%</b>	<b>\$ -</b>	<b>0.00%</b>	<b>\$ -</b>
7	<b>Total</b>	<b>0.00%</b>	<b>\$132,458,506</b>	<b>0.00%</b>	<b>\$ -</b>
		(%)	(\$)	(%)	(\$)
	<b>Debt</b>				
8	Long-term Debt	0.00%	\$ -	4.96%	\$ -
9	Short-term Debt	0.00%	\$ -	2.07%	\$ -
10	<b>Total Debt</b>	<b>0.00%</b>	<b>\$ -</b>	<b>0.00%</b>	<b>\$ -</b>
	<b>Equity</b>				
11	Common Equity	0.00%	\$ -	8.98%	\$ -
12	Preferred Shares	0.00%	\$ -	0.00%	\$ -
13	<b>Total Equity</b>	<b>0.00%</b>	<b>\$ -</b>	<b>0.00%</b>	<b>\$ -</b>
14	<b>Total</b>	<b>0.00%</b>	<b>\$132,458,506</b>	<b>0.00%</b>	<b>\$ -</b>

### 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

## 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		\$3,772,502		(\$3,478,322)		\$20,715,221
2	Distribution Revenue	\$24,193,543	\$24,193,543	\$24,193,543	\$31,444,367	\$ -	(\$20,715,221)
3	Other Operating Revenue Offsets - net	\$1,299,379	\$1,299,379	\$ -	\$ -	\$ -	\$ -
4	<b>Total Revenue</b>	<b>\$25,492,922</b>	<b>\$29,265,424</b>	<b>\$24,193,543</b>	<b>\$27,966,045</b>	<b>\$ -</b>	<b>\$ -</b>
5	Operating Expenses	\$20,715,221	\$20,715,221	\$20,715,221	\$20,715,221	\$20,715,221	\$20,715,221
6	Deemed Interest Expense	\$3,792,294	\$3,792,294	\$ -	\$ -	\$ -	\$ -
8	<b>Total Cost and Expenses</b>	<b>\$24,507,515</b>	<b>\$24,507,515</b>	<b>\$20,715,221</b>	<b>\$20,715,221</b>	<b>\$20,715,221</b>	<b>\$20,715,221</b>
9	<b>Utility Income Before Income Taxes</b>	<b>\$985,407</b>	<b>\$4,757,909</b>	<b>\$3,478,322</b>	<b>\$7,250,824</b>	<b>(\$20,715,221)</b>	<b>(\$20,715,221)</b>
10	Tax Adjustments to Accounting Income per 2013 PILs model	(\$4,641,026)	(\$4,641,026)	(\$4,641,026)	(\$4,641,026)	\$ -	\$ -
11	<b>Taxable Income</b>	<b>(\$3,655,618)</b>	<b>\$116,884</b>	<b>(\$1,162,704)</b>	<b>\$2,609,799</b>	<b>(\$20,715,221)</b>	<b>(\$20,715,221)</b>
12	Income Tax Rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
13	<b>Income Tax on Taxable Income</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
14	<b>Income Tax Credits</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
15	<b>Utility Net Income</b>	<b>\$985,407</b>	<b>\$4,757,909</b>	<b>\$3,478,322</b>	<b>(\$20,715,221)</b>	<b>(\$20,715,221)</b>	<b>(\$20,715,221)</b>
16	<b>Utility Rate Base</b>	<b>\$132,458,506</b>	<b>\$132,458,506</b>	<b>\$132,458,506</b>	<b>\$132,458,506</b>	<b>\$132,458,506</b>	<b>\$132,458,506</b>
17	Deemed Equity Portion of Rate Base	\$52,983,402	\$52,983,402	\$ -	\$ -	\$ -	\$ -
18	Income/(Equity Portion of Rate Base)	1.86%	8.98%	0.00%	0.00%	0.00%	0.00%
19	Target Return - Equity on Rate Base	8.98%	8.98%	0.00%	0.00%	0.00%	0.00%
20	Deficiency/Sufficiency in Return on Equity	-7.12%	0.00%	0.00%	0.00%	0.00%	0.00%
21	Indicated Rate of Return	3.61%	6.46%	2.63%	0.00%	-15.64%	0.00%
22	Requested Rate of Return on Rate Base	6.46%	6.46%	0.00%	0.00%	0.00%	0.00%
23	Deficiency/Sufficiency in Rate of Return	-2.85%	0.00%	2.63%	0.00%	-15.64%	0.00%
24	Target Return on Equity	\$4,757,910	\$4,757,910	\$ -	\$ -	\$ -	\$ -
25	Revenue Deficiency/(Sufficiency)	\$3,772,502	(\$0)	(\$3,478,322)	\$ -	\$20,715,221	\$ -
26	<b>Gross Revenue Deficiency/(Sufficiency)</b>	<b>\$3,772,502 (1)</b>	<b>(\$0)</b>	<b>(\$3,478,322) (1)</b>	<b>\$ -</b>	<b>\$20,715,221 (1)</b>	<b>\$ -</b>

**Notes:**

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



# Revenue Requirement Workform

## Revenue Requirement

Line No.	Particulars	Application		Per Board Decision	
1	OM&A Expenses	\$15,803,311		\$15,803,311	\$15,803,311
2	Amortization/Depreciation	\$4,756,246		\$4,756,246	\$4,756,246
3	Property Taxes	\$155,664		\$155,664	\$155,664
5	Income Taxes (Grossed up)	\$ -		\$ -	\$ -
6	Other Expenses	\$ -		\$ -	\$ -
7	Return				
	Deemed Interest Expense	\$3,792,294		\$ -	\$ -
	Return on Deemed Equity	\$4,757,910		\$ -	\$ -
8	<b>Service Revenue Requirement (before Revenues)</b>	<u>\$29,265,424</u>		<u>\$20,715,221</u>	<u>\$20,715,221</u>
9	Revenue Offsets	\$1,299,379		\$ -	\$ -
10	<b>Base Revenue Requirement (excluding Transformer Owership Allowance credit adjustment)</b>	<u>\$27,966,045</u>		<u>\$20,715,221</u>	<u>\$20,715,221</u>
11	Distribution revenue	\$27,966,045		\$ -	\$ -
12	Other revenue	\$1,299,379		\$ -	\$ -
13	<b>Total revenue</b>	<u>\$29,265,424</u>		<u>\$ -</u>	<u>\$ -</u>
14	<b>Difference (Total Revenue Less Distribution Revenue Requirement before Revenues)</b>	<u>(\$0)</u>	<b>(1)</b>	<u>(\$20,715,221)</u>	<b>(1)</b> <u>(\$20,715,221)</u>

### Notes

(1) Line 11 - Line 8

1

**Appendix 6-2**

2

**Appendix 2-YB Summary of Impacts to Revenue Requirement**

**Appendix 2-YB**  
**Summary of Impacts to Revenue Requirement**  
**from Accounting Changes under CGAAP or ASPE**

Revenue Requirement Component	2014 CGAAP or ASPE with the changes to the policies	2014 CGAAP without the changes to the policies	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
Closing NBV 2013	\$ 104,158,053	\$ 100,916,274	\$ 3,241,779	Change in useful lives and capitalization policy
Closing NBV 2014	\$ 116,817,559	\$ 111,775,246	\$ 5,042,313	Change in useful lives and capitalization policy
Average NBV	\$ 110,487,806	\$ 106,345,760	\$ 4,142,046	Change in useful lives and capitalization policy
Working Capital	\$ 21,970,700	\$ 21,793,509	\$ 177,191	Impact of Change in OM&A
Rate Base	\$ 132,458,506	\$ 128,139,269	\$ 4,319,237	
Return on Rate Base	\$ 8,550,204	\$ 8,271,397	\$ 278,807	
			\$ -	
OM&A	\$ 15,803,311	\$ 14,515,137	\$ 1,288,174	Increase in OM&A due to change in capitalization policy
Depreciation	\$ 4,756,246	\$ 7,761,656	-\$ 3,005,410	Reduction due to change in useful lives and capitalization policy
PILs or Income Taxes			\$ -	
Property Taxes	\$ 155,664	\$ 80,832	\$ 74,832	Increase due to change in capitalization policy
Less: Revenue Offsets	-\$ 1,299,379	-\$ 1,299,379	\$ -	
			\$ -	
			\$ -	
			\$ -	
Insert description of additional item(s)			\$ -	
<b>Total Base Revenue Requirement</b>	<b>\$ 27,966,046</b>	<b>\$ 29,329,643</b>	<b>-\$ 1,363,597</b>	

For CGAAP or ASPE applications, the applicants must provide a summary of the dollar impacts of CGAAP or ASPE to each component of the revenue requirement (e.g. rate base, operating costs, etc.), including the overall impact on the proposed revenue requirement. Accordingly, the applicants must identify financial differences and resulting revenue requirement impacts arising from making capitalization and depreciation expense policy changes under CGAAP or ASPE.