



**CANADIAN NIAGARA POWER INC.**

A **FORTIS** ONTARIO  
Company

March 18, 2015

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

Dear Ms. Walli:

**RE: 2015 & 2016 TRANSMISSION REVENUE REQUIREMENT APPLICATION FOR CANADIAN  
NIAGARA POWER INC., ("CNPI") EB-2014-0204  
RESPONSE TO UNDERTAKINGS**

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Please find accompanying this letter, two (2) copies of CNPI's responses to Undertakings arising from the Oral Hearing. Co-incidentally with the submission, an electronic copy of these responses have been filed via the Board's Regulatory Electronic Submission System.

If you have any questions in connection with the above matter, please do not hesitate to contact the undersigned at (905) 994-3634.

Yours truly,

*Original Signed by:*

Douglas Bradbury P.Eng,  
Director Regulatory Affairs

Enclosure



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UNDERTAKING NO. J1.1: TO PROVIDE A ROUGH ESTIMATE OF THE SAVINGS  
REALIZED THROUGH THE HST.

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**RESPONSE:**

CNPI Tx has been asked to provide a rough estimate of the savings realized through the introduction of the HST. During the Oral Hearing, CNPI Tx provided a “guesstimate” of \$10,000 or less<sup>1</sup>. After a review of the matter CNPI Tx has estimated the total amount to be \$15,976.

This estimate is based on the actual HST savings realized by CNPI’s distribution business unit for the years 2010 and 2011. Using this data CNPI was able to project these savings to its transmission business unit for the cost of materials and/or contracted services. The savings were projected for both capital spending and operations and expense spending for the years 2010 through to 2014.

The table shown below details the derivation of the estimated savings.

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<sup>1</sup> EB-2014-0204, Oral Hearing dated March 12, 2015, Transcript, Page 12 Line 16



HST Savings - Other Costs (i.e. materials and/or contracted services)								
					TRANSMISSION CNPI TX			Total - Estimated CNPI Tx HST Savings
		2010	2011	Total 2010 and 2011	2012	2013	2014	
CAPEX								
	CNPI Distribution	\$ 6,625,151	\$ 4,400,212					
	CNPI Transmission	\$ 206,679	\$ 19,195		\$ 612,564	\$ 2,892,006	\$ 2,121,545	
	% CNPI Transmission	3.1%	0.4%					
TOTAL - 50% - RETURN TO RATE PAYERS - DISTRIBUTION		\$ 448	\$ 2,545					
TOTAL - 50% - RETURN TO RATE PAYERS - TRANSMISSION		\$ 14	\$ 11					
% SAVINGS PER CAPEX \$ SPENT		0.0%	0.1%					
\$ SAVINGS BASED ON % SAVINGS PER CAPEX \$ SPENT					\$ 198	\$ 934	\$ 685	
OPEX								
	CNPI Distribution	\$ 4,964,084	\$ 4,990,421					
	CNPI Transmission	\$ 354,003	\$ 450,821		\$ 453,155	\$ 419,352	\$ 432,697	
	% CNPI Transmission	7.1%	9.0%					
TOTAL - 50% - RETURN TO RATE PAYERS - DISTRIBUTION		\$ 27,800	\$ 38,427					
TOTAL - 50% - RETURN TO RATE PAYERS - TRANSMISSION		\$ 1,983	\$ 3,471					
% SAVINGS PER OPEX \$ SPENT		0.6%	0.8%					
\$ SAVINGS BASED ON % SAVINGS PER OPEX \$ SPENT					\$ 3,014	\$ 2,789	\$ 2,878	
TOTAL - 50% - RETURN TO RATE PAYERS - DISTRIBUTION		\$ 28,248	\$ 40,972	\$ 69,220				
TOTAL - 50% - RETURN TO RATE PAYERS - TRANSMISSION		\$ 1,996	\$ 3,483	\$ 5,479	\$ 3,211	\$ 3,723	\$ 3,563	\$ 15,976



UNDERTAKING NO. J1.2: TO FILL OUT THE DEPRECIATION LINE ON EXHIBIT K1.3 FOR THE YEARS 2017 TO 2020.

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**RESPONSE:**

**Capital Expenditures and Depreciation**

	2014 Bridge Year	2015 Test Year	2016 Test Year	2017 Forecast	2018 Forecast	2019 Forecast	2020 Forecast
Capital Expenditures	\$ 2,740,000	\$ 5,852,942	\$ 740,000	\$ 675,000	\$ 280,000	\$ 220,000	\$ 220,000
Depreciation	\$ 1,303,431	\$ 820,993	\$ 885,209	\$ 976,000	\$ 948,000	\$ 957,000	\$ 965,000



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UNDERTAKING NO. J1.3: TO REDO THE REVENUE REQUIREMENT WORK FORM WITH THE ASSOCIATED SCHEDULES; TO REDO THE REVENUE REQUIREMENT WORK FORM WITH THE ASSOCIATED SCHEDULES AND CLARIFY O&M EXPENSE RE FILLING FOUR VACANT POSITIONS.

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**RESPONSE:**

Attached are the updated 2015 and 2016 Revenue Requirement Workforms.

The 2015 Revenue Requirement Workform has been updated to recognize the changes to the Gross Fixed Assets and the Rate Base as detailed in Exhibit No. K 1.4 Table Showing Gross Fixed Assets and Rate Base<sup>1</sup> as detailed in the Oral Hearing. As well, the 2015 OM&A has been reduced by \$40,000 to recognize the reduction in 2015 due to retirements and resignations<sup>2</sup>. The 2015 Income Taxes have been recalculated based on the changes describe in the foregoing.

The 2016 Revenue Requirement Workform has been updated to recognize the changes to the Gross Fixed Assets and the Rate Base as detailed in Exhibit No. K 1.4 Table Showing Gross Fixed Assets and Rate Base. There are no changes to the OM&A for 2016. The 2016 Income Taxes have been recalculated based on the changes describe in the foregoing.

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<sup>1</sup> EB-2014-0204, Oral Hearing dated March 12, 2015, Exhibits

<sup>2</sup> EB-2014-0204, Oral Hearing dated March 12, 2015, Page 87 Line 10



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Version 4.00

Utility Name	Canadian Niagara Power Inc. – Eastern Ontario Power/Fort Erie/Port Colborne
Service Territory	Transmission
Assigned EB Number	
Name and Title	
Phone Number	
Email Address	

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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
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- (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	
1	<u>Rate Base</u>					
	Gross Fixed Assets (average)	\$39,392,817	(\$858,581)	\$ 38,534,236		\$38,534,236
	Accumulated Depreciation (average)	(\$17,793,383) (5)	\$49,902	(\$17,743,481)		(\$17,743,481)
	<u>Allowance for Working Capital:</u>					
	Controllable Expenses	\$2,012,716	(\$40,000)	\$ 1,972,716		\$1,972,716
	Cost of Power					
	Working Capital Rate (%)	(9)		0.00% (9)		0.00% (9)
2	<u>Utility Income</u>					
	Operating Revenues:					
	Distribution Revenue at Current Rates	\$4,949,641				
	Distribution Revenue at Proposed Rates					
	<u>Other Revenue:</u>					
	Specific Service Charges					
	Late Payment Charges					
	Other Distribution Revenue					
	Other Income and Deductions					
	Total Revenue Offsets	(7)				
	<u>Operating Expenses:</u>					
	OM+A Expenses	\$1,877,416	(\$40,000)	\$ 1,837,416		\$1,837,416
	Depreciation/Amortization	\$820,993		\$ 820,993		\$820,993
	Property taxes	\$135,300		\$ 135,300		\$135,300
	Other expenses					
3	<u>Taxes/PILs</u>					
	Taxable Income:					
		(\$435,160) (3)		(\$371,128)		
	Adjustments required to arrive at taxable income					
	<u>Utility Income Taxes and Rates:</u>					
	Income taxes (not grossed up)	\$98,984		\$107,929		
	Income taxes (grossed up)	\$134,672		\$146,842		
	Federal tax (%)	15.00%		15.00%		
	Provincial tax (%)	11.50%		11.50%		
	Income Tax Credits	(\$525)		(\$525)		
4	<u>Capitalization/Cost of Capital</u>					
	<u>Capital Structure:</u>					
	Long-term debt Capitalization Ratio (%)	56.0%		56.0%		
	Short-term debt Capitalization Ratio (%)	4.0% (8)		4.0% (8)		(8)
	Common Equity Capitalization Ratio (%)	40.0%		40.0%		
	Preferred Shares Capitalization Ratio (%)					
		100.0%		100.0%		
	<u>Cost of Capital</u>					
	Long-term debt Cost Rate (%)	6.08%		6.08%		
	Short-term debt Cost Rate (%)	2.11%		2.11%		
	Common Equity Cost Rate (%)	9.36%		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.





# Revenue Requirement Workform

## Rate Base and Working Capital

Line No.	Particulars		Initial Application				Per Board Decision
1	Gross Fixed Assets (average) (3)		\$39,392,817		(\$858,581)	\$38,534,236	\$38,534,236
2	Accumulated Depreciation (average) (3)		(\$17,793,383)		\$49,902	(\$17,743,481)	(\$17,743,481)
3	Net Fixed Assets (average) (3)		\$21,599,434		(\$808,679)	\$20,790,755	\$20,790,755
4	Allowance for Working Capital (1)		\$ -		\$ -	\$ -	\$ -
5	<b>Total Rate Base</b>		<b>\$21,599,434</b>		<b>(\$808,679)</b>	<b>\$20,790,755</b>	<b>\$20,790,755</b>

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

6	Controllable Expenses		\$2,012,716		(\$40,000)	\$1,972,716	\$ -	\$1,972,716
7	Cost of Power		\$ -		\$ -	\$ -	\$ -	\$ -
8	Working Capital Base		\$2,012,716		(\$40,000)	\$1,972,716	\$ -	\$1,972,716
9	Working Capital Rate % (2)		0.00%		0.00%	0.00%	0.00%	0.00%
10	Working Capital Allowance		\$ -		\$ -	\$ -	\$ -	\$ -

#### 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			
	<b>Operating Revenues:</b>								
1	Distribution Revenue (at Proposed Rates)	\$ -		\$ -		\$ -		\$ -	
2	Other Revenue (1)	\$ -		\$ -		\$ -		\$ -	
3	Total Operating Revenues	\$ -		\$ -		\$ -		\$ -	
	<b>Operating Expenses:</b>								
4	OM+A Expenses	\$1,877,416		(\$40,000)		\$1,837,416		\$ -	
5	Depreciation/Amortization	\$820,993		\$ -		\$820,993		\$ -	
6	Property taxes	\$135,300		\$ -		\$135,300		\$ -	
7	Capital taxes	\$ -		\$ -		\$ -		\$ -	
8	Other expense	\$ -		\$ -		\$ -		\$ -	
9	Subtotal (lines 4 to 8)	\$2,833,709		(\$40,000)		\$2,793,709		\$ -	
10	Deemed Interest Expense	\$753,647		(\$28,216)		\$725,431		\$ -	
11	Total Expenses (lines 9 to 10)	\$3,587,356		(\$68,216)		\$3,519,140		\$ -	
12	Utility income before income taxes	(\$3,587,356)		\$68,216		(\$3,519,140)		\$ -	
13	Income taxes (grossed-up)	\$134,672		\$12,170		\$146,842		\$ -	
14	Utility net income	(\$3,722,029)		\$56,046		(\$3,665,982)		\$ -	
<b>Notes</b>									
	<b>Other Revenues / Revenue Offsets</b>								
(1)	Specific Service Charges	\$ -				\$ -			
	Late Payment Charges	\$ -				\$ -			
	Other Distribution Revenue	\$ -				\$ -			
	Other Income and Deductions	\$ -				\$ -			
	Total Revenue Offsets	\$ -		\$ -		\$ -		\$ -	





# Revenue Requirement Workform

## Taxes/PILs

Line No.	Particulars	Application				Per Board Decision	
<u>Determination of Taxable Income</u>							
1	Utility net income before taxes	\$808,683		\$778,406		\$778,406	
2	Adjustments required to arrive at taxable utility income	(\$435,160)		(\$371,128)		(\$435,160)	
3	Taxable income	\$373,523		\$407,278		\$343,246	
<u>Calculation of Utility income Taxes</u>							
4	Income taxes	\$98,984		\$107,929		\$107,929	
6	Total taxes	\$98,984		\$107,929		\$107,929	
7	Gross-up of Income Taxes	\$35,688		\$38,913		\$38,913	
8	Grossed-up Income Taxes	\$134,672		\$146,842		\$146,842	
9	PILs / tax Allowance (Grossed-up Income taxes + Capital taxes)	\$134,672		\$146,842		\$146,842	
10	Other tax Credits	(\$525)		(\$525)		(\$525)	
<u>Tax Rates</u>							
11	Federal tax (%)	15.00%		15.00%		15.00%	
12	Provincial tax (%)	11.50%		11.50%		11.50%	
13	Total tax rate (%)	26.50%		26.50%		26.50%	

## Notes





# Revenue Requirement Workform

## Capitalization/Cost of Capital

Line No.	Particulars	Capitalization Ratio		Cost Rate	Return
		Initial Application			
		(%)	(\$)	(%)	(\$)
	<b>Debt</b>				
1	Long-term Debt	56.00%	\$12,095,683	6.08%	\$735,418
2	Short-term Debt	4.00%	\$863,977	2.11%	\$18,230
3	<b>Total Debt</b>	60.00%	\$12,959,660	5.82%	\$753,647
	<b>Equity</b>				
4	Common Equity	40.00%	\$8,639,774	9.36%	\$808,683
5	Preferred Shares	0.00%	\$ -	0.00%	\$ -
6	<b>Total Equity</b>	40.00%	\$8,639,774	9.36%	\$808,683
7	<b>Total</b>	100.00%	\$21,599,434	7.23%	\$1,562,330
		(%)	(\$)	(%)	(\$)
	<b>Debt</b>				
1	Long-term Debt	56.00%	\$11,642,823	6.08%	\$707,884
2	Short-term Debt	4.00%	\$831,630	2.11%	\$17,547
3	<b>Total Debt</b>	60.00%	\$12,474,453	5.82%	\$725,431
	<b>Equity</b>				
4	Common Equity	40.00%	\$8,316,302	9.36%	\$778,406
5	Preferred Shares	0.00%	\$ -	0.00%	\$ -
6	<b>Total Equity</b>	40.00%	\$8,316,302	9.36%	\$778,406
7	<b>Total</b>	100.00%	\$20,790,755	7.23%	\$1,503,837
		Per Board Decision			
		(%)	(\$)	(%)	(\$)
	<b>Debt</b>				
8	Long-term Debt	56.00%	\$11,642,823	6.08%	\$707,884
9	Short-term Debt	4.00%	\$831,630	2.11%	\$17,547
10	<b>Total Debt</b>	60.00%	\$12,474,453	5.82%	\$725,431
	<b>Equity</b>				
11	Common Equity	40.00%	\$8,316,302	9.36%	\$778,406
12	Preferred Shares	0.00%	\$ -	0.00%	\$ -
13	<b>Total Equity</b>	40.00%	\$8,316,302	9.36%	\$778,406
14	<b>Total</b>	100.00%	\$20,790,755	7.23%	\$1,503,837

### 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 colimn 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		(\$419,645)		(\$505,968)
2	Distribution Revenue	\$4,949,641	\$419,645	\$4,949,641	\$505,968
3	Other Operating Revenue	\$ -	\$ -	\$ -	\$ -
	Offsets - net				
4	<b>Total Revenue</b>	<u>\$4,949,641</u>	<u>\$ -</u>	<u>\$4,949,641</u>	<u>\$ -</u>
5	Operating Expenses	\$2,833,709	\$2,833,709	\$2,793,709	\$2,793,709
6	Deemed Interest Expense	\$753,647	\$753,647	\$725,431	\$725,431
8	<b>Total Cost and Expenses</b>	<u>\$3,587,356</u>	<u>\$3,587,356</u>	<u>\$3,519,140</u>	<u>\$3,519,140</u>
9	<b>Utility Income Before Income Taxes</b>	\$1,362,285	(\$3,587,356)	\$1,430,501	(\$3,519,140)
10	Tax Adjustments to Accounting Income per 2013 PILs model	(\$435,160)	(\$435,160)	(\$371,128)	(\$371,128)
11	<b>Taxable Income</b>	<u>\$927,125</u>	<u>(\$4,022,516)</u>	<u>\$1,059,373</u>	<u>(\$3,890,268)</u>
12	Income Tax Rate	26.50%	26.50%	26.50%	26.50%
13	<b>Income Tax on Taxable Income</b>	\$245,688	(\$1,065,967)	\$280,734	(\$1,030,921)
14	<b>Income Tax Credits</b>	(\$525)	(\$525)	(\$525)	(\$525)
15	<b>Utility Net Income</b>	<u>\$1,117,122</u>	<u>(\$3,722,029)</u>	<u>\$1,150,292</u>	<u>(\$3,665,982)</u>
16	<b>Utility Rate Base</b>	\$21,599,434	\$21,599,434	\$20,790,755	\$20,790,755
17	Deemed Equity Portion of Rate Base	\$8,639,774	\$8,639,774	\$8,316,302	\$8,316,302
18	Income/(Equity Portion of Rate Base)	12.93%	-43.08%	13.83%	-44.08%
19	Target Return - Equity on Rate Base	9.36%	9.36%	9.36%	9.36%
20	Deficiency/Sufficiency in Return on Equity	3.57%	-52.44%	4.47%	-53.44%
21	Indicated Rate of Return	8.66%	-13.74%	9.02%	-14.14%
22	Requested Rate of Return on Rate Base	7.23%	7.23%	7.23%	7.23%
23	Deficiency/Sufficiency in Rate of Return	1.43%	-20.98%	1.79%	-21.38%
24	Target Return on Equity	\$808,683	\$808,683	\$778,406	\$778,406
25	Revenue Deficiency/(Sufficiency)	(\$308,439)	(\$4,530,711)	(\$371,886)	(\$4,444,388)
26	<b>Gross Revenue Deficiency/(Sufficiency)</b>	<u>(\$419,645) (1)</u>		<u>(\$505,968) (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	\$1,877,416		\$1,837,416		\$1,837,416	
2	Amortization/Depreciation	\$820,993		\$820,993		\$820,993	
3	Property Taxes	\$135,300		\$135,300		\$135,300	
5	Income Taxes (Grossed up)	\$134,672		\$146,842		\$146,842	
6	Other Expenses	\$ -					
7	Return						
	Deemed Interest Expense	\$753,647		\$725,431		\$725,431	
	Return on Deemed Equity	\$808,683		\$778,406		\$778,406	
8	Service Revenue Requirement (before Revenues)	\$4,530,711		\$4,444,388		\$4,444,388	
9	Revenue Offsets	\$ -		\$ -		\$ -	
10	Base Revenue Requirement (excluding Tranformer Owership Allowance credit adjustment)	\$4,530,711		\$4,444,388		\$4,444,388	
11	Distribution revenue	\$ -		\$ -		\$ -	
12	Other revenue	\$ -		\$ -		\$ -	
13	Total revenue	\$ -		\$ -		\$ -	
14	Difference (Total Revenue Less Distribution Revenue Requirement before Revenues)	(\$4,530,711)	(1)	(\$4,444,388)	(1)	(\$4,444,388)	(1)

Notes

(1)	Line 11 - Line 8
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Version 4.00

Utility Name	Canadian Niagara Power Inc. – Eastern Ontario Power/Fort Erie/Port Colborne
Service Territory	Transmission
Assigned EB Number	
Name and Title	
Phone Number	
Email Address	

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# Revenue Requirement Workform

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

	Initial Application (2)		(6)		Per Board Decision	
1	<u>Rate Base</u>					
	Gross Fixed Assets (average)	\$42,783,000		\$29,788	\$ 42,812,788	\$42,812,788
	Accumulated Depreciation (average)	(\$18,646,484) (5)		\$45,022	(\$18,601,462)	(\$18,601,462)
	<u>Allowance for Working Capital:</u>					
	Controllable Expenses	\$2,057,066			\$ 2,057,066	\$2,057,066
	Cost of Power					
	Working Capital Rate (%)	(9)		0.00%	(9)	0.00% (9)
2	<u>Utility Income</u>					
	Operating Revenues:					
	Distribution Revenue at Current Rates	\$4,949,641				
	Distribution Revenue at Proposed Rates					
	<u>Other Revenue:</u>					
	Specific Service Charges					
	Late Payment Charges					
	Other Distribution Revenue					
	Other Income and Deductions					
	Total Revenue Offsets	(7)				
	<u>Operating Expenses:</u>					
	OM+A Expenses	\$1,919,060		\$ 1,919,060		\$1,919,060
	Depreciation/Amortization	\$885,209		\$ 885,209		\$885,209
	Property taxes	\$138,006		\$ 138,006		\$138,006
	Other expenses					
3	<u>Taxes/PILs</u>					
	Taxable Income:					
		(\$543,275) (3)		(\$553,966)		
	Adjustments required to arrive at taxable income					
	<u>Utility Income Taxes and Rates:</u>					
	Income taxes (not grossed up)	\$95,505		\$93,414		
	Income taxes (grossed up)	\$129,939		\$127,094		
	Federal tax (%)	15.00%		15.00%		
	Provincial tax (%)	11.50%		11.50%		
	Income Tax Credits	(\$525)		(\$525)		
4	<u>Capitalization/Cost of Capital</u>					
	<u>Capital Structure:</u>					
	Long-term debt Capitalization Ratio (%)	56.0%		56.0%		
	Short-term debt Capitalization Ratio (%)	4.0% (8)		4.0% (8)		(8)
	Common Equity Capitalization Ratio (%)	40.0%		40.0%		
	Preferred Shares Capitalization Ratio (%)					
		100.0%		100.0%		
	<u>Cost of Capital</u>					
	Long-term debt Cost Rate (%)	6.08%		6.08%		
	Short-term debt Cost Rate (%)	2.11%		2.11%		
	Common Equity Cost Rate (%)	9.36%		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.





# Revenue Requirement Workform

## Rate Base and Working Capital

Line No.	Particulars	Initial Application						Per Board Decision
1	Gross Fixed Assets (average) (3)	\$42,783,000		\$29,788		\$42,812,788	\$ -	\$42,812,788
2	Accumulated Depreciation (average) (3)	(\$18,646,484)		\$45,022		(\$18,601,462)	\$ -	(\$18,601,462)
3	Net Fixed Assets (average) (3)	\$24,136,516		\$74,810		\$24,211,326	\$ -	\$24,211,326
4	Allowance for Working Capital (1)	\$ -		\$ -		\$ -	\$ -	\$ -
5	<b>Total Rate Base</b>	<b>\$24,136,516</b>		<b>\$74,810</b>		<b>\$24,211,326</b>	<b>\$ -</b>	<b>\$24,211,326</b>

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

6	Controllable Expenses	\$2,057,066		\$ -		\$2,057,066	\$ -	\$2,057,066
7	Cost of Power	\$ -		\$ -		\$ -	\$ -	\$ -
8	Working Capital Base	\$2,057,066		\$ -		\$2,057,066	\$ -	\$2,057,066
9	Working Capital Rate % (2)	0.00%		0.00%		0.00%	0.00%	0.00%
10	Working Capital Allowance	\$ -		\$ -		\$ -	\$ -	\$ -

#### 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			
	<b>Operating Revenues:</b>								
1	Distribution Revenue (at Proposed Rates)	\$ -		\$ -		\$ -		\$ -	
2	Other Revenue (1)	\$ -		\$ -		\$ -		\$ -	
3	Total Operating Revenues	\$ -		\$ -		\$ -		\$ -	
	<b>Operating Expenses:</b>								
4	OM+A Expenses	\$1,919,060		\$ -		\$1,919,060		\$ -	
5	Depreciation/Amortization	\$885,209		\$ -		\$885,209		\$ -	
6	Property taxes	\$138,006		\$ -		\$138,006		\$ -	
7	Capital taxes	\$ -		\$ -		\$ -		\$ -	
8	Other expense	\$ -		\$ -		\$ -		\$ -	
9	Subtotal (lines 4 to 8)	\$2,942,275		\$ -		\$2,942,275		\$ -	
10	Deemed Interest Expense	\$842,171		\$2,610		\$844,782		\$ -	
11	Total Expenses (lines 9 to 10)	\$3,784,446		\$2,610		\$3,787,057		\$ -	
12	Utility income before income taxes	(\$3,784,446)		(\$2,610)		(\$3,787,057)		\$ -	
13	Income taxes (grossed-up)	\$129,939		(\$2,845)		\$127,094		\$ -	
14	Utility net income	(\$3,914,385)		\$235		(\$3,914,150)		\$ -	

### Notes

#### Other Revenues / Revenue Offsets

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





# Revenue Requirement Workform

## Taxes/PILs

Line No.	Particulars	Application				Per Board Decision	
<u>Determination of Taxable Income</u>							
1	Utility net income before taxes	\$903,671		\$906,472		\$906,472	
2	Adjustments required to arrive at taxable utility income	(\$543,275)		(\$553,966)		(\$543,275)	
3	Taxable income	\$360,396		\$352,506		\$363,197	
<u>Calculation of Utility income Taxes</u>							
4	Income taxes	\$95,505		\$93,414		\$93,414	
6	Total taxes	\$95,505		\$93,414		\$93,414	
7	Gross-up of Income Taxes	\$34,434		\$33,680		\$33,680	
8	Grossed-up Income Taxes	\$129,939		\$127,094		\$127,094	
9	PILs / tax Allowance (Grossed-up Income taxes + Capital taxes)	\$129,939		\$127,094		\$127,094	
10	Other tax Credits	(\$525)		(\$525)		(\$525)	
<u>Tax Rates</u>							
11	Federal tax (%)	15.00%		15.00%		15.00%	
12	Provincial tax (%)	11.50%		11.50%		11.50%	
13	Total tax rate (%)	26.50%		26.50%		26.50%	

## Notes





**Capitalization/Cost of Capital**

Line No.	Particulars	Capitalization Ratio		Cost Rate	Return
		Initial Application			
		(%)	(\$)	(%)	(\$)
	<b>Debt</b>				
1	Long-term Debt	56.00%	\$13,516,449	6.08%	\$821,800
2	Short-term Debt	4.00%	\$965,461	2.11%	\$20,371
3	<b>Total Debt</b>	60.00%	\$14,481,910	5.82%	\$842,171
	<b>Equity</b>				
4	Common Equity	40.00%	\$9,654,606	9.36%	\$903,671
5	Preferred Shares	0.00%	\$ -	0.00%	\$ -
6	<b>Total Equity</b>	40.00%	\$9,654,606	9.36%	\$903,671
7	<b>Total</b>	100.00%	\$24,136,516	7.23%	\$1,745,842
		(%)	(\$)	(%)	(\$)
	<b>Debt</b>				
1	Long-term Debt	56.00%	\$13,558,343	6.08%	\$824,347
2	Short-term Debt	4.00%	\$968,453	2.11%	\$20,434
3	<b>Total Debt</b>	60.00%	\$14,526,796	5.82%	\$844,782
	<b>Equity</b>				
4	Common Equity	40.00%	\$9,684,530	9.36%	\$906,472
5	Preferred Shares	0.00%	\$ -	0.00%	\$ -
6	<b>Total Equity</b>	40.00%	\$9,684,530	9.36%	\$906,472
7	<b>Total</b>	100.00%	\$24,211,326	7.23%	\$1,751,254
		Per Board Decision			
		(%)	(\$)	(%)	(\$)
	<b>Debt</b>				
8	Long-term Debt	56.00%	\$13,558,343	6.08%	\$824,347
9	Short-term Debt	4.00%	\$968,453	2.11%	\$20,434
10	<b>Total Debt</b>	60.00%	\$14,526,796	5.82%	\$844,782
	<b>Equity</b>				
11	Common Equity	40.00%	\$9,684,530	9.36%	\$906,472
12	Preferred Shares	0.00%	\$ -	0.00%	\$ -
13	<b>Total Equity</b>	40.00%	\$9,684,530	9.36%	\$906,472
14	<b>Total</b>	100.00%	\$24,211,326	7.23%	\$1,751,254

**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 colimn 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		(\$132,299)		(\$129,733)
2	Distribution Revenue	\$4,949,641	\$132,299	\$4,949,641	\$129,733
3	Other Operating Revenue	\$ -	\$ -	\$ -	\$ -
	Offsets - net				
4	<b>Total Revenue</b>	<u>\$4,949,641</u>	<u>\$ -</u>	<u>\$4,949,641</u>	<u>\$ -</u>
5	Operating Expenses	\$2,942,275	\$2,942,275	\$2,942,275	\$2,942,275
6	Deemed Interest Expense	\$842,171	\$842,171	\$844,782	\$844,782
8	<b>Total Cost and Expenses</b>	<u>\$3,784,446</u>	<u>\$3,784,446</u>	<u>\$3,787,057</u>	<u>\$3,787,057</u>
9	<b>Utility Income Before Income Taxes</b>	\$1,165,195	(\$3,784,446)	\$1,162,584	(\$3,787,057)
10	Tax Adjustments to Accounting Income per 2013 PILs model	(\$543,275)	(\$543,275)	(\$553,966)	(\$553,966)
11	<b>Taxable Income</b>	<u>\$621,920</u>	<u>(\$4,327,721)</u>	<u>\$608,618</u>	<u>(\$4,341,023)</u>
12	Income Tax Rate	26.50%	26.50%	26.50%	26.50%
13	<b>Income Tax on Taxable Income</b>	\$164,809	(\$1,146,846)	\$161,284	(\$1,150,371)
14	<b>Income Tax Credits</b>	(\$525)	(\$525)	(\$525)	(\$525)
15	<b>Utility Net Income</b>	<u>\$1,000,911</u>	<u>(\$3,914,385)</u>	<u>\$1,001,826</u>	<u>(\$3,914,150)</u>
16	<b>Utility Rate Base</b>	\$24,136,516	\$24,136,516	\$24,211,326	\$24,211,326
17	Deemed Equity Portion of Rate Base	\$9,654,606	\$9,654,606	\$9,684,530	\$9,684,530
18	Income/(Equity Portion of Rate Base)	10.37%	-40.54%	10.34%	-40.42%
19	Target Return - Equity on Rate Base	9.36%	9.36%	9.36%	9.36%
20	Deficiency/Sufficiency in Return on Equity	1.01%	-49.90%	0.98%	-49.78%
21	Indicated Rate of Return	7.64%	-12.73%	7.63%	-12.68%
22	Requested Rate of Return on Rate Base	7.23%	7.23%	7.23%	7.23%
23	Deficiency/Sufficiency in Rate of Return	0.40%	-19.96%	0.39%	-19.91%
24	Target Return on Equity	\$903,671	\$903,671	\$906,472	\$906,472
25	Revenue Deficiency/(Sufficiency)	(\$97,240)	(\$4,818,056)	(\$95,353)	(\$4,820,623)
26	<b>Gross Revenue Deficiency/(Sufficiency)</b>	<u>(\$132,299) (1)</u>		<u>(\$129,733) (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	\$1,919,060		\$1,919,060		\$1,919,060	
2	Amortization/Depreciation	\$885,209		\$885,209		\$885,209	
3	Property Taxes	\$138,006		\$138,006		\$138,006	
5	Income Taxes (Grossed up)	\$129,939		\$127,094		\$127,094	
6	Other Expenses	\$ -					
7	Return						
	Deemed Interest Expense	\$842,171		\$844,782		\$844,782	
	Return on Deemed Equity	\$903,671		\$906,472		\$906,472	
8	Service Revenue Requirement (before Revenues)	\$4,818,056		\$4,820,623		\$4,820,623	
9	Revenue Offsets	\$ -		\$ -		\$ -	
10	Base Revenue Requirement (excluding Tranformer Owership Allowance credit adjustment)	\$4,818,056		\$4,820,623		\$4,820,623	
11	Distribution revenue	\$ -		\$ -		\$ -	
12	Other revenue	\$ -		\$ -		\$ -	
13	Total revenue	\$ -		\$ -		\$ -	
14	Difference (Total Revenue Less Distribution Revenue Requirement before Revenues)	(\$4,818,056)	(1)	(\$4,820,623)	(1)	(\$4,820,623)	(1)

<b>Notes</b>							
(1)	Line 11 - Line 8						



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UNDERTAKING NO. J1.4: TO CONFIRM THAT PROPERTY TAX EXPENSE IS  
CORRECT.

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**RESPONSE:**

The property tax expense in the application should be approximately \$23,000 higher based on the 2014 actual expense.