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October 17, 2013

BY COURIER & RESS

Ms. Kirsten Walli, Board Secretary
ONTARIO ENERGY BOARD
2300 Yonge Street, 26th Floor, P.O. Box 2319
TORONTO, ON M4P 1E4

Re: Board File No. EB-2013-0147
Kitchener-Wilmot Hydro Inc. – Revised RRWF

Dear Ms. Walli:

On October 15, 2013, Kitchener-Wilmot Hydro Inc. ("KWHI") filed its Interrogatory Responses as per Procedural Order #1 (PO#1) in this rates case. Following guidance provided by Board staff, KWHI files a revised Revenue Requirement Work Form which isolates the adjustments made through the Interrogatory process. Note that the resulting revenue requirement is unchanged from the October 15, 2013 filing.

KWHI's submission, which has been previously electronically filed through the Board's web portal, consists of two (2) hard copies.

Respectfully submitted,

Original Signed by

Margaret Nanninga, MBA, CGA
Vice-President Finance

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Revenue Requirement Workform



Version 3.00

Utility Name	Kitchener-Wilmot Hydro Inc.
Service Territory	City of Kitchener & the Township of Wilmot
Assigned EB Number	EB-2013-0147
Name and Title	Margaret Nanninga, Vice-President Finance
Phone Number	519-749-6177
Email Address	mnanninga@kwhydro.on.ca

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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



Revenue Requirement Workform

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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 ⁽¹⁾

	Initial Application	(2)	Adjustments	Interrogatory Responses	(6)	Adjustments	Per Board Decision
1 Rate Base							
Gross Fixed Assets (average)	\$330,626,013		\$1,386,400	\$ 332,012,413			\$332,012,413
Accumulated Depreciation (average)	(\$147,702,714)	(5)	(\$41,637)	(\$147,744,351)			(\$147,744,351)
Allowance for Working Capital:							
Controllable Expenses	\$18,918,000			\$ 18,918,000			\$18,918,000
Cost of Power	\$184,456,632		(\$1,241,652)	\$ 183,214,980			\$183,214,980
Working Capital Rate (%)	13.00%	(9)		13.00%	(9)		13.00% (9)
2 Utility Income							
Operating Revenues:							
Distribution Revenue at Current Rates	\$38,207,936		\$37,897	\$38,245,833			
Distribution Revenue at Proposed Rates	\$37,414,668		(\$88,206)	\$37,326,462			
Other Revenue:							
Specific Service Charges	\$497,900		\$0	\$497,900			
Late Payment Charges	\$266,100		\$0	\$266,100			
Other Distribution Revenue	\$863,500		\$0	\$863,500			
Other Income and Deductions	\$411,700		\$0	\$411,700			
Total Revenue Offsets	\$2,039,200	(7)	\$0	\$2,039,200			
Operating Expenses:							
OM+A Expenses	\$18,523,200			\$ 18,523,200			\$18,523,200
Depreciation/Amortization	\$7,562,852	(10)	(\$106,122)	\$ 7,456,730			\$7,456,730
Property taxes	\$394,800			\$ 394,800			\$394,800
Other expenses							
3 Taxes/PILs							
Taxable Income:							
Adjustments required to arrive at taxable income	(\$5,959,922)	(3)		(\$6,217,240)			
Utility Income Taxes and Rates:							
Income taxes (not grossed up)	\$318,496			\$279,570			
Income taxes (grossed up)	\$433,327			\$380,368			
Federal tax (%)	15.00%			15.00%			
Provincial tax (%)	11.50%			11.50%			
Income Tax Credits	(\$95,000)			(\$77,000)			
4 Capitalization/Cost of Capital							
Capital Structure:							
Long-term debt Capitalization Ratio (%)	56.0%			56.0%			
Short-term debt Capitalization Ratio (%)	4.0%	(8)		4.0%	(8)		(8)
Common Equity Capitalization Ratio (%)	40.0%			40.0%			
Preferred Shares Capitalization Ratio (%)	0.0%			0.0%			
	100.0%			100.0%			
Cost of Capital							
Long-term debt Cost Rate (%)	4.13%			4.13%			
Short-term debt Cost Rate (%)	2.07%			2.07%			
Common Equity Cost Rate (%)	8.98%			8.98%			
Preferred Shares Cost Rate (%)	0.00%			0.00%			
Adjustment to Return on Rate Base associated with Deferred PP&E balance as a result of transition from CGAAP to MIFRS (\$)	\$ -	(11)			(11)		(11)

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.
- (10) Depreciation Expense should include the adjustment resulting from the amortization of the deferred PP&E balance as shown on Appendix 2-EA or Appendix 2-EB of the Chapter 2 Appendices to the Filing Requirements.
- (11) Adjustment should include the adjustment to the return on rate base associated with deferred PP&E balance as shown on Appendix 2-EA or Appendix 2-EB of the Chapter 2 Appendices to the Filing Requirements.



Revenue Requirement Workform

Rate Base and Working Capital

Rate Base										
Line No.	Particulars		Initial Application		Adjustments		Interrogatory Responses		Adjustments	Per Board Decision
1	Gross Fixed Assets (average)	(3)	\$330,626,013		\$1,386,400		\$332,012,413		\$ -	\$332,012,413
2	Accumulated Depreciation (average)	(3)	(\$147,702,714)		(\$41,637)		(\$147,744,351)		\$ -	(\$147,744,351)
3	Net Fixed Assets (average)	(3)	\$182,923,299		\$1,344,763		\$184,268,062		\$ -	\$184,268,062
4	Allowance for Working Capital	(1)	\$26,438,702		(\$161,415)		\$26,277,287		\$ -	\$26,277,287
5	Total Rate Base		\$209,362,001		\$1,183,348		\$210,545,349		\$ -	\$210,545,349

Allowance for Working Capital - Derivation

(1)

6	Controllable Expenses		\$18,918,000	\$ -	\$18,918,000	\$ -	\$18,918,000
7	Cost of Power		\$184,456,632	(\$1,241,652)	\$183,214,980	\$ -	\$183,214,980
8	Working Capital Base		\$203,374,632	(\$1,241,652)	\$202,132,980	\$ -	\$202,132,980
9	Working Capital Rate %	(2)	13.00%	0.00%	13.00%	0.00%	13.00%
10	Working Capital Allowance		\$26,438,702	(\$161,415)	\$26,277,287	\$ -	\$26,277,287

Notes

- (2) Some Applicants may have a unique rate as a result of a lead-lag study. Default rate for 2013 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	Adjustments	Interrogatory Responses	Adjustments	Per Board Decision
	Operating Revenues:					
1	Distribution Revenue (at Proposed Rates)	\$37,414,668	(\$88,206)	\$37,326,462	\$ -	\$37,326,462
2	Other Revenue	(1) \$2,039,200	\$ -	\$2,039,200	\$ -	\$2,039,200
3	Total Operating Revenues	\$39,453,868	(\$88,206)	\$39,365,662	\$ -	\$39,365,662
	Operating Expenses:					
4	OM+A Expenses	\$18,523,200	\$ -	\$18,523,200	\$ -	\$18,523,200
5	Depreciation/Amortization	\$7,562,852	(\$106,122)	\$7,456,730	\$ -	\$7,456,730
6	Property taxes	\$394,800	\$ -	\$394,800	\$ -	\$394,800
7	Capital taxes	\$ -	\$ -	\$ -	\$ -	\$ -
8	Other expense	\$ -	\$ -	\$ -	\$ -	\$ -
9	Subtotal (lines 4 to 8)	\$26,480,852	(\$106,122)	\$26,374,730	\$ -	\$26,374,730
10	Deemed Interest Expense	\$5,019,405	\$28,370	\$5,047,775	\$ -	\$5,047,775
11	Total Expenses (lines 9 to 10)	\$31,500,257	(\$77,752)	\$31,422,505	\$ -	\$31,422,505
12	Adjustment to Return on Rate Base associated with Deferred PP&E balance as a result of transition from CGAAP to MIFRS	\$ -	\$ -	\$ -	\$ -	\$ -
13	Utility income before income taxes	\$7,953,610	(\$10,454)	\$7,943,157	\$ -	\$7,943,157
14	Income taxes (grossed-up)	\$433,327	(\$52,959)	\$380,368	\$ -	\$380,368
15	Utility net income	\$7,520,283	\$42,506	\$7,562,789	\$ -	\$7,562,789

Notes

Other Revenues / Revenue Offsets

(1)	Specific Service Charges	\$497,900	\$ -	\$497,900		\$497,900
	Late Payment Charges	\$266,100	\$ -	\$266,100		\$266,100
	Other Distribution Revenue	\$863,500	\$ -	\$863,500		\$863,500
	Other Income and Deductions	\$411,700	\$ -	\$411,700		\$411,700
	Total Revenue Offsets	\$2,039,200	\$ -	\$2,039,200	\$ -	\$2,039,200



Revenue Requirement Workform

Taxes/PILs

Line No.	Particulars	Application	Interrogatory Responses	Per Board Decision
<u>Determination of Taxable Income</u>				
1	Utility net income before taxes	\$7,520,283	\$7,562,789	\$7,562,789
2	Adjustments required to arrive at taxable utility income	(\$5,959,922)	(\$6,217,240)	(\$5,959,922)
3	Taxable income	<u>\$1,560,361</u>	<u>\$1,345,549</u>	<u>\$1,602,867</u>
<u>Calculation of Utility income Taxes</u>				
4	Income taxes	\$318,496	\$279,570	\$279,570
6	Total taxes	<u>\$318,496</u>	<u>\$279,570</u>	<u>\$279,570</u>
7	Gross-up of Income Taxes	\$114,832	\$100,797	\$100,797
8	Grossed-up Income Taxes	<u>\$433,327</u>	<u>\$380,368</u>	<u>\$380,368</u>
9	PILs / tax Allowance (Grossed-up Income taxes + Capital taxes)	<u>\$433,327</u>	<u>\$380,368</u>	<u>\$380,368</u>
10	Other tax Credits	(\$95,000)	(\$77,000)	(\$77,000)
<u>Tax Rates</u>				
11	Federal tax (%)	15.00%	15.00%	15.00%
12	Provincial tax (%)	11.50%	11.50%	11.50%
13	Total tax rate (%)	<u>26.50%</u>	<u>26.50%</u>	<u>26.50%</u>

Notes



Revenue Requirement Workform

Capitalization/Cost of Capital

Line No.	Particulars	Capitalization Ratio		Cost Rate	Return
		Initial Application			
		(%)	(\$)	(%)	(\$)
	Debt				
1	Long-term Debt	56.00%	\$117,242,721	4.13%	\$4,846,053
2	Short-term Debt	4.00%	\$8,374,480	2.07%	\$173,352
3	Total Debt	60.00%	\$125,617,201	4.00%	\$5,019,405
	Equity				
4	Common Equity	40.00%	\$83,744,800	8.98%	\$7,520,283
5	Preferred Shares	0.00%	\$ -	0.00%	\$ -
6	Total Equity	40.00%	\$83,744,800	8.98%	\$7,520,283
7	Total	100.00%	\$209,362,001	5.99%	\$12,539,688
		Interrogatory Responses			
		(%)	(\$)	(%)	(\$)
	Debt				
1	Long-term Debt	56.00%	\$117,905,396	4.13%	\$4,873,444
2	Short-term Debt	4.00%	\$8,421,814	2.07%	\$174,332
3	Total Debt	60.00%	\$126,327,210	4.00%	\$5,047,775
	Equity				
4	Common Equity	40.00%	\$84,218,140	8.98%	\$7,562,789
5	Preferred Shares	0.00%	\$ -	0.00%	\$ -
6	Total Equity	40.00%	\$84,218,140	8.98%	\$7,562,789
7	Total	100.00%	\$210,545,349	5.99%	\$12,610,564
		Per Board Decision			
		(%)	(\$)	(%)	(\$)
	Debt				
8	Long-term Debt	56.00%	\$117,905,396	4.13%	\$4,873,444
9	Short-term Debt	4.00%	\$8,421,814	2.07%	\$174,332
10	Total Debt	60.00%	\$126,327,210	4.00%	\$5,047,775
	Equity				
11	Common Equity	40.00%	\$84,218,140	8.98%	\$7,562,789
12	Preferred Shares	0.00%	\$ -	0.00%	\$ -
13	Total Equity	40.00%	\$84,218,140	8.98%	\$7,562,789
14	Total	100.00%	\$210,545,349	5.99%	\$12,610,564

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		Interrogatory Responses		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		(\$793,268)		(\$919,371)		(\$919,371)
2	Distribution Revenue	\$38,207,936	\$38,207,936	\$38,245,833	\$38,245,833	\$38,245,833	\$38,245,833
3	Other Operating Revenue Offsets - net	\$2,039,200	\$2,039,200	\$2,039,200	\$2,039,200	\$2,039,200	\$2,039,200
4	Total Revenue	\$40,247,136	\$39,453,868	\$40,285,033	\$39,365,662	\$40,285,033	\$39,365,662
5	Operating Expenses	\$26,480,852	\$26,480,852	\$26,374,730	\$26,374,730	\$26,374,730	\$26,374,730
6	Deemed Interest Expense	\$5,019,405	\$5,019,405	\$5,047,775	\$5,047,775	\$5,047,775	\$5,047,775
7	Adjustment to Return on Rate Base associated with Deferred PP&E balance as a result of transition from CGAAP to MIFRS	\$ - (2)	\$ -	\$ - (2)	\$ -	\$ - (2)	\$ -
8	Total Cost and Expenses	\$31,500,257	\$31,500,257	\$31,422,505	\$31,422,505	\$31,422,505	\$31,422,505
9	Utility Income Before Income Taxes	\$8,746,879	\$7,953,610	\$8,862,528	\$7,943,157	\$8,862,528	\$7,943,157
10	Tax Adjustments to Accounting Income per 2013 PILs model	(\$5,959,922)	(\$5,959,922)	(\$6,217,240)	(\$6,217,240)	(\$6,217,240)	(\$6,217,240)
11	Taxable Income	\$2,786,956	\$1,993,688	\$2,645,287	\$1,725,916	\$2,645,287	\$1,725,916
12	Income Tax Rate	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%
13	Income Tax on Taxable Income	\$738,543	\$528,327	\$701,001	\$457,368	\$701,001	\$457,368
14	Income Tax Credits	(\$95,000)	(\$95,000)	(\$77,000)	(\$77,000)	(\$77,000)	(\$77,000)
15	Utility Net Income	\$8,103,335	\$7,520,283	\$8,238,526	\$7,562,789	\$8,238,526	\$7,562,789
16	Utility Rate Base	\$209,362,001	\$209,362,001	\$210,545,349	\$210,545,349	\$210,545,349	\$210,545,349
17	Deemed Equity Portion of Rate Base	\$83,744,800	\$83,744,800	\$84,218,140	\$84,218,140	\$84,218,140	\$84,218,140
18	Income/(Equity Portion of Rate Base)	9.68%	8.98%	9.78%	8.98%	9.78%	8.98%
19	Target Return - Equity on Rate Base	8.98%	8.98%	8.98%	8.98%	8.98%	8.98%
20	Deficiency/Sufficiency in Return on Equity	0.70%	0.00%	0.80%	0.00%	0.80%	0.00%
21	Indicated Rate of Return	6.27%	5.99%	6.31%	5.99%	6.31%	5.99%
22	Requested Rate of Return on Rate Base	5.99%	5.99%	5.99%	5.99%	5.99%	5.99%
23	Deficiency/Sufficiency in Rate of Return	0.28%	0.00%	0.32%	0.00%	0.32%	0.00%
24	Target Return on Equity	\$7,520,283	\$7,520,283	\$7,562,789	\$7,562,789	\$7,562,789	\$7,562,789
25	Revenue Deficiency/(Sufficiency)	(\$583,052)	\$0	(\$675,737)	\$ -	(\$675,737)	\$ -
26	Gross Revenue Deficiency/(Sufficiency)	(\$793,268) (1)		(\$919,371) (1)		(\$919,371) (1)	

Notes:

- (1) Revenue Deficiency/Sufficiency divided by (1 - Tax Rate)
(2) Treated as an adjustment pre-tax to avoid an impact on taxes/PILs and hence on revenue sufficiency deficiency



Revenue Requirement Workform

Revenue Requirement

Line No.	Particulars	Application		Interrogatory Responses		Per Board Decision	
1	OM&A Expenses	\$18,523,200		\$18,523,200		\$18,523,200	
2	Amortization/Depreciation	\$7,562,852		\$7,456,730		\$7,456,730	
3	Property Taxes	\$394,800		\$394,800		\$394,800	
5	Income Taxes (Grossed up)	\$433,327		\$380,368		\$380,368	
6	Other Expenses	\$ -					
7	Return						
	Deemed Interest Expense	\$5,019,405		\$5,047,775		\$5,047,775	
	Return on Deemed Equity	\$7,520,283		\$7,562,789		\$7,562,789	
	Adjustment to Return on Rate Base associated with Deferred PP&E balance as a result of transition from CGAAP to MIFRS	\$ -		\$ -		\$ -	
8	Service Revenue Requirement (before Revenues)	<u>\$39,453,868</u>		<u>\$39,365,662</u>		<u>\$39,365,662</u>	
9	Revenue Offsets	<u>\$2,039,200</u>		<u>\$2,039,200</u>		<u>\$ -</u>	
10	Base Revenue Requirement (excluding Tranformer Owership Allowance credit adjustment)	<u>\$37,414,668</u>		<u>\$37,326,462</u>		<u>\$39,365,662</u>	
11	Distribution revenue	\$37,414,668		\$37,326,462		\$37,326,462	
12	Other revenue	<u>\$2,039,200</u>		<u>\$2,039,200</u>		<u>\$2,039,200</u>	
13	Total revenue	<u>\$39,453,868</u>		<u>\$39,365,662</u>		<u>\$39,365,662</u>	
14	Difference (Total Revenue Less Distribution Revenue Requirement before Revenues)	<u>\$ - (1)</u>		<u>\$ - (1)</u>		<u>\$ - (1)</u>	

Notes

(1) Line 11 - Line 8