

EXHIBIT 6 – REVENUE DEFICIENCY/SUFFICIENCY

EB-2016-0089

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1 Calculation of Revenue Requirement

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

5 The current rates are based on Board approved rates effective May 1, 2016 through an IRM proceeding
6 (EB-2015-0085). Existing revenues based on existing Board approved rates, which are used in calculating
7 utility income, are comprised of distribution revenue and exclude pass-thru charges such as LV Charges
8 and Transmission Charges.

9 A summary of existing and projected distribution revenue and other revenues are presented in Ex.3/tab
10 1/Sch. 2. Table 6.0 below shows distribution revenues at proposed 2017 Test Year volumes.

11 **Table 6.0: Distribution Revenues at Current Rates – 2017 Volumes**

Test Year Projected Revenue from Existing Variable Charges								
Customer Class Name	Variable Distribution Rate	per	Test Year Volume	Gross Variable Revenue	Transformer Allowance Rate	Transformer Allowance - kW	Transformer Allowance \$	Net Variable Revenue
Residential	0.0113	kWh	79,373,076	896,916				896,916
General Service < 50 kW	0.0086	kWh	32,807,440	282,144				282,144
General Service 50-2999 kW	3.4597	kW	291,085	1,007,067	0.60	192,116	115,270	891,798
General Service 3000-4999 kW	2.2564	kW	36,771	82,970	0.60	36,771	22,062	60,907
Street Lighting	25.8268	kW	3,853	99,520				99,520
Sentinel Lights	12.2032	kW	133	1,621				1,621
Unmetered Scattered Load	0.0371	kWh	599,974	22,259				22,259
Total Variable Revenue			113,112,333	2,392,497		228,887	137,332	2,255,165

Test Year Projected Revenue from Existing Fixed Charges								
Customer Class Name	Fixed Rate	Customers (Connections)	Fixed Charge Revenue	Variable Revenue	Total	% Fixed Revenue	% Variable Revenue	% Total Revenue
Residential	13.14	9,171	1,446,101	896,916	2,343,017	61.72%	38.28%	53.76%
General Service < 50 kW	23.96	1,087	312,485	282,144	594,629	52.55%	47.45%	13.64%
General Service 50-2999 kW	78.03	132	123,197	891,798	1,014,995	12.14%	87.86%	23.29%
General Service 3000-4999 kW	5,800.89	1	69,611	60,907	130,518	53.33%	46.67%	2.99%
Street Lighting	4.08	2,699	132,150	99,520	231,670	57.04%	42.96%	5.32%
Sentinel Lights	4.95	54	3,195	1,621	4,815	66.34%	33.66%	0.11%
Unmetered Scattered Load	14.23	96	16,330	22,259	38,589	42.32%	57.68%	0.89%
Total Variable Revenue		13,239	2,103,068	2,255,165	4,358,233			100%

14 Ex.6/Tab 1/Sch.2 at the next section provides details and derivation of the revenue requirement and its
15 particulars.

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1 Ex.6/Tab 1/Sch.2 – Proposed Revenue Requirement

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

6 The proposed Base Revenue Requirement, representing the revenue to be recovered from base
 7 distribution rates, is equal to the total Service Revenue Requirement, less Revenue Offsets derived from
 8 other revenue sources. Table 6.1 below represents LUI's proposed 2017 Revenue Requirement.

9 **Table 6.1: Test Year Revenue Requirement**

Particular	2017 Test Year
OM&A Expenses	2,361,880
Amortization Expense	1,061,439
Property Taxes	62,359
Total Distribution Expenses	3,485,678
Regulated Return on Capital	1,242,357
Grossed up PILs	134,477
Service Revenue Requirement	4,862,512
Less: Revenue Offsets	447,972
Basic Revenue Requirement	4,414,540

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

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3 **Table 6.2: Statement of Rate Base**

Particulars	Capitalization Ratio		Cost Rate	Return
	(%)	(\$)	(%)	(\$)
Debt				
Long-term Debt	56.00%	11,070,584	4.54%	\$502,605
Short-term Debt	4.00%	790,756	1.65%	\$13,047
Total Debt	60.0%	11,861,340	4.35%	\$515,652
Equity				
Common Equity	40.00%	7,907,560	9.19%	\$726,705
Preferred Shares				\$ -
Total Equity	40.0%	7,907,560	9.19%	\$726,705
Total	100.0%	19,768,900	6.28%	\$1,242,357

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

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3 **Table 6.3: Return on Rate Base**

Return	Amount
Deemed Interest Expense	515,652
Return on Deemed Equity	726,705
Total	1,242,357

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1 Ex.6/Tab 1/Sch.5 – Requested and Indicate Rate of Return

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3 The requested rate of return is 6.28% as per the OEB prescribed Cost of Capital Parameters. The Indicated
4 Rate of Return is calculated as 6.28%. Details of the calculation can be found on Table 6.6 – Calculation of
5 Revenue Deficiency or Surplus.

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

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3 **Table 6.4: Utility Income under proposed Revenue Requirement**

Particulars	Initial Application
Operating Revenues	
Distribution Revenue (at proposed rates)	4,414,540
Other Revenue	447,972
Total Operating Revenues	4,862,512
Operating Expenses	
OM&A Expenses	2,361,880
Amortization	1,061,439
Property Taxes	62,359
Capital taxes	0
Other Expenses	0
Total Operating Expenses	3,485,678
Deemed Interest Expense	515,652
Total Expenses	4,001,330
Utility Income Before Income Taxes	861,182
Income Taxes (grossed-up)	134,477
Utility Net Income	726,705

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1 Ex.6/Tab 1/Sch.7 – Revenue Requirement Trend

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3 Table 6.5 below presents LUI’s Revenue Requirement trend starting from the 2012 Board Approved all the
 4 way to the 2017 proposed Revenue Requirement.

5 **Table 6.5: Trend in Revenue Requirement**

Particulars	2012 Board Approved	2012	2013	2014	2015	2016 Bridge Year	2017 Test Year
OM&A Expenses	2,528,333	2,241,087	2,538,735	2,444,224	2,210,923	2,340,756	2,361,880
Property Taxes	40,837	54,748	51,403	57,353	59,997	61,167	62,359
Amortization Expense	739,241	501,597	861,205	932,271	1,014,303	1,065,522	1,061,439
Total Distribution Expenses	3,308,411	2,797,432	3,451,342	3,433,849	3,285,223	3,467,445	3,485,678
Regulated Return on Capital	1,087,151	1,126,400	1,281,301	1,435,951	1,328,201	1,593,736	1,242,357
Grossed up PILs	22,112	534,948	74,753	123,038	104,291	133,534	134,477
Service Revenue Requirement	4,417,674	4,458,780	4,807,396	4,992,838	4,717,714	5,194,714	4,862,512
Less: Revenue Offsets	340,140	361,266	515,310	457,363	430,068	436,326	447,972
Basic Revenue Requirement	4,077,534	4,097,514	4,292,086	4,535,475	4,287,646	4,758,388	4,414,540

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7 As illustrated in the table above, the proposed revenue requirement for the 2017 Test Year is 8.26% higher
 8 than the 2012 Cost of Service Board Approved Revenue Requirement. The major contributors to the
 9 increased revenue requirement are the increase in OM&A expenses and increased amortization as a result
 10 of increased capital expenditures.

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

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1 Revenue Deficiency or Surplus

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3 Ex.6/Tab 1/Sch.7 – Calculation of Revenue Deficiency or Surplus

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5 LUI's Revenue Requirement consists of the following:

- 6 • Operations, Maintenance and Administration ("OM&A") expenses;
- 7 • Property taxes;
- 8 • Depreciation/Amortization expense;
- 9 • PILS, and;
- 10 • Return on Rate Base (deemed interest and return on equity)

11 LUI's Revenue Requirement is primarily received through electricity distribution rates with other revenue
12 from Board Approved specific service charges such as late payment charges and other miscellaneous
13 charges. These other revenues, as described in Exhibit 3, are treated as offsets against LUI's service
14 revenue requirement to calculate the base revenue requirement upon which class-specific distribution rates
15 are calculated.

16 LUI's net revenue deficiency under the proposed rates is \$56,307. This deficiency is calculated as the
17 difference between the 2017 Test Year Revenue Requirement and the Forecast 2017 Test Year Revenue
18 Requirement shown in Table 6.0 (Ex.6/Tab 1/Sch.1) plus the forecasted other operating revenue.

19 The revenue sufficiency sheet presented on the next page is an excerpt from the Revenue Requirement
20 Work Form. The drivers of the revenue sufficiency are detailed in the section following the table.

21 Although Lakefront Utilities Inc. has a minor revenue deficiency under the proposed rates, LUI prefers to file
22 a Cost of Service application for the purpose of:

- 23 • Aligning its rates with its fiscal year end of December 31st and aligning revenues with costs;
- 24
- 25 • Filing a comprehensive Distribution System Plan and Asset Management Plan for the purpose of
26 providing a detailed capital plan;
- 27
- 28 • Updating LUI's working capital ratio from the 2012 Board Approved 15% to the 7.5% default
29 allowance rate in accordance with the letter issued by the OEB on June 3, 2015.

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2 **Table 6.6: Revenue Deficiency (RRWF)**

Line No.	Particulars	Initial Application	
		At Current Approved Rates	At Proposed Rates
1	Revenue Deficiency from Below		\$56,307
2	Distribution Revenue	\$4,358,233	\$4,358,233
3	Other Operating Revenue	\$447,972	\$447,972
	Offsets - net		
4	Total Revenue	\$4,806,205	\$4,862,512
5	Operating Expenses	\$3,485,678	\$3,485,678
6	Deemed Interest Expense	\$515,652	\$515,652
8	Total Cost and Expenses	\$4,001,330	\$4,001,330
9	Utility Income Before Income Taxes	\$804,875	\$861,182
10	Tax Adjustments to Accounting Income per 2013 PILs model	(\$353,721)	(\$353,721)
11	Taxable Income	\$451,154	\$507,461
12	Income Tax Rate	26.50%	26.50%
13	Income Tax on Taxable Income	\$119,556	\$134,477
14	Income Tax Credits	\$ -	\$ -
15	Utility Net Income	\$685,319	\$726,705
16	Utility Rate Base	\$19,768,900	\$19,768,900
17	Deemed Equity Portion of Rate Base	\$7,907,560	\$7,907,560
18	Income/(Equity Portion of Rate Base)	8.67%	9.19%
19	Target Return - Equity on Rate Base	9.19%	9.19%
20	Deficiency/Sufficiency in Return on Equity	-0.52%	0.00%
21	Indicated Rate of Return	6.08%	6.28%
22	Requested Rate of Return on Rate Base	6.28%	6.28%
23	Deficiency/Sufficiency in Rate of Return	-0.21%	0.00%
24	Target Return on Equity	\$726,705	\$726,705
25	Revenue Deficiency/(Sufficiency)	\$41,385	\$ -
26	Gross Revenue Deficiency/(Sufficiency)	\$56,307 (1)	

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1 Ex.6/Tab 2/Sch.2 – Causes/Drivers of Revenue Deficiency or Surplus
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3 LUI's existing rates are based on the Board-approved rates in 2012 following a cost of service rate
4 application, and adjustments to its base distribution rates in 2013-2016 under the Board's Third Generation
5 Incentive Regulation Mechanism.

6 As shown in Table 6.6 in the previous section, the Revenue deficiency is determined to be \$56,307.

7 The proposed rate base for 2017 is \$2,108,880 higher than the 2012 Board-approved amount, an increase
8 of 11.94%. Based on a 6.28% overall cost of capital, the increase in the rate base drives an increase to the
9 revenue requirement. The factors contributing to the change in the rate base are discussed in detail in
10 Exhibit 2 but for the most part, are due to investments in the distribution system to follow the distribution
11 system plan.

12 Operations, Maintenance and Administration (OM&A) for 2017 is \$177,267 higher than the 2012 Board-
13 approved amount, which represents an increase of 5.36%. The cost drivers underlying this increase are
14 explained in Exhibit 4.

15 The major contributors of the deficiency are:

- 16 • LUI's OM&A costs increased by \$177,267, which is directionally consistent with the variance
17 between the 2012 Board Approved and 2017 Test Year, as explained in Exhibit 4.
18
- 19 • LUI's tax adjustments to accounting income per PILs model decreased by \$169,968 from the 2012
20 Board Approved amount as a result of increased amortization. The net effect of amortization and
21 CCA in 2012 Board Approved was \$532,564, compared to a net effect of \$347,879 in the 2017
22 Test Year, a difference of \$184,685.
23
- 24 • Increase in the Utility Rate Base of \$2,108,880 as a result of the average net capital assets in
25 service added since the last Board Approved Rate base which has surpassed the amortization
26 expenses by approximately \$3,502,000.
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1 **Table 6.7: Comparison of Revenue Deficiency/(Sufficiency) (RRWF)**

Particulars	2012 Board Approved	2017 Test Year	Difference
Revenue Deficiency from Below	0	56,307	56,307
Distribution Revenue	4,008,801	4,358,233	349,432
Other Operating Revenue Offsets - net	378,462	447,972	69,510
Total Revenue	4,387,263	4,862,512	475,249
Operating Expenses	3,308,411	3,485,678	177,267
Deemed Interest Expenses	442,913	515,652	72,739
Total Cost and Expenses	3,751,324	4,001,330	250,006
Utility Income Before Income Taxes	635,939	861,182	225,243
Tax Adjustments to Accounting Income per PILs Model	(523,689)	(353,721)	169,968
Taxable Income	112,250	507,461	395,211
Income Tax Rate	15.50%	26.50%	11.00%
Income Tax on Taxable Income	17,399	134,477	117,078
Utility Net Income	618,540	726,705	108,165
Utility Rate Base	17,660,020	19,768,900	2,108,880
Deemed Equity Portion of Rate Base	7,064,008	7,907,560	843,552
Income/(Equity Portion of Rate Base)	8.76%	9.19%	0.43%
Target Return - Equity on Rate Base	9.12%	9.19%	0.07%
Deficiency/Sufficiency in Rate of Return	-0.36%	0.00%	0.36%
Indicated Rate of Return	6.01%	6.28%	0.27%
Requested Rate of Return on Rate Base	6.16%	6.28%	0.12%
Deficiency/Sufficiency in Rate of Return	-0.15%	0.00%	0.15%
Target Return on Equity	644,238	726,705	82,467

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1 Ex.6/Tab 2/Sch.3 –Revenue Deficiency or Surplus Analysis – 2012 -2017

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3 Table 6.8 below details LUI's trend in revenue deficiency/sufficiency from the 2012 Board Approved to the
4 balance based on the current approved rates and the expected balance at the proposed rates.

5 **Table 6.8: Trend in Revenue Deficiency/(Sufficiency) (RRWF)**

Particulars	2012 Board Approved	2012 Actual	2013 Actual	2014 Actual	2015 Actual	At Current Approved Rates	At Proposed Rates
Distribution Revenue	4,008,801	4,114,248	4,100,373	4,080,459	4,095,862	4,358,233	4,414,540
Other Operating Revenue Offsets	378,462	361,266	515,310	457,363	430,068	447,972	447,972
Total Revenue	4,387,263	4,475,515	4,615,683	4,537,822	4,525,930	4,806,205	4,862,512
Operating Expenses	3,308,414	2,797,432	3,451,342	3,433,849	3,285,223	3,485,678	3,485,678
Deemed Interest Expense	443,207	475,875	541,316	661,991	565,433	515,652	515,652
Total Cost and Expenses	3,751,621	3,273,307	3,992,659	4,095,840	3,850,655	4,001,330	4,001,330
Utility Income Before Income Taxes	635,642	1,202,208	623,024	441,982	675,275	804,875	861,182
Tax Adjustments to Accounting Income per 2013 PILs Model	(523,689)	(456,604)	(394,165)	(202,920)	(337,239)	(353,721)	(353,721)
Taxable Income	111,953	745,604	228,859	239,062	338,036	451,154	507,461
Income Tax Rate	15.50%	15.50%	15.50%	15.50%	15.50%	26.50%	26.50%
Income Tax on Taxable Income	17,353	115,569	35,473	37,055	52,396	119,556	134,477
Utility Net Income	618,289	1,086,639	587,551	404,927	622,880	685,319	726,705
Utility Rate Base	17,660,020	16,976,129	19,310,662	19,643,654	20,504,520	19,768,900	19,768,900
Deemed Equity Portion of Rate Base	7,086,895	6,790,451	7,724,265	7,857,461	8,201,808	7,907,560	7,907,560
Income/(Equity Portion of Rate Base)	8.72%	16.00%	7.61%	5.15%	7.59%	8.67%	9.19%
Target Return - Equity on Rate Base	9.85%	9.85%	9.85%	9.85%	9.85%	9.19%	9.19%
Deficiency/Sufficiency in Return on Equity	-1.13%	6.15%	-2.24%	-4.70%	-2.26%	-0.52%	0.00%
Indicated Rate of Return	6.01%	9.20%	5.85%	5.43%	5.80%	6.08%	6.28%
Requested Rate of Return on Rate Base	6.16%	6.16%	6.16%	6.16%	6.16%	6.28%	6.28%
Deficiency/Sufficiency in Rate of Return	-0.15%	3.04%	-0.31%	-0.73%	-0.36%	-0.21%	0.00%
Target Return on Equity	644,238	644,238	644,238	644,238	644,238	726,705	726,705
Revenue Deficiency/(Sufficiency)	25,949	(442,401)	56,687	239,311	21,358	41,385	0
Gross Revenue Deficiency/(Sufficiency)	30,709	(523,552)	67,085	283,208	25,276	56,307	0

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8 LUI received approval in the 2012 Cost of Service for a revenue deficiency of \$30,709. Based on table 6.8
9 above, LUI has a trend of the following:

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- A revenue sufficiency of \$523,552 in 2012, a decrease of \$554,261 from the 2012 Board Approved deficiency. The decrease is mainly the result of a decrease in operating expenses of \$510,982. Additional decrease was the result of a decrease in utility rate base of \$683,891 associated with a decline in 2012 capital expenditures as compared to 2012 Board Approved, as described in Exhibit #2.
 - Revenue deficiency in 2013 of \$67,085, an increase of \$590,637 from 2012. The decrease is the result of an increase in total revenue of \$140,168, offset by increase in operation expenses of \$653,910.
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- Revenue deficiency in 2014 of \$283,208 is an increase of \$216,123 from 2013. The decrease is the result of a decrease in total revenue of \$77,861 and an increase of \$103,181 in total cost and expenses.
- As a result of a significant decrease in total operating costs of \$245,185, LUI's revenue deficiency decrease in 2015 to \$25,276.

Based on the current approved rates, LUI is projecting a revenue deficiency of \$56,307.

1 Ex.6/Tab 2/Sch.4 – Impact of Implementation of MIFRS on Revenue Deficiency or Surplus

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

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

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Attachment A - LUI's 2017 Revenue Requirement Work Form



Ontario Energy Board

Revenue Requirement Workform (RRWF) for 2016 Filers



Version 6.00

Utility Name	Lakefront Utilities Inc.
Service Territory	Town of Cobourg/Village of Colborne
Assigned EB Number	EB-2016-0089
Name and Title	Adam Giddings, Manager of Regulatory and Finan
Phone Number	905-372-2193 ext: 5242
Email Address	agiddings@lusi.on.ca

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While this model has been provided in Excel format and is required to be filed with the applications, the onus remains on the applicant to ensure the accuracy of the data and the results.

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Ontario Energy Board

Revenue Requirement Workform (RRWF) for 2016 Filers

[1. Info](#)

[6. Taxes PILs](#)

[2. Table of Contents](#)

[7. Cost of Capital](#)

[3. Data Input Sheet](#)

[8. Rev Def Suff](#)

[4. Rate Base](#)

[9. Rev Req](#)

[5. Utility Income](#)

[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**

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Ontario Energy Board

Revenue Requirement Workform (RRWF) for 2016 Filers

Data Input ⁽¹⁾

	Initial Application	(2)	(6)	Per Board Decision
1	Rate Base			
	Gross Fixed Assets (average)	\$30,422,921	\$ 30,422,921	\$30,422,921
	Accumulated Depreciation (average)	(\$13,222,245) (5)	(\$13,222,245)	(\$13,222,245)
	Allowance for Working Capital:			
	Controllable Expenses	\$2,424,239	\$ 2,424,239	\$2,424,239
	Cost of Power	\$31,818,751	\$ 31,818,751	\$31,818,751
	Working Capital Rate (%)	7.50% (9)	7.50% (9)	7.50% (9)
2	Utility Income			
	Operating Revenues:			
	Distribution Revenue at Current Rates	\$4,358,233		
	Distribution Revenue at Proposed Rates	\$4,414,540		
	Other Revenue:			
	Specific Service Charges	\$146,170		
	Late Payment Charges	\$73,000		
	Other Distribution Revenue	\$194,667		
	Other Income and Deductions	\$34,136		
	Total Revenue Offsets	\$447,972 (7)		
	Operating Expenses:			
	OM+A Expenses	\$2,361,880	\$ 2,361,880	\$2,361,880
	Depreciation/Amortization	\$1,061,439	\$ 1,061,439	\$1,061,439
	Property taxes	\$62,359	\$ 62,359	\$62,359
	Other expenses			
3	Taxes/PILs			
	Taxable Income:			
	Adjustments required to arrive at taxable income	(\$353,721) (3)		
	Utility Income Taxes and Rates:			
	Income taxes (not grossed up)	\$98,841		
	Income taxes (grossed up)	\$134,477		
	Federal tax (%)	15.00%		
	Provincial tax (%)	11.50%		
	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 (%)	4.54%		
	Short-term debt Cost Rate (%)	1.65%		
	Common Equity Cost Rate (%)	9.19%		
	Preferred Shares Cost Rate (%)	0.00%		

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Ontario Energy Board

Revenue Requirement Workform (RRWF) for 2016 Filers

Rate Base and Working Capital

Line No.	Particulars		Initial Application				Per Board Decision
1	Gross Fixed Assets (average) (3)		\$30,422,921	\$ -	\$30,422,921	\$ -	\$30,422,921
2	Accumulated Depreciation (average) (3)		(\$13,222,245)	\$ -	(\$13,222,245)	\$ -	(\$13,222,245)
3	Net Fixed Assets (average) (3)		\$17,200,676	\$ -	\$17,200,676	\$ -	\$17,200,676
4	Allowance for Working Capital (1)		\$2,568,224	\$ -	\$2,568,224	\$ -	\$2,568,224
5	Total Rate Base		\$19,768,900	\$ -	\$19,768,900	\$ -	\$19,768,900

(1) Allowance for Working Capital - Derivation

6	Controllable Expenses		\$2,424,239	\$ -	\$2,424,239	\$ -	\$2,424,239
7	Cost of Power		\$31,818,751	\$ -	\$31,818,751	\$ -	\$31,818,751
8	Working Capital Base		\$34,242,990	\$ -	\$34,242,990	\$ -	\$34,242,990
9	Working Capital Rate % (2)		7.50%	0.00%	7.50%	0.00%	7.50%
10	Working Capital Allowance		\$2,568,224	\$ -	\$2,568,224	\$ -	\$2,568,224

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.

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Ontario Energy Board

Revenue Requirement Workform (RRWF) for 2016 Filers

Utility Income

Line No.	Particulars	Initial Application					Per Board Decision
Operating Revenues:							
1	Distribution Revenue (at Proposed Rates)	\$4,414,540		(\$4,414,540)		\$ -	\$ -
2	Other Revenue	(1) \$447,972		(\$447,972)		\$ -	\$ -
3	Total Operating Revenues	\$4,862,512		(\$4,862,512)		\$ -	\$ -
Operating Expenses:							
4	OM+A Expenses	\$2,361,880	\$ -	\$2,361,880	\$ -	\$2,361,880	\$2,361,880
5	Depreciation/Amortization	\$1,061,439	\$ -	\$1,061,439	\$ -	\$1,061,439	\$1,061,439
6	Property taxes	\$62,359	\$ -	\$62,359	\$ -	\$62,359	\$62,359
7	Capital taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8	Other expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
9	Subtotal (lines 4 to 8)	\$3,485,678	\$ -	\$3,485,678	\$ -	\$3,485,678	\$3,485,678
10	Deemed Interest Expense	\$515,652		(\$515,652)		\$ -	\$ -
11	Total Expenses (lines 9 to 10)	\$4,001,330		(\$515,652)		\$3,485,678	\$3,485,678
12	Utility income before income taxes	\$861,182		(\$4,346,860)		(\$3,485,678)	(\$3,485,678)
13	Income taxes (grossed-up)	\$134,477	\$ -	\$134,477	\$ -	\$134,477	\$134,477
14	Utility net income	\$726,705		(\$4,346,860)		(\$3,620,155)	(\$3,620,155)

Notes

Other Revenues / Revenue Offsets

(1)	Specific Service Charges	\$146,170		\$ -		\$ -
	Late Payment Charges	\$73,000		\$ -		\$ -
	Other Distribution Revenue	\$194,667		\$ -		\$ -
	Other Income and Deductions	\$34,136		\$ -		\$ -
2	Total Revenue Offsets	\$447,972	\$ -	\$ -	\$ -	\$ -

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Ontario Energy Board

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	\$726,705	\$ -	\$ -
2	Adjustments required to arrive at taxable utility income	(\$353,721)	\$ -	(\$353,721)
3	Taxable income	<u>\$372,984</u>	<u>\$ -</u>	<u>(\$353,721)</u>
<u>Calculation of Utility income Taxes</u>				
4	Income taxes	<u>\$98,841</u>	<u>\$98,841</u>	<u>\$98,841</u>
6	Total taxes	<u>\$98,841</u>	<u>\$98,841</u>	<u>\$98,841</u>
7	Gross-up of Income Taxes	<u>\$35,636</u>	<u>\$35,636</u>	<u>\$35,636</u>
8	Grossed-up Income Taxes	<u>\$134,477</u>	<u>\$134,477</u>	<u>\$134,477</u>
9	PILs / tax Allowance (Grossed-up Income taxes + Capital taxes)	<u>\$134,477</u>	<u>\$134,477</u>	<u>\$134,477</u>
10	Other tax Credits	\$ -	\$ -	\$ -
<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 (%)	<u>26.50%</u>	<u>26.50%</u>	<u>26.50%</u>

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Ontario Energy Board

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%	\$11,070,584	4.54%	\$502,605	
2	Short-term Debt	4.00%	\$790,756	1.65%	\$13,047	
3	Total Debt	60.00%	\$11,861,340	4.35%	\$515,652	
	Equity					
4	Common Equity	40.00%	\$7,907,560	9.19%	\$726,705	
5	Preferred Shares	0.00%	\$ -	0.00%	\$ -	
6	Total Equity	40.00%	\$7,907,560	9.19%	\$726,705	
4	7	Total	100.00%	\$19,768,900	6.28%	\$1,242,357

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Ontario Energy Board

Revenue Requirement Workform (RRWF) for 2016 Filers

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		\$56,307		(\$1,000,087)		\$3,485,678
2	Distribution Revenue	\$4,358,233	\$4,358,233	\$4,358,233	\$5,414,627	\$ -	(\$3,485,678)
3	Other Operating Revenue Offsets - net	\$447,972	\$447,972	\$ -	\$ -	\$ -	\$ -
4	Total Revenue	\$4,806,205	\$4,862,512	\$4,358,233	\$4,414,540	\$ -	\$ -
5	Operating Expenses	\$3,485,678	\$3,485,678	\$3,485,678	\$3,485,678	\$3,485,678	\$3,485,678
6	Deemed Interest Expense	\$515,652	\$515,652	\$ -	\$ -	\$ -	\$ -
8	Total Cost and Expenses	\$4,001,330	\$4,001,330	\$3,485,678	\$3,485,678	\$3,485,678	\$3,485,678
9	Utility Income Before Income Taxes	\$804,875	\$861,182	\$872,555	\$928,862	(\$3,485,678)	(\$3,485,678)
10	Tax Adjustments to Accounting Income per 2013 PILs model	(\$353,721)	(\$353,721)	(\$353,721)	(\$353,721)	\$ -	\$ -
11	Taxable Income	\$451,154	\$507,461	\$518,834	\$575,141	(\$3,485,678)	(\$3,485,678)
12	Income Tax Rate	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%
13	Income Tax on Taxable Income	\$119,556	\$134,477	\$137,491	\$152,412	(\$923,705)	(\$923,705)
14	Income Tax Credits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
15	Utility Net Income	\$685,319	\$726,705	\$735,064	(\$3,620,155)	(\$2,561,973)	(\$3,620,155)
16	Utility Rate Base	\$19,768,900	\$19,768,900	\$19,768,900	\$19,768,900	\$19,768,900	\$19,768,900
17	Deemed Equity Portion of Rate Base	\$7,907,560	\$7,907,560	\$ -	\$ -	\$ -	\$ -
18	Income/(Equity Portion of Rate Base)	8.67%	9.19%	0.00%	0.00%	0.00%	0.00%
19	Target Return - Equity on Rate Base	9.19%	9.19%	0.00%	0.00%	0.00%	0.00%
20	Deficiency/Sufficiency in Return on Equity	-0.52%	0.00%	0.00%	0.00%	0.00%	0.00%
21	Indicated Rate of Return	6.08%	6.28%	3.72%	0.00%	-12.96%	0.00%
22	Requested Rate of Return on Rate Base	6.28%	6.28%	0.00%	0.00%	0.00%	0.00%
23	Deficiency/Sufficiency in Rate of Return	-0.21%	0.00%	3.72%	0.00%	-12.96%	0.00%
24	Target Return on Equity	\$726,705	\$726,705	\$ -	\$ -	\$ -	\$ -
25	Revenue Deficiency/(Sufficiency)	\$41,385	\$ -	(\$735,064)	\$ -	\$2,561,973	\$ -
26	Gross Revenue Deficiency/(Sufficiency)	\$56,307 (1)		(\$1,000,087) (1)		\$3,485,678 (1)	

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Ontario Energy Board

Revenue Requirement Workform (RRWF) for 2016 Filers

Revenue Requirement

Line No.	Particulars	Application		Per Board Decision	
1	OM&A Expenses	\$2,361,880		\$2,361,880	
2	Amortization/Depreciation	\$1,061,439		\$1,061,439	
3	Property Taxes	\$62,359		\$62,359	
5	Income Taxes (Grossed up)	\$134,477		\$134,477	
6	Other Expenses	\$ -		\$ -	
7	Return				
	Deemed Interest Expense	\$515,652		\$ -	
	Return on Deemed Equity	\$726,705		\$ -	
8	Service Revenue Requirement (before Revenues)	<u>\$4,862,512</u>		<u>\$3,620,155</u>	
9	Revenue Offsets	\$447,972		\$ -	
10	Base Revenue Requirement (excluding Transformer Ownership Allowance credit adjustment)	<u>\$4,414,540</u>		<u>\$3,620,155</u>	
11	Distribution revenue	\$4,414,540		\$ -	
12	Other revenue	\$447,972		\$ -	
13	Total revenue	<u>\$4,862,512</u>		<u>\$ -</u>	
14	Difference (Total Revenue Less Distribution Revenue Requirement before Revenues)	<u>\$ -</u>	(1)	<u>(\$3,620,155)</u>	(1)

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 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.

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

⁽²⁾ Short description of change, issue, etc.

60 Tracking Rows have been provided below. If you require more, please contact Industry Relations @ IndustryRelations@ontarioenergyboard.ca.

Summary of Proposed Changes

Reference ⁽¹⁾	Item / Description ⁽²⁾	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	\$ 1,242,357	6.28%	\$ 19,768,900	\$ 34,242,990	\$ 2,568,224	\$ 1,061,439	\$ 134,477	\$ 2,361,880	\$ 4,862,512	\$ 447,972	\$ 4,414,540	\$ 56,307
1	Change												
2	Change												

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