

## REVENUE REQUIREMENT

### 1.0 SUMMARY OF REVENUE REQUIREMENT

Remotes follows standard regulatory practice and has calculated revenue requirement consistent with the principles of the 2006 Electricity Distribution Rate Handbook as follows:

**Table 1**  
**Revenue Requirement (in \$K)**

OM&A	\$50,143	Exhibit D1, Tab 1, Schedule 1
Depreciation and Amortization	4,608	Exhibit D1, Tab 6, Schedule 1
Income Taxes	(69)	Exhibit D2, Tab 8, Schedule 1
Cost of Capital (100% debt)	2,007	Exhibit E1, Tab 1, Schedule 1
<b>Total Revenue Requirement</b>	<b>\$56,689</b>	<b>Exhibit F1, Tab 1, Schedule 1</b>
Annual RRRP	(38,078)	Exhibit F2, Tab 1, Schedule 2
Other Revenues	(999)	Exhibit G1, Tab 3, Schedule 1
<b>Rate Revenue Requirement</b>	<b>\$17,612</b>	<b>Exhibit F2, Tab 1, Schedule 1</b>

The resultant Total Revenue Requirement of \$56,689K is the amount required by Remotes to ensure the most appropriate, cost-effective solution to respond to corporate objectives mainly related to public and employee safety and regulatory requirements. The rate revenue requirement of \$17,612K represents the amount to be funded through rates by Remotes customers.

1 **2.0 CALCULATION OF REVENUE REQUIREMENT**

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3 The details of the Revenue Requirement components are as follows:

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5 **2.1 OM&A Expense**

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	<u>(in \$K)</u>
Generation	\$44,159
Distribution	2,203
Customer Care	1,999
Community Relations	305
Shared Services and Other Costs	1,342
External Costs	135
<b>Total OM&amp;A</b>	<b>\$50,143</b>

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8 **2.2 Depreciation and Amortization Expense**

Depreciation	\$3,576
Amortization	1,032
<b>Total Expense</b>	<b>\$4,608</b>

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10 **2.3 Payments in Lieu of Corporate Income Taxes**

Income Before Payments in Lieu of Corporate Income Taxes	\$(262)
Tax Rate	26.5%
<b>Total Payments in Lieu of Corporate Income Taxes</b>	<b>\$(69)<sup>1</sup></b>

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<sup>1</sup> Calculated on the basis of regulatory taxes payable, as per 2006 Electricity Distribution Rate Handbook; see Exhibit D2, Tab 8, Schedule 2 for detailed calculation.

1 **2.4 Cost of Capital**

Cost of Capital (100% debt) \$2,007

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 3 **3.0 REVENUE REQUIREMENT – COMPARISON OF YEAR 2013 TO YEAR**  
 4 **2018**

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 6 Table 2 below compares, by element, the Year 2013 Board approved Revenue  
 7 Requirement (as per EB-2012-0137) against the Year 2018 proposed Revenue  
 8 Requirement.

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 10 **Table 2**  
 11 **Comparison of Revenue Requirements: 2013 vs. 2018 (in \$K)**

Line No	Description	Year 2013 OEB-Approved	Year 2018 Test	Difference
1	OM&A	\$43,483	\$50,143	\$6,660
2	Depreciation / Amortization	5,178	4,608	(570)
3	Income Taxes	(187)	(69)	118
4	Cost of Capital	1,631	2,007	376
5	<b>Total Revenue Requirement</b>	<b>\$50,105</b>	<b>\$56,689</b>	<b>\$6,584</b>
6	Annual RRRP	(32,259)	(38,078)	(5,819)
7	Other Revenues	(586)	(999)	(413)
8	Rate Revenue Requirement	<b>\$17,260</b>	<b>\$17,612</b>	<b>\$352</b>
9	<i>% Change (Test vs. 2013 Board Approved)</i>			2.0%

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 13 The higher Rate Revenue Requirement for 2018 as compared to 2013 reflects the  
 14 proposed 1.80% increase, Incentive Regulatory Mechanism (IRM) increases of  
 15 approximately 1.8% in each of the past four years, and increased load growth in the  
 16 communities, partially offset by the previously expected consumption in the communities  
 17 of Cat Lake and Pikangikum.

**HYDRO ONE REMOTE COMMUNITIES INC.**  
**Calculation of Revenue Requirement**  
 Year Ending December 31, 2018  
 (in \$K)

<b>Line No.</b>	<b>Particulars</b>	<b>2018 Test Year</b>
	Cost of Service	
1	Operating, maintenance & administrative	\$ 50,143
2	Depreciation & amortization	4,608
3	Income taxes	(69)
4	Cost of service excluding cost of capital (Note 1)	<u>\$ 54,682</u>
5	Cost of capital	2,007
6	Service revenue requirement	<u>\$ 56,689</u>
7	Less Annual RRRP	(38,078)
8	Less Other Revenues	(999)
9	Total Rate Revenue Requirement	<u><u>\$ 17,612</u></u>

Note 1: Per Exhibit D2, Tab1, Schedule 1

**HYDRO ONE REMOTE COMMUNITIES INC.**  
**Revenue Requirement Work Form**  
 Calculation of Revenue Requirement and Remote Rate Protection  
 Year Ending December 31, 2018  
 (in \$K)

<b>Line No.</b>	<b>Particulars</b>	<b>2018 Test Year</b>	
	Cost of Service		
1	Operating, Maintenance & Administrative		\$ 50,143
	Generation Maintenance	11,640	
	Generation Operations	4,919	
	Fuel	27,600	
	Distribution	2,203	
	Customer Care	1,999	
	Community Relations	305	
	Shared Services & Other Administration Costs	1,342	
	External Costs	135	
2	Depreciation & amortization		4,608
	Depreciation	3,576	
	Amortization	1,032	
3	Income taxes	(69)	(69)
4	Cost of service excluding return		54,682
5	Return on capital	2,007	2,007
6	Service revenue requirement		56,689
7	Less Customer Revenues		(17,612)
	Less Other Revenues		(999)
8	<b>Total Remote Rate Protection Requirement</b>		<b><u>\$ 38,078</u></b>