

November 25, 2014

EMAIL, COURIER & RESS

Ontario Energy Board
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto ON M4P 1E4

Attention: Board Secretary

Dear Ms. Walli:

Re: Great Lakes Power Transmission LP - EB-2014-0238 - Revisions to 2015 Revenue Requirement, Updates to Account Balances and Disposition Amounts, and Draft Accounting Order

We are counsel to Great Lakes Power Transmission LP ("GLPT"). This letter is accompanied by the documentation implementing the Board's November 19, 2014 oral decision (the "Decision") in respect of GLPT's 2015 revenue requirement, including GLPT's revised 2015 Revenue Requirement Work Form and 2015 account balances and disposition amounts. Also attached is a draft accounting order for the new In-service Addition Net Cumulative Asymmetrical Variance Account established in the Board's oral decision in EB-2014-0238.

GLPT filed its 2015 Revenue Requirement Work Form with the Board as part of GLPT's Settlement Agreement in EB-2014-0238, which the Board approved in the Decision. The Settlement Agreement stated that GLPT's 2015 Transmission Revenue Requirement will be adjusted to reflect the Board-issued cost of capital parameters for the rate year beginning January 1, 2015. Subsequently, on November 20, 2014, the Board issued Cost of Capital Parameter Updates for 2015 Cost of Service Applications with Rates Effective in the 2015 Calendar Year (the "Cost of Capital Update"). Further to the Decision, and to reflect the Cost of Capital Update, GLPT has prepared a revised 2015 Revenue Requirement Work Form, which is attached hereto as Appendix A. Also attached as Appendix B is a brief summary calculating (i) GLPT's final 2015 Revenue Requirement and (ii) the Approved 2014 Charge Determinant (MW) for the 3 pools.

Attached as Appendix C is a summary of the deferral and variance account balances approved for disbursal in 2015.

Attached as Appendix D is a draft accounting order including proposed accounting entries for the approved In-service Addition Net Cumulative Asymmetrical Variance Account.

Should you have any questions or concerns, please do not hesitate to contact me.

Yours truly,



Tyson Dyck

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cc: R. Battista, Board Staff
D. Fecteau, GLPT LP
S. Seabrook, GLPT LP
C. Keizer, Torys LLP
All intervenors

APPENDIX A

REVISED 2015 REVENUE REQUIREMENT WORK FORM



Revenue Requirement Workform



Version 4.00

Utility Name	<input type="text"/>
Service Territory	<input type="text" value="Great Lakes Power Transmission"/>
Assigned EB Number	<input type="text" value="EB-2014-0238"/>
Name and Title	<input type="text" value="Scott Seabrook, Director of Administration"/>
Phone Number	<input type="text" value="(705) 759-7624"/>
Email Address	<input type="text" value="sseabrook@glp.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 results.



Revenue Requirement Workform

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[3. Data Input Sheet](#)

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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)	\$249,916,705	\$ -	\$ 249,916,705	\$ -	\$249,916,705
Accumulated Depreciation (average)	(\$31,630,529) (5)	\$ -	(\$31,630,529)	\$ -	(\$31,630,529)
Allowance for Working Capital:					
Controllable Expenses	\$11,021,095	(\$200,000)	\$ 10,821,095	\$ -	\$10,821,095
Cost of Power	\$ -	\$ -		\$ -	\$0
Working Capital Rate (%)	4.30% (9)		4.38% (9)		4.38% (9)
2 Utility Income					
Operating Revenues:					
Distribution Revenue at Current Rates	\$38,731,100	\$0	\$38,731,100	\$0	\$38,731,100
Distribution Revenue at Proposed Rates	\$39,782,072	(\$200,000)	\$39,582,072	(\$67,057)	\$39,515,015
Other Revenue:					
Specific Service Charges	\$ -	\$0	\$ -	\$0	\$ -
Late Payment Charges	\$ -	\$0	\$ -	\$0	\$ -
Other Distribution Revenue	\$ -	\$0	\$ -	\$0	\$ -
Other Income and Deductions	\$89,900	\$0	\$89,900	\$0	\$89,900
Total Revenue Offsets	\$ - (7)	\$0	\$ -	\$0	\$ -
Operating Expenses:					
OM+A Expenses	\$11,021,095	(\$200,000)	\$ 10,821,095	\$ -	\$10,821,095
Depreciation/Amortization	\$9,701,179	\$ -	\$ 9,701,179	\$ -	\$9,701,179
Property taxes	\$238,241	\$ -	\$ 238,241	\$ -	\$238,241
Other expenses	\$ -	\$ -	0	\$ -	\$0
3 Taxes/PLTs					
Taxable Income:					
	(\$2,323,145) (3)		(\$2,323,145)		(\$2,323,145)
Adjustments required to arrive at taxable income					
Utility Income Taxes and Rates:					
Income taxes (not grossed up)	\$1,554,818		\$1,554,818		\$1,540,905
Income taxes (grossed up)	\$2,115,398		\$2,115,398		\$2,096,469
Federal tax (%)	15.00%		15.00%		15.00%
Provincial tax (%)	11.50%		11.50%		11.50%
Income Tax Credits	\$ -		\$ -		\$ -
4 Capitalization/Cost of Capital					
Capital Structure:					
Long-term debt Capitalization Ratio (%)	56.0%		56.0%		56.0%
Short-term debt Capitalization Ratio (%)	4.0% (8)		4.0% (8)		4.0% (8)
Common Equity Capitalization Ratio (%)	40.0%		40.0%		40.0%
Preferred Shares Capitalization Ratio (%)					
	100.0%		100.0%		100.0%
Cost of Capital					
Long-term debt Cost Rate (%)	6.87%		6.87%		6.87%
Short-term debt Cost Rate (%)	2.11%		2.11%		2.16%
Common Equity Cost Rate (%)	9.36%		9.36%		9.30%
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.



Revenue Requirement Workform

Rate Base and Working Capital

Line No.	Particulars	Initial Application		Per Board Decision	
1	Gross Fixed Assets (average) (3)	\$249,916,705	\$ -	\$249,916,705	\$ -
2	Accumulated Depreciation (average) (3)	(\$31,630,529)	\$ -	(\$31,630,529)	\$ -
3	Net Fixed Assets (average) (3)	\$218,286,176	\$ -	\$218,286,176	\$ -
4	Allowance for Working Capital (1)	\$474,028	(\$1)	\$474,028	\$ -
5	Total Rate Base	\$218,760,204	(\$1)	\$218,760,204	\$ -

(1) Allowance for Working Capital - Derivation

6	Controllable Expenses	\$11,021,095	(\$200,000)	\$10,821,095	\$ -	\$10,821,095
7	Cost of Power	\$ -	\$ -	\$ -	\$ -	\$ -
8	Working Capital Base	\$11,021,095	(\$200,000)	\$10,821,095	\$ -	\$10,821,095
9	Working Capital Rate % (2)	4.30%	0.08%	4.38%	0.00%	4.38%
10	Working Capital Allowance	\$474,028	(\$1)	\$474,028	\$ -	\$474,028

Notes

- (2) Some Applicants may have a unique rate as a result of a lead-lag study. The default rate for 2014 cost of service applications is 13%.
 (3) Average of opening and closing balances for the year.



Revenue Requirement Workform

Utility Income

Line No.	Particulars	Initial Application					Per Board Decision
Operating Revenues:							
1	Distribution Revenue (at Proposed Rates)	\$39,782,072	(\$200,000)	\$39,582,072	(\$67,057)		\$39,515,015
2	Other Revenue (1)	\$89,900	\$ -	\$89,900	\$ -		\$89,900
3	Total Operating Revenues	\$39,871,972	(\$200,000)	\$39,671,972	(\$67,057)		\$39,604,915
Operating Expenses:							
4	OM+A Expenses	\$11,021,095	(\$200,000)	\$10,821,095	\$ -		\$10,821,095
5	Depreciation/Amortization	\$9,701,179	\$ -	\$9,701,179	\$ -		\$9,701,179
6	Property taxes	\$238,241	\$ -	\$238,241	\$ -		\$238,241
7	Capital taxes	\$ -	\$ -	\$ -	\$ -		\$ -
8	Other expense	\$ -	\$ -	\$ -	\$ -		\$ -
9	Subtotal (lines 4 to 8)	\$20,960,515	(\$200,000)	\$20,760,515	\$ -		\$20,760,515
10	Deemed Interest Expense	\$8,605,676	(\$0)	\$8,605,676	\$4,375		\$8,610,052
11	Total Expenses (lines 9 to 10)	\$29,566,191	(\$200,000)	\$29,366,191	\$4,375		\$29,370,567
12	Utility income before income taxes	\$10,305,780	(\$0)	\$10,305,780	(\$71,432)		\$10,234,349
13	Income taxes (grossed-up)	\$2,115,398	(\$0)	\$2,115,398	(\$18,929)		\$2,096,469
14	Utility net income	\$8,190,382	(\$0)	\$8,190,382	(\$52,502)		\$8,137,880

Notes

Other Revenues / Revenue Offsets

(1)	Specific Service Charges	\$ -	\$ -	\$ -	\$ -		\$ -
	Late Payment Charges	\$ -	\$ -	\$ -	\$ -		\$ -
	Other Distribution Revenue	\$ -	\$ -	\$ -	\$ -		\$ -
	Other Income and Deductions	\$89,900	\$ -	\$89,900	\$ -		\$89,900
	Total Revenue Offsets	\$89,900	\$ -	\$89,900	\$ -		\$89,900



Revenue Requirement Workform

Taxes/PILs

Line No.	Particulars	Application		Per Board Decision
<u>Determination of Taxable Income</u>				
1	Utility net income before taxes	\$8,190,382	\$8,190,382	\$8,137,880
2	Adjustments required to arrive at taxable utility income	(\$2,323,145)	(\$2,323,145)	(\$2,323,145)
3	Taxable income	<u>\$5,867,237</u>	<u>\$5,867,237</u>	<u>\$5,814,735</u>
<u>Calculation of Utility Income Taxes</u>				
4	Income taxes	\$1,554,818	\$1,554,818	\$1,540,905
6	Total taxes	<u>\$1,554,818</u>	<u>\$1,554,818</u>	<u>\$1,540,905</u>
7	Gross-up of Income Taxes	\$560,581	\$560,581	\$555,564
8	Grossed-up Income Taxes	<u>\$2,115,398</u>	<u>\$2,115,398</u>	<u>\$2,096,469</u>
9	PILs / tax Allowance (Grossed-up Income taxes + Capital taxes)	<u>\$2,115,398</u>	<u>\$2,115,398</u>	<u>\$2,096,469</u>
10	Other tax Credits	\$ -	\$ -	\$ -
<u>Tax Rates</u>				
11	Federal tax (%)	15.00%	15.00%	15.00%
12	Provincial tax (%)	<u>11.50%</u>	<u>11.50%</u>	<u>11.50%</u>
13	Total tax rate (%)	<u>26.50%</u>	<u>26.50%</u>	<u>26.50%</u>

Notes



Revenue Requirement Workform

Capitalization/Cost of Capital

Line No.	Particulars	Capitalization Ratio		Cost Rate	Return
Initial Application					
		(%)	(\$)	(%)	(\$)
	Debt				
1	Long-term Debt	56.00%	\$122,505,714	6.87%	\$8,421,043
2	Short-term Debt	4.00%	\$8,750,408	2.11%	\$184,634
3	Total Debt	60.00%	\$131,256,123	6.56%	\$8,605,676
	Equity				
4	Common Equity	40.00%	\$87,504,082	9.36%	\$8,190,382
5	Preferred Shares	0.00%	\$ -	0.00%	\$ -
6	Total Equity	40.00%	\$87,504,082	9.36%	\$8,190,382
7	Total	100.00%	\$218,760,204	7.68%	\$16,796,058
Per Board Decision					
		(%)	(\$)	(%)	(\$)
	Debt				
1	Long-term Debt	56.00%	\$122,505,714	6.87%	\$8,421,043
2	Short-term Debt	4.00%	\$8,750,408	2.11%	\$184,634
3	Total Debt	60.00%	\$131,256,122	6.56%	\$8,605,676
	Equity				
4	Common Equity	40.00%	\$87,504,082	9.36%	\$8,190,382
5	Preferred Shares	0.00%	\$ -	0.00%	\$ -
6	Total Equity	40.00%	\$87,504,082	9.36%	\$8,190,382
7	Total	100.00%	\$218,760,204	7.68%	\$16,796,058
		(%)	(\$)	(%)	(\$)
	Debt				
8	Long-term Debt	56.00%	\$122,505,714	6.87%	\$8,421,043
9	Short-term Debt	4.00%	\$8,750,408	2.16%	\$189,009
10	Total Debt	60.00%	\$131,256,122	6.56%	\$8,610,052
	Equity				
11	Common Equity	40.00%	\$87,504,082	9.30%	\$8,137,880
12	Preferred Shares	0.00%	\$ -	0.00%	\$ -
13	Total Equity	40.00%	\$87,504,082	9.30%	\$8,137,880
14	Total	100.00%	\$218,760,204	7.66%	\$16,747,931

Notes

(1)

Data in column E is for Application as originally filed. For updated revenue requirement as a result of interrogatory responses, technical or settlement conferences, etc., use column M and Adjustments in column I



Revenue Requirement Workform

Revenue Deficiency/Sufficiency

Line No.	Particulars	Initial Application		Per Board Decision		Per Board Decision	
		At Current Approved Rates	At Proposed Rates	At Current Approved Rates	At Proposed Rates	At Current Approved Rates	At Proposed Rates
1	Revenue Deficiency from Below		\$1,050,972		\$850,972		\$783,915
2	Distribution Revenue	\$38,731,100	\$38,731,100	\$38,731,100	\$38,731,100	\$38,731,100	\$38,731,100
3	Other Operating Revenue Offsets - net	\$89,900	\$89,900	\$89,900	\$89,900	\$89,900	\$89,900
4	Total Revenue	\$38,821,000	\$39,871,972	\$38,821,000	\$39,671,972	\$38,821,000	\$39,604,915
5	Operating Expenses	\$20,960,515	\$20,960,515	\$20,760,515	\$20,760,515	\$20,760,515	\$20,760,515
6	Deemed Interest Expense	\$8,605,676	\$8,605,676	\$8,605,676	\$8,605,676	\$8,610,052	\$8,610,052
8	Total Cost and Expenses	\$29,566,191	\$29,566,191	\$29,366,191	\$29,366,191	\$29,370,567	\$29,370,567
9	Utility Income Before Income Taxes	\$9,254,809	\$10,305,780	\$9,454,809	\$10,305,780	\$9,450,433	\$10,234,349
10	Tax Adjustments to Accounting Income per 2013 PILs model	(\$2,323,145)	(\$2,323,145)	(\$2,323,145)	(\$2,323,145)	(\$2,323,145)	(\$2,323,145)
11	Taxable Income	\$6,931,664	\$7,982,635	\$7,131,664	\$7,982,635	\$7,127,288	\$7,911,204
12	Income Tax Rate	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%
13	Income Tax on Taxable Income	\$1,836,891	\$2,115,398	\$1,889,891	\$2,115,398	\$1,888,731	\$2,096,469
14	Income Tax Credits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
15	Utility Net Income	\$7,417,918	\$8,190,382	\$7,564,918	\$8,190,382	\$7,561,702	\$8,137,880
16	Utility Rate Base	\$218,760,204	\$218,760,204	\$218,760,204	\$218,760,204	\$218,760,204	\$218,760,204
17	Deemed Equity Portion of Rate Base	\$87,504,082	\$87,504,082	\$87,504,082	\$87,504,082	\$87,504,082	\$87,504,082
18	Income/(Equity Portion of Rate Base)	8.48%	9.36%	8.65%	9.36%	8.64%	9.30%
19	Target Return - Equity on Rate Base	9.36%	9.36%	9.36%	9.36%	9.30%	9.30%
20	Deficiency/Sufficiency in Return on Equity	-0.88%	0.00%	-0.71%	0.00%	-0.66%	0.00%
21	Indicated Rate of Return	7.32%	7.68%	7.39%	7.68%	7.39%	7.66%
22	Requested Rate of Return on Rate Base	7.68%	7.68%	7.68%	7.68%	7.66%	7.66%
23	Deficiency/Sufficiency in Rate of Return	-0.35%	0.00%	-0.29%	0.00%	-0.26%	0.00%
24	Target Return on Equity	\$8,190,382	\$8,190,382	\$8,190,382	\$8,190,382	\$8,137,880	\$8,137,880
25	Revenue Deficiency/(Sufficiency)	\$772,464	\$ -	\$625,464	\$ -	\$576,178	\$ -
26	Gross Revenue Deficiency/(Sufficiency)	\$1,050,972 (1)		\$850,972 (1)		\$783,915 (1)	

Notes:

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



Revenue Requirement Workform

Revenue Requirement

Line No.	Particulars	Application		Per Board Decision	
1	OM&A Expenses	\$11,021,095		\$10,821,095	\$10,821,095
2	Amortization/Depreciation	\$9,701,179		\$9,701,179	\$9,701,179
3	Property Taxes	\$238,241		\$238,241	\$238,241
5	Income Taxes (Grossed up)	\$2,115,398		\$2,115,398	\$2,096,469
6	Other Expenses	\$ -		\$ -	\$ -
7	Return				
	Deemed Interest Expense	\$8,605,676		\$8,605,676	\$8,610,052
	Return on Deemed Equity	\$8,190,382		\$8,190,382	\$8,137,880
8	Service Revenue Requirement (before Revenues)	<u>\$39,871,972</u>		<u>\$39,671,972</u>	<u>\$39,604,915</u>
9	Revenue Offsets	\$ -		\$ -	\$ -
10	Base Revenue Requirement (excluding Transformer Ownership Allowance credit adjustment)	<u>\$39,871,972</u>		<u>\$39,671,972</u>	<u>\$39,604,915</u>
11	Distribution revenue	\$39,782,072		\$39,582,072	\$39,515,015
12	Other revenue	\$89,900		\$89,900	\$89,900
13	Total revenue	<u>\$39,871,972</u>		<u>\$39,671,972</u>	<u>\$39,604,915</u>
14	Difference (Total Revenue Less Distribution Revenue Requirement before Revenues)	<u>\$ -</u>	(1)	<u>\$ -</u>	(1)

Notes

(1) Line 11 - Line 8

APPENDIX B

FINAL 2015 GLPT REVENUE REQUIREMENT

&

APPROVED 2015 CHARGE DETERMINANTS

EB-2014-0238 Great Lakes Power Transmission (GLPT)

Reference: OEB Decision per November 19, 2014 Oral Settlement Hearing Transcript

Approved Charge Determinant (MW)

	Network	Line Connection	Transformation Connection
	3,489.236	2,725.624	626.252

A	Approved 2015 Rev Req	39,515,015
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Rates Rev Req for UTR effective Jan 1 2015		
A	<i>Approved 2015 rev req</i>	39,515,015
B	<i>Add D&VA annual disposition</i>	787,816
C = A+B	2015 Rates Rev Req =	40,302,831

APPENDIX C

2015 ACCOUNT BALANCES AND DISPOSITION AMOUNTS

(\$'s)		
Account Number	Account Description	Balance for Disbursal
1595	Three Year Liability Amount (1 Yr Remaining)	(\$699,363)
1508	Legal Claim (Comstock)	2,354,305
1508	IFRS Gains and Losses (2013-2014)	634,138
1508	EWT Variance	451,345
1508	EWT Support Costs	56,967
1575	IFRS-CGAAP Transitional PP&E Amounts	(433,945)
Total Deferral Accounts		\$2,363,448

Account Number	Account Description	Total Disbursal	Annual Disbursal
1595	Three Year Asset Disbursement	\$2,797,393	\$932,464
1575	Three Year Transitional PP&E Disbursement	(433,945)	(144,648)
Total Disbursement		\$2,363,448	\$787,816

APPENDIX D

DRAFT ACCOUNTING ORDER & PROPOSED ACCOUNTING ENTRIES

Great Lakes Power Transmission LP (“GLPT”) shall establish the following variance account effective as of January 1, 2015:

Sub-account “In-service Addition Net Cumulative Asymmetrical Variance Account” within Account 1508 – Other Regulatory Assets

Purpose: To record the revenue requirement impact associated with the net difference between the approved and actual in-service additions for 2015 and 2016, in the event that total cumulative actual in-service additions are lower than total cumulative approved in-service additions for the 2015 and 2016 test years.

Accounting Entries:

Dr:	4110	Transmission Services Revenue
Cr:	1508	Other Regulatory Assets – Sub account “In-service Addition Net Cumulative Asymmetrical Variance Account”

To record the revenue requirement impact associated with the net difference between the approved and actual in-service additions for 2015 and 2016, in the event that total cumulative actual in-service additions are lower than total cumulative approved in-service additions for the 2015 and 2016 test years.

Dr:	6035	Other Interest Expense
Cr:	1508	Other Regulatory Assets – Sub account “In-service Addition Net Cumulative Asymmetrical Variance Account”

To record interest on the principal balance of the “In-service Addition Net Cumulative Asymmetrical Variance Account”.