



Ontario Energy Board

Revenue Requirement Workform (RRWF) for 2016 Filers



Version 6.00

| | |
|--------------------|---|
| Utility Name | Innisfil Hydro Distribution Systems Limited |
| Service Territory | |
| Assigned EB Number | EB-2016-XXXX |
| Name and Title | Brenda Pinke, Manager Regulatory and CDM |
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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

[1. Info](#)

[2. Table of Contents](#)

[3. Data Input Sheet](#)

[4. Rate Base](#)

[5. Utility Income](#)

[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 ⁽¹⁾

| | Initial Application (2) | | (6) | Per Board Decision |
|--|-------------------------|--|----------------|--------------------|
| 1 Rate Base | | | | |
| Gross Fixed Assets (average) | \$75,034,236 | | \$ 75,034,236 | \$75,034,236 |
| Accumulated Depreciation (average) | (\$11,957,217) (5) | | (\$11,957,217) | (\$11,957,217) |
| Allowance for Working Capital: | | | | |
| Controllable Expenses | \$7,762,900 | | \$ 7,762,900 | \$7,762,900 |
| Cost of Power | \$35,517,366 | | \$ 35,517,366 | \$35,517,366 |
| Working Capital Rate (%) | 7.50% (9) | | 7.50% (9) | 7.50% (9) |
| 2 Utility Income | | | | |
| Operating Revenues: | | | | |
| Distribution Revenue at Current Rates | \$13,578,206 | | | |
| Distribution Revenue at Proposed Rates | \$13,493,357 | | | |
| Other Revenue: | | | | |
| Specific Service Charges | \$176,700 | | | |
| Late Payment Charges | \$82,700 | | | |
| Other Distribution Revenue | \$1,683,427 | | | |
| Other Income and Deductions | \$ - | | | |
| Total Revenue Offsets | \$1,942,827 (7) | | | |
| Operating Expenses: | | | | |
| OM+A Expenses | \$7,633,900 | | \$ 7,633,900 | \$7,633,900 |
| Depreciation/Amortization | \$3,675,101 | | \$ 3,675,101 | \$3,675,101 |
| Property taxes | \$129,000 | | \$ 129,000 | \$129,000 |
| Other expenses | | | | |
| 3 Taxes/PILs | | | | |
| Taxable Income: | | | | |
| Adjustments required to arrive at taxable income | (\$1,857,728) (3) | | | |
| Utility Income Taxes and Rates: | | | | |
| Income taxes (not grossed up) | \$153,781 | | | |
| Income taxes (grossed up) | \$209,226 | | | |
| 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 (%) | 3.52% | | | |
| Short-term debt Cost Rate (%) | 1.65% | | | |
| Common Equity Cost Rate (%) | 9.19% | | | |
| 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 (%)
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
- (2) Net of addbacks and deductions to arrive at taxable income.
- (3) Average of Gross Fixed Assets at beginning and end of the Test Year
- (4) Average of Accumulated Depreciation at the beginning and end of the Test Year. Enter as a negative amount.
- (5) 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.
- (6) Input total revenue offsets for deriving the base revenue requirement from the service revenue requirement
- (7) 4.0% unless an Applicant has proposed or been approved for another amount.
- (8) 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.
- (9)



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) | \$75,034,236 | \$ - | \$75,034,236 | \$ - | \$75,034,236 | \$75,034,236 |
| 2 | Accumulated Depreciation (average) (3) | (\$11,957,217) | \$ - | (\$11,957,217) | \$ - | (\$11,957,217) | (\$11,957,217) |
| 3 | Net Fixed Assets (average) (3) | \$63,077,019 | \$ - | \$63,077,019 | \$ - | \$63,077,019 | \$63,077,019 |
| 4 | Allowance for Working Capital (1) | \$3,246,020 | \$ - | \$3,246,020 | \$ - | \$3,246,020 | \$3,246,020 |
| 5 | Total Rate Base | \$66,323,039 | \$ - | \$66,323,039 | \$ - | \$66,323,039 | \$66,323,039 |

(1) Allowance for Working Capital - Derivation

| | | | | | | |
|----|----------------------------|--------------|-------|--------------|-------|--------------|
| 6 | Controllable Expenses | \$7,762,900 | \$ - | \$7,762,900 | \$ - | \$7,762,900 |
| 7 | Cost of Power | \$35,517,366 | \$ - | \$35,517,366 | \$ - | \$35,517,366 |
| 8 | Working Capital Base | \$43,280,266 | \$ - | \$43,280,266 | \$ - | \$43,280,266 |
| 9 | Working Capital Rate % (2) | 7.50% | 0.00% | 7.50% | 0.00% | 7.50% |
| 10 | Working Capital Allowance | \$3,246,020 | \$ - | \$3,246,020 | \$ - | \$3,246,020 |

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.



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) | \$13,493,357 | (\$13,493,357) | \$ - | \$ - | \$ - |
| 2 | Other Revenue (1) | \$1,942,827 | (\$1,942,827) | \$ - | \$ - | \$ - |
| 3 | Total Operating Revenues | \$15,436,183 | (\$15,436,183) | \$ - | \$ - | \$ - |
| Operating Expenses: | | | | | | |
| 4 | OM+A Expenses | \$7,633,900 | \$ - | \$7,633,900 | \$ - | \$7,633,900 |
| 5 | Depreciation/Amortization | \$3,675,101 | \$ - | \$3,675,101 | \$ - | \$3,675,101 |
| 6 | Property taxes | \$129,000 | \$ - | \$129,000 | \$ - | \$129,000 |
| 7 | Capital taxes | \$ - | \$ - | \$ - | \$ - | \$ - |
| 8 | Other expense | \$ - | \$ - | \$ - | \$ - | \$ - |
| 9 | Subtotal (lines 4 to 8) | \$11,438,001 | \$ - | \$11,438,001 | \$ - | \$11,438,001 |
| 10 | Deemed Interest Expense | \$1,350,921 | (\$1,350,921) | \$ - | \$ - | \$ - |
| 11 | Total Expenses (lines 9 to 10) | \$12,788,922 | (\$1,350,921) | \$11,438,001 | \$ - | \$11,438,001 |
| 12 | Utility income before income taxes | \$2,647,261 | (\$14,085,262) | (\$11,438,001) | \$ - | (\$11,438,001) |
| 13 | Income taxes (grossed-up) | \$209,226 | \$ - | \$209,226 | \$ - | \$209,226 |
| 14 | Utility net income | \$2,438,035 | (\$14,085,262) | (\$11,647,227) | \$ - | (\$11,647,227) |

Notes

Other Revenues / Revenue Offsets

| | | | | | | |
|-----|------------------------------|--------------------|-------------|-------------|-------------|-------------|
| (1) | Specific Service Charges | \$176,700 | \$ - | \$ - | \$ - | \$ - |
| | Late Payment Charges | \$82,700 | \$ - | \$ - | \$ - | \$ - |
| | Other Distribution Revenue | \$1,683,427 | \$ - | \$ - | \$ - | \$ - |
| | Other Income and Deductions | \$ - | \$ - | \$ - | \$ - | \$ - |
| | Total Revenue Offsets | \$1,942,827 | \$ - | \$ - | \$ - | \$ - |



Revenue Requirement Workform (RRWF) for 2016 Filers

Taxes/PILs

| Line No. | Particulars | Application | | Per Board Decision |
|--|--|------------------|------------------|----------------------|
| Determination of Taxable Income | | | | |
| 1 | Utility net income before taxes | \$2,438,035 | \$ - | \$ - |
| 2 | Adjustments required to arrive at taxable utility income | (\$1,857,728) | \$ - | (\$1,857,728) |
| 3 | Taxable income | <u>\$580,307</u> | <u>\$ -</u> | <u>(\$1,857,728)</u> |
| Calculation of Utility income Taxes | | | | |
| 4 | Income taxes | <u>\$153,781</u> | <u>\$153,781</u> | <u>\$153,781</u> |
| 6 | Total taxes | <u>\$153,781</u> | <u>\$153,781</u> | <u>\$153,781</u> |
| 7 | Gross-up of Income Taxes | <u>\$55,445</u> | <u>\$55,445</u> | <u>\$55,445</u> |
| 8 | Grossed-up Income Taxes | <u>\$209,226</u> | <u>\$209,226</u> | <u>\$209,226</u> |
| 9 | PILs / tax Allowance (Grossed-up Income taxes + Capital taxes) | <u>\$209,226</u> | <u>\$209,226</u> | <u>\$209,226</u> |
| 10 | Other tax Credits | \$ - | \$ - | \$ - |
| Tax Rates | | | | |
| 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> |

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% | \$37,140,902 | 3.52% | \$1,307,148 |
| 2 | Short-term Debt | 4.00% | \$2,652,922 | 1.65% | \$43,773 |
| 3 | Total Debt | 60.00% | \$39,793,823 | 3.39% | \$1,350,921 |
| | Equity | | | | |
| 4 | Common Equity | 40.00% | \$26,529,215 | 9.19% | \$2,438,035 |
| 5 | Preferred Shares | 0.00% | \$ - | 0.00% | \$ - |
| 6 | Total Equity | 40.00% | \$26,529,215 | 9.19% | \$2,438,035 |
| 7 | Total | 100.00% | \$66,323,039 | 5.71% | \$3,788,956 |
| 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% | \$66,323,039 | 0.00% | \$ - |
| | Debt | | | | |
| 8 | Long-term Debt | 0.00% | \$ - | 3.52% | \$ - |
| 9 | Short-term Debt | 0.00% | \$ - | 1.65% | \$ - |
| 10 | Total Debt | 0.00% | \$ - | 0.00% | \$ - |
| | Equity | | | | |
| 11 | Common Equity | 0.00% | \$ - | 9.19% | \$ - |
| 12 | Preferred Shares | 0.00% | \$ - | 0.00% | \$ - |
| 13 | Total Equity | 0.00% | \$ - | 0.00% | \$ - |
| 14 | Total | 0.00% | \$66,323,039 | 0.00% | \$ - |

Notes

(1)

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



Revenue Requirement Workform (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 | | (\$84,850) | | (\$2,809,999) | | \$11,438,001 |
| 2 | Distribution Revenue | \$13,578,206 | \$13,578,206 | \$13,578,206 | \$16,303,355 | \$ - | (\$11,438,001) |
| 3 | Other Operating Revenue Offsets - net | \$1,942,827 | \$1,942,827 | \$ - | \$ - | \$ - | \$ - |
| 4 | Total Revenue | <u>\$15,521,033</u> | <u>\$15,436,183</u> | <u>\$13,578,206</u> | <u>\$13,493,357</u> | <u>\$ -</u> | <u>\$ -</u> |
| 5 | Operating Expenses | \$11,438,001 | \$11,438,001 | \$11,438,001 | \$11,438,001 | \$11,438,001 | \$11,438,001 |
| 6 | Deemed Interest Expense | \$1,350,921 | \$1,350,921 | \$ - | \$ - | \$ - | \$ - |
| 8 | Total Cost and Expenses | <u>\$12,788,922</u> | <u>\$12,788,922</u> | <u>\$11,438,001</u> | <u>\$11,438,001</u> | <u>\$11,438,001</u> | <u>\$11,438,001</u> |
| 9 | Utility Income Before Income Taxes | \$2,732,111 | \$2,647,261 | \$2,140,205 | \$2,055,356 | (\$11,438,001) | (\$11,438,001) |
| 10 | Tax Adjustments to Accounting Income per 2013 PILs model | (\$1,857,728) | (\$1,857,728) | (\$1,857,728) | (\$1,857,728) | \$ - | \$ - |
| 11 | Taxable Income | <u>\$874,383</u> | <u>\$789,533</u> | <u>\$282,477</u> | <u>\$197,627</u> | <u>(\$11,438,001)</u> | <u>(\$11,438,001)</u> |
| 12 | Income Tax Rate | 26.50% | 26.50% | 26.50% | 26.50% | 26.50% | 26.50% |
| 13 | Income Tax on Taxable Income | \$231,711 | \$209,226 | \$74,856 | \$52,371 | (\$3,031,070) | (\$3,031,070) |
| 14 | Income Tax Credits | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 15 | Utility Net Income | <u>\$2,500,400</u> | <u>\$2,438,035</u> | <u>\$2,065,349</u> | <u>(\$11,647,227)</u> | <u>(\$8,406,931)</u> | <u>(\$11,647,227)</u> |
| 16 | Utility Rate Base | \$66,323,039 | \$66,323,039 | \$66,323,039 | \$66,323,039 | \$66,323,039 | \$66,323,039 |
| 17 | Deemed Equity Portion of Rate Base | \$26,529,215 | \$26,529,215 | \$ - | \$ - | \$ - | \$ - |
| 18 | Income/(Equity Portion of Rate Base) | 9.43% | 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 | 0.24% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| 21 | Indicated Rate of Return | 5.81% | 5.71% | 3.11% | 0.00% | -12.68% | 0.00% |
| 22 | Requested Rate of Return on Rate Base | 5.71% | 5.71% | 0.00% | 0.00% | 0.00% | 0.00% |
| 23 | Deficiency/Sufficiency in Rate of Return | 0.09% | 0.00% | 3.11% | 0.00% | -12.68% | 0.00% |
| 24 | Target Return on Equity | \$2,438,035 | \$2,438,035 | \$ - | \$ - | \$ - | \$ - |
| 25 | Revenue Deficiency/(Sufficiency) | (\$62,365) | \$ - | (\$2,065,349) | \$ - | \$8,406,931 | \$ - |
| 26 | Gross Revenue Deficiency/(Sufficiency) | <u>(\$84,850) (1)</u> | | <u>(\$2,809,999) (1)</u> | | <u>\$11,438,001 (1)</u> | |

Notes:

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



Revenue Requirement Workform (RRWF) for 2016 Filers

Revenue Requirement

| Line No. | Particulars | Application | | Per Board Decision | |
|----------|---|---------------------|---------------------------|---------------------------|---------------------------|
| 1 | OM&A Expenses | \$7,633,900 | | \$7,633,900 | \$7,633,900 |
| 2 | Amortization/Depreciation | \$3,675,101 | | \$3,675,101 | \$3,675,101 |
| 3 | Property Taxes | \$129,000 | | \$129,000 | \$129,000 |
| 5 | Income Taxes (Grossed up) | \$209,226 | | \$209,226 | \$209,226 |
| 6 | Other Expenses | \$ - | | | |
| 7 | Return | | | | |
| | Deemed Interest Expense | \$1,350,921 | \$ - | | \$ - |
| | Return on Deemed Equity | \$2,438,035 | \$ - | | \$ - |
| 8 | Service Revenue Requirement (before Revenues) | <u>\$15,436,183</u> | <u>\$11,647,227</u> | <u>\$11,647,227</u> | <u>\$11,647,227</u> |
| 9 | Revenue Offsets | \$1,942,827 | \$ - | \$ - | \$ - |
| 10 | Base Revenue Requirement (excluding Tranformer Owership Allowance credit adjustment) | <u>\$13,493,357</u> | <u>\$11,647,227</u> | <u>\$11,647,227</u> | <u>\$11,647,227</u> |
| 11 | Distribution revenue | \$13,493,357 | \$ - | \$ - | \$ - |
| 12 | Other revenue | \$1,942,827 | \$ - | \$ - | \$ - |
| 13 | Total revenue | <u>\$15,436,183</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| 14 | Difference (Total Revenue Less Distribution Revenue Requirement before Revenues) | <u>\$ -</u> | <u>(1) (\$11,647,227)</u> | <u>(1) (\$11,647,227)</u> | <u>(1) (\$11,647,227)</u> |

Notes

(1) Line 11 - Line 8

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 | \$ 3,788,956 | 5.71% | \$ 66,323,039 | \$ 43,280,266 | \$ 3,246,020 | \$ 3,675,101 | \$ 209,226 | \$ 7,633,900 | \$ 15,436,183 | \$ 1,942,827 | \$ 13,493,357 | -\$ 84,850 |