



November 18, 2013

Delivered by RESS and Courier

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
P.O. Box 2319  
27<sup>th</sup> Floor  
2300 Yonge Street  
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: Veridian Connections Inc.  
2014 Cost of Service Rate Application  
Board File EB-2013-0174**

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Further to the October 31<sup>st</sup> 2014 submission of Veridian's 2014 cost of service rate application and in response to a request by Board staff, we are pleased to file the enclosed supplementary material for inclusion at Exhibit 6A, Tab 1, Schedule 2, Attachment 3.

Please do not hesitate to contact me if you have any questions.

Regards,

*Original signed by*

George Armstrong  
Vice President, Corporate Services

cc Laurie McLorg  
Andrew Taylor, The Energy Boutique

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Ajax, ON L1T 3V3

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Veridian Connections is a wholly owned subsidiary of Veridian Corporation





File Number:EB-2013-0174

Exhibit: 6A  
Tab: 1  
Schedule: 2

Date Filed: Nov 18, 2013

## Attachment 3 of 3

# Revenue Requirement Work Form based on Year End Net Fixed Assets Revenue Requirement



# RRWF based on YE NFA Revenue Requirement

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Veridian has provided the detailed calculation of the YE NFA Revenue Requirement previously in Schedule 2 of this Exhibit.

For added clarification on the differences in calculations between the Average and YE NFA Revenue Requirement, Veridian has completed, and provides here, the Revenue Requirement Work Form ("RRWF") on the basis of YE NFA Revenue Requirement. A live Excel working model of the YE-RRWF has also been provided.

Veridian has labelled this version as YE-RRWF to distinguish it from the RRWF as provided in Exhibit 6. The RRWF filed at Exhibit 6 reflects the calculated Service Revenue Requirement and Base Revenue Requirement for which Veridian is seeking recovery in the 2014 Test Year through the proposed base distribution rates and the proposed negative Revenue Requirement Adjustment Rate Riders ("RRARRs") discussed previously in this Exhibit.

Veridian notes, however, that there is no mechanism within the Board issued RRWF model to include the impact of the application of the proposed RRARRs. As a result, the Service Revenue Requirement and the Base Revenue Requirement calculated within the YE-RRWF does not reflect the Revenue Requirement values sought for recovery by Veridian in the 2014 Test Year.

As outlined previously in this Exhibit, 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 Base Revenue requirement calculated within the YE-RRWF.



# Revenue Requirement Workform



Version 4.00

Utility Name	Veridian Connections Inc.
Service Territory	Harmonized
Assigned EB Number	EB-2013-0174
Name and Title	Laurie McLorg, VP Financial Services
Phone Number	905-427-9870 X2230
Email Address	lmclorg@veridian.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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[7. Cost of Capital](#)

[8. Rev Def Suff](#)

[9. Rev Req](#)

## Notes:

- (1) Pale green cells represent inputs
- (2) Pale green boxes at the bottom of each page are for additional notes
- (3) Pale yellow cells represent drop-down lists
- (4) ***Please note that this model uses MACROS. Before starting, please ensure that macros have been enabled.***
- (5) ***Completed versions of the Revenue Requirement Work Form are required to be filed in working Microsoft Excel***



# Revenue Requirement Workform

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

	Initial Application	(2)		(6)	Per Board Decision
<b>1 Rate Base</b>					
Gross Fixed Assets (average)	\$440,397,053		\$ 440,397,053		\$440,397,053
Accumulated Depreciation (average)	(\$230,266,428)	(5)	(\$230,266,428)		(\$230,266,428)
<b>Allowance for Working Capital:</b>					
Controllable Expenses	\$28,283,692		\$ 28,283,692		\$28,283,692
Cost of Power	\$284,142,396		\$ 284,142,396		\$284,142,396
Working Capital Rate (%)	13.80%	(9)	13.80%	(9)	13.80% (9)
<b>2 Utility Income</b>					
Operating Revenues:					
Distribution Revenue at Current Rates	\$49,080,522				
Distribution Revenue at Proposed Rates	\$53,903,935	###			
<b>Other Revenue:</b>					
Specific Service Charges	\$1,789,404				
Late Payment Charges	\$494,459				
Other Distribution Revenue	\$969,428				
Other Income and Deductions	\$514,173				
Total Revenue Offsets	\$3,767,464	(7)			
Operating Expenses:					
OM+A Expenses	\$28,283,692		\$ 28,283,692		\$28,283,692
Depreciation/Amortization	\$11,367,282		\$ 11,367,282		\$11,367,282
Property taxes					
Other expenses					
<b>3 Taxes/PILs</b>					
Taxable Income:					
Adjustments required to arrive at taxable income	(\$4,447,088)	(3)			
<b>Utility Income Taxes and Rates:</b>					
Income taxes (not grossed up)	\$1,098,981				
Income taxes (grossed up)	\$1,480,054				
Federal tax (%)	15.00%				
Provincial tax (%)	10.75%				
Income Tax Credits	(\$98,133)				
<b>4 Capitalization/Cost of Capital</b>					
Capital Structure:					
Long-term debt Capitalization Ratio (%)	56.0%				
Short-term debt Capitalization Ratio (%)	4.0%	(8)		(8)	(8)
Common Equity Capitalization Ratio (%)	40.0%				
Preferred Shares Capitalization Ratio (%)					
	100.0%				
<b>Cost of Capital</b>					
Long-term debt Cost Rate (%)	5.10%				
Short-term debt Cost Rate (%)	2.07%				
Common Equity Cost Rate (%)	8.98%				
Preferred Shares Cost Rate (%)					

### 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 (%)
- 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
- (2) Net of addbacks and deductions to arrive at taxable income.
- (3) Average of Gross Fixed Assets at beginning and end of the Test Year
- (4) Average of Accumulated Depreciation at the beginning and end of the Test Year. Enter as a negative amount.
- (5) 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.
- (6) Input total revenue offsets for deriving the base revenue requirement from the service revenue requirement
- (7) 4.0% unless an Applicant has proposed or been approved for another amount.
- (8) 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.
- (9) \$53,903,935 is Distribution Revenue at Proposed Base Distribution Rates without application of the Negative Revenue Requirement Adjustment Rate Riders (RRARRs). After application of the RRARRs the Distribution Revenue at Proposed Rates is \$52,199,570 which is equivalent to Distribution Revenue calculated using Average Net Fixed Assets



# Revenue Requirement Workform

## Rate Base and Working Capital

Rate Base										
Line No.	Particulars		Initial Application						Per Board Decision	
1	Gross Fixed Assets (average)	(3)	\$440,397,053	(4)	\$ -		\$440,397,053		\$ -	\$440,397,053
2	Accumulated Depreciation (average)	(3)	(\$230,266,428)	(4)	\$ -		(\$230,266,428)		\$ -	(\$230,266,428)
3	Net Fixed Assets (average)	(3)	\$210,130,625		\$ -		\$210,130,625		\$ -	\$210,130,625
4	Allowance for Working Capital	(1)	\$43,114,800		\$ -		\$43,114,800		\$ -	\$43,114,800
5	Total Rate Base		\$253,245,425		\$ -		\$253,245,425		\$ -	\$253,245,425

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

6	Controllable Expenses	\$28,283,692	\$ -	\$28,283,692	\$ -	\$28,283,692
7	Cost of Power	\$284,142,396	\$ -	\$284,142,396	\$ -	\$284,142,396
8	Working Capital Base	\$312,426,088	\$ -	\$312,426,088	\$ -	\$312,426,088
9	Working Capital Rate % (2)	13.80%	0.00%	13.80%	0.00%	13.80%
10	Working Capital Allowance	\$43,114,800	\$ -	\$43,114,800	\$ -	\$43,114,800

### Notes

- (2) Some Applicants may have a unique rate as a result of a lead-lag study. The default rate for 2014 cost of service applications is 13%.
- (3) Average of opening and closing balances for the year.
- (4) This Version of the RRFW has been completed on the basis of Rate Base and Revenue Requirement calculated using 2014 YE NFA Rate Base values and 2014 YE NFA Revenue Requirement, not average of opening and closing balances for the year



## Revenue Requirement Workform

### Utility Income

Line No.	Particulars	Initial Application					Per Board Decision
	<b>Operating Revenues:</b>						
1	Distribution Revenue (at Proposed Rates)	\$53,903,935	(\$53,903,935)	\$ -	\$ -	\$ -	\$ -
2	Other Revenue (1)	\$3,767,464	(\$3,767,464)	\$ -	\$ -	\$ -	\$ -
3	Total Operating Revenues	\$57,671,399	(\$57,671,399)	\$ -	\$ -	\$ -	\$ -
	<b>Operating Expenses:</b>						
4	OM+A Expenses	\$28,283,692	\$ -	\$28,283,692	\$ -	\$28,283,692	\$28,283,692
5	Depreciation/Amortization	\$11,367,282	\$ -	\$11,367,282	\$ -	\$11,367,282	\$11,367,282
6	Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7	Capital taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8	Other expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
9	Subtotal (lines 4 to 8)	\$39,650,974	\$ -	\$39,650,974	\$ -	\$39,650,974	\$39,650,974
10	Deemed Interest Expense	\$7,443,795	(\$7,443,795)	\$ -	\$ -	\$ -	\$ -
11	Total Expenses (lines 9 to 10)	\$47,094,769	(\$7,443,795)	\$39,650,974	\$ -	\$39,650,974	\$39,650,974
12	Utility income before income taxes	\$10,576,630	(\$50,227,604)	(\$39,650,974)	\$ -	(\$39,650,974)	(\$39,650,974)
13	Income taxes (grossed-up)	\$1,480,054	\$ -	\$1,480,054	\$ -	\$1,480,054	\$1,480,054
14	Utility net income	\$9,096,576	(\$50,227,604)	(\$41,131,028)	\$ -	(\$41,131,028)	(\$41,131,028)

### Notes

#### Other Revenues / Revenue Offsets

(1)	Specific Service Charges	\$1,789,404		\$ -		\$ -
	Late Payment Charges	\$494,459		\$ -		\$ -
	Other Distribution Revenue	\$969,428		\$ -		\$ -
	Other Income and Deductions	\$514,173		\$ -		\$ -
	Total Revenue Offsets	\$3,767,464	\$ -	\$ -	\$ -	\$ -





# Revenue Requirement Workform

## Taxes/PILs

Line No.	Particulars	Application		Per Board Decision	
<u>Determination of Taxable Income</u>					
1	Utility net income before taxes	\$9,096,576		\$ -	\$ -
2	Adjustments required to arrive at taxable utility income	(\$4,447,088)		\$ -	(\$4,447,088)
3	Taxable income	<u>\$4,649,488</u>		<u>\$ -</u>	<u>(\$4,447,088)</u>
<u>Calculation of Utility income Taxes</u>					
4	Income taxes	<u>\$1,098,981</u>		<u>\$1,098,981</u>	<u>\$1,098,981</u>
6	Total taxes	<u>\$1,098,981</u>		<u>\$1,098,981</u>	<u>\$1,098,981</u>
7	Gross-up of Income Taxes	<u>\$381,073</u>		<u>\$381,073</u>	<u>\$381,073</u>
8	Grossed-up Income Taxes	<u>\$1,480,054</u>		<u>\$1,480,054</u>	<u>\$1,480,054</u>
9	PILs / tax Allowance (Grossed-up Income taxes + Capital taxes)	<u>\$1,480,054</u>		<u>\$1,480,054</u>	<u>\$1,480,054</u>
10	Other tax Credits	(\$98,133)		(\$98,133)	(\$98,133)
<u>Tax Rates</u>					
11	Federal tax (%)	15.00%		15.00%	15.00%
12	Provincial tax (%)	10.75%		10.75%	10.75%
13	Total tax rate (%)	<u>25.75%</u>		<u>25.75%</u>	<u>25.75%</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%	\$141,817,438	5.10%		\$7,234,108
2	Short-term Debt	4.00%	\$10,129,817	2.07%		\$209,687
3	Total Debt	60.00%	\$151,947,255	4.90%		\$7,443,795
	Equity					
4	Common Equity	40.00%	\$101,298,170	8.98%		\$9,096,576
5	Preferred Shares	0.00%	\$ -	0.00%		\$ -
6	Total Equity	40.00%	\$101,298,170	8.98%		\$9,096,576
7	Total	100.00%	\$253,245,425	6.53%		\$16,540,370
		Per Board Decision				
		(%)	(\$)	(%)		(\$)
	Debt					
1	Long-term Debt	0.00%	\$ -	0.00%		\$ -
2	Short-term Debt	0.00%	\$ -	0.00%		\$ -
3	Total Debt	0.00%	\$ -	0.00%		\$ -
	Equity					
4	Common Equity	0.00%	\$ -	0.00%		\$ -
5	Preferred Shares	0.00%	\$ -	0.00%		\$ -
6	Total Equity	0.00%	\$ -	0.00%		\$ -
7	Total	0.00%	\$253,245,425	0.00%		\$ -
		Per Board Decision				
		(%)	(\$)	(%)		(\$)
	Debt					
8	Long-term Debt	0.00%	\$ -	5.10%		\$ -
9	Short-term Debt	0.00%	\$ -	2.07%		\$ -
10	Total Debt	0.00%	\$ -	0.00%		\$ -
	Equity					
11	Common Equity	0.00%	\$ -	8.98%		\$ -
12	Preferred Shares	0.00%	\$ -	0.00%		\$ -
13	Total Equity	0.00%	\$ -	0.00%		\$ -
14	Total	0.00%	\$253,245,425	0.00%		\$ -

### 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

(2)

This Version of the RRFW has been completed on the basis of Rate Base and Revenue Requirement calculated using 2014 YE NFA Rate Base values and 2014 YE NFA Revenue Requirement, not average of opening and closing balances for the year



Line No.	Particulars	Initial Application		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		\$4,823,414		(\$11,103,743)		\$39,650,974
2	Distribution Revenue	\$49,080,522	\$49,080,521	\$49,080,522	\$65,007,678	\$ -	(\$39,650,974)
3	Other Operating Revenue	\$3,767,464	\$3,767,464	\$ -	\$ -	\$ -	\$
4	Offsets - net						
4	<b>Total Revenue</b>	<b>\$52,847,986</b>	<b>\$57,671,399</b>	<b>\$49,080,522</b>	<b>\$53,903,935</b>	<b>\$ -</b>	<b>\$ -</b>
5	Operating Expenses	\$39,650,974	\$39,650,974	\$39,650,974	\$39,650,974	\$39,650,974	\$39,650,974
6	Deemed Interest Expense	\$7,443,795	\$7,443,795	\$ -	\$ -	\$ -	\$ -
8	<b>Total Cost and Expenses</b>	<b>\$47,094,769</b>	<b>\$47,094,769</b>	<b>\$39,650,974</b>	<b>\$39,650,974</b>	<b>\$39,650,974</b>	<b>\$39,650,974</b>
9	<b>Utility Income Before Income Taxes</b>	\$5,753,217	\$10,576,630	\$9,429,548	\$14,252,961	(\$39,650,974)	(\$39,650,974)
10	Tax Adjustments to Accounting Income per 2013 PILs model	(\$4,447,088)	(\$4,447,088)	(\$4,447,088)	(\$4,447,088)	\$ -	\$ -
11	<b>Taxable Income</b>	\$1,306,129	\$6,129,542	\$4,982,460	\$9,805,873	(\$39,650,974)	(\$39,650,974)
12	Income Tax Rate	25.75%	25.75%	25.75%	25.75%	25.75%	25.75%
13	<b>Income Tax on Taxable Income</b>	\$336,292	\$1,578,189	\$1,282,846	\$2,524,743	(\$10,209,035)	(\$10,209,035)
14	<b>Income Tax Credits</b>	(\$98,133)	(\$98,133)	(\$98,133)	(\$98,133)	\$ -	\$ -
15	<b>Utility Net Income</b>	<b>\$5,515,058</b>	<b>\$9,096,576</b>	<b>\$8,244,835</b>	<b>(\$41,131,028)</b>	<b>(\$29,441,939)</b>	<b>(\$41,131,028)</b>
16	<b>Utility Rate Base</b>	\$253,245,425	\$253,245,425	\$253,245,425	\$253,245,425	\$253,245,425	\$253,245,425
17	Deemed Equity Portion of Rate Base	\$101,298,170	\$101,298,170	\$ -	\$ -	\$ -	\$ -
18	Income/(Equity Portion of Rate Base)	5.44%	8.98%	0.00%	0.00%	0.00%	0.00%
19	Target Return - Equity on Rate Base	8.98%	8.98%	0.00%	0.00%	0.00%	0.00%
20	Deficiency/Sufficiency in Return on Equity	-3.54%	0.00%	0.00%	0.00%	0.00%	0.00%
21	Indicated Rate of Return	5.12%	6.53%	3.26%	0.00%	-11.63%	0.00%
22	Requested Rate of Return on Rate Base	6.53%	6.53%	0.00%	0.00%	0.00%	0.00%
23	Deficiency/Sufficiency in Rate of Return	-1.41%	0.00%	3.26%	0.00%	-11.63%	0.00%
24	Target Return on Equity	\$9,096,576	\$9,096,576	\$ -	\$ -	\$ -	\$ -
25	Revenue Deficiency/(Sufficiency)	\$3,581,518	\$0	(\$8,244,835)	\$ -	\$29,441,939	\$ -
26	<b>Gross Revenue Deficiency/(Sufficiency)</b>	<b>\$4,823,414 (1)</b>		<b>(\$11,103,743) (1)</b>		<b>\$39,650,974 (1)</b>	

(2)



# Revenue Requirement Workform

## Revenue Requirement

Line No.	Particulars	Application			Per Board Decision		
1	OM&A Expenses	\$28,283,692		\$28,283,692		\$28,283,692	
2	Amortization/Depreciation	\$11,367,282		\$11,367,282		\$11,367,282	
3	Property Taxes	\$ -					
5	Income Taxes (Grossed up)	\$1,480,054		\$1,480,054		\$1,480,054	
6	Other Expenses	\$ -					
7	Return						
	Deemed Interest Expense	\$7,443,795		\$ -		\$ -	
	Return on Deemed Equity	\$9,096,576		\$ -		\$ -	
8	<b>Service Revenue Requirement (before Revenues)</b>	<u>\$57,671,399</u>		<u>\$41,131,028</u>		<u>\$41,131,028</u>	
9	Revenue Offsets	\$3,767,464		\$ -		\$ -	
10	<b>Base Revenue Requirement (excluding Tranformer Owership Allowance credit adjustment)</b>	<u>\$53,903,935</u>	(2)	<u>\$41,131,028</u>		<u>\$41,131,028</u>	
11	Distribution revenue	\$53,903,935	(2)	\$ -		\$ -	
12	Other revenue	\$3,767,464		\$ -		\$ -	
13	<b>Total revenue</b>	<u>\$57,671,399</u>	(3)	<u>\$ -</u>		<u>\$ -</u>	
14	<b>Difference (Total Revenue Less Distribution Revenue Requirement before Revenues)</b>	<u>\$0</u>	(1)	<u>(\$41,131,028)</u>	(1)	<u>(\$41,131,028)</u>	(1)

### Notes

(1) Line 11 - Line 8  
\$53,903,935 is Distribution Revenue at Proposed Base Distribution Rates without application of the Negative Revenue Requirement Adjustment Rate Riders (RRARRs). After application of the RRARRs the Distribution Revenue at Proposed Rates is \$52,199,570 which is equivalent to Distribution Revenue calculated using Average Net Fixed Assets

(2)  
\$57,671,399 is Service Revenue at Proposed Base Distribution Rates without application of the Negative Revenue Requirement Adjustment Rate Riders (RRARRs). After application of the RRARRs the Service Revenue at Proposed Rates is \$55,967,034 which is equivalent to Service Revenue calculated using Average Net Fixed Assets

(3)