



Exhibit 6

Revenue Requirement

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2.6.1 Calculation of Revenue Requirement

2.6.1.1 Determination of Net Utility Income

NOTL Hydro has included the following information in this Exhibit:

- Determination of Net Utility Income
- Statement of Rate Base
- Actual Utility Return on Rate Base
- Requested & Indicated Rate of Return
- Gross Deficiency or Sufficiency in Revenue

The information in this Exhibit supports NOTL Hydro's request in this Application for an increase in its Revenue Requirement to support the proposed capital and operating budgets for 2019, to service debt and to return the allowed Return on Equity.

NOTL Hydro has determined that the Revenue Deficiency for the 2019 Test Year is \$50,401. Projected revenue has been calculated including the rate riders for the 2015 ICM. As the transformer purchased with the ICM is now in rate base and as this rate rider will disappear it is appropriate that the rate rider be included in the deficiency/sufficiency calculation.

The calculations on which this determination is based are set out below. The Revenue Deficiency/Sufficiency calculation does not include recovery of Deferral and Variance Accounts or other electricity charges.

The current rates are based on Board approved rates effective May 1, 2018 through an IRM proceeding (EB-2017-0064). Existing revenues based on existing Board approved rates, which are used in calculating utility income, are comprised of distribution revenue and exclude pass-through charges such as LV Charges and Transmission Charges.

Table 6.1: Distribution Revenues at Current Rates – 2019 Volumes

Customer Class	Variable Distribution Rate	per	Test Year Volume	Gross Variable Revenue
Residential	\$ 0.0033	kWh	73,998,981	\$ 244,197
GS < 50 kW	\$ 0.0118	kWh	41,877,513	\$ 494,155
GS > 50 kW	\$ 2.2226	kW	212,896	\$ 473,182
Large User	\$ 2.2226	kW	60,000	\$ 133,356
USL	\$ 0.0064	kWh	251,508	\$ 1,610
Streetlighting	30.6934	kW	2,475	\$ 75,958
				\$ 1,422,457
Customer Class	Fixed Distribution Rate		Test Year # Customers	Gross Fixed Revenue
Residential	\$ 26.86		8,152	\$ 2,627,674
GS < 50 kW	\$ 39.41		1,338	\$ 632,609
GS > 50 kW	\$ 281.65		131	\$ 442,754
Large User	\$ 281.65		1	\$ 3,380
USL	\$ 21.20		26	\$ 6,614
Streetlighting	\$ 7.85		2,187	\$ 205,993
				\$ 3,919,024
less transformer allowance				\$ (44,686)
Customer Class	ICM Rate Rider	per	Test Year Volume	Gross ICM Revenue
Residential	\$ 0.0007	kWh	73,998,981	\$ 51,799
GS < 50 kW	\$ 0.0012	kWh	41,877,513	\$ 50,253
GS > 50 kW	\$ 0.3483	kW	212,896	\$ 74,152
Large User	\$ 0.3483	kW	60,000	\$ 20,898
USL	\$ 0.0005	kWh	251,508	\$ 126
				\$ 197,228
Total 2019 Distribution Revenue at Current Rates				\$ 5,494,023

1

2

1 **2.6.1.2 Proposed Revenue Requirement**

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

5 The proposed Base Revenue Requirement, representing the revenue to be recovered from base
 6 distribution rates, is equal to the total Service Revenue Requirement, less Revenue Offsets
 7 derived from other revenue sources. The table below illustrates NOTL Hydro’s proposed 2019
 8 Revenue Requirement.

9 **Table 6.2: Test Year Revenue Requirement**

Particular	CGAAP	CGAAP	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS
	Last Board Approved	2014	2015	2016	2017	2018	2019
OM&A Expenses	\$2,155,262	\$2,208,203	\$2,323,119	\$2,532,191	\$2,595,121	\$2,904,865	\$2,974,186
Depreciation Expense	\$911,109	\$823,855	\$822,341	\$795,059	\$771,190	\$783,039	\$1,157,365
Property Taxes	\$28,596	\$29,811	\$30,837	\$31,773	\$32,377	\$34,540	\$34,955
Total Distribution Expenses	\$3,094,968	\$3,061,869	\$3,176,297	\$3,359,023	\$3,398,687	\$3,722,444	\$4,166,506
Regulated Return On Capital	\$1,617,410	\$1,652,100	\$1,744,930	\$1,682,723	\$1,585,096	\$1,672,216	\$1,771,030
Grossed up PILs	\$32,470	\$0	\$0	\$0	\$509,718	\$108,179	\$109,828
Service Revenue Requirement	\$4,744,848	\$4,713,970	\$4,921,226	\$5,041,745	\$5,493,502	\$5,502,840	\$6,047,363
Less: Revenue Offsets	(\$282,877)	\$44,440	(\$248,915)	(\$318,872)	(\$237,275)	(\$111,969)	(\$502,939)
Base Revenue Requirement	\$4,461,971	\$4,758,410	\$4,672,311	\$4,722,873	\$5,256,227	\$5,390,871	\$5,544,424

10
 11 The Total Revenue from Table 6.1 less the Base Revenue Requirement gives NOTL Hydro’s
 12 Revenue Deficiency (\$5,544,424 - \$5,494,023 = \$50,401). NOTL Hydro’s completed Revenue
 13 Requirement Work Form is submitted in this Exhibit as Appendix 6A.

2.6.1.3 Statement of Rate Base

Table 6.3 below illustrates NOTL Hydro's Rate Base in the 2019 Test Year:

Table 6.3: Statement of Rate Base

Particulars	CGAAP	CGAAP	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS
	Last Board Approved	2014	2015	2016	2017	2018	2019
Net Capital Assets in Service:							
Opening Balance	-	21,998,133	22,148,112	24,709,765	24,889,235	25,033,024	26,681,092
Ending Balance	-	22,148,112	24,709,765	24,889,235	25,033,024	26,681,092	30,370,207
Average Balance	22,052,377	22,073,123	23,428,939	24,799,500	24,961,130	25,857,058	28,525,650
Working Capital Allowance	2,431,581	2,478,094	2,761,771	3,173,149	2,906,248	2,877,152	2,172,361
Total Rate Base	24,483,958	24,551,216	26,190,709	27,972,649	27,867,378	28,734,210	30,698,011

2.6.1.4 Actual Utility Return on Rate Base

Table 6.4 below illustrates NOTL Hydro's Return on its Rate Base in the 2019 Test Year applying the latest capital parameters provided by the Board (letter dated November 23, 2017 "Cost of Capital Parameter Updates for 2018 Cost of Service and Custom Incentive Rate-setting Applications").

Table 6.4: Actual Utility Return on Rate Base

Year: **2019**

Line No.	Particulars	Capitalization Ratio		Cost Rate	Return
		(%)	(\$)	(%)	(\$)
	Debt				
1	Long-term Debt	56.00%	\$17,190,886	3.71%	\$637,782
2	Short-term Debt	4.00%	\$1,227,920	2.29%	\$28,119
3	Total Debt	60.0%	\$18,418,806	3.62%	\$665,901
	Equity				
4	Common Equity	40.00%	\$12,279,204	9.00%	\$1,105,128
5	Preferred Shares		\$ -		\$ -
6	Total Equity	40.0%	\$12,279,204	9.00%	\$1,105,128
7	Total	100.0%	\$30,698,011	5.77%	\$1,771,030

2.6.1.5 Requested and Indicated Rate of Return

The requested rate of return is 5.77% as per the Cost of Capital calculation in Table 6.4.

1 **2.6.1.6 Utility Income at Proposed Revenue Requirement**

2 Table 6.5 below illustrates NOTL Hydro’s Income at the Proposed 2019 Test Year Revenue
 3 Requirement:

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

Particulars	Application
<u>Operating Revenues:</u>	
Distribution Revenue (at Proposed Rates)	\$5,544,424
Other Revenue	\$502,939
Total Operating Revenues	\$6,047,363
<u>Operating Expenses:</u>	
OM+A Expenses	\$2,974,186
Depreciation/Amortization	\$1,157,365
Property taxes	\$34,955
Total Operating Expenses	\$4,166,506
Deemed Interest Expense	\$665,901
Total Expenses	\$4,832,407
Utility income before income taxes	\$1,214,956
Income taxes (grossed-up)	\$109,828
Utility net income	\$1,105,128

2.6.2 Revenue Deficiency or Surplus

2.6.2.1 Causes of Revenue Deficiency

NOTL Hydro is looking for an increase in Revenue Requirement of 24% or \$1,082,453 since its last Cost of Service rebasing in 2014. Current rates will not recover this full amount, and NOTL Hydro is reporting a revenue deficiency.

Table 6.6: Comparison of Revenue Requirement

Particular	CGAAP 2014	MIFRS 2019	Diff (\$)	Diff (%)
Long Term Debt	4.96%	3.71%	-1.25%	
Short Term Debt	2.11%	2.29%	0.18%	
Return on Equity	9.30%	9.00%	-0.30%	
Weighted Debt Rate	4.77%	3.62%	-1.15%	
Regulated Rate of Return	6.61%	5.77%	-0.84%	
Controlable Expenses	\$2,146,051	\$3,009,141	\$863,090	40%
Power Supply Expense	\$19,959,228	\$25,955,675	\$5,996,448	30%
Total Eligible Distribution Expenses	\$22,105,278	\$28,964,816	\$6,859,538	31%
Working Capital Allowance Rate	11.00%	7.50%	-3.50%	
Total Working Capital Allowance ("WCA")	\$2,431,581	\$2,172,361	-\$259,219	-11%
Fixed Asset Opening Bal Bridge Year	\$0	\$26,681,092	n/a	n/a
Fixed Asset Opening Bal Test Year	\$0	\$30,370,207	n/a	n/a
Average Fixed Asset	\$22,052,377	\$28,525,650	\$6,473,273	29%
Working Capital Allowance	\$2,431,581	\$2,172,361	-\$259,219	-11%
Rate Base	\$24,483,958	\$30,698,011	\$6,214,053	25%
Regulated Rate of Return	6.61%	5.77%	-0.84%	
Regulated Return on Capital	\$1,617,410	\$1,771,030	\$153,619	9%
Deemed Interest Expense	\$700,731	\$665,901	-\$34,830	-5%
Deemed Return on Equity	\$916,679	\$1,105,128	\$188,449	21%
OM&A	\$2,155,262	\$2,974,186	\$818,923	38%
Depreciation Expense	\$911,109	\$1,157,365	\$246,256	27%
PILs	\$32,470	\$109,828	\$77,358	238%
Property Taxes	\$28,596	\$34,955	\$6,358	22%
Revenue Offset	-\$282,877	-\$502,939	-\$220,062	78%
Revenue Requirement	\$4,461,971	\$5,544,424	\$1,082,453	24%

1 The breakdown of the increase in revenue requirement is shown in the following table:

2 **Table 6.7: Movement in Revenue Requirement**

2014 Revenue Requirement	\$ 4,461,971
Reduction in WACC	(205,665)
Reduction in working capital %	(51,141)
Change in allowed returns	<u>\$ (256,806)</u>
Increase in fixed assets	373,508
Increase in working capital	29,685
Other changes in return on capital	7,233
Change in asset base	<u>\$ 410,426</u>
Total change in return on capital	\$ 153,620
Change in OM&A	825,283
Change in depreciation	246,256
Change in other revenue	(220,062)
Change in PILS	77,356
Total change in expense base	<u>\$ 928,833</u>
Total change in revenue requirement	\$ 1,082,453
2019 Revenue Requirement	<u>\$ 5,544,424</u>

3
 4 Between 2014 and 2019, the Board or the market has reduced the rates of return required on
 5 debt and equity and has reduced working capital requirements. The effect of this has been to
 6 reduce the revenue requirement by \$256,806 over the five years. However, during these five
 7 years NOTL Hydro has grown and its rate base has grown by 25% with investments in new
 8 transmission station transformers, investments in its system assets through annual upgrades and
 9 new customer connections. The increased return required to support these new assets and
 10 related working capital is \$410,426. At the same time, to support this growth, operating expenses,
 11 less other revenue, have grown 33% or \$928,833 including depreciation.

12 NOTL Hydro's rates have been growing at the rate of inflation (less the productivity factor of
 13 0.30%) from 2014-2018 over an increasing number of customers and increasing demand for
 14 electricity. These have combined to increase actual revenue in the following manner:

1

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Table 6.8: Growth in Projected Revenue Requirement

2014 Revenue Requirement	\$4,461,971
Inflationary increase in rates (2014-2018) of 5.6%	249,870
Revenue from ICM Rate Riders	196,827
Increase in Number of Customers	406,513
Increase in Demand and Load	233,376
Other	-4,133
2019 Projected Revenue Requirement	\$5,544,424

3

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Table 6.9: Revenue Deficiency

2019 Projected Revenue	\$5,494,023
2019 Revenue Requirement	\$5,544,424
Revenue Deficiency	\$50,401

5

6 The cause of the deficiency is inflation. In order to cover the deficiency of \$50,401, a 0.9%
 7 increase in revenue is required. This amount is in line with the annual increases that NOTL
 8 Hydro has been approved for in its' previous four IRM Applications.

9 There have been no changes in methodology contributing to the deficiency.

1

2 **Appendix**

3 List of Appendices

Appendix 6A	NOTL Hydro's Revenue Requirement Work Form
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5

APPENDIX

6A

2019 NIAGARA-ON-THE-LAKE HYDRO
**COST OF SERVICE
RATE APPLICATION**
EB-2018-0056





Ontario Energy Board

Revenue Requirement Workform (RRWF) for 2019 Filers



Version 8.00

Utility Name	Niagara-on-the-Lake Hydro Inc.
Service Territory	Niagara-on-the-Lake
Assigned EB Number	EB-2018-0056
Name and Title	Jeff Klassen, VP Finance
Phone Number	905-468-4235 ext 380
Email Address	jklassen@notlhydro.com
Test Year	2019
Bridge Year	2018
Last Rebasing Year	2014

The RRWF has been enhanced commencing with 2017 rate applications to provide estimated base distribution rates. The enhanced RRWF is not intended to replace a utility's formal rate generator model which should continue to be the source of the proposed rates as well as the final ones at the conclusion of the proceeding. The load forecasting addition made to this model is intended to be demonstrative only and does not replace the information filed in the utility's application. In an effort to minimize the incremental work required from utilities, the cost allocation and rate design additions to this model do in fact replace former appendices that were required to be filed as part of the cost of service (Chapter 2) filing requirements.

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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 2019 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 Reqt](#)

[10. Load Forecast](#)

[11. Cost Allocation](#)

[12. Residential Rate Design](#)

[13. Rate Design and Revenue Reconciliation](#)

[14. 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 format.***



Revenue Requirement Workform (RRWF) for 2019 Filers

Data Input ⁽¹⁾

	Initial Application ⁽²⁾			Per Board Decision
1 Rate Base				
Gross Fixed Assets (average)	\$56,132,843		\$ 56,132,843	\$56,132,843
Accumulated Depreciation (average)	(\$27,607,193) ⁽⁵⁾		(\$27,607,193)	(\$27,607,193)
Allowance for Working Capital:				
Controllable Expenses	\$3,009,141		\$ 3,009,141	\$3,009,141
Cost of Power	\$25,955,675		\$ 25,955,675	\$25,955,675
Working Capital Rate (%)	7.50% ⁽⁹⁾			
2 Utility Income				
Operating Revenues:				
Distribution Revenue at Current Rates	\$5,494,023			
Distribution Revenue at Proposed Rates	\$5,544,424			
Other Revenue:				
Specific Service Charges	\$87,551			
Late Payment Charges	\$54,284			
Other Distribution Revenue	\$310,170			
Other Income and Deductions	\$50,934			
Total Revenue Offsets	\$502,939 ⁽⁷⁾			
Operating Expenses:				
OM+A Expenses	\$2,974,186		\$ 2,974,186	\$2,974,186
Depreciation/Amortization	\$1,157,365		\$ 1,157,365	\$1,157,365
Property taxes	\$34,955		\$ 34,955	\$34,955
Other expenses				
3 Taxes/PILs				
Taxable Income:				
	(\$800,512) ⁽³⁾			
Adjustments required to arrive at taxable income				
Utility Income Taxes and Rates:				
Income taxes (not grossed up)	\$80,723			
Income taxes (grossed up)	\$109,828			
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⁾			
Common Equity Capitalization Ratio (%)	40.0%			
Preferred Shares Capitalization Ratio (%)				
	100.0%			
Cost of Capital				
Long-term debt Cost Rate (%)	3.71%			
Short-term debt Cost Rate (%)	2.29%			
Common Equity Cost Rate (%)	9.00%			
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, a WCA factor based on lead-lag study, with supporting rationale could be provided.



Revenue Requirement Workform (RRWF) for 2019 Filers

Rate Base and Working Capital

Line No.	Particulars	Initial Application				Per Board Decision
1	Gross Fixed Assets (average) ⁽²⁾	\$56,132,843	\$ -	\$56,132,843	\$ -	\$56,132,843
2	Accumulated Depreciation (average) ⁽²⁾	(\$27,607,193)	\$ -	(\$27,607,193)	\$ -	(\$27,607,193)
3	Net Fixed Assets (average) ⁽²⁾	\$28,525,650	\$ -	\$28,525,650	\$ -	\$28,525,650
4	Allowance for Working Capital ⁽¹⁾	\$2,172,361	(\$2,172,361)	\$ -	\$ -	\$ -
5	Total Rate Base	\$30,698,011	(\$2,172,361)	\$28,525,650	\$ -	\$28,525,650

(1) Allowance for Working Capital - Derivation

6	Controllable Expenses	\$3,009,141	\$ -	\$3,009,141	\$ -	\$3,009,141
7	Cost of Power	\$25,955,675	\$ -	\$25,955,675	\$ -	\$25,955,675
8	Working Capital Base	\$28,964,816	\$ -	\$28,964,816	\$ -	\$28,964,816
9	Working Capital Rate % ⁽¹⁾	7.50%	-7.50%	0.00%	0.00%	0.00%
10	Working Capital Allowance	\$2,172,361	(\$2,172,361)	\$ -	\$ -	\$ -

Notes

(1) Some Applicants may have a unique rate as a result of a lead-lag study. The default rate for 2018 cost of service applications is 7.5%, per the letter issued by the Board on June 3, 2015.

(2) Average of opening and closing balances for the year.



Revenue Requirement Workform (RRWF) for 2019 Filers

Utility Income

Line No.	Particulars	Initial Application					Per Board Decision
Operating Revenues:							
1	Distribution Revenue (at Proposed Rates)	\$5,544,424	(\$5,544,424)	\$ -	\$ -	\$ -	\$ -
2	Other Revenue ⁽¹⁾	\$502,939	(\$502,939)	\$ -	\$ -	\$ -	\$ -
3	Total Operating Revenues	\$6,047,363	(\$6,047,363)	\$ -	\$ -	\$ -	\$ -
Operating Expenses:							
4	OM+A Expenses	\$2,974,186	\$ -	\$2,974,186	\$ -	\$2,974,186	\$2,974,186
5	Depreciation/Amortization	\$1,157,365	\$ -	\$1,157,365	\$ -	\$1,157,365	\$1,157,365
6	Property taxes	\$34,955	\$ -	\$34,955	\$ -	\$34,955	\$34,955
7	Capital taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8	Other expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
9	Subtotal (lines 4 to 8)	\$4,166,506	\$ -	\$4,166,506	\$ -	\$4,166,506	\$4,166,506
10	Deemed Interest Expense	\$665,901	(\$665,901)	\$ -	\$ -	\$ -	\$ -
11	Total Expenses (lines 9 to 10)	\$4,832,407	(\$665,901)	\$4,166,506	\$ -	\$4,166,506	\$4,166,506
12	Utility income before income taxes	\$1,214,956	(\$5,381,462)	(\$4,166,506)	\$ -	(\$4,166,506)	(\$4,166,506)
13	Income taxes (grossed-up)	\$109,828	\$ -	\$109,828	\$ -	\$109,828	\$109,828
14	Utility net income	\$1,105,128	(\$5,381,462)	(\$4,276,333)	\$ -	(\$4,276,333)	(\$4,276,333)

Notes

Other Revenues / Revenue Offsets

(1)	Specific Service Charges	\$87,551	\$ -	\$ -	\$ -	\$ -
	Late Payment Charges	\$54,284	\$ -	\$ -	\$ -	\$ -
	Other Distribution Revenue	\$310,170	\$ -	\$ -	\$ -	\$ -
	Other Income and Deductions	\$50,934	\$ -	\$ -	\$ -	\$ -
	Total Revenue Offsets	\$502,939	\$ -	\$ -	\$ -	\$ -



Revenue Requirement Workform (RRWF) for 2019 Filers

Taxes/PILs

Line No.	Particulars	Application		Per Board Decision	
<u>Determination of Taxable Income</u>					
1	Utility net income before taxes	\$1,105,128	\$ -	\$ -	\$ -
2	Adjustments required to arrive at taxable utility income	(\$800,512)	\$ -	\$ -	\$ -
3	Taxable income	<u>\$304,617</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Calculation of Utility income Taxes</u>					
4	Income taxes	\$80,723	\$80,723	\$80,723	\$80,723
6	Total taxes	<u>\$80,723</u>	<u>\$80,723</u>	<u>\$80,723</u>	<u>\$80,723</u>
7	Gross-up of Income Taxes	\$29,104	\$29,104	\$29,104	\$29,104
8	Grossed-up Income Taxes	<u>\$109,828</u>	<u>\$109,828</u>	<u>\$109,828</u>	<u>\$109,828</u>
9	PILs / tax Allowance (Grossed-up Income taxes + Capital taxes)	<u>\$109,828</u>	<u>\$109,828</u>	<u>\$109,828</u>	<u>\$109,828</u>
10	Other tax Credits	\$ -	\$ -	\$ -	\$ -
<u>Tax Rates</u>					
11	Federal tax (%)	15.00%	15.00%	15.00%	15.00%
12	Provincial tax (%)	11.50%	11.50%	11.50%	11.50%
13	Total tax rate (%)	<u>26.50%</u>	<u>26.50%</u>	<u>26.50%</u>	<u>26.50%</u>

Notes



Revenue Requirement Workform (RRWF) for 2019 Filers

Capitalization/Cost of Capital

Line No.	Particulars	Capitalization Ratio		Cost Rate	Return
		(%)	(\$)	(%)	(\$)
Initial Application					
	Debt				
1	Long-term Debt	56.00%	\$17,190,886	3.71%	\$637,782
2	Short-term Debt	4.00%	\$1,227,920	2.29%	\$28,119
3	Total Debt	60.00%	\$18,418,806	3.62%	\$665,901
	Equity				
4	Common Equity	40.00%	\$12,279,204	9.00%	\$1,105,128
5	Preferred Shares	0.00%	\$ -	0.00%	\$ -
6	Total Equity	40.00%	\$12,279,204	9.00%	\$1,105,128
7	Total	100.00%	\$30,698,011	5.77%	\$1,771,030
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%	\$28,525,650	0.00%	\$ -
	Debt				
8	Long-term Debt	0.00%	\$ -	3.71%	\$ -
9	Short-term Debt	0.00%	\$ -	2.29%	\$ -
10	Total Debt	0.00%	\$ -	0.00%	\$ -
	Equity				
11	Common Equity	0.00%	\$ -	9.00%	\$ -
12	Preferred Shares	0.00%	\$ -	0.00%	\$ -
13	Total Equity	0.00%	\$ -	0.00%	\$ -
14	Total	0.00%	\$28,525,650	0.00%	\$ -

Notes



Revenue Requirement Workform (RRWF) for 2019 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		\$50,401		(\$1,616,137)		\$5,668,715
2	Distribution Revenue	\$5,494,023	\$5,494,023	\$5,494,023	\$7,160,561	\$ -	(\$5,668,715)
3	Other Operating Revenue	\$502,939	\$502,939	\$ -	\$ -	\$ -	\$ -
	Offsets - net						
4	Total Revenue	\$5,996,962	\$6,047,363	\$5,494,023	\$5,544,424	\$ -	\$ -
5	Operating Expenses	\$4,166,506	\$4,166,506	\$4,166,506	\$4,166,506	\$4,166,506	\$4,166,506
6	Deemed Interest Expense	\$665,901	\$665,901	\$ -	\$ -	\$ -	\$ -
8	Total Cost and Expenses	\$4,832,407	\$4,832,407	\$4,166,506	\$4,166,506	\$4,166,506	\$4,166,506
9	Utility Income Before Income Taxes	\$1,164,555	\$1,214,956	\$1,327,517	\$1,377,918	(\$4,166,506)	(\$4,166,506)
10	Tax Adjustments to Accounting Income per 2013 PILs model	(\$800,512)	(\$800,512)	(\$800,512)	(\$800,512)	\$ -	\$ -
11	Taxable Income	\$364,043	\$414,445	\$527,005	\$577,407	(\$4,166,506)	(\$4,166,506)
12	Income Tax Rate	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%
13	Income Tax on Taxable Income	\$96,471	\$109,828	\$139,656	\$153,013	\$ -	\$ -
14	Income Tax Credits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
15	Utility Net Income	\$1,068,083	\$1,105,128	\$1,187,861	(\$4,276,333)	(\$4,166,506)	(\$4,276,333)
16	Utility Rate Base	\$30,698,011	\$30,698,011	\$28,525,650	\$28,525,650	\$28,525,650	\$28,525,650
17	Deemed Equity Portion of Rate Base	\$12,279,204	\$12,279,204	\$ -	\$ -	\$ -	\$ -
18	Income/(Equity Portion of Rate Base)	8.70%	9.00%	0.00%	0.00%	0.00%	0.00%
19	Target Return - Equity on Rate Base	9.00%	9.00%	0.00%	0.00%	0.00%	0.00%
20	Deficiency/Sufficiency in Return on Equity	-0.30%	0.00%	0.00%	0.00%	0.00%	0.00%
21	Indicated Rate of Return	5.65%	5.77%	4.16%	0.00%	-14.61%	0.00%
22	Requested Rate of Return on Rate Base	5.77%	5.77%	0.00%	0.00%	0.00%	0.00%
23	Deficiency/Sufficiency in Rate of Return	-0.12%	0.00%	4.16%	0.00%	-14.61%	0.00%
24	Target Return on Equity	\$1,105,128	\$1,105,128	\$ -	\$ -	\$ -	\$ -
25	Revenue Deficiency/(Sufficiency)	\$37,045	\$ -	(\$1,187,861)	\$ -	\$4,166,506	\$ -
26	Gross Revenue Deficiency/(Sufficiency)	\$50,401 ⁽¹⁾	\$ -	(\$1,616,137) ⁽¹⁾	\$ -	\$5,668,715 ⁽¹⁾	\$ -

Notes:

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



Revenue Requirement Workform (RRWF) for 2019 Filers

Revenue Requirement

Line No.	Particulars	Application		Per Board Decision	
1	OM&A Expenses	\$2,974,186		\$2,974,186	
2	Amortization/Depreciation	\$1,157,365		\$1,157,365	
3	Property Taxes	\$34,955		\$34,955	
5	Income Taxes (Grossed up)	\$109,828		\$109,828	
6	Other Expenses	\$ -		\$ -	
7	Return				
	Deemed Interest Expense	\$665,901		\$ -	
	Return on Deemed Equity	\$1,105,128		\$ -	
8	Service Revenue Requirement (before Revenues)	<u>\$6,047,363</u>		<u>\$4,276,333</u>	
9	Revenue Offsets	\$502,939		\$ -	
10	Base Revenue Requirement (excluding Transformer Owership Allowance credit adjustment)	<u>\$5,544,424</u>		<u>\$4,276,333</u>	
11	Distribution revenue	\$5,544,424		\$ -	
12	Other revenue	\$502,939		\$ -	
13	Total revenue	<u>\$6,047,363</u>		<u>\$ -</u>	
14	Difference (Total Revenue Less Distribution Revenue Requirement before Revenues)	<u>\$ -</u>	⁽¹⁾	<u>(\$4,276,333)</u>	⁽¹⁾

Summary Table of Revenue Requirement and Revenue Deficiency/Sufficiency

	Application		Δ% ⁽²⁾	Per Board Decision	Δ% (2)
Service Revenue Requirement	\$6,047,363	\$4,276,333	(\$0)	\$4,276,333	(\$1)
Grossed-Up Revenue					
Deficiency/(Sufficiency)	\$50,401	(\$1,616,137)	(\$33)	\$5,668,715	(\$1)
Base Revenue Requirement (to be recovered from Distribution Rates)	\$5,544,424	\$4,276,333	(\$0)	\$4,276,333	(\$1)
Revenue Deficiency/(Sufficiency) Associated with Base Revenue Requirement	\$50,401	\$ -	(\$1)	\$ -	(\$1)

Notes

⁽¹⁾ Line 11 - Line 8

⁽²⁾ Percentage Change Relative to Initial Application



Revenue Requirement Workform (RRWF) for 2019 Filers

Load Forecast Summary

This spreadsheet provides a summary of the customer and load forecast on which the test year revenue requirement is derived. The amounts serve as the denominators for deriving the rates to recover the test year revenue requirement for purposes of this RRWF.

The information to be input is inclusive of any adjustments to kWh and kW to reflect the impacts of CDM programs up to and including CDM programs planned to be executed in the test year. i.e., the load forecast adjustments determined in **Appendix 2-I** should be incorporated into the entries. The inputs should correspond with the summary of the Load Forecast for the Test Year in **Appendix 2-IB** and in Exhibit 3 of the application.

Appendix 2-IB is still required to be filled out, as it also provides a year-over-year variance analysis of demand growth and trends from historical actuals to the Bridge and Test Year forecasts.

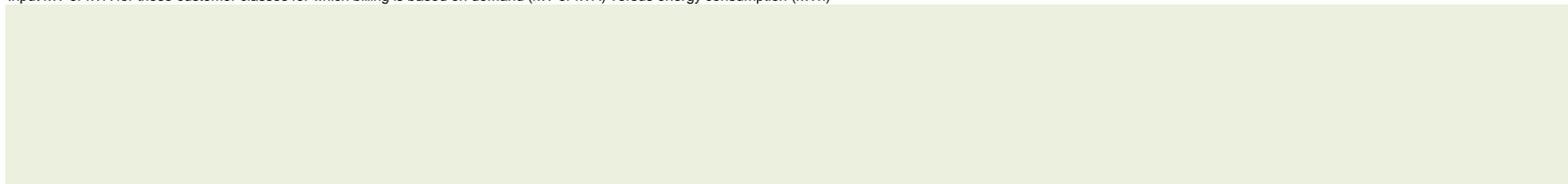
Stage in Process:

Initial Application

Customer Class		Initial Application			Customer / Connections			kWh			kW/kVA ⁽¹⁾		
Input the name of each customer class.		Customer / Connections	kWh	kW/kVA ⁽¹⁾	Customer / Connections	kWh	kW/kVA ⁽¹⁾	Customer / Connections	kWh	kW/kVA ⁽¹⁾	Customer / Connections	kWh	kW/kVA ⁽¹⁾
		Test Year average or mid-year	Annual	Annual	Test Year average or mid-year	Annual	Annual	Test Year average or mid-year	Annual	Annual	Test Year average or mid-year	Annual	Annual
1	Residential	8,152	73,998,981	-									
2	GS<50	1,338	41,877,513	-									
3	GS>50	131	82,705,771	212,896									
4	Unmetered	26	251,508	-									
5	Streetlights	2,187	886,616	2,475									
6	Large User	1	23,308,825	60,000									
7													
8													
9													
10													
11													
12													
13													
14													
15													
16													
17													
18													
19													
20													
Total			223,029,214	275,370									

Notes:

⁽¹⁾ Input kW or kVA for those customer classes for which billing is based on demand (kW or kVA) versus energy consumption (kWh)





Revenue Requirement Workform (RRWF) for 2019 Filers

Cost Allocation and Rate Design

This spreadsheet replaces **Appendix 2-P** and provides a summary of the results from the Cost Allocation spreadsheet, and is used in the determination of the class revenue requirement and, hence, ultimately, the determination of rates from customers in all classes to recover the revenue requirement.

Stage in Application Process: *Initial Application*

A) Allocated Costs

Name of Customer Class ⁽³⁾	Costs Allocated from Previous Study ⁽¹⁾	%	Allocated Class Revenue Requirement ⁽¹⁾	%
<i>From Sheet 10. Load Forecast</i>				
(7A)				
1 Residential	\$ 2,844,235	59.94%	\$ 3,610,412	59.70%
2 GS<50	\$ 869,164	18.32%	\$ 1,150,717	19.03%
3 GS>50	\$ 691,959	14.58%	\$ 905,520	14.97%
4 Unmetered	\$ 5,907	0.12%	\$ 8,044	0.13%
5 Streetlights	\$ 333,612	7.03%	\$ 186,682	3.09%
6 Large User	\$ -		\$ 185,989	3.08%
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				
Total	\$ 4,744,877	100.00%	\$ 6,047,363	100.00%
Service Revenue Requirement (from Sheet 9)			\$ 6,047,363.02	

- (1) Class Allocated Revenue Requirement, from Sheet O-1, Revenue to Cost || RR, row 40, from the Cost Allocation Study in this application. This excludes costs in deferral and variance accounts. For Embedded Distributors, Account 4750 - Low Voltage (LV) Costs are also excluded.
- (2) Host Distributors - Provide information on any embedded distributor(s) as a separate class, if applicable. If embedded distributors are billed in a General Service class, include the allocated costs and revenues of the embedded distributor(s) in the applicable class, and also complete Appendix 2-Q.
- (3) Customer Classes - If these differ from those in place in the previous cost allocation study, modify the customer classes to match the proposal in the current application as closely as possible.

B) Calculated Class Revenues

Name of Customer Class	Load Forecast (LF) X current approved rates ^(7B)	LF X current approved rates X "1+d" ^(7C)	LF X Proposed Rates ^(7D)	Miscellaneous Revenues ^(7E)
1 Residential	\$ 2,923,669	\$ 2,950,491	\$ 2,958,418	\$ 318,103
2 GS<50	\$ 1,177,017	\$ 1,187,815	\$ 1,187,793	\$ 90,078
3 GS>50	\$ 979,001	\$ 987,982	\$ 988,010	\$ 67,283
4 Unmetered	\$ 8,350	\$ 8,426	\$ 8,426	\$ 785
5 Streetlights	\$ 281,952	\$ 284,538	\$ 224,121	\$ 17,664
6 Large User	\$ 124,034	\$ 125,172	\$ 177,656	\$ 9,026
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				
Total	\$ 5,494,023	\$ 5,544,424	\$ 5,544,424	\$ 502,939

- (4) In columns 7B to 7D, LF means Load Forecast of Annual Billing Quantities (i.e., customers or connections, as applicable X 12 months, and kWh, kW or kVA as applicable. Revenue quantities should be net of the Transformer Ownership Allowance for applicable customer classes. Exclude revenues from rate adders and rate riders.
- (5) Columns 7C and 7D - Column Total should equal the Base Revenue Requirement for each.
- (6) Column 7C - The OEB-issued cost allocation model calculates "1+d" on worksheet O-1, cell C22. "d" is defined as Revenue Deficiency/Revenue at Current Rates.



Ontario Energy Board

Revenue Requirement Workform (RRWF) for 2019 Filers

Cost Allocation and Rate Design

(7) Column 7E - If using the OEB-issued cost allocation model, enter Miscellaneous Revenues as it appears on worksheet O-1, row 19,



Revenue Requirement Workform (RRWF) for 2019 Filers

Cost Allocation and Rate Design

C) Rebalancing Revenue-to-Cost Ratios

Name of Customer Class	Previously Approved Ratios	Status Quo Ratios	Proposed Ratios	Policy Range
	Most Recent Year:	(7C + 7E) / (7A)	(7D + 7E) / (7A)	
	2014	(7C + 7E) / (7A)	(7D + 7E) / (7A)	
	%	%	%	%
1 Residential	90.14%	90.53%	90.75%	85 - 115
2 GS<50	120.00%	111.05%	111.05%	80 - 120
3 GS>50	120.00%	116.54%	116.54%	80 - 120
4 Unmetered	90.14%	114.51%	114.51%	80 - 120
5 Streetlights	120.00%	161.88%	129.52%	80 - 120
6 Large User	0.00%	72.15%	100.37%	85 - 115
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				

- (8) Previously Approved Revenue-to-Cost (R/C) Ratios - For most applicants, the most recent year would be the third year (at the latest) of the Price Cap IR period. For example, if the applicant, rebased in 2012 with further adjustments to move within the range over two years, the Most Recent Year would be 2015. However, the ratios in 2015 would be equal to those after the adjustment in 2014.
- (9) Status Quo Ratios - The OEB-issued cost allocation model provides the Status Quo Ratios on Worksheet O-1. The Status Quo means "Before Rebalancing".
- (10) Ratios shown in red are outside of the allowed range. Applies to both Tables C and D.

(D) Proposed Revenue-to-Cost Ratios ⁽¹¹⁾

Name of Customer Class	Test Year	Proposed Revenue-to-Cost Ratio		Policy Range
		Price Cap IR Period		
		2020	2021	
	2019			
1 Residential	90.75%	91.27%	91.27%	85 - 115
2 GS<50	111.05%	111.05%	111.05%	80 - 120
3 GS>50	116.54%	116.54%	116.54%	80 - 120
4 Unmetered	114.51%	114.51%	114.51%	80 - 120
5 Streetlights	129.52%	120.00%	120.00%	80 - 120
6 Large User	100.37%	100.37%	100.37%	85 - 115
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				

(11) The applicant should complete Table D if it is applying for approval of a revenue-to-cost ratio in 2019 that is outside of the OEB's policy range for any customer class. Table D will show that the distributor is likely to enter into the 2020 and 2021 Price Cap IR models, as necessary. For 2020 and 2021, enter the planned revenue-to-cost ratios that will be "Change" or "No Change" in 2018 (in the current Revenue/Cost Ratio Adjustment Workform, Worksheet C1.1 'Decision - Cost Revenue Adjustment, column d), and enter TBD for class(es) that will be entered as 'Rebalance'.



Revenue Requirement Workform (RRWF) for 2019 Filers

New Rate Design Policy For Residential Customers

Please complete the following tables.

A Data Inputs (from Sheet 10. Load Forecast)

Test Year Billing Determinants for Residential Class	
Customers	8,152
kWh	73,998,981

Proposed Residential Class Specific Revenue Requirement ¹	\$ 2,958,417.69
--	-----------------

Residential Base Rates on Current Tariff	
Monthly Fixed Charge (\$)	\$ 26.86
Distribution Volumetric Rate (\$/kWh)	\$ 0.0033

B Current Fixed/Variable Split

	Base Rates	Billing Determinants	Revenue	% of Total Revenue
Fixed	26.86	8,152	\$ 2,627,673.51	91.50%
Variable	0.0033	73,998,981	\$ 244,196.64	8.50%
TOTAL	-	-	\$ 2,871,870.15	-

C Calculating Test Year Base Rates

Number of Remaining Rate Design Policy Transition Years ²	1
--	---

	Test Year Revenue @ Current F/V Split	Test Year Base Rates @ Current F/V Split	Reconciliation - Test Year Base Rates @ Current F/V Split
Fixed	\$ 2,706,861.87	27.67	\$ 2,706,914.60
Variable	\$ 251,555.82	0.0034	\$ 251,596.53
TOTAL	\$ 2,958,417.69	-	\$ 2,958,511.13

	New F/V Split	Revenue @ new F/V Split	Final Adjusted Base Rates	Revenue Reconciliation @ Adjusted Rates
Fixed	100.00%	\$ 2,958,417.69	\$ 30.24	\$ 2,958,333.84
Variable	0.00%	\$ -	\$ -	\$ -
TOTAL	-	\$ 2,958,417.69	-	\$ 2,958,333.84

Checks ³	
Change in Fixed Rate	\$ 2.57
Difference Between Revenues @ Proposed Rates and Class Specific Revenue Requirement	(\$83.85)
	0.00%

Notes:

- ¹ The final residential class specific revenue requirement, excluding allocated Miscellaneous Revenues, as shown on Sheet 11. Cost Allocation, should be used (i.e. the revenue requirement after any proposed adjustments to R/C ratios).
- ² The distributor should enter the number of years remaining before the transition to fully fixed rates is completed. A distributor transitioning to fully fixed rates over a four year period and began the transition in 2016 would input the number "3" into cell D40. A distributor transitioning over a five-year period would input the number "4". Where the change in the residential rate design will result in the fixed charge increasing by more than \$4/year, a distributor may propose an additional transition year.
- ³ Change in fixed rate due to rate design policy should be less than \$4. The difference between the proposed class revenue requirement and the revenue at calculated base rates should be minimal (i.e. should be reasonably considered as a rounding error)

Revenue Requirement Workform (RRWF) for 2019 Filers

Rate Design and Revenue Reconciliation

This sheet replaces Appendix 2-V, and provides a simplified model for calculating the standard monthly and volumetric rates based on the allocated class revenues and fixed/variable split resulting from the cost allocation study and rate design and as proposed by the applicant. However, the RRWF does not replace the rate generator model that an applicant distributor may use in support of its application. The RRWF provides a demonstrative check on the derivation of the revenue requirement and on the proposed base distribution rates to recover the revenue requirement, based on summary information from a more detailed rate generator model and other models that applicants use for cost allocation, load forecasting, taxes/PILs, etc.

Stage in Process:		Initial Application		Class Allocated Revenues			Fixed / Variable Splits ²			Transformer Ownership Allowance ¹ (\$)		Distribution Rates		Revenue Reconciliation				
Customer and Load Forecast					From Sheet 11, Cost Allocation and Sheet 12, Residential Rate Design			Percentage to be entered as a fraction between 0 and 1				Monthly Service Charge		Volumetric Rate		Revenues less Transformer Ownership Allowance		
Customer Class	Volumetric Charge Determinant	Customers / Connections	kWh	kW or kVA	Total Class Revenue Requirement	Monthly Service Charge	Volumetric	Fixed	Variable	Rate	No. of decimals	Rate	No. of decimals	MSC Revenues	Volumetric revenues	Revenues less Transformer Ownership Allowance		
From sheet 10, Load Forecast																		
1 Residential	kWh	8,152	73,998,981	-	\$ 2,958,418	\$ 2,958,418	\$ -	100.00%	0.00%	\$30.24	2	\$0.0000 /kWh	4	\$ 2,958,333.84	\$ -	\$ 2,958,333.84		
2 GS<50	kWh	1,338	41,877,513	-	\$ 1,187,793	\$ 632,609	\$ 555,184	53.26%	46.74%	\$39.41		\$0.0133 /kWh		\$ 632,609.32	\$ 556,970.9276	\$ 1,189,580.25		
3 GS>50	kW	131	82,705,771	212,896	\$ 988,010	\$ 442,754	\$ 545,256	44.81%	55.19%	\$281.65		\$2.6132 /kW		\$ 442,753.80	\$ 556,338.7729	\$ 999,092.59		
4 Unmetered	kWh	26	251,508	-	\$ 8,426	\$ 6,287	\$ 2,140	74.61%	25.39%	\$20.15		\$0.0085 /kWh		\$ 6,286.80	\$ 2,137,8180	\$ 8,424.62		
5 Streetlights	kW	2,187	886,616	2,475	\$ 224,121	\$ 180,168	\$ 43,954	80.39%	19.61%	\$6.87		\$17.7609 /kW		\$ 180,277.01	\$ 43,953.6441	\$ 224,230.65		
6 Large User	kW	1	23,308,825	60,000	\$ 177,656	\$ 54,466	\$ 123,190	30.66%	69.34%	\$4,538.81		\$2.6132 /kW		\$ 54,465.72	\$ 156,792.0000	\$ 177,657.72		
7														\$ -	\$ -	\$ -		
8														\$ -	\$ -	\$ -		
9														\$ -	\$ -	\$ -		
10														\$ -	\$ -	\$ -		
11														\$ -	\$ -	\$ -		
12														\$ -	\$ -	\$ -		
13														\$ -	\$ -	\$ -		
14														\$ -	\$ -	\$ -		
15														\$ -	\$ -	\$ -		
16														\$ -	\$ -	\$ -		
17														\$ -	\$ -	\$ -		
18														\$ -	\$ -	\$ -		
19														\$ -	\$ -	\$ -		
20														\$ -	\$ -	\$ -		
Total Transformer Ownership Allowance										\$ 44,686				Total Distribution Revenues			\$ 5,546,233.53	
												Rates recover revenue requirement		Base Revenue Requirement			\$ 5,544,424.03	
														Difference			\$ 1,809.50	
														% Difference			0.033%	

Notes:

¹ Transformer Ownership Allowance is entered as a positive amount, and only for those classes to which it applies.

² The Fixed/Variable split, for each customer class, drives the "rate generator" portion of this sheet of the RRWF. Only the "fixed" fraction is entered, as the sum of the "fixed" and "variable" portions must sum to 100%. For a distributor that may set the Monthly Service Charge, the "fixed" ratio is calculated as: [MSC x (average number of customers or connections) x 12 months] / (Class Allocated Revenue Requirement).

