

Exhibit 6

**CALCULATION OF REVENUE
DEFICIENCY OR SUFFICIENCY**

Exhibit 6

Tab 1 of 1

Calculation of Revenue Deficiency or Sufficiency

REVENUE DEFICIENCY OR SUFFICIENCY

STEL's net revenue deficiency is \$761,745. This deficiency is calculated as the difference between the 2015TY Base Service Revenue Requirement of \$7,962,742 and the Forecast 2015TY Base Revenue, at the 2014 approved rates, of \$7,209,267.

The revenue deficiency is net of electricity costs.

REVENUE REQUIREMENT

STEL's Revenue Requirement consists of the following:

- Operation & Maintenance Expense
- Administrative & General, Billing & Collecting Expense
- Depreciation Expense
- Property Taxes
- PILs
- Deemed Interest & Return on Equity (i.e. Return on Rate Base)

STEL's base revenue requirement is primarily received through electricity distribution rates and offset by revenue from Board approved specific service charges, late payment charges, interest, and other operating income.

CALCULATION OF REVENUE DEFICIENCY OR SUFFICIENCY

STEL's detailed calculation of the revenue deficiency is provided in the following Table 6-1.

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Table 6-1

Revenue Deficiency/Sufficiency

Line No.	Particulars	Initial Application	
		At Current Approved Rates	At Proposed Rates
1	Revenue Deficiency from Below		\$761,745
2	Distribution Revenue	\$6,713,223	\$6,704,953
3	Other Operating Revenue	\$496,044	\$496,044
	Offsets - net		
4	Total Revenue	\$7,209,267	\$7,962,742
5	Operating Expenses	\$5,842,839	\$5,842,839
6	Deemed Interest Expense	\$886,973	\$886,973
8	Total Cost and Expenses	\$6,729,812	\$6,729,812
9	Utility Income Before Income Taxes	\$479,455	\$1,232,930
10	Tax Adjustments to Accounting Income per 2013 PILs model	(\$838,412)	(\$838,412)
11	Taxable Income	(\$358,957)	\$394,518
12	Income Tax Rate	15.50%	15.50%
13	Income Tax on Taxable Income	(\$55,638)	\$61,150
14	Income Tax Credits	\$ -	\$ -
15	Utility Net Income	\$535,094	\$1,178,768
16	Utility Rate Base	\$31,484,195	\$31,484,195
17	Deemed Equity Portion of Rate Base	\$12,593,678	\$12,593,678
18	Income/(Equity Portion of Rate Base)	4.25%	9.36%
19	Target Return - Equity on Rate Base	9.36%	9.36%
20	Deficiency/Sufficiency in Return on Equity	-5.11%	0.00%
21	Indicated Rate of Return	4.52%	6.56%
22	Requested Rate of Return on Rate Base	6.56%	6.56%
23	Deficiency/Sufficiency in Rate of Return	-2.04%	0.00%
24	Target Return on Equity	\$1,178,768	\$1,178,768
25	Revenue Deficiency/(Sufficiency)	\$643,675	(\$0)
26	Gross Revenue Deficiency/(Sufficiency)	\$761,745 (1)	

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REVENUE DEFICIENCY COST DRIVERS

The revenue deficiency of \$761,745 is calculated as the difference between the 2015TY base service revenue requirement of \$7,962,742 and the forecasted 2015TY base service revenue requirement based on the 2014 approved rates. The revenue deficiency represents an 11.4% increase vs. Distribution Revenue at current rates.

STEI notes there are three primary factors that contribute to the 2015TY revenue deficiency.

Restructuring

January 1, 2012 STEI restructured from a virtual utility to a fully operational utility. As a result STEI transferred \$1,407,734 in assets to STEI resulting in an increase in revenue requirement of \$188,000. Prior to 2012 STEI operated as a virtual utility in that STEI had no employees and acquired services from third parties, primarily affiliates via a Master Services Agreement ("MSA"). STEI restructured from a virtual corporation to an operating utility on January 1, 2012. The 2012 restructuring included transferring all utility specific staff and assets from STESI to STEI. With the employee transfer, STEI developed new capitalization policy with respect to administrative costs and at the same time adopted new asset useful life estimates that aligned with the Kinectrics report and MIFRS.

Accounting Standard

January 1, 2012 restructuring resulted in an increase in OM&A costs as STEI adopted IFRS policies which resulted in decreased labour charges versus the charges based upon the Master Service Agreement, ("MSA"). Previous to 2012, all charges from the affiliated were capitalized or expenses based upon the charge-out rate. Under the IFRS policies adopted on January 1, 2012, STEI is only allocating directly attributable costs to capital, thereby increasing the amount of OM&A expense.

1 ***Smart Meter Transfer***

2 An increase in the revenue requirement of \$340,000 to recover the capital and operating costs
3 and to earn a fair return on the assets associated with the mandated smart meter
4 implementation. The recovery of costs associated with smart meters was the subject of a Smart
5 Meter Prudence Review application (EB-2012-0348). The outcome of that application was a
6 Board decision that approved smart Rate Rider for Disposition of Residual Historical Smart
7 Meter Costs that expires April 30, 2014 and a Rate Rider for Recovery of Smart Meter
8 Incremental Revenue that expires with STEI's 2015 Cost of Service Application.

Attachment 1 of 1

OEB RRWF Model



Revenue Requirement Workform



Version

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Service Territory	
Assigned EB Number	EB-2014-0113
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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 information provided.



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Revenue Requirement Workform

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Notes:

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



Revenue Requirement Workform

Data Input ⁽¹⁾

	Initial Application	(2)		(6)		Per Board Decision
1	Rate Base					
	Gross Fixed Assets (average)	\$52,172,331		\$	52,172,331	\$52,172,331
	Accumulated Depreciation (average)	(\$25,737,485)	(5)		-\$25,737,485	-\$25,737,485
	Allowance for Working Capital:					
	Controllable Expenses	\$4,634,620		\$	4,634,620	\$4,634,620
	Cost of Power	\$34,206,528		\$	34,206,528	\$34,206,528
	Working Capital Rate (%)	13.00%	(9)		13.00%	(9)
2	Utility Income					
	Operating Revenues:					
	Distribution Revenue at Current Rates	\$6,713,223				
	Distribution Revenue at Proposed Rates	\$7,466,698				
	Other Revenue:					
	Specific Service Charges	\$67,401				
	Late Payment Charges	\$120,000				
	Other Distribution Revenue	\$308,643				
	Other Income and Deductions					
	Total Revenue Offsets	\$496,044	(7)			
	Operating Expenses:					
	OM+A Expenses	\$4,532,520		\$	4,532,520	\$4,532,520
	Depreciation/Amortization	\$1,208,219		\$	1,208,219	\$1,208,219
	Property taxes	\$102,100		\$	102,100	\$102,100
	Other expenses	\$ -			0	\$0
3	Taxes/PILs					
	Taxable Income:					
		(\$838,412)	(3)			
	Adjustments required to arrive at taxable income					
	Utility Income Taxes and Rates:					
	Income taxes (not grossed up)	\$45,767				
	Income taxes (grossed up)	\$54,162				
	Federal tax (%)	4.50%				
	Provincial tax (%)	11.00%				
	Income Tax Credits					
4	Capitalization/Cost of Capital					
	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%				
	Cost of Capital					
	Long-term debt Cost Rate (%)	4.88%				
	Short-term debt Cost Rate (%)	2.11%				
	Common Equity Cost Rate (%)	9.36%				
	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 (%)
- (2) Data in column E is for Application as originally filed. For updated revenue requirement as a result of interrogatory responses, technical or settlement conferences, etc., use column M and Adjustments in column I
- (3) Net of addbacks and deductions to arrive at taxable income.
- (4) Average of Gross Fixed Assets at beginning and end of the Test Year
- (5) Average of Accumulated Depreciation at the beginning and end of the Test Year. Enter as a negative amount.
- (6) Select option from drop-down list by clicking on cell M10. This column allows for the application update reflecting the end of discovery or Argument-in-Chief. Also, the outcome of any Settlement Process can be reflected.
- (7) Input total revenue offsets for deriving the base revenue requirement from the service revenue requirement
- (8) 4.0% unless an Applicant has proposed or been approved for another amount.
- (9) Starting with 2013, default Working Capital Allowance factor is 13% (of Cost of Power plus controllable expenses). Alternatively, WCA factor based on lead-lag study or approved WCA factor for another distributor, with supporting rationale.



Rate Base and Working Capital

Rate Base										
Line No.	Particulars		Initial Application				Per Board Decision			
1	Gross Fixed Assets (average)	(3)	\$52,172,331		\$ -	\$52,172,331		\$ -		\$52,172,331
2	Accumulated Depreciation (average)	(3)	(\$25,737,485)		\$ -	(\$25,737,485)		\$ -		(\$25,737,485)
3	Net Fixed Assets (average)	(3)	\$26,434,845		\$ -	\$26,434,845		\$ -		\$26,434,845
4	Allowance for Working Capital	(1)	\$5,049,349		\$ -	\$5,049,349		\$ -		\$5,049,349
5	Total Rate Base		\$31,484,195		\$ -	\$31,484,195		\$ -		\$31,484,195

(1) Allowance for Working Capital - Derivation

6	Controllable Expenses	\$4,634,620	\$ -	\$4,634,620	\$ -	\$4,634,620
7	Cost of Power	\$34,206,528	\$ -	\$34,206,528	\$ -	\$34,206,528
8	Working Capital Base	\$38,841,148	\$ -	\$38,841,148	\$ -	\$38,841,148
9	Working Capital Rate % (2)	13.00%	0.00%	13.00%	0.00%	13.00%
10	Working Capital Allowance	\$5,049,349	\$ -	\$5,049,349	\$ -	\$5,049,349

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.



Utility Income

Line No.	Particulars	Initial Application						Per Board Decision
	Operating Revenues:							
1	Distribution Revenue (at Proposed Rates)	\$7,466,698		(\$7,466,698)		\$ -	\$ -	\$ -
2	Other Revenue (1)	\$496,044		(\$496,044)		\$ -	\$ -	\$ -
3	Total Operating Revenues	\$7,962,742		(\$7,962,742)		\$ -	\$ -	\$ -
	Operating Expenses:							
4	OM+A Expenses	\$4,532,520		\$ -		\$4,532,520	\$ -	\$4,532,520
5	Depreciation/Amortization	\$1,208,219		\$ -		\$1,208,219	\$ -	\$1,208,219
6	Property taxes	\$102,100		\$ -		\$102,100	\$ -	\$102,100
7	Capital taxes	\$ -		\$ -		\$ -	\$ -	\$ -
8	Other expense	\$ -		\$ -		\$ -	\$ -	\$ -
9	Subtotal (lines 4 to 8)	\$5,842,839		\$ -		\$5,842,839	\$ -	\$5,842,839
10	Deemed Interest Expense	\$886,973		(\$886,973)		\$ -	\$ -	\$ -
11	Total Expenses (lines 9 to 10)	\$6,729,812		(\$886,973)		\$5,842,839	\$ -	\$5,842,839
12	Utility income before income taxes	\$1,232,930		(\$7,075,769)		(\$5,842,839)	\$ -	(\$5,842,839)
13	Income taxes (grossed-up)	\$54,162		\$ -		\$54,162	\$ -	\$54,162
14	Utility net income	\$1,178,768		(\$7,075,769)		(\$5,897,001)	\$ -	(\$5,897,001)
Notes								
	Other Revenues / Revenue Offsets							
(1)	Specific Service Charges	\$67,401				\$ -		\$ -
	Late Payment Charges	\$120,000				\$ -		\$ -
	Other Distribution Revenue	\$308,643				\$ -		\$ -
	Other Income and Deductions	\$ -				\$ -		\$ -
	Total Revenue Offsets	\$496,044		\$ -		\$ -	\$ -	\$ -



Revenue Requirement Workform

Taxes/PILs

Line No.	Particulars	Application				Per Board Decision	
<u>Determination of Taxable Income</u>							
1	Utility net income before taxes	\$1,178,768		\$ -		\$ -	
2	Adjustments required to arrive at taxable utility income	(\$838,412)		\$ -		(\$838,412)	
3	Taxable income	\$340,356		\$ -		(\$838,412)	
<u>Calculation of Utility income Taxes</u>							
4	Income taxes	\$45,767		\$45,767		\$45,767	
6	Total taxes	\$45,767		\$45,767		\$45,767	
7	Gross-up of Income Taxes	\$8,395		\$8,395		\$8,395	
8	Grossed-up Income Taxes	\$54,162		\$54,162		\$54,162	
9	PILs / tax Allowance (Grossed-up Income taxes + Capital taxes)	\$54,162		\$54,162		\$54,162	
10	Other tax Credits	\$ -		\$ -		\$ -	
<u>Tax Rates</u>							
11	Federal tax (%)	4.50%		4.50%		4.50%	
12	Provincial tax (%)	11.00%		11.00%		11.00%	
13	Total tax rate (%)	15.50%		15.50%		15.50%	

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%	\$17,631,149	4.88%	\$860,400
2	Short-term Debt	4.00%	\$1,259,368	2.11%	\$26,573
3	Total Debt	60.00%	\$18,890,517	4.70%	\$886,973
	Equity				
4	Common Equity	40.00%	\$12,593,678	9.36%	\$1,178,768
5	Preferred Shares	0.00%	\$ -	0.00%	\$ -
6	Total Equity	40.00%	\$12,593,678	9.36%	\$1,178,768
7	Total	100.00%	\$31,484,195	6.56%	\$2,065,741
		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%	\$31,484,195	0.00%	\$ -
		Per Board Decision			
		(%)	(\$)	(%)	(\$)
	Debt				
8	Long-term Debt	0.00%	\$ -	4.88%	\$ -
9	Short-term Debt	0.00%	\$ -	2.11%	\$ -
10	Total Debt	0.00%	\$ -	0.00%	\$ -
	Equity				
11	Common Equity	0.00%	\$ -	9.36%	\$ -
12	Preferred Shares	0.00%	\$ -	0.00%	\$ -
13	Total Equity	0.00%	\$ -	0.00%	\$ -
14	Total	0.00%	\$31,484,195	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



Revenue Requirement Workform

Revenue Deficiency/Sufficiency

Line No.	Particulars	Initial Application		Per Board Decision	
		At Current Approved Rates	At Proposed Rates	At Current Approved Rates	At Proposed Rates
1	Revenue Deficiency from Below		\$761,745		(\$1,024,176)
2	Distribution Revenue	\$6,713,223	\$6,704,953	\$6,713,223	\$8,490,874
3	Other Operating Revenue	\$496,044	\$496,044	\$ -	\$ -
	Offsets - net				
4	Total Revenue	<u>\$7,209,267</u>	<u>\$7,962,742</u>	<u>\$6,713,223</u>	<u>\$7,466,698</u>
5	Operating Expenses	\$5,842,839	\$5,842,839	\$5,842,839	\$5,842,839
6	Deemed Interest Expense	\$886,973	\$886,973	\$ -	\$ -
8	Total Cost and Expenses	<u>\$6,729,812</u>	<u>\$6,729,812</u>	<u>\$5,842,839</u>	<u>\$5,842,839</u>
9	Utility Income Before Income Taxes	\$479,455	\$1,232,930	\$870,384	\$1,623,859
10	Tax Adjustments to Accounting Income per 2013 PILs model	(\$838,412)	(\$838,412)	(\$838,412)	(\$838,412)
11	Taxable Income	<u>(\$358,957)</u>	<u>\$394,518</u>	<u>\$31,972</u>	<u>\$785,447</u>
12	Income Tax Rate	15.50%	15.50%	15.50%	15.50%
13	Income Tax on Taxable Income	<u>(\$55,638)</u>	<u>\$61,150</u>	<u>\$4,956</u>	<u>\$121,744</u>
14	Income Tax Credits	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
15	Utility Net Income	<u>\$535,094</u>	<u>\$1,178,768</u>	<u>\$865,428</u>	<u>(\$5,897,001)</u>
16	Utility Rate Base	\$31,484,195	\$31,484,195	\$31,484,195	\$31,484,195
17	Deemed Equity Portion of Rate Base	\$12,593,678	\$12,593,678	\$ -	\$ -
18	Income/(Equity Portion of Rate Base)	4.25%	9.36%	0.00%	0.00%
19	Target Return - Equity on Rate Base	9.36%	9.36%	0.00%	0.00%
20	Deficiency/Sufficiency in Return on Equity	-5.11%	0.00%	0.00%	0.00%
21	Indicated Rate of Return	4.52%	6.56%	2.75%	0.00%
22	Requested Rate of Return on Rate Base	6.56%	6.56%	0.00%	0.00%
23	Deficiency/Sufficiency in Rate of Return	-2.04%	0.00%	2.75%	0.00%
24	Target Return on Equity	\$1,178,768	\$1,178,768	\$ -	\$ -
25	Revenue Deficiency/(Sufficiency)	\$643,675	(\$0)	(\$865,428)	\$ -
26	Gross Revenue Deficiency/(Sufficiency)	<u>\$761,745 (1)</u>		<u>(\$1,024,176) (1)</u>	

Notes:

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



Revenue Requirement

Line No.	Particulars	Application				Per Board Decision	
1	OM&A Expenses	\$4,532,520		\$4,532,520		\$4,532,520	
2	Amortization/Depreciation	\$1,208,219		\$1,208,219		\$1,208,219	
3	Property Taxes	\$102,100		\$102,100		\$102,100	
5	Income Taxes (Grossed up)	\$54,162		\$54,162		\$54,162	
6	Other Expenses	\$ -		\$ -		\$ -	
7	Return						
	Deemed Interest Expense	\$886,973		\$ -		\$ -	
	Return on Deemed Equity	\$1,178,768		\$ -		\$ -	
8	Service Revenue Requirement (before Revenues)	\$7,962,742		\$5,897,001		\$5,897,001	
9	Revenue Offsets	\$496,044		\$ -		\$ -	
10	Base Revenue Requirement (excluding Tranformer Owership Allowance credit adjustment)	\$7,466,698		\$5,897,001		\$5,897,001	
11	Distribution revenue	\$7,466,698		\$ -		\$ -	
12	Other revenue	\$496,044		\$ -		\$ -	
13	Total revenue	\$7,962,742		\$ -		\$ -	
14	Difference (Total Revenue Less Distribution Revenue Requirement before Revenues)	(\$0)	(1)	(\$5,897,001)	(1)	(\$5,897,001)	(1)

Notes							
(1)	Line 11 - Line 8						