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## Calculation of Revenue Requirement

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### **Ex.6/Tab 1/Sch.1 - Determination of Net Utility Income**

The current rates are based on Board approved rates effective May 1, 2015 through an IRM proceeding (EB-2014-0118). Existing revenues based on existing Board Approved rates, which are used in calculating utility income, are comprised of distribution revenue and exclude pass-thru charges such as LV Charges and Transmission Charges.

A summary of existing and projected distribution revenue and other revenues are presented in Ex. 3/ Tab 1/Sch. 2. Table 6.1 below shows distribution revenues at proposed 2016 Test Year volumes.

1      **Table 6.1: Distribution Revenues at Current Rates – 2016 Test Year Volumes**

Customer Class Name	Test Year Projected Revenue from Existing Variable Charges							
	Variable Distribution Rate	per	Test Year Volume	Gross Variable Revenue	Transf. Allowance Rate	Transform. Allowance kW's	Transform. Allowance \$'s	Net Variable Revenue
Residential	\$0.0144	kWh	87,540,339	1,264,082			\$0	\$1,264,082
General Service < 50 kW	\$0.0137	kWh	17,037,738	233,417			\$0	\$233,417
General Service > 50 to 4999 kW	\$4.7118	kW	51,946	244,758	\$0.60	30,000	\$18,000	\$226,758
Street Lighting	\$0.8798	kW	1,802	1,586			\$0	\$1,586
Unmetered Scattered Load	\$0.0078	kWh	221,022	1,724			\$0	\$1,724
<b>Total Variable Revenue</b>			104,852,851	\$1,745,567	\$0.60	30,000	\$18,000	\$1,727,567

Customer Class Name	Test Year Projected Revenue from Existing Fixed Charges							
	Fixed Rate	Customers (Connections)	Fixed Charge Revenue	Variable Revenue	TOTAL	% Fixed Revenue	% Variable Revenue	% Total Revenue
Residential	\$11.57	12,440	\$1,727,170	\$1,264,082	\$2,991,252	57.74%	42.26%	81.98%
General Service < 50 kW	\$13.54	789	128,197	233,417	361,614	35.45%	64.55%	9.91%
General Service > 50 to 4999 kW	\$31.05	38	14,159	226,758	240,916	5.88%	94.12%	6.60%
Street Lighting	\$1.47	2,819	49,729	1,586	51,315	96.91%	3.09%	1.41%
Unmetered Scattered Load	\$3.91	40	1,877	1,724	3,601	52.12%	47.88%	0.10%
<b>Total Fixed Revenue</b>		16,126	\$1,921,131	\$1,727,567	\$3,648,698			

2

3      Ex. 6/Tab 1/Sch. 2 at the next section provides details and derivation of the revenue

4      requirement and its particulars.

**Ex.6/Tab 1/Sch.2 - Proposed Revenue Requirement**

WDI's Revenue Requirement represents the amount of money that a utility must receive from its customers to cover its costs, operating expenses, taxes, interest paid on debts owed to investors and, if applicable, a deemed return (profit).

The proposed Base Revenue Requirement, representing the revenue to be recovered from base distribution rates, is equal to the total Service Revenue Requirement, less Revenue Offsets derived from other revenue sources. Table 6.2 below presents WDI's proposed 2016 Test Revenue Requirement.

**Table 6.2: Test Year Revenue Requirement**

Particular	2016 Test Year
OM&A Expenses	\$3,074,782
Amortization Expense	\$554,315
Property Taxes	\$28,000
Total Distribution Expenses	\$3,657,096
Regulated Return On Capital	\$913,491
Grossed up PILs	\$43,991
Service Revenue Requirement	\$4,614,577
Less: Revenue Offsets	\$474,377
Base Revenue Requirement	\$4,140,201

WDI's completed Revenue Requirement Work Form is submitted in this Exhibit as Attachment A.

**Ex.6/Tab 1/Sch.3 - Statement of Rate Base**

**Table 6.3: Statement of Rate Base**

<b>Capitalization/Cost of Capital</b>				
<b>Particulars</b>	<b>Capitalization Ratio</b>		<b>Cost Rate</b>	<b>Return</b>
	<b>Initial Application</b>			
	(%)	(\$)	(%)	(\$)
<b>Debt</b>				
Long-term Debt	56.00%	\$7,897,291	4.77%	\$376,701
Short-term Debt	4.00%	\$564,092	2.16%	\$12,184
<b>Total Debt</b>	60.00%	\$8,461,383	4.60%	\$388,885
<b>Equity</b>				
Common Equity	40.00%	\$5,640,922	9.30%	\$524,606
Preferred Shares	0.00%	\$ -	0.00%	\$ -
<b>Total Equity</b>	40.00%	\$5,640,922	9.30%	\$524,606
<b>Total</b>	100.00%	\$14,102,305	6.48%	\$913,491

**Ex.6/Tab 1/Sch.4 - Actual Utility Return on Rate Base**

**Table 6.4: Return on Rate Base**

Return	
Deemed Interest Expense	\$388,885
Return on Deemed Equity	\$524,606
Total	\$913,491

1    **Ex.6/Tab 1/Sch.5 - Requested and Indicated Rate of Return**

- 2    The requested rate of return is 6.48% as per the OEB prescribed Cost of Capital Parameters.
- 3    The Indicated Rate of Return is calculated as 6.48%. Details of the calculation can be found at
- 4    Tab 2 of this exhibit in Table 6.7 - Calculation of Revenue Deficiency or Surplus.

**Ex.6/Tab 1/Sch.6 - Utility Income at Proposed Revenue Requirement**

**Table 6.5: Utility Income under Proposed Revenue Requirement**

Particulars	Initial Application
<b><u>Operating Revenues:</u></b>	
Distribution Revenue (at Proposed Rates)	\$4,140,201
Other Revenue	\$474,377
Total Operating Revenues	\$4,614,578
<b><u>Operating Expenses:</u></b>	
OM+A Expenses	\$3,074,782
Depreciation/Amortization	\$554,315
Property taxes	\$28,000
Capital taxes	\$0
Other expense	\$0
Total Operating Expenses	\$3,657,096
Deemed Interest Expense	\$388,885
Total Expenses (lines 9 to 10)	\$4,045,982
<b>Utility income before income taxes</b>	\$568,597
Income taxes (grossed-up)	\$43,991
<b>Utility net income</b>	\$524,606

**Ex.6/Tab 1/Sch.7 - Revenue Requirement Trend**

Table 6.6 below presents WDI's Revenue Requirement trend starting from the 2012 Board Approved all the way to the 2016 Proposed Revenue Requirement.

**Table 6.6: Trend in Revenue Requirement**

Particular	2012 Board Approved	2012	2013	2014	2015 Bridge Year	2016 Test Year
OM&A Expenses	\$2,549,236	\$2,794,068	\$2,701,271	\$2,818,569	\$2,951,080	\$3,074,782
Property Taxes	\$25,000	\$24,670	\$26,361	\$27,199	\$27,500	\$28,000
Amortization Expense	\$561,546	\$790,892	\$564,891	\$597,388	\$627,371	\$554,315
<b>Total Distribution Expenses</b>	\$3,135,782	\$3,609,631	\$3,292,523	\$3,443,156	\$3,605,951	\$3,657,096
Regulated Return On Capital	\$791,398	\$757,595	\$819,375	\$871,819	\$917,664	\$913,491
Grossed up PILs *	\$40,738	\$205,504	\$26,085	\$35,055	\$84,591	\$43,991
<b>Service Revenue Requirement</b>	\$3,967,918	\$4,572,730	\$4,137,983	\$4,350,030	\$4,608,205	\$4,614,578
Less: Revenue Offsets	\$582,898	\$636,297	\$559,015	\$531,464	\$523,157	\$474,377
<b>Base Revenue Requirement</b>	\$3,385,020	\$3,936,433	\$3,578,968	\$3,818,567	\$4,085,048	\$4,140,201

As illustrated in the table above, the proposed revenue requirement for the 2016 Test Year is 22.25% higher than the 2012 Cost of Service Board Approved Revenue Requirement. The major contributors to the increased revenue requirement are the increases in the OM&A expenses and the Regulated Return on Capital.

Note that since the utility does not calculate PILs on yearly basis, the utility used the Historical, Bridge and Test year results from the PILs model submitted in conjunction with this application.

## Revenue Deficiency or Surplus

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### **Ex.6/Tab 2/Sch.1 - Calculation of Revenue Deficiency or Surplus**

WDI's net revenue deficiency under the proposed rates is \$491,503. This deficiency is calculated as the difference between the 2016 Test Year Revenue Requirement and the 2016 revenue at existing rates shown in Table 6.1 (Ex.6/Tab 1/Sch. 1) plus the forecasted other operating revenue

The Revenue Deficiency sheet presented at the next page is an excerpt from the Revenue Requirement Work Form. The drivers of the revenue deficiency are detailed in the section following the table.

1

**Table 6.7: Revenue Deficiency (RRWF)**

Particulars	At Current Approved Rates	At Proposed Rates
Revenue Deficiency from Below Distribution Revenue	\$3,648,698	\$491,503 \$3,648,698
Other Operating Revenue Offsets - net	\$474,377	\$474,377
<b>Total Revenue</b>	\$4,123,075	\$4,614,578
Operating Expenses	\$3,657,096	\$3,657,096
Deemed Interest Expense	\$388,885	\$388,885
<b>Total Cost and Expenses</b>	\$4,045,982	\$4,045,982
<b>Utility Income Before Income Taxes</b>	\$77,094	\$568,597
Tax Adjustments to Accounting Income per 2013 PILs model	(\$337,410)	(\$337,410)
<b>Taxable Income</b>	(\$260,316)	\$231,187
Income Tax Rate	24.44%	24.44%
<b>Income Tax on Taxable Income</b>	(\$63,609)	\$56,491
<b>Income Tax Credits</b>	(\$12,500)	(\$12,500)
<b>Utility Net Income</b>	\$153,202	\$524,605
<b>Utility Rate Base</b>	\$14,102,305	\$14,102,305
Deemed Equity Portion of Rate Base	\$5,640,922	\$5,640,922
Income/(Equity Portion of Rate Base)	2.72%	9.30%
Target Return - Equity on Rate Base	9.30%	9.30%
Deficiency/Sufficiency in Return on Equity	-6.58%	0.00%
Indicated Rate of Return	3.84%	6.48%
Requested Rate of Return on Rate Base	6.48%	6.48%
Deficiency/Sufficiency in Rate of Return	-2.63%	0.00%
Target Return on Equity	\$524,606	\$524,606
Revenue Deficiency/(Sufficiency)	\$371,403	\$ 0
<b>Gross Revenue Deficiency/(Sufficiency)</b>	\$491,503	

**Ex.6/Tab 2/Sch.2 – Causes/Drivers of Revenue Deficiency or Surplus**

WDI's existing rates are based on the Board-approved rates in 2012 following a Cost of Service Rate application, and adjustments to its base distribution rates each year thereafter up to and including the 2015 Bridge Year under the Board's 3<sup>rd</sup> Generation Incentive Regulation Mechanism.

As shown in Table of Revenue Deficit at the previous section, the Revenue Deficiency is determined to be \$491,503. The deficiency is due to the increase in the rate base and OM&A.

The proposed rate base for 2016 Test Year is \$1,339,465 higher than the 2012 Board Approved amount, an increase of 10.5%. Based on a 6.48% overall cost of capital, the increase in the rate base drives an increase to the revenue requirement. The factors contributing to the change in the rate base are discussed in detail at Exhibit 2 but for the most part, are due to investments in the distribution system and from the increase in asset useful lives that resulted in a decrease in annual asset depreciation.

The increased expense for Operations, Maintenance and Administration (OM&A) is another reason for the revenue deficiency. Projected OM&A for the 2016 Test Year is \$525,546 higher than the 2012 Board Approved amount, which represents an increase of 20.62%. The cost drivers underlying this increase are explained in Exhibit 4.

The decrease in Other Operating Revenues (Revenue offsets) contributed to the revenue deficiency. Projected Operating Revenues have decreased by \$108,521. The main reason for this is WDI's decrease in cash reserves reducing investment income and WDI's forecasted loss on disposals. Further detail is provided in Exhibit 3.

The major contributors of the deficiency are illustrated in Table 6.8 comparing the specifics from 2012 Board Approved to the 2016 Test Year.

- Decrease in Other Operating Revenues of \$108,521 from \$582,898 in 2012 Board Approved to \$474,377 in 2016 Test Year

- 1 • Increase in OM&A of \$525,546 from \$2,549,236 in 2012 Board Approved to \$3,074,782  
2 in 2016 Test Year
- 3 • An increase in Average Net Fixed Assets of \$2,090,199 from \$10,570,133 in 2012  
4 Board Approved to \$12,660,331 in 2016 Test Year
- 5 • An decrease in Working Capital of \$750,734 from \$2,192,708 in 2012 Board Approved  
6 to \$1,441,974 in 2016 Test Year
- 7 • An increase in the Weighted Average Cost of Capital from 6.20% of 2012 Board  
8 Approved to 6.48% in 2016 Test Year
- 9 • A decrease in Depreciation Expenses of \$7,231 from \$561,546 of 2012 Board  
10 Approved to \$554,315 in 2016 Test Year

11

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**Table 6.8: Comparison of Revenue Deficiency (RRWF)**

Particulars (taken from RRWF - 8. Rev_Def	2012 Board Approved	2016 Test Year - Proposed Rates	Differences
	CGAAP	MIFRS	
Revenue Deficiency from Below	-	491,503	491,503
Distribution Revenue	3,385,037	3,648,698	263,661
Other Operating Revenue Offsets - net	582,898	474,377	- 108,521
<b>Total Revenue</b>	<b>3,967,935</b>	<b>4,614,578</b>	<b>646,643</b>
Operating Expenses	3,135,800	3,657,096	521,297
Deemed Interest Expense	325,810	388,885	63,075
<b>Total Cost and Expenses</b>	<b>3,461,609</b>	<b>4,045,982</b>	<b>584,373</b>
<b>Utility Income Before Income Taxes</b>	<b>506,326</b>	<b>568,597</b>	<b>62,271</b>
Tax Adjustments to Accounting Income per 2013 PILs model	- 114,471	- 337,410	- 222,939
<b>Taxable Income</b>	<b>391,855</b>	<b>231,187</b>	<b>- 160,668</b>
Income Tax Rate	15.50%	24.44%	8.94%
Income Tax on Taxable Income	60,737	56,491	- 4,246
Income Tax Credits	- 20,000	- 12,500	7,500
<b>Utility Net Income</b>	<b>465,588</b>	<b>524,605</b>	<b>59,017</b>
<b>Utility Rate Base</b>	<b>12,762,842</b>	<b>14,102,305</b>	<b>1,339,463</b>
Deemed Equity Portion of Rate Base	5,105,137	5,640,922	535,785
Income/(Equity Portion of Rate Base)	9.12%	9.30%	0.18%
Target Return - Equity on Rate Base	9.12%	9.30%	0.18%
Deficiency/Sufficiency in Return on Equity	0.00%	0.00%	0.00%
Indicated Rate of Return	6.20%	6.48%	0.28%
Requested Rate of Return on Rate Base	6.20%	6.48%	0.28%
Deficiency/Sufficiency in Rate of Return	0.00%	0.00%	0.00%
<b>Target Return on Equity</b>	<b>465,588</b>	<b>524,606</b>	<b>59,018</b>

2

**Ex.6/Tab 2/Sch.3 - Impact of implementation of MIFRS on Revenue Deficiency or Surplus**

In WDI's last COS Application completed in 2012 WDI received approval from the Board for the change in accounting policy for an update in WDI's useful lives. No further changes have occurred that would result in a change in revenue deficiency or sufficiency.

WDI's OM&A has not been impacted by the policy which states that burdens which are no longer eligible for capitalization have been removed from rate base and included as an operating expense since the utility has never capitalized administrative burdens on capital projects.

## 1 Attachments

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- 2 Attachment A – WDI's 2016 Revenue Requirement Work Form



Ontario Energy Board

# Revenue Requirement Workform (RRWF) for 2016 Filers



Version 6.00

Utility Name	Wasaga Distribution Inc.
Service Territory	The Town of Wasaga Beach
Assigned EB Number	2015-0103
Name and Title	Joanne Tackaberry, Director of Finance
Phone Number	705-429-2517
Email Address	j.tackaberry@wasagadist.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.*



Ontario Energy Board

# Revenue Requirement Workform (RRWF) for 2016 Filers

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[3. Data Input Sheet](#)

[4. Rate Base](#)

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[6. Taxes PILs](#)

[7. Cost of Capital](#)

[8. Rev Def Suff](#)

[9. Rev Req](#)

[10. Tracking Sheet](#)

## 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 (RRWF) for 2016 Filers

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

	Initial Application	(2)	(6)	Per Board Decision
<b>1 Rate Base</b>				
Gross Fixed Assets (average)	\$26,116,954		\$ 26,116,954	\$26,116,954
Accumulated Depreciation (average)	(\$13,456,623)	(5)	(\$13,456,623)	(\$13,456,623)
<b>Allowance for Working Capital:</b>				
Controllable Expenses	\$3,102,782		\$ 3,102,782	\$3,102,782
Cost of Power	\$16,123,534		\$ 16,123,534	\$16,123,534
Working Capital Rate (%)	7.50%	(9)	7.50%	7.50% (9)
<b>2 Utility Income</b>				
Operating Revenues:				
Distribution Revenue at Current Rates	\$3,648,698			
Distribution Revenue at Proposed Rates	\$4,140,201			
<b>Other Revenue:</b>				
Specific Service Charges	\$113,010			
Late Payment Charges	\$32,565			
Other Distribution Revenue	\$358,254			
Other Income and Deductions	(\$29,452)			
Total Revenue Offsets	\$474,377	(7)		
<b>Operating Expenses:</b>				
OM+A Expenses	\$3,074,782		\$ 3,074,782	\$3,074,782
Depreciation/Amortization	\$554,315		\$ 554,315	\$554,315
Property taxes	\$28,000		\$ 28,000	\$28,000
Other expenses				
<b>3 Taxes/PILs</b>				
Taxable Income:				
Adjustments required to arrive at taxable income	(\$337,410)	(3)		
<b>Utility Income Taxes and Rates:</b>				
Income taxes (not grossed up)	\$33,242			
Income taxes (grossed up)	\$43,991			
Federal tax (%)	14.19%			
Provincial tax (%)	10.24%			
Income Tax Credits	(\$12,500)			
<b>4 Capitalization/Cost of Capital</b>				
<b>Capital Structure:</b>				
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 (%)	0.0%			
	100.0%			
<b>Cost of Capital</b>				
Long-term debt Cost Rate (%)	4.77%			
Short-term debt Cost Rate (%)	2.16%			
Common Equity Cost Rate (%)	9.30%			
Preferred Shares Cost Rate (%)	0.00%			

## 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) The default Working Capital Allowance factor is 7.5% (of Cost of Power plus controllable expenses), per the letter issued by the Board on June 3, 2015. Alternatively, WCA factor based on lead-lag study or approved WCA factor for another distributor, with supporting rationale.



Ontario Energy Board

# Revenue Requirement Workform (RRWF) for 2016 Filers

## Rate Base and Working Capital

Rate Base										
Line No.	Particulars		Initial Application						Per Board Decision	
1	Gross Fixed Assets (average)	(3)	\$26,116,954		\$ -		\$26,116,954		\$ -	\$26,116,954
2	Accumulated Depreciation (average)	(3)	(\$13,456,623)		\$ -		(\$13,456,623)		\$ -	(\$13,456,623)
3	Net Fixed Assets (average)	(3)	\$12,660,331		\$ -		\$12,660,331		\$ -	\$12,660,331
4	Allowance for Working Capital	(1)	\$1,441,974		\$ -		\$1,441,974		\$ -	\$1,441,974
5	Total Rate Base		\$14,102,305		\$ -		\$14,102,305		\$ -	\$14,102,305

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

6	Controllable Expenses	\$3,102,782	\$ -	\$3,102,782	\$ -	\$3,102,782
7	Cost of Power	\$16,123,534	\$ -	\$16,123,534	\$ -	\$16,123,534
8	Working Capital Base	\$19,226,316	\$ -	\$19,226,316	\$ -	\$19,226,316
9	Working Capital Rate % (2)	7.50%	0.00%	7.50%	0.00%	7.50%
10	Working Capital Allowance	\$1,441,974	\$ -	\$1,441,974	\$ -	\$1,441,974

#### Notes

- (2) Some Applicants may have a unique rate as a result of a lead-lag study. The default rate for 2016 cost of service applications is 7.5%, per the letter issued by the Board on June 3, 2015. Alternatively, a utility could conduct and file its own lead-lag study.
- (3) Average of opening and closing balances for the year.



Ontario Energy Board

# Revenue Requirement Workform (RRWF) for 2016 Filers

## Utility Income

Line No.	Particulars	Initial Application						Per Board Decision
	<b>Operating Revenues:</b>							
1	Distribution Revenue (at Proposed Rates)	\$4,140,201		(\$4,140,201)		\$ -	\$ -	\$ -
2	Other Revenue (1)	\$474,377		(\$474,377)		\$ -	\$ -	\$ -
3	Total Operating Revenues	\$4,614,578		(\$4,614,578)		\$ -	\$ -	\$ -
	<b>Operating Expenses:</b>							
4	OM+A Expenses	\$3,074,782		\$ -		\$3,074,782	\$ -	\$3,074,782
5	Depreciation/Amortization	\$554,315		\$ -		\$554,315	\$ -	\$554,315
6	Property taxes	\$28,000		\$ -		\$28,000	\$ -	\$28,000
7	Capital taxes	\$ -		\$ -		\$ -	\$ -	\$ -
8	Other expense	\$ -		\$ -		\$ -	\$ -	\$ -
9	Subtotal (lines 4 to 8)	\$3,657,096		\$ -		\$3,657,096	\$ -	\$3,657,096
10	Deemed Interest Expense	\$388,885		(\$388,885)		\$ -	\$ -	\$ -
11	Total Expenses (lines 9 to 10)	\$4,045,982		(\$388,885)		\$3,657,096	\$ -	\$3,657,096
12	Utility income before income taxes	\$568,597		(\$4,225,693)		(\$3,657,096)	\$ -	(\$3,657,096)
13	Income taxes (grossed-up)	\$43,991		\$ -		\$43,991	\$ -	\$43,991
14	Utility net income	\$524,605		(\$4,225,693)		(\$3,701,088)	\$ -	(\$3,701,088)

## Notes

### Other Revenues / Revenue Offsets

(1)	Specific Service Charges	\$113,010				\$ -		\$ -
	Late Payment Charges	\$32,565				\$ -		\$ -
	Other Distribution Revenue	\$358,254				\$ -		\$ -
	Other Income and Deductions	(\$29,452)				\$ -		\$ -
	Total Revenue Offsets	\$474,377		\$ -		\$ -	\$ -	\$ -



# Revenue Requirement Workform (RRWF) for 2016 Filers

## Taxes/PILs

Line No.	Particulars	Application		Per Board Decision	
<u>Determination of Taxable Income</u>					
1	Utility net income before taxes	\$524,606		\$ -	\$ -
2	Adjustments required to arrive at taxable utility income	(\$337,410)		\$ -	(\$337,410)
3	Taxable income	<u>\$187,196</u>		<u>\$ -</u>	<u>(\$337,410)</u>
<u>Calculation of Utility income Taxes</u>					
4	Income taxes	<u>\$33,242</u>		<u>\$33,242</u>	<u>\$33,242</u>
6	Total taxes	<u>\$33,242</u>		<u>\$33,242</u>	<u>\$33,242</u>
7	Gross-up of Income Taxes	<u>\$10,749</u>		<u>\$10,749</u>	<u>\$10,749</u>
8	Grossed-up Income Taxes	<u>\$43,991</u>		<u>\$43,991</u>	<u>\$43,991</u>
9	PILs / tax Allowance (Grossed-up Income taxes + Capital taxes)	<u>\$43,991</u>		<u>\$43,991</u>	<u>\$43,991</u>
10	Other tax Credits	(\$12,500)		(\$12,500)	(\$12,500)
<u>Tax Rates</u>					
11	Federal tax (%)	14.19%		14.19%	14.19%
12	Provincial tax (%)	10.24%		10.24%	10.24%
13	Total tax rate (%)	24.44%		24.44%	24.44%

## Notes



# Revenue Requirement Workform (RRWF) for 2016 Filers

## Capitalization/Cost of Capital

Line No.	Particulars	Capitalization Ratio		Cost Rate		Return
		Initial Application				
		(%)	(\$)	(%)		(\$)
	Debt					
1	Long-term Debt	56.00%	\$7,897,291	4.77%		\$376,701
2	Short-term Debt	4.00%	\$564,092	2.16%		\$12,184
3	Total Debt	60.00%	\$8,461,383	4.60%		\$388,885
	Equity					
4	Common Equity	40.00%	\$5,640,922	9.30%		\$524,606
5	Preferred Shares	0.00%	\$ -	0.00%		\$ -
6	Total Equity	40.00%	\$5,640,922	9.30%		\$524,606
7	Total	100.00%	\$14,102,305	6.48%		\$913,491
		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%	\$14,102,305	0.00%		\$ -
		(%)	(\$)	(%)		(\$)
	Debt					
8	Long-term Debt	0.00%	\$ -	4.77%		\$ -
9	Short-term Debt	0.00%	\$ -	2.16%		\$ -
10	Total Debt	0.00%	\$ -	0.00%		\$ -
	Equity					
11	Common Equity	0.00%	\$ -	9.30%		\$ -
12	Preferred Shares	0.00%	\$ -	0.00%		\$ -
13	Total Equity	0.00%	\$ -	0.00%		\$ -
14	Total	0.00%	\$14,102,305	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 Workfo (RRWF) for 2016 Filers

## Revenue Deficiency/Sufficiency

Line No.	Particulars	Initial Application		At Current Approved Rates	At Proposed Rates
		At Current Approved Rates	At Proposed Rates		
1	Revenue Deficiency from Below		\$491,503		(\$117,251)
2	Distribution Revenue	\$3,648,698	\$3,648,698	\$3,648,698	\$4,257,452
3	Other Operating Revenue	\$474,377	\$474,377	\$ -	\$ -
4	<b>Total Revenue</b>	<u>\$4,123,075</u>	<u>\$4,614,578</u>	<u>\$3,648,698</u>	<u>\$4,140,201</u>
5	Operating Expenses	\$3,657,096	\$3,657,096	\$3,657,096	\$3,657,096
6	Deemed Interest Expense	\$388,885	\$388,885	\$ -	\$ -
8	<b>Total Cost and Expenses</b>	<u>\$4,045,982</u>	<u>\$4,045,982</u>	<u>\$3,657,096</u>	<u>\$3,657,096</u>
9	<b>Utility Income Before Income Taxes</b>	\$77,094	\$568,597	(\$8,398)	\$483,105
10	Tax Adjustments to Accounting Income per 2013 PILs model	(\$337,410)	(\$337,410)	(\$337,410)	(\$337,410)
11	<b>Taxable Income</b>	<u>(\$260,316)</u>	<u>\$231,187</u>	<u>(\$345,808)</u>	<u>\$145,695</u>
12	Income Tax Rate	24.44%	24.44%	24.44%	24.44%
13	<b>Income Tax on Taxable Income</b>	(\$63,609)	\$56,491	(\$84,499)	\$35,601
14	<b>Income Tax Credits</b>	(\$12,500)	(\$12,500)	(\$12,500)	(\$12,500)
15	<b>Utility Net Income</b>	<u>\$153,202</u>	<u>\$524,605</u>	<u>\$88,601</u>	<u>(\$3,701,088)</u>
16	<b>Utility Rate Base</b>	\$14,102,305	\$14,102,305	\$14,102,305	\$14,102,305
17	Deemed Equity Portion of Rate Base	\$5,640,922	\$5,640,922	\$ -	\$ -
18	Income/(Equity Portion of Rate Base)	2.72%	9.30%	0.00%	0.00%
19	Target Return - Equity on Rate Base	9.30%	9.30%	0.00%	0.00%
20	Deficiency/Sufficiency in Return on Equity	-6.58%	0.00%	0.00%	0.00%
21	Indicated Rate of Return	3.84%	6.48%	0.63%	0.00%
22	Requested Rate of Return on Rate Base	6.48%	6.48%	0.00%	0.00%
23	Deficiency/Sufficiency in Rate of Return	-2.63%	0.00%	0.63%	0.00%
24	Target Return on Equity	\$524,606	\$524,606	\$ -	\$ -
25	Revenue Deficiency/(Sufficiency)	\$371,403	(\$0)	(\$88,601)	\$ -
26	<b>Gross Revenue Deficiency/(Sufficiency)</b>	<b>\$491,503 (1)</b>		<b>(\$117,251) (1)</b>	



# Revenue Requirement Workform (RRWF) for 2016 Filers

## Revenue Requirement

Line No.	Particulars	Application		Per Board Decision	
1	OM&A Expenses	\$3,074,782		\$3,074,782	
2	Amortization/Depreciation	\$554,315		\$554,315	
3	Property Taxes	\$28,000		\$28,000	
5	Income Taxes (Grossed up)	\$43,991		\$43,991	
6	Other Expenses	\$ -		\$ -	
7	Return				
	Deemed Interest Expense	\$388,885	\$ -	\$ -	
	Return on Deemed Equity	\$524,606	\$ -	\$ -	
8	<b>Service Revenue Requirement (before Revenues)</b>	<u>\$4,614,579</u>	<u>\$3,701,088</u>	<u>\$3,701,088</u>	
9	Revenue Offsets	\$474,377	\$ -	\$ -	
10	<b>Base Revenue Requirement (excluding Tranformer Owership Allowance credit adjustment)</b>	<u>\$4,140,202</u>	<u>\$3,701,088</u>	<u>\$3,701,088</u>	
11	Distribution revenue	\$4,140,201	\$ -	\$ -	
12	Other revenue	\$474,377	\$ -	\$ -	
13	<b>Total revenue</b>	<u>\$4,614,578</u>	<u>\$ -</u>	<u>\$ -</u>	
14	<b>Difference (Total Revenue Less Distribution Revenue Requirement before Revenues)</b>	<u>(\$0)</u>	<u>(\$3,701,088)</u>	<u>(\$3,701,088)</u>	

### Notes

(1) Line 11 - Line 8



Ontario Energy Board

# Revenue Requirement Workform (RRWF) for 2016 Filers

## Tracking Form

The last row shown is the most current estimate of the cost of service data reflecting the original application and any updates provided by the applicant distributor (for updated evidence, responses to interrogatories, undertakings, etc.) Please ensure a Reference (Column B) and/or Item Description (Column C) is entered. Please note that unused rows will automatically be hidden and the PRINT AREA set when the PRINT BUTTON on Sheet 1 is activated.

<sup>(1)</sup> Short reference to evidence material (interrogatory response, undertaking, exhibit number, Board Decision, Code, Guideline, Report of the Board, etc.)

<sup>(2)</sup> Short description of change, issue, etc.

60 Tracking Rows have been provided below. If you require more, please contact Industry Relations @ [IndustryRelations@ontarioenergyboard.ca](mailto:IndustryRelations@ontarioenergyboard.ca).

## Summary of Proposed Changes

Reference <sup>(1)</sup>	Item / Description <sup>(2)</sup>	Cost of Capital		Rate Base and Capital Expenditures			Operating Expenses			Revenue Requirement			
		Regulated Return on Capital	Regulated Rate of Return	Rate Base	Working Capital	Working Capital Allowance (\$)	Amortization / Depreciation	Taxes/PILs	OM&A	Service Revenue Requirement	Other Revenues	Base Revenue Requirement	Grossed up Revenue Deficiency / Sufficiency
	Original Application	\$ 913,491	6.48%	\$ 14,102,305	\$ 19,226,316	\$ 1,441,974	\$ 554,315	\$ 43,991	\$ 3,074,782	\$ 4,614,579	\$ 474,377	\$ 4,140,202	\$ 491,503