VERIDIAN
CONNECTIONS

File Number: EB-2013-0174

Date Filed: October 31, 2013

Exhibit 6A

YEAR END NET FIXED ASSETS REVENUE REQUIREMENT AND REVENUE REQUIREMENT ADJUSTMENT RATE RIDERS (YE NFA REVENUE REQUIREMENT AND RRARRS)

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Tab 1 of 1

Year End Net Fixed Assets Revenue Requirement and Revenue Requirement Adjustment Rate Riders (YE NFA Revenue Requirement and RRARRs)

Overview

In this rate application, Veridian proposes to undertake capital additions in 2014 at approximately three times the level of amortization. Capital additions are proposed to be $30.9 million; amortization expense in the 2014 test year revenue requirement is forecast to be $10.7 million. Comprehensive evidence of Veridian's significant capital needs is presented at Exhibit 2. As a result of the proposed $20.2 million in net additions to plant in service in 2014, Veridian's year-end rate base (consisting of net fixed assets ("NFA") and the allowance for working capital) will substantially exceed the level of mid-year, or average, rate base which is used to determine the level of rates during the rebasing year. Consequently, rates set on the mid-2014 value of rate base will not reflect the level of rate base, in place and approved by the Board, at the start of the ensuing, four year IRM period commencing January 1, 2015. Those rates would not permit Veridian an opportunity to earn the Board approved rate of return during the IRM period.

In light of these circumstances, Veridian proposes that the Board adopt a modified approach to establishing Veridian's rates in the 2014 Test Year that will result in: (i) the 2014 rate base being the same as if the half-year rule were applied; and (ii) Veridian's rates being approved in this proceeding at levels that will allow Veridian to earn a fair rate of return on the ratebase approved in the 2014 proceeding during the subsequent IRM period.

Under Veridian's proposed approach, the 2014 base distribution rates, serving as the base for the 2015 Price Cap Index (PCI) adjustment, would be set using the approved, year-end value of 2014 rate base and revenue requirement determined from this year-end value ("YE NFA Revenue Requirement"). However, in order to ensure that in 2014 ratepayers would bear only the revenue requirement based on the average rate base for 2014 ("Average NFA Revenue Requirement"), additional negative rate riders ("Revenue Requirement Adjustment Rate Riders – RRARRs") by rate class and rate component would be calculated to adjust the effective rates for 2014 back to the levels that would prevail if the average rate base was used (i.e. by application of the half-year rule). The revenue requirement corresponding to the negative rate rider(s) would be equal to the difference between the YE and Average NFA Revenue Requirements. This approach would ensure that Veridian's 2014 revenue requirement and rates would be the same as those determined using the existing approach.

The negative rate riders would be in effect for 2014 rates, and would expire April 30, 2015. Rates for 2015 (the beginning of the IRM period) would then reflect the Board approved level of rate base at the start of that period. The annual adjustment of those base rates would then proceed as usual under the 4GIRM system. There would be no pre-collection of costs by Veridian during the 2014 rate year or at any other time, and rates for 2015 would reflect only the opening value of rate base, but not any net additions to rate base in 2015 (or subsequent years).

Under this proposal, there would be no difference between the revenue collected in 2014 through the combination of the base distribution rates and negative rate riders derived from YE NFA Revenue Requirement, and the revenue from base distribution rates derived from Average NFA Revenue Requirement only. However, Veridian does propose that by determining rates based on YE NFA Revenue Requirement, the Board approved rates in effect at the commencement of the following IRM period would reflect the Board approved level of rate base actually in place at that time, rather than the substantially lower average level of rate base for 2014.

For clarity, Veridian emphasizes that under its proposed approach there would be no change to effective rates in 2014. This is because while base rates would be calculated using the year-end values of rate base, the additional negative rate riders would effectively return rates to those that correspond to the mid-year value of rate base.

The 2014 Average NFA Revenue Requirement has been calculated as $55,967,034, with total revenue offsets of $3,767,464 and base revenue requirement of $52,199,570. These calculations have been based on rate base calculated using the average value of 2014 Net Fixed Assets, and full details are provided in Exhibit 6 – Calculation of Revenue Deficiency or Sufficiency.

Using the same revenue offsets of $3,767,464, the YE NFA base Revenue Requirement is $53,903,935, which is an increase of $1,704,365 over the Average NFA Revenue Requirement. The negative rate riders would cancel out that difference between the average and year-end revenue requirements. Details of the calculations of the YE NFA Revenue Requirement, base 2014 distribution rates, and the negative RRARRs are provided at Exhibit 6A, Tab 1, Schedule 2.

Calculation of Rate Base

Rate base is the largest single determinant of revenue requirement, because it drives the four major capital-related costs of amortization expense, interest expense, return on equity, and income taxes (PILs). Within rate base, the largest component is Net Fixed Assets (at over 80%), as compared with the smaller component of Working Capital Allowance ("WCA"). For 2014, the rate base-determined percentage of Veridian's distribution revenue requirement is 49%.

The substantial growth in Veridian's rate base over the course of the rebasing year is a function of the high levels of required capital expenditures (closed to Net Fixed Assets within 2014), relative to the level of amortization. If in-service capital additions were equal to amortization, rate base would remain steady, and if capital additions were less than depreciation, rate base would decline.

Veridian does not propose any change to the way in which rate base itself is calculated.
Using the standard calculation methodology, Veridian forecasts 2014 average and year end rate base as set out in the table below:

Table 1: Calculation of 2014 Average and YE Rate Base

2014 opening NFA	190,725,317	
2014 ending NFA	210,130,625	
Average Net Fixed Assets		200,427,971
Working Capital Allowance		43,146,043
Average or Mid-Year Rate Base		**243,574,014**

Year End Net Fixed Assets	210,130,625
Working Capital Allowance	43,146,043
Year End Rate Base	**253,276,668**

These figures are all reflective of forecast net fixed assets, depreciation, and in-service capital additions at those points in time. From the figures shown above, the difference between approved year-end rate base and average rate base for Veridian in 2014 is $9,702,654. Veridian is entirely respectful of the Board's authority to determine allowed levels of capital additions and rate base, and to the extent that the Board makes any adjustments to Veridian's proposed in-service capital additions, those adjustments would be reflected in the calculation of 2014 average and year end rate base amounts, base distribution rates and the proposed negative rate riders.

Financial Harm to Veridian Under the Current Approach

As noted above, actual Board approved rate base at the commencement of the IRM period will exceed average 2014 rate base by $9,702,654.

Without the proposed adjustment, this difference represents the amount of Board approved, actual investment made by Veridian to serve customers that would fail to attract compensation through rates throughout the entire IRM period of four years.

This structural revenue deficiency is shown in Table 2 below.

Table 2: Revenue Deficiency Throughout the IRM Period ($000s)

	2015	2016	2017	2018	Total
Opening Unrecognized rate base	9,702.7	9,274.8	8,846.9	8,419.0	
Less: Annual Amortization	427.9	427.9	427.9	427.9	
Closing Unrecognized rate base	9,274.8	8,846.9	8,419.0	7,991.1	
Average Unrecognized rate base	9,488.7	9,060.8	8,632.9	8,205.0	
Revenue Deficiency	1,038.1	991.3	944.4	897.6	$ 3,871.4

Note:
Average weighted amortization rate on NFA of 4.41%
After Tax Weighted Average Cost of Capital (WACC) of 6.53%
Revenue Deficiency = Amortization + After Tax WACC

With respect first to the yearly costs created by the unrecognized ratebase amount, Table 2 shows the opening and closing unrecognized rate base in each year. Unrecognized rate base declines each year due to continued amortization. The unrecognized rate base creates costs regardless of their treatment in rates, because Veridian cannot make an investment in its system without using resources that impose a cost for their use. In each year, the revenue deficiency created by the presence of the cost and the absence of recovery is material, and in total over the four year period it amounts to $3.87 million. This revenue deficiency would represent a permanent loss to Veridian, as it could not be recovered in any subsequent rebasing.

Second, with respect to the asset value of the unrecognized rate base remaining at the time of the next rebasing, the assets in which Veridian invested during 2014 will have depreciated and the residual value entering rate base at that time will necessarily be less than the original value. The value of the unrecognized rate base will have decreased from $9.7 million to $7.99 million. As a result, with respect to the depreciated portion of 2014 investments, Veridian will have made Board approved investments in the amount of $1.71 million to serve customers for which it would never realize return of, or return on, capital it employed for that purpose. It is not the case that the recovery of costs related to the depreciated amount of the unrecognized rate base is simply deferred until the next rebasing; that investment and asset value is permanently lost to Veridian.

Effect on Opportunity to earn Board approved Return

The existence of the Board approved but unrecognized rate base has a direct negative effect on Veridian's opportunity to earn the Board approved return on Board approved investments in place at the beginning of the IRM period.

Veridian has projected Return on Equity (ROE) over the 4 year IRM period including the effect of the unrecognized rate base, based on very conservative assumptions on capital investments during that period.

The effect of the unrecognized rate base on Veridian's projected Return on Equity (ROE) over the 4 year IRM period is set out below in Table 3. In summary, ROE drops in the first year of the IRM period to 7.73% from the allowed level of 8.98%, and continues to decline (because of unavoidable increases in rate base for customer additions) to 7.39% in 2018.

Table 3: Declining ROE Due to Unrecognized rate base

	2014	2015	2016	2017	2018
Return on Equity (ROE)	8.98%	7.73%	7.62%	7.50%	7.39%
Total Basis Point Reduction	-	125	136	148	159
Reduction due to unrecognized rate base		117	113	109	105
Reduction due to customer adds		8	24	39	54

As noted, Veridian has made very conservative assumptions in arriving at the projections given in Table 3. In summary, under these assumptions, Veridian factors in estimates of growth in customers, volumes, and revenues, along with corresponding capital and operating costs of adding those customers, which costs are frozen at 2014 levels and not escalated by the PCI adjustment. Otherwise, rate base is held at 2014 levels, which is extremely conservative given Veridian's capital needs, but which isolates as much as reasonably possible the effect of the 2014 unrecognized rate base. Other assumptions are similarly conservative: the working capital allowance is held constant despite expected increases in commodity costs; Veridian is assumed to achieve the full amount of the combined productivity and stretch factors embedded in the PCI adjustment; cost of capital parameters are held constant; and there is no change in capital structure. The active Excel model and the assumptions used to derive these figures are attached to this Schedule as Attachment 1.

This analysis shows that the unrecognized rate base in Veridian's case causes a drop of 125 basis points, or 14.0% of Veridian's allowed return, *before* the start of the IRM period and the introduction of any factors other than those assumed above. Stated differently, assuming that Veridian does no more than meet its obligation to connect customers and does not increase its investment in the business otherwise, and as well meets the Board-established targets for productivity growth, Veridian's ROE would be structurally lower than the allowed ROE by 117 basis points due to the presence of the unrecognized rate base alone in the first year of the IRM period. The deficiency increases in each year thereafter due to the further addition of customers and consequential increases in rate base.

Unavoidable Sunk Costs of Rate Base

The costs attracted by the unrecognized capital investment in question are unavoidable for Veridian. Depreciation rates are established by generally accepted accounting principles, and are relied upon by the Board for ratemaking purposes. The cost of debt capital is also fixed during the re-basing process. Effective tax rates on taxable income are established by tax laws and regulations. The cost of equity capital has been recognized by the Board as a recoverable cost, rather than as a 'profit', and the Board prescribes the allowable rates of return on equity capital.

After an approved investment has been made, the associated sunk costs are unavoidable and cannot themselves be mitigated by productivity improvements, since there is no way in which Veridian can act to lower these costs. The unrecovered cost is necessarily reflected in lower-than-allowed equity returns and consequentially lower income taxes.

Summary of Year End Revenue Requirement Adjustment

For the purposes of this Application, Veridian respectfully asks the Board to accept the proposed approach to dealing with the prospect of a significant deficiency in Veridian's return. Specifically, Veridian requests that the Board use the Revenue Requirement Adjustment Rate Riders in establishing rates for 2014, and that for the outset of the ensuing IRM period, the base rates which are escalated by the 2015 PCI be established on the 2014 year end value of approved rate base.

Veridian has provided clear evidence that shows that the fair return standard adopted by the Board and the Supreme Court of Canada[1] cannot be satisfied in Veridian's circumstances unless the Board takes an alternative approach to using rebasing year rates, derived from Average NFA Revenue Requirement, for the purpose of setting rates for 2015 and subsequent years. Veridian has demonstrated that in its circumstances, where year-end rate base in the rebasing year is substantially larger than the average rate base due to capital additions, a significant and structural deficit in rates is created which blocks Veridian from having the opportunity to earn its allowed rate of return on Board approved investments from the rebasing year.

The prospective deficiency is structural because it arises mechanically in circumstances where there is significant net growth in rate base across the rebasing year, and results in a substantial amount of rate base that is unrecognized for rate setting purposes and that does not attract compensatory cost recovery in rates.

[1] Edmonton (City) v. Northwestern Utilities Ltd. (1929), [1929] S.C.R. 186

Veridian re-iterates that the RRARR proposal does not affect the treatment of capital investments made by Veridian during the ensuing IRM period. It simply allows Veridian to commence the IRM period with rates that are compensatory for its net investment in the business at the very outset of the IRM period. The RRARR proposal does not involve any pre-collection of costs through rates and does not change the effective rates paid by customers during 2014.

The key factor that differentiates Veridian's application is the fact that Veridian has capital needs, documented in evidence at Exhibit 2, that require substantial net capital additions in the rebasing year. Were that not the case, Veridian would not face the prospect of a material deficiency in rates if 2014 rates set on average rate base served as the basis for determining 2015 rates.

In contrast, consider a utility that was otherwise identical to Veridian in all respects and which applied for rebasing with the same average test year rate base as Veridian's, but without the significant growth in rate base during the test year. Such a utility would make capital additions during the rebasing year sufficient to maintain the opening level of NFA on average and at year end, and would thus have a rate base at the commencement of the IRM period that is $9.7 million lower than Veridian's. Under the existing approach that utility would receive the same rates in 2015 as Veridian would, but it would not have to support the higher level of investment at the outset of the IRM period, as Veridian would. Thereafter both utilities would be subject to the same rate escalation and the same risks and opportunities.

In that situation, two otherwise identical utilities with different levels of Board approved ratebase would receive the same rates at the outset of the IRM period. Stated differently, one set of rates would support two materially different levels of cost, each of which was approved by the Board in the rebasing year, going into the IRM period.

As noted above, Veridian fully accepts that the Board will determine through this proceeding the allowable capital investments for 2014. However, Veridian believes it is inconsistent for those investments, made with Board approval in the rebasing year, to be partially determinative of average rate base in the rebasing year and to attract compensation in rates, but to be subsequently excluded from recognition and compensation in rates at the outset of the IRM period. Veridian is also unable to rationalize why two utilities as described above could have significantly different rate bases and associated costs, yet emerge from rebasing with the same rates during 2015 and the subsequent IRM period.

Veridian believes that in Veridian's circumstances, this is an unintended consequence of using rebasing year rates as the starting point for subsequent rates. Veridian further believes that the Board displayed a parallel concern around not creating a deficiency in its EB-2007-0673 Supplemental Report of the Board on 3rd Generation IRM, in the context of allowed Incremental Capital Module (ICM) amounts.

At page 31 of that document, the Board stated:

> *If the application is approved, a rate rider would be established to reflect an amount sufficient to accommodate the portion of the approved incremental spending that exceeds the threshold amount. In calculating the rate relief, the Board has determined not to apply the half-year rule so as not to build in a deficiency for subsequent years in the term of the plan.*

The Board subsequently modified this approach so that the half-year rule would apply to ICM investments in the year prior to rebasing, recognizing that use of the half-year rule is not problematic for the year in which investments are initially made, but rather in subsequent years of IRM. Since the following year would be a rebasing year, the issue would not exist and there would be no reason to depart from using the half-year rule in the context of ICM investments in the year prior to rebasing.

Similarly, Veridian has no objection to the use of the half-year rule in a rebasing year, and as noted above, makes no request to change the calculation of rate base in the rebasing year. The use of the proposed RRARRs simply corrects the basis of rates for following years to incorporate the full approved capital amount by the end of the rebasing year.

Attachment 1 of 1

Projected ROE during IRM

Assumptions used in Projections of ROE during IRM Period

Distribution Revenues

- Projected customer growth rate of 1%
- Existing (going in) revenues increase annually by PCI adjustment of 0.18%
- Additional growth in revenues due to increases in customers and load:

  40% of revenue is from monthly service charge and is therefore increased for customer growth - assumed to be 1% annually

  60% of revenue is from volumetric rate and is therefore increased for volumetric growth - assumed to be 0.2% annually
- Effective annual rate of increase in revenues combining PCI and growth = 0.7%

OM&A Costs

- Costs for existing customers are increased by PCI adjustment of 0.18%
- Every new customer increases costs by the 2014 (non-escalating) OM&A cost per customer of $239.43
- Other Income is held constant at 2014 levels as no PCI adjustment is applied

PILs

- Tax rate is held constant at effective tax rate on earnings before taxes in 2014

14.0% for YE NFA Revenue Requirement)

Rate Base

- Amortization in each year is equal to amortization in the prior year plus the remaining half year impact of the prior year's capital additions plus the current year amortization on net connection investments for new customers
- WCA is held constant at 2014 amount
- Capital additions in each year are equal to 2014 amortization plus the net connection investment of $1,560 (2014 forecast value non-escalating) for each new customer connected
- Deemed equity is 40% of average rate base in each year
- Deemed debt is 60% (56% long term and 4% short term) of average rate base in each year
- Deemed interest rates on long term and short term debt rate are held constant at 2014 rates

Projected Return on Equity during IRM period - Average NFA Revenue Requirement

	2014	2015	2016	2017	2018
Distribution Revenues	52,200	52,565	52,934	53,305	53,679
OM&A	28,284	28,619	28,957	29,300	29,645
Amortization	10,672	11,390	11,437	11,484	11,531
Total Expenses	38,956	40,009	40,394	40,784	41,177
Other Income	3,767	3,767	3,767	3,767	3,767
Deemed Interest	7,160	7,471	7,524	7,577	7,628
Earnings before Taxes	9,852	8,853	8,783	8,712	8,641
Taxes	1,104	992	985	977	969
Net Income	8,747	7,860	7,798	7,736	7,672
Return on Equity	**8.98%**	**7.73%**	**7.62%**	**7.50%**	**7.39%**
Beginning Rate Base	233,840	253,245	255,074	256,875	258,648
Add's less Dep'n	19,405	1,829	1,801	1,773	1,744
Ending Rate Base	253,245	255,074	256,875	258,648	260,392
Average Rate Base	243,543	254,160	255,975	257,762	259,520
Deemed Equity	97,417	101,664	102,390	103,105	103,808
Deemed LTD	136,384	142,330	143,346	144,347	145,331
Deemed Short Term Debt	9,742	10,166	10,239	10,310	10,381
Deemed Long Term Debt Rate	5.10%	5.10%	5.10%	5.10%	5.10%
Deemed Short Term Debt Rate	2.07%	2.07%	2.07%	2.07%	2.07%
Deemed Interest Expense	7,159	7,471	7,524	7,577	7,628

Assumptions

		2014		2015	2016	2017	2018
IRM Adjustment		0.18%		0.18%	0.18%	0.18%	0.18%
Effective Tax Rate		11.21%		11.21%	11.21%	11.21%	11.21%
Customer Growth		1.0%		1.0%	1.0%	1.0%	1.0%
OM&A adj on existing customers		0.18%		0.18%	0.18%	0.18%	0.18%
OMA Cost per customer	$	239.43					
Number of customers		118,727		119,914	121,113	122,325	123,548
New Customers				1,187	1,199	1,211	1,223
Capital cost per new customer			$	1,560			
Volume Changes		0.2%		0.2%	0.2%	0.2%	0.2%

Amortization

	2014	2015	2016	2017	2018
Prior year amortization		10,672	11,390	11,437	11,484
Full year impact of prior year investments		695	23	23	24
Current year amortization on net connection investments for new customers		23	23	24	24
	10,672	11,390	11,437	11,484	11,531

Projected Return on Equity during IRM period - YE NFA Revenue Requirement

	2014	2015	2016	2017	2018
Distribution Revenues	52,200	54,282	54,662	55,045	55,431
OM&A	28,284	28,619	28,957	29,300	29,645
Amortization	10,672	11,390	11,437	11,484	11,531
Total Expenses	38,956	40,009	40,394	40,784	41,177
Other Income	3,767	3,767	3,767	3,767	3,767
Deemed Interest	7,160	7,471	7,524	7,577	7,628
Earnings before Taxes	9,852	10,569	10,511	10,453	10,394
Taxes	1,104	1,479	1,471	1,463	1,455
Net Income	8,747	9,090	9,040	8,990	8,939
Return on Deemed Equity	**8.98%**	**8.94%**	**8.83%**	**8.72%**	**8.61%**
Beginning Rate Base	233,840	253,245	255,074	256,875	258,648
Net additions in excess of dep'n	19,405	1,829	1,801	1,773	1,744
Ending Rate Base	253,245	255,074	256,875	258,648	260,392
Average Rate Base	243,543	254,160	255,975	257,762	259,520
Deemed Equity	97,417	101,664	102,390	103,105	103,808
Deemed LTD	136,384	142,330	143,346	144,347	145,331
Deemed Short Term Debt	9,742	10,166	10,239	10,310	10,381
Deemed Long Term Debt Rate	5.10%	5.10%	5.10%	5.10%	5.10%
Deemed Short Term Debt Rate	2.07%	2.07%	2.07%	2.07%	2.07%
Deemed Interest Expense	7,159	7,471	7,524	7,577	7,628

Assumptions

IRM Adjustment	0.18%	0.18%	0.18%	0.18%	0.18%
Effective Tax Rate	11.2%	14.0%	14.0%	14.0%	14.0%
Customer Growth	1.0%	1.0%	1.0%	1.0%	1.0%
OM&A adj on existing customers	0.18%	0.18%	0.18%	0.18%	0.18%
OMA Cost per customer	$ 239.43				
Number of customers	118,727	119,914	121,113	122,325	123,548
New Customers		1,187	1,199	1,211	1,223
Capital cost per new customer		$ 1,560			
Volume Changes	0.2%	0.2%	0.2%	0.2%	0.2%

Amortization

	2014	2015	2016	2017	2018
Prior year amortization		10,672	11,390	11,437	11,484
Full year impact of prior year investments		695	23	23	24
Current year amortization on net connection investments for new customers		23	23	24	24
	10,672	11,390	11,437	11,484	11,531

Calculation of YE NFA Revenue Requirement

Table 1 below summarizes the Average and YE NFA Revenue Requirements for the 2014 Test Year.

Table 1: Comparison Service and Base Revenue Requirement - Average and YE Net Fixed Assets

	Year End Net Fixed Assets	Average Net Fixed Assets	Differences
OM&A Expenses	$ 28,283,692	$ 28,283,692	$ -
Amortization Expense	$ 11,367,282	$ 10,672,290	$ 694,992
Total Distribution Expenses	$ 39,650,974	$ 38,955,982	$ 694,992
Regulated Return On Capital	$ 16,540,370	$ 15,906,655	$ 633,715
PILs (with gross-up)	$ 1,480,054	$ 1,104,396	$ 375,658
Service Revenue Requirement	$ 57,671,399	$ 55,967,034	$ 1,704,365
Less: Revenue Offsets	$ 3,767,464	$ 3,767,464	$ -
Base Revenue Requirement	$ 53,903,935	$ 52,199,570	$ 1,704,365

As mentioned in Schedule 1 of this exhibit, the difference between the Revenue Requirements is $1,704,365. Revenue Requirement differences arising from the use of Average versus YE Net Fixed Assets are confined to the four major capital-related costs of amortization, interest expense and return on equity (Regulated Return on Capital) and PILs. OM&A expenses and revenue offsets are unchanged.

Amortization expense increases by $694,992. This is the difference between the 2014 amortization on 2014 additions and the full year amortization of those additions that will be incurred during the IRM period subsequent to 2014 (2014 Full Year Amortization Expense) . A schedule detailing the calculation of the 2014 Full Year Amortization Expense is provided as Exhibit 6A, Schedule 2, Attachment 1.

Regulated return on capital increases by $633,715. Table 2 below provides the calculation of the regulated return on capital within both the Average and YE NFA Revenue Requirement.

Table 2: Comparison Statement of Rate Base and Return on Rate Base - Average and YE NFA

Return on Rate Base- Based on Average NFA			Return on Rate Base- Based on YE NFA		
2013 ending NFA	190,725,317				
2014 ending NFA	210,130,625				
2014 Average NFA		200,427,971	2014 Ending NFA		210,130,625
WCA Base	312,426,088		WCA Base	312,426,088	
WCA	13.81%	43,146,043	WCA	13.81%	43,146,043
	Rate Base	243,574,014		Rate Base	253,276,668
Regulated Return on Capital			Regulated Return on Capital		
Deemed Short-Term Debt %	4%	9,742,961	Deemed Short-Term Debt %	4%	10,131,067
Deemed Long-Term Debt %	56%	136,401,448	Deemed Long-Term Debt %	56%	141,834,934
Deemed Equity %	40%	97,429,605	Deemed Equity %	40%	101,310,667
Short-Term Interest	2.07%	201,679	Short-Term Interest	2.07%	209,713
Long-Term Interest	5.10%	6,957,838	Long-Term Interest	5.10%	7,235,000
Return On Equity	8.98%	8,749,179	Return On Equity	8.98%	9,097,698
Regulated Return on Capital		15,908,696	Regulated Return on Capital		16,542,411

The grossed up amount for PILs increases by $375,642. The increase is due to the higher net income of $9,097,698 up from $8,749,179 and the lower differential between amortization for accounting purposes and the Capital Cost Allowance (CCA) deduction for tax purposes. Full details of the PILs calculation are provided in the YE NFA Revenue Requirement Tax Workform provided as Attachment 2 to this Schedule.

As shown in Table 3 below, the effective tax rate rises from 11.2% to 14.0%.

Table 3: Utility Net Income and Effective Tax Rates

YE NFA Utility Net Income		Average NFA Utility Net Income	
Distribution		Distribution	
Revenues	53,903,935	Revenues	52,199,570
Other Revenues	3,767,464	Other Revenues	3,767,464
Total Revenue	57,671,399	Total Revenue	55,967,034
Expenses		Expenses	
OM&A Expenses	28,283,692	OM&A Expenses	28,283,692
Amortization	11,367,282	Amortization	10,672,290
	39,650,974		38,955,982
Utility Income Before Interest and Taxes	18,020,425	Utility Income Before Interest and Taxes	17,011,052
Less: Deemed Interest Expense	7,444,713	Less: Deemed Interest Expense	7,158,599
Utility Income Before Taxes	10,575,712	Utility Income Before Taxes	9,852,453
Income Taxes	1,480,054	Income Taxes	1,104,396
Utility Net Income	9,095,657	Utility Net Income	8,748,056
Effective Tax Rate	14.0%	Effective Tax Rate	11.2%

Calculation of Base Distribution Rates and RRARRs

As outlined previously, Veridian's proposal is for 2014 base distribution rates to be derived based on YE NFA Revenue Requirement, offset by negative RRARRs, which when applied together to the Test Year load forecast of volumes and customers will recover revenue equal to the Average NFA Revenue Requirement.

As is explained further in Exhibit 7, Veridian has completed Cost Allocation on the basis of the YE NFA Revenue Requirement as it proposes that the YE assets represent the actual assets providing service to customers as at the end of 2014 and are the appropriate basis for determining each classes proportionate share of costs. Appropriate revenue to cost ratios have then been established for each class within the Board approved ranges.

The base 2014 distribution monthly service charge and volumetric rates for each class have then been developed as explained in Exhibit 8, Schedule 2 and are based on the YE NFA Revenue Requirement of $53,903,935.

The next step allocates the negative amount of $1,704,365; previously identified as the difference between the Average NFA Revenue Requirement applicable in the 2014 Test Year and the YE NFA Revenue Requirement, to the rate classes. This difference is allocated in the same proportion as base distribution revenues have been allocated through the proposed revenue to cost ratios.

Further allocation to the monthly service charge and volumetric revenue splits by class is done and then negative rate riders are calculated using the 2014 Test Year forecasted billing determinants of kWh or kW and forecasted customer connections.

The tables below summarize these allocations. The complete details are provided in Exhibits 7 and 8 – Cost Allocation and Rate Design.

Table 1: Allocation of YE NFA Revenue Requirement to Rate Classes

	Allocations	%age by Class
Residential	36,567,269	63.4%
Residential - Seasonal	1,121,960	1.9%
GS under 50 kW	7,364,203	12.8%
GS over 50 kW	10,261,608	17.8%
Intermediate Use	826,175	1.4%
Large Use	766,090	1.3%
Unmetered Scattered Load	171,287	0.3%
Street Lighting	527,278	0.9%
Sentinel Lighting	63,912	0.1%
	$57,669,783	100.0%

Table 2: Allocation of Differential between YE NFA and Average NFA Revenue Requirement

	Allocations	%age by Class
Residential	(1,080,704)	63.4%
Residential - Seasonal	(33,158)	1.9%
GS under 50 kW	(217,641)	12.8%
GS over 50 kW	(303,270)	17.8%
Intermediate Use	(24,417)	1.4%
Large Use	(22,641)	1.3%
Unmetered Scattered Load	(5,062)	0.3%
Street Lighting	(15,583)	0.9%
Sentinel Lighting	(1,889)	0.1%
	(1,704,365)	100.0%

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Attachment 1 of 2

2014 Full year Amortization Expense

Amortization Calculation for YE Revenue Requirement Calculation

Account	Description	Full Year 2013 Depreciation Expense - From App 2CP-2013 (a)	Depreciation Expense on 2014 Full Year Additions from App 2CQ-2014 (b)	2014 Full Year Depreciation (c) = (a) + (b)
1610	Miscellaneous Intangible Plant	$ 294,653	$ 133,333	$ 427,987
1611-01	Computer Software (Formally known as Account 1925) - Acquired	$ 679,878	$ 405,000	$ 1,084,878
1611-01	Computer Software (Formally known as Account 1925) - Acquired	$ 743,146	$ -	$ 743,146
1611-02	Computer Software (Formally known as Account 1925) - Internally generated	$ 41,323	$ -	$ 41,323
1611-02	Computer Software (Formally known as Account 1925) - Internally generated	$ 288,618	$ -	$ 288,618
1612	Land Rights (Formally known as Account 1906)	$ 10,846	$ -	$ 10,846
1805	Land	$ -	$ -	$ -
1808	Buildings	$ 5,598	$ -	$ 5,598
1810	Leasehold Improvements	$ -	$ -	$ -
1815	Transformer Station Equipment >50 kV	$ 4,821	$ -	$ 4,821
1820-01	Distribution Station Equipment <50 kV-Transformers	$ 83,500	$ 58,663	$ 142,163
1820-01	Distribution Station Equipment <50 kV-Transformers	$ 13,679	$ -	$ 13,679
1820-01	Distribution Station Equipment <50 kV-Transformers	$ 12,520	$ -	$ 12,520
1820-01	Distribution Station Equipment <50 kV-Transformers	$ 15,390	$ -	$ 15,390
1820-01	Distribution Station Equipment <50 kV-Transformers	$ 6,596	$ -	$ 6,596
1820-01	Distribution Station Equipment <50 kV-Transformers	$ 9,764	$ -	$ 9,764
1820-01	Distribution Station Equipment <50 kV-Transformers	$ 11,021	$ -	$ 11,021
1820-01	Distribution Station Equipment <50 kV-Transformers	$ 10,378	$ -	$ 10,378
1820-01	Distribution Station Equipment <50 kV-Transformers	$ 4,086	$ -	$ 4,086
1820-01	Distribution Station Equipment <50 kV-Transformers	$ 8,813	$ -	$ 8,813
1820-01	Distribution Station Equipment <50 kV-Transformers	$ 9,230	$ -	$ 9,230
1820-01	Distribution Station Equipment <50 kV-Transformers	$ 3,042	$ -	$ 3,042
1820-01	Distribution Station Equipment <50 kV-Transformers	$ 4,825	$ -	$ 4,825
1820-01	Distribution Station Equipment <50 kV-Transformers	$ 57,935	$ -	$ 57,935
1820-01	Distribution Station Equipment <50 kV-Transformers	$ 7,200	$ -	$ 7,200
1820-01	Distribution Station Equipment <50 kV-Transformers	$ 15,906	$ -	$ 15,906
1820-01	Distribution Station Equipment <50 kV-Transformers	$ 7,410	$ -	$ 7,410
1820-01	Distribution Station Equipment <50 kV-Transformers	$ 2,959	$ -	$ 2,959
1820-01	Distribution Station Equipment <50 kV-Transformers	$ 1,254	$ -	$ 1,254
1820-01	Distribution Station Equipment <50 kV-Transformers	$ 6,501	$ -	$ 6,501
1820-01	Distribution Station Equipment <50 kV-Transformers	$ 3,061	$ -	$ 3,061
1820-01	Distribution Station Equipment <50 kV-Transformers	$ 10,654	$ -	$ 10,654
1820-01	Distribution Station Equipment <50 kV-Transformers	$ 17,407	$ -	$ 17,407
1820-01	Distribution Station Equipment <50 kV-Transformers	$ 1,275	$ -	$ 1,275
1820-01	Distribution Station Equipment <50 kV-Transformers	$ 5,050	$ -	$ 5,050
1820-01	Distribution Station Equipment <50 kV-Transformers	$ 2,058	$ -	$ 2,058
1820-01	Distribution Station Equipment <50 kV-Transformers	$ 3,096	$ -	$ 3,096
1820-02	Distribution Station Equipment <50 kV-HV Switchgear	$ 10,015	$ 3,125	$ 13,140
1820-02	Distribution Station Equipment <50 kV-HV Switchgear	$ 2,470	$ -	$ 2,470
1820-02	Distribution Station Equipment <50 kV-HV Switchgear	$ 5,557	$ -	$ 5,557
1820-02	Distribution Station Equipment <50 kV-HV Switchgear	$ 1,072	$ -	$ 1,072
1820-02	Distribution Station Equipment <50 kV-HV Switchgear	$ 1,588	$ -	$ 1,588
1820-02	Distribution Station Equipment <50 kV-HV Switchgear	$ 2,150	$ -	$ 2,150
1820-02	Distribution Station Equipment <50 kV-HV Switchgear	$ 1,687	$ -	$ 1,687
1820-02	Distribution Station Equipment <50 kV-HV Switchgear	$ 1,993	$ -	$ 1,993
1820-02	Distribution Station Equipment <50 kV-HV Switchgear	$ 2,150	$ -	$ 2,150
1820-02	Distribution Station Equipment <50 kV-HV Switchgear	$ 1,488	$ -	$ 1,488
1820-02	Distribution Station Equipment <50 kV-HV Switchgear	$ 495	$ -	$ 495
1820-02	Distribution Station Equipment <50 kV-HV Switchgear	$ 1,177	$ -	$ 1,177
1820-02	Distribution Station Equipment <50 kV-HV Switchgear	$ 9,139	$ -	$ 9,139
1820-02	Distribution Station Equipment <50 kV-HV Switchgear	$ 1,857	$ -	$ 1,857
1820-02	Distribution Station Equipment <50 kV-HV Switchgear	$ 4,257	$ -	$ 4,257
1820-02	Distribution Station Equipment <50 kV-HV Switchgear	$ 1,108	$ -	$ 1,108
1820-02	Distribution Station Equipment <50 kV-HV Switchgear	$ 949	$ -	$ 949
1820-02	Distribution Station Equipment <50 kV-HV Switchgear	$ 433	$ -	$ 433
1820-02	Distribution Station Equipment <50 kV-HV Switchgear	$ 184	$ -	$ 184
1820-02	Distribution Station Equipment <50 kV-HV Switchgear	$ 634	$ -	$ 634
1820-02	Distribution Station Equipment <50 kV-HV Switchgear	$ 448	$ -	$ 448
1820-02	Distribution Station Equipment <50 kV-HV Switchgear	$ 520	$ -	$ 520
1820-02	Distribution Station Equipment <50 kV-HV Switchgear	$ 849	$ -	$ 849

Amortization Calculation for YE Revenue Requirement Calculation

Account	Description	Full Year 2013 Depreciation Expense - From App 2CP-2013 (a)	Depreciation Expense on 2014 Full Year Additions from App 2CQ-2014 (b)	2014 Full Year Depreciation (c) = (a) + (b)
1820-02	Distribution Station Equipment <50 kV-HV Switchgear	$ 123	$ -	$ 123
1820-02	Distribution Station Equipment <50 kV-HV Switchgear	$ 493	$ -	$ 493
1820-02	Distribution Station Equipment <50 kV-HV Switchgear	$ 301	$ -	$ 301
1820-02	Distribution Station Equipment <50 kV-HV Switchgear	$ 605	$ -	$ 605
1820-02	Distribution Station Equipment <50 kV-HV Switchgear	$ 17,606	$ -	$ 17,606
1820-03	Distribution Station Equipment <50 kV-LV Switchgear	$ 6,264	$ 8,475	$ 14,739
1820-03	Distribution Station Equipment <50 kV-LV Switchgear	$ 9,263	$ -	$ 9,263
1820-03	Distribution Station Equipment <50 kV-LV Switchgear	$ 10,411	$ -	$ 10,411
1820-03	Distribution Station Equipment <50 kV-LV Switchgear	$ 10,427	$ -	$ 10,427
1820-03	Distribution Station Equipment <50 kV-LV Switchgear	$ 4,290	$ -	$ 4,290
1820-03	Distribution Station Equipment <50 kV-LV Switchgear	$ 6,350	$ -	$ 6,350
1820-03	Distribution Station Equipment <50 kV-LV Switchgear	$ 8,064	$ -	$ 8,064
1820-03	Distribution Station Equipment <50 kV-LV Switchgear	$ 6,750	$ -	$ 6,750
1820-03	Distribution Station Equipment <50 kV-LV Switchgear	$ 7,973	$ -	$ 7,973
1820-03	Distribution Station Equipment <50 kV-LV Switchgear	$ 8,061	$ -	$ 8,061
1820-03	Distribution Station Equipment <50 kV-LV Switchgear	$ 5,952	$ -	$ 5,952
1820-03	Distribution Station Equipment <50 kV-LV Switchgear	$ 1,979	$ -	$ 1,979
1820-03	Distribution Station Equipment <50 kV-LV Switchgear	$ 4,707	$ -	$ 4,707
1820-03	Distribution Station Equipment <50 kV-LV Switchgear	$ 21,363	$ -	$ 21,363
1820-03	Distribution Station Equipment <50 kV-LV Switchgear	$ 6,196	$ -	$ 6,196
1820-03	Distribution Station Equipment <50 kV-LV Switchgear	$ 14,548	$ -	$ 14,548
1820-03	Distribution Station Equipment <50 kV-LV Switchgear	$ 4,432	$ -	$ 4,432
1820-03	Distribution Station Equipment <50 kV-LV Switchgear	$ 3,796	$ -	$ 3,796
1820-03	Distribution Station Equipment <50 kV-LV Switchgear	$ 284	$ -	$ 284
1820-04	Distribution Station Equipment <50 kV-Breaker & Relay	$ 20,815	$ 46,040	$ 66,855
1820-04	Distribution Station Equipment <50 kV-Breaker & Relay	$ 1,941	$ -	$ 1,941
1820-04	Distribution Station Equipment <50 kV-Breaker & Relay	$ 1,735	$ -	$ 1,735
1820-04	Distribution Station Equipment <50 kV-Breaker & Relay	$ 1,738	$ -	$ 1,738
1820-04	Distribution Station Equipment <50 kV-Breaker & Relay	$ 2,547	$ -	$ 2,547
1820-04	Distribution Station Equipment <50 kV-Breaker & Relay	$ 1,644	$ -	$ 1,644
1820-04	Distribution Station Equipment <50 kV-Breaker & Relay	$ 2,554	$ -	$ 2,554
1820-04	Distribution Station Equipment <50 kV-Breaker & Relay	$ 1,635	$ -	$ 1,635
1820-04	Distribution Station Equipment <50 kV-Breaker & Relay	$ 1,676	$ -	$ 1,676
1820-04	Distribution Station Equipment <50 kV-Breaker & Relay	$ 2,553	$ -	$ 2,553
1820-04	Distribution Station Equipment <50 kV-Breaker & Relay	$ 1,674	$ -	$ 1,674
1820-04	Distribution Station Equipment <50 kV-Breaker & Relay	$ -	$ -	$ -
1820-04	Distribution Station Equipment <50 kV-Breaker & Relay	$ 2,059	$ -	$ 2,059
1820-04	Distribution Station Equipment <50 kV-Breaker & Relay	$ 5,227	$ -	$ 5,227
1820-04	Distribution Station Equipment <50 kV-Breaker & Relay	$ 1,663	$ -	$ 1,663
1820-04	Distribution Station Equipment <50 kV-Breaker & Relay	$ -	$ -	$ -
1820-05	Distribution Station Equipment <50 kV-Containment and Civil	$ 15,886	$ 11,217	$ 27,102
1820-05	Distribution Station Equipment <50 kV-Containment and Civil	$ 1,456	$ -	$ 1,456
1820-05	Distribution Station Equipment <50 kV-Containment and Civil	$ 1,735	$ -	$ 1,735
1820-05	Distribution Station Equipment <50 kV-Containment and Civil	$ 1,738	$ -	$ 1,738
1820-05	Distribution Station Equipment <50 kV-Containment and Civil	$ 1,176	$ -	$ 1,176
1820-05	Distribution Station Equipment <50 kV-Containment and Civil	$ 2,114	$ -	$ 2,114
1820-05	Distribution Station Equipment <50 kV-Containment and Civil	$ 1,179	$ -	$ 1,179
1820-05	Distribution Station Equipment <50 kV-Containment and Civil	$ 2,308	$ -	$ 2,308
1820-05	Distribution Station Equipment <50 kV-Containment and Civil	$ 2,911	$ -	$ 2,911
1820-05	Distribution Station Equipment <50 kV-Containment and Civil	$ 1,178	$ -	$ 1,178
1820-05	Distribution Station Equipment <50 kV-Containment and Civil	$ 1,923	$ -	$ 1,923
1820-05	Distribution Station Equipment <50 kV-Containment and Civil	$ 395	$ -	$ 395
1820-05	Distribution Station Equipment <50 kV-Containment and Civil	$ 1,356	$ -	$ 1,356
1820-05	Distribution Station Equipment <50 kV-Containment and Civil	$ 18,791	$ -	$ 18,791
1820-05	Distribution Station Equipment <50 kV-Containment and Civil	$ 797	$ -	$ 797
1820-05	Distribution Station Equipment <50 kV-Containment and Civil	$ 2,806	$ -	$ 2,806
1820-05	Distribution Station Equipment <50 kV-Containment and Civil	$ 2,127	$ -	$ 2,127
1820-05	Distribution Station Equipment <50 kV-Containment and Civil	$ 163	$ -	$ 163
1820-05	Distribution Station Equipment <50 kV-Containment and Civil	$ 58	$ -	$ 58
1820-05	Distribution Station Equipment <50 kV-Containment and Civil	$ 103	$ -	$ 103
1820-05	Distribution Station Equipment <50 kV-Containment and Civil	$ 172	$ -	$ 172

Amortization Calculation for YE Revenue Requirement Calculation

Account	Description	Full Year 2013 Depreciation Expense - From App 2CP-2013 (a)	Depreciation Expense on 2014 Full Year Additions from App 2CQ-2014 (b)	2014 Full Year Depreciation (c) = (a) + (b)
1820-05	Distribution Station Equipment <50 kV-Containment and Civil	$ 173	$ -	$ 173
1820-05	Distribution Station Equipment <50 kV-Containment and Civil	$ 154	$ -	$ 154
1820-05	Distribution Station Equipment <50 kV-Containment and Civil	$ 194	$ -	$ 194
1820-05	Distribution Station Equipment <50 kV-Containment and Civil	$ 197	$ -	$ 197
1820-05	Distribution Station Equipment <50 kV-Containment and Civil	$ 89	$ -	$ 89
1820-05	Distribution Station Equipment <50 kV-Containment and Civil	$ 251	$ -	$ 251
1820-05	Distribution Station Equipment <50 kV-Containment and Civil	$ 4,620	$ -	$ 4,620
1820-06	Distribution Station Equipment <50 kV-Cable	$ 14,124	$ 4,500	$ 18,624
1820-06	Distribution Station Equipment <50 kV-Cable	$ 371	$ -	$ 371
1820-06	Distribution Station Equipment <50 kV-Cable	$ 834	$ -	$ 834
1820-06	Distribution Station Equipment <50 kV-Cable	$ 322	$ -	$ 322
1820-06	Distribution Station Equipment <50 kV-Cable	$ 476	$ -	$ 476
1820-06	Distribution Station Equipment <50 kV-Cable	$ 323	$ -	$ 323
1820-06	Distribution Station Equipment <50 kV-Cable	$ 506	$ -	$ 506
1820-06	Distribution Station Equipment <50 kV-Cable	$ 598	$ -	$ 598
1820-06	Distribution Station Equipment <50 kV-Cable	$ 322	$ -	$ 322
1820-06	Distribution Station Equipment <50 kV-Cable	$ 446	$ -	$ 446
1820-06	Distribution Station Equipment <50 kV-Cable	$ 148	$ -	$ 148
1820-06	Distribution Station Equipment <50 kV-Cable	$ 353	$ -	$ 353
1820-06	Distribution Station Equipment <50 kV-Cable	$ 1,659	$ -	$ 1,659
1820-06	Distribution Station Equipment <50 kV-Cable	$ 536	$ -	$ 536
1820-06	Distribution Station Equipment <50 kV-Cable	$ 11,187	$ -	$ 11,187
1820-06	Distribution Station Equipment <50 kV-Cable	$ 582	$ -	$ 582
1820-06	Distribution Station Equipment <50 kV-Cable	$ 332	$ -	$ 332
1820-06	Distribution Station Equipment <50 kV-Cable	$ 285	$ -	$ 285
1820-06	Distribution Station Equipment <50 kV-Cable	$ 11,674	$ -	$ 11,674
1820-07	Distribution Station Equipment <50 kV-Wholesale Meters	$ 22,903	$ -	$ 22,903
1820-07	Distribution Station Equipment <50 kV-Wholesale Meters	$ 75,316	$ -	$ 75,316
1825	Storage Battery Equipment	$ -	$ -	$ -
1830-01	Poles, Towers & Fixtures-wood	$ 241,295	$ 146,619	$ 387,914
1830-01	Poles, Towers & Fixtures-wood	$ 193,184	$ -	$ 193,184
1830-01	Poles, Towers & Fixtures-wood	$ 411,395	$ -	$ 411,395
1830-02	Poles, Towers & Fixtures-concrete	$ 17,894	$ 69,615	$ 87,509
1830-02	Poles, Towers & Fixtures-concrete	$ 18,890	$ -	$ 18,890
1830-02	Poles, Towers & Fixtures-concrete	$ 31,290	$ -	$ 31,290
1835-01	Overhead Conductors	$ 97,285	$ 93,856	$ 191,141
1835-01	Overhead Conductors	$ 26,476	$ -	$ 26,476
1835-01	Overhead Conductors	$ 350,640	$ -	$ 350,640
1835-02	Overhead LIS	$ 54,951	$ 63,110	$ 118,061
1835-02	Overhead LIS	$ 233,381	$ -	$ 233,381
1835-02	Overhead LIS	$ 262,093	$ -	$ 262,093
1835-03	Overhead Disconnect	$ 31,639	$ 20,954	$ 52,593
1835-03	Overhead Disconnect	$ 7,627	$ -	$ 7,627
1835-03	Overhead Disconnect	$ 73,945	$ -	$ 73,945
1840	Underground Conduit	$ 139,605	$ 86,066	$ 225,671
1840	Underground Conduit	$ 12,717	$ -	$ 12,717
1840	Underground Conduit	$ 406,766	$ -	$ 406,766
1845-01	Underground Conductors	$ 170,544	$ 112,334	$ 282,877
1845-01	Underground Conductors	$ 31,989	$ -	$ 31,989
1845-01	Underground Conductors	$ 487,478	$ -	$ 487,478
1845-02	Underground Switchgear - Padmount	$ 268,983	$ 39,569	$ 308,552
1850-01	Line Transformers-Padmount	$ 1,471,208	$ 141,738	$ 1,612,947
1850-02	Line Transformers-Polemount	$ 152,174	$ 30,036	$ 182,210
1855-01	Services -Overhead	$ 286,191	$ 19,669	$ 305,860
1855-02	Services - Underground	$ 297,218	$ 41,467	$ 338,685
1860-01	Meters - Smart Meters	$ 347,510	$ 15,133	$ 362,643
1860-01	Meters - Smart Meters	$ 447,531	$ -	$ 447,531
1860-02	Meters - Stranded Meters	$ -	$ -	$ -
1860-03	Meters - Collectors	$ 155,844	$ 12,000	$ 167,844
1860-03	Meters - Collectors	$ 23,656	$ -	$ 23,656
1860-04	Meters - Interval	$ 31,603	$ 3,260	$ 34,863

Amortization Calculation for YE Revenue Requirement Calculation

Account	Description	Full Year 2013 Depreciation Expense - From App 2CP-2013 (a)	Depreciation Expense on 2014 Full Year Additions from App 2CQ-2014 (b)	2014 Full Year Depreciation (c) = (a) + (b)
1905	Land	$ -	$ -	$ -
1908-01	Buildings - Structure	$ 161,371	$ 500	$ 161,871
1908-01	Buildings - Structure	$ 54,682	$ -	$ 54,682
1908-01	Buildings - Structure	$ 3,928	$ -	$ 3,928
1908-01	Buildings - Structure	$ -	$ -	$ -
1908-01	Buildings - Structure	$ 43,576	$ -	$ 43,576
1908-01	Buildings - Structure	$ 1,692	$ -	$ 1,692
1908-02	Buildings - Exterior	$ 20,308	$ 3,600	$ 23,908
1908-02	Buildings - Exterior	$ -	$ -	$ -
1908-02	Buildings - Exterior	$ 280,415	$ -	$ 280,415
1908-02	Buildings - Exterior	$ 117,575	$ -	$ 117,575
1908-03	Buildings - Interior	$ 34,334	$ 8,667	$ 43,000
1908-03	Buildings - Interior	$ 86,070	$ -	$ 86,070
1908-03	Buildings - Interior	$ 13,199	$ -	$ 13,199
1908-03	Buildings - Interior	$ 2,229	$ -	$ 2,229
1908-03	Buildings - Interior	$ 495	$ -	$ 495
1908-03	Buildings - Interior	$ 36,950	$ -	$ 36,950
1908-04	Buildings - HVAC	$ 3,607	$ 2,800	$ 6,407
1908-04	Buildings - HVAC	$ -	$ -	$ -
1908-04	Buildings - HVAC	$ 2,749	$ -	$ 2,749
1908-04	Buildings - HVAC	$ 38,277	$ -	$ 38,277
1908-04	Buildings - HVAC	$ 141,958	$ -	$ 141,958
1908-04	Buildings - HVAC	$ 30,503	$ -	$ 30,503
1908-04	Buildings - HVAC	$ 5,453	$ -	$ 5,453
1908-04	Buildings - HVAC	$ -	$ -	$ -
1908-04	Buildings - HVAC	$ -	$ -	$ -
1910	Leasehold Improvements	$ -	$ -	$ -
1915	Office Furniture & Equipment	$ 205,493	$ 3,500	$ 208,993
1920-01	Computer Equipment - Hardware - Servers/Others	$ 173,823	$ 55,600	$ 229,423
1920-01	Computer Equipment - Hardware - Servers/Others	$ 237,671	$ -	$ 237,671
1920	Computer Equip.-Hardware-Desktops	$ 19,859	$ -	$ 19,859
1920	Computer Equip.-Hardware-laptops	$ 10,562	$ -	$ 10,562
1930-01	Transportation Equipment-Light Vehicles	$ 51,476	$ 33,333	$ 84,809
1930-02	Transportation Equipment-Bucket Trucks	$ 22,815	$ 37,500	$ 60,315
1930-03	Transportation Equipment Heavy Duty Trucks	$ 15,937	$ 19,400	$ 35,337
1930	Transportation Equipment	$ 45,042	$ -	$ 45,042
1930	Transportation Equipment	$ 4,398	$ -	$ 4,398
1930	Transportation Equipment	$ 5,977	$ -	$ 5,977
1930	Transportation Equipment	$ 11,018	$ -	$ 11,018
1930	Transportation Equipment	$ 41,101	$ -	$ 41,101
1930	Transportation Equipment	$ 60,756	$ -	$ 60,756
1930	Transportation Equipment	$ 111	$ -	$ 111
1930	Transportation Equipment	$ 29,354	$ -	$ 29,354
1930	Transportation Equipment	$ -	$ -	$ -
1930	Transportation Equipment	$ -	$ -	$ -
1930	Transportation Equipment	$ 45,812	$ -	$ 45,812
1930	Transportation Equipment	$ 58,453	$ -	$ 58,453
1930	Transportation Equipment	$ 110,624	$ -	$ 110,624
1930	Transportation Equipment	$ 21,856	$ -	$ 21,856
1930	Transportation Equipment	$ 36,679	$ -	$ 36,679
1930	Transportation Equipment	$ 6,547	$ -	$ 6,547
1935	Stores Equipment	$ 1,151	$ -	$ 1,151
1940	Tools, Shop & Garage Equipment	$ 42,183	$ 7,500	$ 49,683
1945	Measurement & Testing Equipment	$ 8,520	$ 4,000	$ 12,520
1950	Power Operated Equipment	$ -	$ -	$ -
1955	Communications Equipment	$ 44,070	$ 15,431	$ 59,501
1955	Communication Equipment (Smart Meters)	$ -	$ -	$ -
1960	Miscellaneous Equipment	$ 31,911	$ -	$ 31,911
1970	Load Management Controls - Customer Premises	$ -	$ -	$ -
1975	Load Management Controls Utility Premises	$ -	$ -	$ -
1980	System Supervisor Equipment	$ 292,715	$ 48,869	$ 341,584

Amortization Calculation for YE Revenue Requirement Calculation

Account	Description	Full Year 2013 Depreciation Expense - From App 2CP-2013 (a)	Depreciation Expense on 2014 Full Year Additions from App 2CQ-2014 (b)	2014 Full Year Depreciation (c) = (a) + (b)
1985	Miscellaneous Fixed Assets	$ -	$ -	$ -
1990	Other Tangible Property	$ -	$ -	$ -
1995	Contributions & Grants	-$ 447,617	-$ 326,260	-$ 773,877
1995	Contributions & Grants	-$ 43,545	$ -	-$ 43,545
1995	Contributions & Grants	-$ 4,141	$ -	-$ 4,141
1995	Contributions & Grants	-$ 6,203	$ -	-$ 6,203
1995	Contributions & Grants	-$ 54,683	$ -	-$ 54,683
1995	Contributions & Grants	-$ 1,787	$ -	-$ 1,787
1995	Contributions & Grants	-$ 471	$ -	-$ 471
1995	Contributions & Grants	-$ 3,401	$ -	-$ 3,401
1995	Contributions & Grants	-$ 401	$ -	-$ 401
1995	Contributions & Grants	-$ 58,980	$ -	-$ 58,980
1995	Contributions & Grants	-$ 4,486	$ -	-$ 4,486
1995	Contributions & Grants	-$ 33,818	$ -	-$ 33,818
1995	Contributions & Grants	-$ 25,637	$ -	-$ 25,637
1995	Contributions & Grants	-$ 7,233	$ -	-$ 7,233
1995	Contributions & Grants	-$ 106,999	$ -	-$ 106,999
1995	Contributions & Grants	-$ 339,502	$ -	-$ 339,502
1995	Contributions & Grants	-$ 33,160	$ -	-$ 33,160
1995	Contributions & Grants	-$ 473,353	$ -	-$ 473,353
1995	Contributions & Grants	-$ 44,377	$ -	-$ 44,377
1995	Contributions & Grants	-$ 71,238	$ -	-$ 71,238
1995	Contributions & Grants	-$ 66,759	$ -	-$ 66,759
		$ -	$ -	$ -
	Total	$ 10,545,255	$ 1,480,216	$ 12,025,471

Less: Vehicles - Allocated through overheads	-$ 658,189
Net Amortization to be included in YE Revenue Requirement	**$ 11,367,282**

File Number:EB-2013-0174

Exhibit:	6A
Tab:	1
Schedule:	2

Date Filed:October 31, 2013

Attachment 2 of 2

2014 YE NFA Revenue Requirement Tax Workform

Income Tax/PILs Workform for 2014 Filers

Version **2.0**

Utility Name	Veridian Connections Inc.
Assigned EB Number	
Name and Title	
Phone Number	
Email Address	
Date	
Last COS Re-based Year	**2010**

Note: Drop-down lists are shaded blue; Input cells are shaded green.

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 o the data and the results.

Income Tax/PILs Workform for 2014 Filers

Income Tax/PILs
Workform for 2014 Filers

Rate Base			**$ 253,245,425**	

Return on Ratebase

Deemed ShortTerm Debt %	4.00%	T	$ 10,129,817	*W = S * T*
Deemed Long Term Debt %	56.00%	U	$ 141,817,438	*X = S * U*
Deemed Equity %	40.00%	V	$ 101,298,170	*Y = S * V*
Short Term Interest Rate	2.07%	Z	$ 209,687	*AC = W * Z*
Long Term Interest	5.10%	AA	$ 7,234,108	*AD = X * AA*
Return on Equity (Regulatory Income)	8.98%	AB	**$ 9,096,576**	*AE = Y * AB*
Return on Rate Base			**$ 16,540,370**	*AF = AC + AD + AE*

Questions that must be answered

	Historic	Bridge	Test Year
1. Does the applicant have any Investment Tax Credits (ITC)?	Yes	Yes	Yes
2. Does the applicant have any SRED Expenditures?	Yes	Yes	Yes
3. Does the applicant have any Capital Gains or Losses for tax purposes?	No	No	No
4. Does the applicant have any Capital Leases?	No	No	No
5. Does the applicant have any Loss Carry-Forwards (non-capital or net capital)?	No	No	No
6. Since 1999, has the applicant acquired another regulated applicant's assets?	Yes	Yes	Yes
7. Did the applicant pay dividends? *If Yes, please describe what was the tax treatment in the manager's summary.*	Yes	Yes	Yes
8. Did the applicant elect to capitalize interest incurred on CWIP for tax purposes?	Yes	Yes	Yes

Income Tax/PILs Workform for 2014 Filers

Tax Rates **Federal & Provincial** **As of June 20, 2012**	**Effective** ################	**Effective** ################	**Effective** ################	**Effective** ################
Federal income tax				
General corporate rate	38.00%	38.00%	38.00%	38.00%
Federal tax abatement	-10.00%	-10.00%	-10.00%	-10.00%
Adjusted federal rate	28.00%	28.00%	28.00%	28.00%
Rate reduction	-11.50%	-13.00%	-13.00%	-13.00%
	16.50%	15.00%	15.00%	15.00%
Ontario income tax	11.75%	11.50%	11.50%	11.50%
Combined federal and Ontario	28.25%	26.50%	26.50%	26.50%
Federal & Ontario Small Business				
Federal small business threshold	500,000	500,000	500,000	500,000
Ontario Small Business Threshold	500,000	500,000	500,000	500,000
Federal small business rate	11.00%	11.00%	11.00%	11.00%
Ontario small business rate	4.50%	4.50%	4.50%	4.50%

Income Tax/PILs Workform for 2014 Filers

Schedule 8 - Historical Year

Class	Class Description	UCC End of Year Historic per tax returns	Less: Non-Distribution Portion	UCC Regulated Historic Year
1	Distribution System - post 1987	102,134,443		102,134,443
1 Enhanced	Non-residential Buildings Reg. 1100(1)(a.1) election	9,938,810		9,938,810
2	Distribution System - pre 1988	0		0
8	General Office/Stores Equip	2,694,340		2,694,340
10	Computer Hardware/ Vehicles	2,485,450		2,485,450
10.1	Certain Automobiles	37,651		37,651
12	Computer Software	1,013,716		1,013,716
13_1	Lease # 1	45,531		45,531
13_2	Lease #2			0
13_3	Lease # 3			0
13_4	Lease # 4			0
14	Franchise			0
17	New Electrical Generating Equipment Acq'd after Feb 27/00 Other Than Bldgs			0
42	Fibre Optic Cable	4,674		4,674
43.1	Certain Energy-Efficient Electrical Generating Equipment			0
43.2	Certain Clean Energy Generation Equipment	542,035	542,035	0
45	Computers & Systems Software acq'd post Mar 22/04	21,233		21,233
46	Data Network Infrastructure Equipment (acq'd post Mar 22/04)			0
47	Distribution System - post February 2005	78,372,847		78,372,847
50	Data Network Infrastructure Equipment - post Mar 2007	304,484		304,484
52	Computer Hardware and system software			0
95	CWIP	5,288,185		5,288,185
				0
				0
				0
				0
				0
				0
				0
				0
				0
				0
	SUB-TOTAL - UCC	**202,883,399**	**542,035**	**202,341,364**

Income Tax/PILs Workform for 2014 Filers

Schedule 10 CEC - Historical Year

Cumulative Eligible Capital				**2,702,729**
Additions				
Cost of Eligible Capital Property Acquired during Test Year	9,051			
Other Adjustments	0			
Subtotal	9,051	x 3/4 =	6,788	
Non-taxable portion of a non-arm's length transferor's gain realized on the transfer of an ECP to the Corporation after Friday, December 20, 2002	0	x 1/2 =	0	
			6,788	**6,788**
Amount transferred on amalgamation or wind-up of subsidiary	0			**0**
Subtotal				**2,709,517**
Deductions				
Proceeds of sale (less outlays and expenses not otherwise deductible) from the disposition of all ECP during Test Year				
Other Adjustments	0			
Subtotal	0	**x 3/4 =**		**0**
Cumulative Eligible Capital Balance				**2,709,517**
Current Year Deduction		**2,709,517**	**x 7% =**	**189,666**
Cumulative Eligible Capital - Closing Balance				**2,519,851**

Schedule 13 Tax Reserves - Historical

Continuity of Reserves

Description	Historical Balance as per tax returns	Non-Distribution Eliminations	Utility Only
Capital Gains Reserves ss.40(1)			0
Tax Reserves Not Deducted for accounting purposes			
Reserve for doubtful accounts ss. 20(1)(l)			0
Reserve for goods and services not delivered ss. 20(1)(m)			0
Reserve for unpaid amounts ss. 20(1)(n)			0
Debt & Share Issue Expenses ss. 20(1)(e)			0
Other tax reserves			0
			0
			0
			0
			0
			0
Total	**0**	**0**	**0**
Financial Statement Reserves (not deductible for Tax Purposes)			
General Reserve for Inventory Obsolescence (non-specific)			0
General reserve for bad debts			0
Accrued Employee Future Benefits:	2,048,552		2,048,552
- Medical and Life Insurance			0
-Short & Long-term Disability			0
-Accmulated Sick Leave			0
- Termination Cost			0
- Other Post-Employment Benefits			0
Provision for Environmental Costs			0
Restructuring Costs			0
Accrued Contingent Litigation Costs			0
Accrued Self-Insurance Costs			0
Other Contingent Liabilities	206,000		206,000
Bonuses Accrued and Not Paid Within 180 Days of Year-End ss. 78(4)			0
Unpaid Amounts to Related Person and Not Paid Within 3 Taxation Years ss. 78(1)			0
Other	217,264		217,264
			0
			0
Total	**2,471,816**	**0**	**2,471,816**

Schedule 7-1 Loss Carry Forward - Historic

Corporation Loss Continuity and Application

Non-Capital Loss Carry Forward Deduction	Total	Non-Distribution Portion	Utility Balance
Actual Historic	0		0

Net Capital Loss Carry Forward Deduction	Total	Non-Distribution Portion	Utility Balance
Actual Historic	0		0

Income Tax/PILs Workform for 2014 Filers

Adjusted Taxable Income - Historic Year

	T2S1 line #	Total for Legal Entity	Non-Distribution Eliminations	Historic Wires Only
Income before PILs/Taxes	A	10,023,164		10,023,164
Additions:				
Interest and penalties on taxes	103	151,017		151,017
Amortization of tangible assets	104	8,757,627		8,757,627
Amortization of intangible assets	106			0
Recapture of capital cost allowance from Schedule 8	107			0
Gain on sale of eligible capital property from Schedule 10	108			0
Income or loss for tax purposes- joint ventures or partnerships	109			0
Loss in equity of subsidiaries and affiliates	110			0
Loss on disposal of assets	111			0
Charitable donations	112	75,141	75,141	0
Taxable Capital Gains	113			0
Political Donations	114			0
Deferred and prepaid expenses	116			0
Scientific research expenditures deducted on financial statements	118	177,586		177,586
Capitalized interest	119			0
Non-deductible club dues and fees	120	12,926		12,926
Non-deductible meals and entertainment expense	121	8,233		8,233
Non-deductible automobile expenses	122			0
Non-deductible life insurance premiums	123			0
Non-deductible company pension plans	124			0
Tax reserves deducted in prior year	125			0
Reserves from financial statements- balance at end of year	126	2,471,816		2,471,816
Soft costs on construction and renovation of buildings	127			0
Book loss on joint ventures or partnerships	205			0
Capital items expensed	206			0
Debt issue expense	208			0
Development expenses claimed in current year	212			0
Financing fees deducted in books	216			0
Gain on settlement of debt	220			0
Non-deductible advertising	226			0
Non-deductible interest	227			0
Non-deductible legal and accounting fees	228			0
Recapture of SR&ED expenditures	231			0
Share issue expense	235			0
Write down of capital property	236			0
Amounts received in respect of qualifying environment trust per paragraphs 12(1)(z.1) and 12(1)(z.2)	237			0
Other Additions				
Interest Expensed on Capital Leases	290			0
Realized Income from Deferred Credit Accounts	291			0
Pensions	292			0
Non-deductible penalties	293			0
Vehicle amort. Not included in amortization addback above	294	194,765		194,765
Other non-current assets	295	135,539		135,539
ARO Accretion expense				0
Capital Contributions Received (ITA 12(1)(x))		6,006,797		6,006,797
Lease Inducements Received (ITA 12(1)(x))				0
Deferred Revenue (ITA 12(1)(a))		4,766,810		4,766,810
Prior Year Investment Tax Credits received				0
Unrealized loss on interest rate swaps		352,073		352,073

Apprenticeship and Co-operative EducationTax Credits		97,313		97,313
OITC/ORDTC from prior year-12(1)(x)-4.5% of proxy		10,864		10,864
				0
				0
				0
				0
				0
				0
				0
Total Additions		**23,218,507**	**75,141**	**23,143,366**
Deductions:				
Gain on disposal of assets per financial statements	401	11,400		11,400
Dividends not taxable under section 83	402			0
Capital cost allowance from Schedule 8	403	14,341,634		14,341,634
Terminal loss from Schedule 8	404			0
Cumulative eligible capital deduction from Schedule 10	405	446,732		446,732
Allowable business investment loss	406			0
Deferred and prepaid expenses	409			0
Scientific research expenses claimed in year	411	422,054		422,054
Tax reserves claimed in current year	413			0
Reserves from financial statements - balance at beginning of year	414	2,092,942		2,092,942
Contributions to deferred income plans	416			0
Book income of joint venture or partnership	305			0
Equity in income from subsidiary or affiliates	306			0
Other deductions: (Please explain in detail the nature of the item)				
Interest capitalized for accounting deducted for tax	390	196,730		196,730
Capital Lease Payments	391			0
Non-taxable imputed interest income on deferral and variance accounts	392			0
	393			0
	394			0
ARO Payments - Deductible for Tax when Paid				0
ITA 13(7.4) Election - Capital Contributions Received		6,006,797		6,006,797
ITA 13(7.4) Election - Apply Lease Inducement to cost of Leaseholds				0
Deferred Revenue - ITA 20(1)(m) reserve				0
Principal portion of lease payments				0
Lease Inducement Book Amortization credit to income				0
Financing fees for tax ITA 20(1)(e) and (e.1)				0
Proceeds on sales recorded for acctg, reduce UCC for tax		160,685		160,685
Assets capitalized for acctg.		483,960		483,960
Smart Meter Receivable		803,169		803,169
Pension contribution capitalized for Acctg		343,441		343,441
POEB Capitalized for Acctg		84,852		84,852
				0
				0
Total Deductions		**25,394,396**	**0**	**25,394,396**
Net Income for Tax Purposes		**7,847,275**	**75,141**	**7,772,134**
Charitable donations from Schedule 2	311			0
Taxable dividends deductible under section 112 or 113, from Schedule 3 (item 82)	320			0
Non-capital losses of preceding taxation years from Schedule 4	331			0
Net-capital losses of preceding taxation years from Schedule 4 *(Please include explanation and calculation in Manager's summary)*	332			0
Limited partnership losses of preceding taxation years from Schedule 4	335			0
TAXABLE INCOME		**7,847,275**	**75,141**	**7,772,134**

Income Tax/PILs Workform for 2014 Filers

PILs Tax Provision - Historic Year

Note: Input the actual information from the tax returns for the historic year.

						Wires Only	
Regulatory Taxable Income						$ 7,772,134	A
Ontario Income Taxes							
Income tax payable	**Ontario Income Tax**	11.50%	B	$ 893,795	C = A * B		
Small business credit	Ontario Small Business Threshold	$ 500,000	D				
	Rate reduction (negative)	-7.50%	E	-$ 37,500	F = D * E		
Ontario Income tax						$ 856,295	J = C + F
Combined Tax Rate and PILs	Effective Ontario Tax Rate			11.02%	K = J / A		
	Federal tax rate			15.00%	L		
	Combined tax rate					26.02%	M = K + L
Total Income Taxes						**$ 2,022,116**	N = A * M
Investment Tax Credits						$ 206,006	O
Miscellaneous Tax Credits						$ 93,546	P
Total Tax Credits						**$ 299,552**	Q = O + P
Corporate PILs/Income Tax Provision for Historic Year						**$ 1,722,564**	R = N - Q

Income Tax/PILs
Workform for 2014 Filers

Schedule 8 CCA - Bridge Year

Class	Class Description	UCC Regulated Historic Year	Additions	Disposals (Negative)	UCC Before 1/2 Yr Adjustment	1/2 Year Rule {1/2 Additions Less Disposals}
1	Distribution System - post 1987	$ 102,134,443			$ 102,134,443	$ -
1 Enhanced	Non-residential Buildings Reg. 1100(1)(a.1) election	$ 9,938,810	$ 712,000		$ 10,650,810	$ 356,000
2	Distribution System - pre 1988	$ -			$ -	$ -
8	General Office/Stores Equip	$ 2,694,340	$ 1,019,000		$ 3,713,340	$ 509,500
10	Computer Hardware/ Vehicles	$ 2,485,450	$ 293,000		$ 2,778,450	$ 146,500
10.1	Certain Automobiles	$ 37,651			$ 37,651	$ -
12	Computer Software	$ 1,013,716	$ 1,480,633		$ 2,494,349	$ 740,317
13 1	Lease # 1	$ 45,531			$ 45,531	$ -
13 2	Lease #2				$ -	$ -
13 3	Lease # 3				$ -	$ -
13 4	Lease # 4				$ -	$ -
14	Franchise				$ -	$ -
17	New Electrical Generating Equipment Acq'd after Feb 27/00 Other Than Bldgs				$ -	$ -
42	Fibre Optic Cable	$ 4,674			$ 4,674	$ -
43.1	Certain Energy-Efficient Electrical Generating Equipment				$ -	$ -
43.2	Certain Clean Energy Generation Equipment	$ -			$ -	$ -
45	Computers & Systems Software acq'd post Mar 22/04	$ 21,233			$ 21,233	$ -
46	Data Network Infrastructure Equipment (acq'd post Mar 22/04)				$ -	$ -
47	Distribution System - post February 2005	$ 78,372,847	$ 18,828,681		$ 97,201,528	$ 9,414,341
50	Data Network Infrastructure Equipment - post Mar 2007	$ 304,484	$ 784,867		$ 1,089,351	$ 392,434
52	Computer Hardware and system software				$ -	$ -
95	CWIP	$ 5,288,185			$ 5,288,185	$ -
					$ -	$ -
					$ -	$ -
					$ -	$ -
					$ -	$ -
					$ -	$ -
					$ -	$ -
					$ -	$ -
					$ -	$ -
					$ -	$ -
					$ -	$ -
	TOTAL	$ 202,341,364	$ 23,118,181	$ -	$ 225,459,545	$ 11,559,091

Reduced UCC	Rate %	Bridge Year CCA	UCC End of Bridge Year
$ 102,134,443	4%	$ 4,085,378	$ 98,049,065
$ 10,294,810	6%	$ 617,689	$ 10,033,121
$ -	6%	$ -	$ -
$ 3,203,840	20%	$ 640,768	$ 3,072,572
$ 2,631,950	30%	$ 789,585	$ 1,988,865
$ 37,651	30%	$ 11,295	$ 26,356
$ 1,754,033	100%	$ 1,754,033	$ 740,317
$ 45,531		$ -	$ 45,531
$ -		$ -	$ -
$ -		$ -	$ -
$ -		$ -	$ -
$ -		$ -	$ -
$ -	8%	$ -	$ -
$ 4,674	12%	$ 561	$ 4,113
$ -	30%	$ -	$ -
$ -	50%	$ -	$ -
$ 21,233	45%	$ 9,555	$ 11,678
$ -	30%	$ -	$ -
$ 87,787,188	8%	$ 7,022,975	$ 90,178,553
$ 696,918	55%	$ 383,305	$ 706,046
$ -	100%	$ -	$ -
$ 5,288,185		$ -	$ 5,288,185
$ -		$ -	$ -
$ -		$ -	$ -
$ -		$ -	$ -
$ -		$ -	$ -
$ -		$ -	$ -
$ -		$ -	$ -
$ -		$ -	$ -
$ -		$ -	$ -
$ -		$ -	$ -
$ -		$ -	$ -
$ 213,900,455		**$ 15,315,142**	**$ 210,144,403**

Income Tax/PILs Workform for 2014 Filers

Schedule 10 CEC - Bridge Year

Cumulative Eligible Capital				**2,519,851**
Additions				
Cost of Eligible Capital Property Acquired during Test Year				
Other Adjustments	0			
Subtotal	0	**x 3/4 =**	0	
Non-taxable portion of a non-arm's length transferor's gain realized on the transfer of an ECP to the Corporation after Friday, December 20, 2002	0	**x 1/2 =**	0	
			0	**0**
Amount transferred on amalgamation or wind-up of subsidiary	0			**0**
Subtotal				**2,519,851**
Deductions				
Proceeds of sale (less outlays and expenses not otherwise deductible) from the disposition of all ECP during Test Year				
Other Adjustments	0			
Subtotal	0	**x 3/4 =**		**0**
Cumulative Eligible Capital Balance				**2,519,851**
Current Year Deduction		**2,519,851**	**x 7% =**	**176,390**
Cumulative Eligible Capital - Closing Balance				**2,343,461**

Schedule 13 Tax Reserves - Bridge Year

Continuity of Reserves

				Bridge Year Adjustments				
Description	**Historic Utility Only**	**Eliminate Amounts Not Relevant for Bridge Year**	**Adjusted Utility Balance**	**Additions**	**Disposals**	**Balance for Bridge Year**	**Change During the Year**	**Disallowed Expenses**
Capital Gains Reserves ss.40(1)	0		0			0	0	
Tax Reserves Not Deducted for accounting purposes								
Reserve for doubtful accounts ss. 20(1)(l)	0		0			0	0	
Reserve for goods and services not delivered ss. 20(1)(m)	0		0			0	0	
Reserve for unpaid amounts ss. 20(1)(n)	0		0			0	0	
Debt & Share Issue Expenses ss. 20(1)(e)	0		0			0	0	
Other tax reserves	0		0			0	0	
	0		0			0	0	
	0		0			0	0	
Total	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Financial Statement Reserves (not deductible for Tax Purposes)								
General Reserve for Inventory Obsolescence (non-specific)	0		0			0	0	
General reserve for bad debts	0		0			0	0	
Accrued Employee Future Benefits:	2,048,552		2,048,552	163,798		2,212,350	163,798	
- Medical and Life Insurance	0		0			0	0	
-Short & Long-term Disability	0		0			0	0	
-Accmulated Sick Leave	0		0			0	0	
- Termination Cost	0		0			0	0	
- Other Post-Employment Benefits	0		0			0	0	
Provision for Environmental Costs	0		0			0	0	
Restructuring Costs	0		0			0	0	
Accrued Contingent Litigation Costs	0		0			0	0	
Accrued Self-Insurance Costs	0		0			0	0	
Other Contingent Liabilities	206,000	-206,000	0			0	0	
Bonuses Accrued and Not Paid Within 180 Days of Year-End ss. 78(4)	0		0			0	0	
Unpaid Amounts to Related Person and Not Paid Within 3 Taxation Years ss. 78(1)	0		0			0	0	
Other	217,264	-217,264	0			0	0	
	0		0			0	0	
	0		0			0	0	
Total	**2,471,816**	**-423,264**	**2,048,552**	**163,798**	**0**	**2,212,350**	**163,798**	**0**

Corporation Loss Continuity and Application

Schedule 7-1 Loss Carry Forward - Bridge Year

Non-Capital Loss Carry Forward Deduction	**Total**
Actual Historic	0
Application of Loss Carry Forward to reduce taxable income in Bridge Year	
Other Adjustments Add (+) Deduct (-)	
Balance available for use in Test Year	0
Amount to be used in Bridge Year	
Balance available for use post Bridge Year	0

Net Capital Loss Carry Forward Deduction	**Total**
Actual Historic	0
Application of Loss Carry Forward to reduce taxable income in Bridge Year	
Other Adjustments Add (+) Deduct (-)	
Balance available for use in Test Year	0
Amount to be used in Bridge Year	
Balance available for use post Bridge Year	0

Adjusted Taxable Income - Bridge Year

	T2S1 line #	Total for Regulated Utility
Income before PILs/Taxes	**A**	9,186,759
Additions:		
Interest and penalties on taxes	103	
Amortization of tangible assets	104	10,737,493
Amortization of intangible assets	106	
Recapture of capital cost allowance from Schedule 8	107	
Gain on sale of eligible capital property from Schedule 10	108	
Income or loss for tax purposes- joint ventures or partnerships	109	
Loss in equity of subsidiaries and affiliates	110	
Loss on disposal of assets	111	
Charitable donations	112	
Taxable Capital Gains	113	
Political Donations	114	
Deferred and prepaid expenses	116	
Scientific research expenditures deducted on financial statements	118	61,599
Capitalized interest	119	
Non-deductible club dues and fees	120	12,926
Non-deductible meals and entertainment expense	121	8,233
Non-deductible automobile expenses	122	
Non-deductible life insurance premiums	123	
Non-deductible company pension plans	124	
Tax reserves deducted in prior year	125	0
Reserves from financial statements- balance at end of year	126	2,212,350
Soft costs on construction and renovation of buildings	127	
Book loss on joint ventures or partnerships	205	
Capital items expensed	206	
Debt issue expense	208	
Development expenses claimed in current year	212	
Financing fees deducted in books	216	
Gain on settlement of debt	220	
Non-deductible advertising	226	
Non-deductible interest	227	
Non-deductible legal and accounting fees	228	
Recapture of SR&ED expenditures	231	
Share issue expense	235	
Write down of capital property	236	
Amounts received in respect of qualifying environment trust per paragraphs 12(1)(z.1) and 12(1)(z.2)	237	

Adjusted Taxable Income - Bridge Year

Other Additions		
Interest Expensed on Capital Leases	290	
Realized Income from Deferred Credit Accounts	291	
Pensions	292	
Non-deductible penalties	293	
	294	
	295	
ARO Accretion expense		
Capital Contributions Received (ITA 12(1)(x))		
Lease Inducements Received (ITA 12(1)(x))		
Deferred Revenue (ITA 12(1)(a))		
Prior Year Investment Tax Credits received		
Vehicle Amortization not included in amortization addback above		556,305
Apprenticeship and co-op tax credits		99,546
OITC/ORDTC from prior year-12(1)(x)-4.5% of proxy		8,767
Total Additions		**13,697,219**
Deductions:		
Gain on disposal of assets per financial statements	401	
Dividends not taxable under section 83	402	
Capital cost allowance from Schedule 8	403	15,315,142
Terminal loss from Schedule 8	404	
Cumulative eligible capital deduction from Schedule 10	405	176,390
Allowable business investment loss	406	
Deferred and prepaid expenses	409	
Scientific research expenses claimed in year	411	42,719
Tax reserves claimed in current year	413	0
Reserves from financial statements - balance at beginning of year	414	2,048,552
Contributions to deferred income plans	416	
Book income of joint venture or partnership	305	
Equity in income from subsidiary or affiliates	306	
Other deductions: (Please explain in detail the nature of the item)		

Income Tax/PILs Workform for 2014 Filers

Adjusted Taxable Income - Bridge Year

Interest capitalized for accounting deducted for tax	390	0
Capital Lease Payments	391	
Non-taxable imputed interest income on deferral and variance accounts	392	
	393	
	394	
ARO Payments - Deductible for Tax when Paid		
ITA 13(7.4) Election - Capital Contributions Received		
ITA 13(7.4) Election - Apply Lease Inducement to cost of Leaseholds		
Deferred Revenue - ITA 20(1)(m) reserve		
Principal portion of lease payments		
Lease Inducement Book Amortization credit to income		
Financing fees for tax ITA 20(1)(e) and (e.1)		
Assets capitalized for acctg.		400,000
Total Deductions		**17,982,803**
Net Income for Tax Purposes		**4,901,175**
Charitable donations from Schedule 2	311	
Taxable dividends deductible under section 112 or 113, from Schedule 3 (item 82)	320	
Non-capital losses of preceding taxation years from Schedule 4	331	
Net-capital losses of preceding taxation years from Schedule 4 *(Please include explanation and calculation in Manager's summary)*	332	
Limited partnership losses of preceding taxation years from Schedule 4	335	
TAXABLE INCOME		**4,901,175**

Income Tax/PILs Workform for 2014 Filers

PILS Tax Provision - Bridge Year

						Wires Only	
Regulatory Taxable Income						$ 4,901,175	**A**
Ontario Income Taxes							
Income tax payable	**Ontario Income Tax**	11.50%	**B**	$ 563,635	**C = A * B**		
Small business credit	Ontario Small Business Threshold	$ 500,000	**D**				
	Rate reduction	-7.00%	**E**	-$ 35,000	**F = D * E**		
Ontario Income tax						$ 528,635	**J = C + F**
Combined Tax Rate and PILs	Effective Ontario Tax Rate			10.79%	**K = J / A**		
	Federal tax rate			15.00%	**L**		
	Combined tax rate					25.79%	**M = K + L**
Total Income Taxes						**$ 1,263,811**	**N = A * M**
Investment Tax Credits						$ 62,025	**O**
Miscellaneous Tax Credits						$ 93,546	**P**
Total Tax Credits						**$ 155,571**	**Q = O + P**
Corporate PILs/Income Tax Provision for Bridge Year						**$ 1,108,240**	**R = N - Q**

Note:

1. This is for the derivation of Bridge year PILs income tax expense and should not be used for Test year revenue requirement calculations.

Income Tax/PILs
Workform for 2014 Filers

Schedule 8 CCA - Test Year

Class	Class Description	UCC Test Year Opening Balance	Additions	Disposals (Negative)	UCC Before 1/2 Yr Adjustment	1/2 Year Rule {1/2 Additions Less Disposals}
1	Distribution System - post 1987	$ 98,049,065	315,000		$ 98,364,065	$ 157,500
1 Enhanced	Non-residential Buildings Reg. 1100(1)(a.1) election	$ 10,033,121			$ 10,033,121	$ -
2	Distribution System - pre 1988	$ -			$ -	$ -
8	General Office/Stores Equip	$ 3,072,572	1,037,344		$ 4,109,916	$ 518,672
10	Computer Hardware/ Vehicles	$ 1,988,865	941,000		$ 2,929,865	$ 470,500
10.1	Certain Automobiles	$ 26,356			$ 26,356	$ -
12	Computer Software	$ 740,317	1,215,000		$ 1,955,317	$ 607,500
13 1	Lease # 1	$ 45,531			$ 45,531	$ -
13 2	Lease #2	$ -			$ -	$ -
13 3	Lease # 3	$ -			$ -	$ -
13 4	Lease # 4	$ -			$ -	$ -
14	Franchise	$ -			$ -	$ -
17	New Electrical Generating Equipment Acq'd after Feb 27/00 Other Than B	$ -			$ -	$ -
42	Fibre Optic Cable	$ 4,113			$ 4,113	$ -
43.1	Certain Energy-Efficient Electrical Generating Equipment	$ -			$ -	$ -
43.2	Certain Clean Energy Generation Equipment	$ -			$ -	$ -
45	Computers & Systems Software acq'd post Mar 22/04	$ 11,678			$ 11,678	$ -
46	Data Network Infrastructure Equipment (acq'd post Mar 22/04)	$ -			$ -	$ -
47	Distribution System - post February 2005	$ 90,178,553	26,484,327	-4,419,562	$ 112,243,318	$ 11,032,383
50	Data Network Infrastructure Equipment - post Mar 2007	$ 706,046	278,000		$ 984,046	$ 139,000
52	Computer Hardware and system software	$ -			$ -	$ -
95	CWIP	$ 5,288,185			$ 5,288,185	$ -
					$ -	$ -
					$ -	$ -
					$ -	$ -
					$ -	$ -
					$ -	$ -
					$ -	$ -
					$ -	$ -
					$ -	$ -
					$ -	$ -
					$ -	$ -
	TOTAL	$ 210,144,403	$ 30,270,671	-$ 4,419,562	$ 235,995,512	$ 12,925,555

Reduced UCC	Rate %	Test Year CCA	UCC End of Test Year
$ 98,206,565	4%	$ 3,928,263	$ 94,435,803
$ 10,033,121	6%	$ 601,987	$ 9,431,134
$ -	6%	$ -	$ -
$ 3,591,244	20%	$ 718,249	$ 3,391,667
$ 2,459,365	30%	$ 737,810	$ 2,192,056
$ 26,356	30%	$ 7,907	$ 18,449
$ 1,347,817	100%	$ 1,347,817	$ 607,500
$ 45,531		$ -	$ 45,531
$ -		$ -	$ -
$ -		$ -	$ -
$ -		$ -	$ -
$ -		$ -	$ -
$ -	8%	$ -	$ -
$ 4,113	12%	$ 494	$ 3,620
$ -	30%	$ -	$ -
$ -	50%	$ -	$ -
$ 11,678	45%	$ 5,255	$ 6,423
$ -	30%	$ -	$ -
$ 101,210,936	8%	$ 8,096,875	$ 104,146,443
$ 845,046	55%	$ 464,776	$ 519,271
$ -	100%	$ -	$ -
$ 5,288,185	0%	$ -	$ 5,288,185
$ -	0%	$ -	$ -
$ -	0%	$ -	$ -
$ -	0%	$ -	$ -
$ -	0%	$ -	$ -
$ -	0%	$ -	$ -
$ -	0%	$ -	$ -
$ -	0%	$ -	$ -
$ -	0%	$ -	$ -
$ -	0%	$ -	$ -
$ -	0%	$ -	$ -
$ 223,069,957		**$ 15,909,430**	**$ 220,086,081**

Income Tax/PILs Workform for 2014 Filers

Schedule 10 CEC - Test Year

Cumulative Eligible Capital				**2,343,461**
Additions				
Cost of Eligible Capital Property Acquired during Test Year	0			
Other Adjustments	0			
Subtotal	0	**x 3/4 =**	0	
Non-taxable portion of a non-arm's length transferor's gain realized on the transfer of an ECP to the Corporation after Friday, December 20, 2002	0	**x 1/2 =**	0	
			0	**0**
Amount transferred on amalgamation or wind-up of subsidiary	0			**0**
Subtotal				**2,343,461**
Deductions				
Proceeds of sale (less outlays and expenses not otherwise deductible) from the disposition of all ECP during Test Year	0			
Other Adjustments	0			
Subtotal	0	**x 3/4 =**		**0**
Cumulative Eligible Capital Balance				**2,343,461**
Current Year Deduction (Carry Forward to Tab "Test Year Taxable Income")		**2,343,461**	**x 7% =**	**164,042**
Cumulative Eligible Capital - Closing Balance				**2,179,419**

Income Tax/PILs Workform for 2014 Filers

Schedule 13 Tax Reserves - Test Year

Continuity of Reserves

Description	Bridge Year	Eliminate Amounts Not Relevant for Bridge Year	Adjusted Utility Balance	Test Year Adjustments		Balance for Test Year	Change During the Year	Disallowed Expenses
				Additions	Disposals			
Capital Gains Reserves ss.40(1)	0		0			0	0	
Tax Reserves Not Deducted for accounting purposes								
Reserve for doubtful accounts ss. 20(1)(l)	0		0			0	0	
Reserve for goods and services not delivered ss. 20(1)(m)	0		0			0	0	
Reserve for unpaid amounts ss. 20(1)(n)	0		0			0	0	
Debt & Share Issue Expenses ss. 20(1)(e)	0		0			0	0	
Other tax reserves	0		0			0	0	
	0		0			0	0	
	0		0			0	0	
Total	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Financial Statement Reserves (not deductible for Tax Purposes)								
General Reserve for Inventory Obsolescence (non-specific)	0		0			0	0	
General reserve for bad debts	0		0			0	0	
Accrued Employee Future Benefits:	2,212,350		2,212,350	114,998		2,327,348	114,998	
- Medical and Life Insurance	0		0			0	0	
-Short & Long-term Disability	0		0			0	0	
-Accmulated Sick Leave	0		0			0	0	
- Termination Cost	0		0			0	0	
- Other Post-Employment Benefits	0		0			0	0	
Provision for Environmental Costs	0		0			0	0	
Restructuring Costs	0		0			0	0	
Accrued Contingent Litigation Costs	0		0			0	0	
Accrued Self-Insurance Costs	0		0			0	0	
Other Contingent Liabilities	0		0			0	0	
Bonuses Accrued and Not Paid Within 180 Days of Year-End ss. 78(4)	0		0			0	0	
Unpaid Amounts to Related Person and Not Paid Within 3 Taxation Years ss. 78(1)	0		0			0	0	
Other	0		0			0	0	
	0		0			0	0	
	0		0			0	0	
Total	**2,212,350**	**0**	**2,212,350**	**114,998**	**0**	**2,327,348**	**114,998**	**0**

Income Tax/PILs Workform for 2014 Filers

Schedule 7-1 Loss Carry Forward - Test Year

Corporation Loss Continuity and Application

Non-Capital Loss Carry Forward Deduction	**Total**	**Non-Distribution Portion**	**Utility Balance**
Actual/Estimated Bridge Year			0
Application of Loss Carry Forward to reduce taxable income in 2005			0
Other Adjustments Add (+) Deduct (-)			0
Balance available for use in Test Year	0	0	0
Amount to be used in Test Year			0
Balance available for use post Test Year	0	0	0

Net Capital Loss Carry Forward Deduction	**Total**	**Non-Distribution Portion**	**Utility Balance**
Actual/Estimated Bridge Year			0
Application of Loss Carry Forward to reduce taxable income in 2005			0
Other Adjustments Add (+) Deduct (-)			0
Balance available for use in Test Year	0	0	0
Amount to be used in Test Year			0
Balance available for use post Test Year	0	0	0

Income Tax/PILs Workform for 2014 Filers

Taxable Income - Test Year

		Test Year Taxable Income
Net Income Before Taxes		9,096,576

	T2 S1 line #	
Additions:		
Interest and penalties on taxes	103	
Amortization of tangible assets *2-4 ADJUSTED ACCOUNTING DATA P489*	104	11,367,282
Amortization of intangible assets *2-4 ADJUSTED ACCOUNTING DATA P490*	106	
Recapture of capital cost allowance from Schedule 8	107	
Gain on sale of eligible capital property from Schedule 10	108	
Income or loss for tax purposes- joint ventures or partnerships	109	
Loss in equity of subsidiaries and affiliates	110	
Loss on disposal of assets	111	
Charitable donations	112	
Taxable Capital Gains	113	
Political Donations	114	
Deferred and prepaid expenses	116	
Scientific research expenditures deducted on financial statements	118	77,533
Capitalized interest	119	
Non-deductible club dues and fees	120	12,926
Non-deductible meals and entertainment expense	121	8,233
Non-deductible automobile expenses	122	
Non-deductible life insurance premiums	123	
Non-deductible company pension plans	124	
Tax reserves beginning of year	125	0
Reserves from financial statements- balance at end of year	126	2,327,348
Soft costs on construction and renovation of buildings	127	
Book loss on joint ventures or partnerships	205	
Capital items expensed	206	
Debt issue expense	208	
Development expenses claimed in current year	212	
Financing fees deducted in books	216	
Gain on settlement of debt	220	
Non-deductible advertising	226	
Non-deductible interest	227	
Non-deductible legal and accounting fees	228	
Recapture of SR&ED expenditures	231	
Share issue expense	235	
Write down of capital property	236	

Amounts received in respect of qualifying environment trust per paragraphs 12(1)(z.1) and 12(1)(z.2)	237	
Other Additions: (please explain in detail the nature of the item)		
Interest Expensed on Capital Leases	290	
Realized Income from Deferred Credit Accounts	291	
Pensions	292	
Non-deductible penalties	293	
	294	
	295	
	296	
	297	
ARO Accretion expense		
Capital Contributions Received (ITA 12(1)(x))		
Lease Inducements Received (ITA 12(1)(x))		
Deferred Revenue (ITA 12(1)(a))		
Prior Year Investment Tax Credits received		
Vehicle amortization not included in amortization addback above		613,073
Apprenticeship and Co-operative EducationTax Credits		99,546
OITC/ORDTC from prior year-12(1)(x)-4.5% of proxy		5,187
Total Additions		**14,511,128**
Deductions:		
Gain on disposal of assets per financial statements	401	
Dividends not taxable under section 83	402	
Capital cost allowance from Schedule 8	403	15,909,430
Terminal loss from Schedule 8	404	
Cumulative eligible capital deduction from Schedule 10 CEC	405	164,042
Allowable business investment loss	406	
Deferred and prepaid expenses	409	
Scientific research expenses claimed in year	411	105,393
Tax reserves end of year	413	0
Reserves from financial statements - balance at beginning of year	414	2,212,350
Contributions to deferred income plans	416	
Book income of joint venture or partnership	305	
Equity in income from subsidiary or affiliates	306	
Other deductions: (Please explain in detail the nature of the item)		
Interest capitalized for accounting deducted for tax	390	167,000
Capital Lease Payments	391	

Non-taxable imputed interest income on deferral and variance accounts	392	
	393	
	394	
	395	
	396	
	397	
ARO Payments - Deductible for Tax when Paid		
ITA 13(7.4) Election - Capital Contributions Received		
ITA 13(7.4) Election - Apply Lease Inducement to cost of Leaseholds		
Deferred Revenue - ITA 20(1)(m) reserve		
Principal portion of lease payments		
Lease Inducement Book Amortization credit to income		
Financing fees for tax ITA 20(1)(e) and (e.1)		
Assets Capitalized for Acctg		400,000
Total Deductions		**18,958,216**
NET INCOME FOR TAX PURPOSES		**4,649,488**
Charitable donations	311	
Taxable dividends received under section 112 or 113	320	
Non-capital losses of preceding taxation years from Schedule 7-1	331	
Net-capital losses of preceding taxation years (Please show calculation)	332	
Limited partnership losses of preceding taxation years from Schedule 4	335	
REGULATORY TAXABLE INCOME		**4,649,488**

Income Tax/PILs Workform for 2014 Filers

PILs Tax Provision - Test Year

						Wires Only	
Regulatory Taxable Income						$ 4,649,488	**A**
Ontario Income Taxes							
Income tax payable	**Ontario Income Tax**	11.50%	**B**	$ 534,691	**C = A * B**		
Small business credit	Ontario Small Business Threshold	$ 500,000	**D**				
	Rate reduction	-7.00%	**E**	-$ 35,000	**F = D * E**		
Ontario Income tax						$ 499,691	**J = C + F**
Combined Tax Rate and PILs	Effective Ontario Tax Rate			10.75%	**K = J / A**		
	Federal tax rate			15.00%	**L**		
	Combined tax rate					25.75%	**M = K + L**
Total Income Taxes						**$ 1,197,114**	**N = A * M**
Investment Tax Credits						$ 48,133	**O**
Miscellaneous Tax Credits						$ 50,000	**P**
Total Tax Credits						**$ 98,133**	**Q = O + P**
Corporate PILs/Income Tax Provision for Test Year						**$ 1,098,981**	**R = N - Q**
Corporate PILs/Income Tax Provision Gross Up [1]				74.25%	**S = 1 - M**	**$ 381,073**	**T = R / S - R**
Income Tax (grossed-up)						**$ 1,480,054**	**U = R + T**

Note:

1. This is for the derivation of revenue requirement and should not be used for sufficiency/deficiency calculations.