



EXHIBIT 6 – CALCULATION OF REVENUE DEFICIENCY OR SUFFICIENCY

2019 Cost of Service

Lakeland Power Distribution Ltd.
EB-2018-0050

TABLE OF CONTENT

1	Table of Content	1
2	6.1 Overview	3
3	6.1.1 Overview of Revenue Requirement.....	3
4	6.2 Calculation of Revenue Requirement	4
5	6.2.1 Determination of Net Utility Income	4
6	6.2.2 Proposed Revenue Requirement.....	10
7	6.2.3 Statement of Rate Base.....	11
8	6.2.4 Actual Utility Return on Rate Base.....	11
9	6.2.5 Requested and Indicated Rate of Return.....	12
10	6.2.6 Utility Income at Proposed Revenue Requirement	12
11	6.2.7 Calculation of Revenue Deficiency or Surplus.....	13
12	6.3 Cost Drivers	15
13	6.3.1 Cost Drivers of Revenue Sufficiency.....	15
14	6.3.2 Impact of implementation of MIFRS on Revenue	
15	Deficiency or Surplus.....	18
16	Appendices	19

Table of Figures

1	Table 1: Distribution Revenues at Current Blended Rates – 2018 Volumes	5
2	Table 2: Distribution Revenues at Current Blended Rates – 2019 Volumes	8
3	Table 3: Distribution Revenues at Proposed Rates – 2019 Volumes	9
4	Table 4: Test Year Revenue Requirement	10
5	Table 5: Statement of 2019 Rate Base	11
6	Table 6: Return on Rate Base	11
7	Table 7: Utility Income under proposed Revenue Requirement	12
8	Table 8: Revenue Sufficiency Calculation	14
9	Table 9 : Revenue Sufficiency by Revenue Requirement Component	16
10	Table 10 : Variance Analysis of Revenue Requirement and Rate Base	17

6.1 OVERVIEW

6.1.1 OVERVIEW OF REVENUE REQUIREMENT

LPDL has included the following information in this Exhibit, excluding energy costs and energy sales.

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

These items are presented in Table 8: Revenue Sufficiency Calculation. The information supports LPDL's request in this application for a decrease in its Revenue Requirement to support the proposed operating and capital expenditures for 2019, and to service debt, pay PILs, and provide the allowed Return on Equity ("ROE").

LPDL's proposed revenue requirement for 2019 Test Year results in a sufficiency of \$344,499. This sufficiency is calculated as the difference between 2019 Test Year total revenues of \$7,658,777 and the revenue of \$8,003,275 based on the 2018 approved blended rates. The Test Year base revenue requirement reflects a marginal decrease of \$8,411 or (0.11)% relative to the 2013 Board Approved Proxy Base Revenue Requirement of \$7,667,189.

LPDL has completed the Revenue Requirement Work Form ("RRWF") as provided by the Board. The RRWF has been filed in live Excel format, and is also included as a pdf version in Appendix A to this Exhibit.

The Revenue Sufficiency calculation does not include the following:

- Recovery of Deferral and Variance Accounts; nor

- Other electricity charges which include Energy Commodity, Transmission Charges, and Wholesale Market Service Charges.

These items are treated either as recoveries/dispositions of regulatory assets and liabilities or as energy related costs recorded in the OEB's prescribed Retail Settlement Variance Accounts.

6.2 CALCULATION OF REVENUE REQUIREMENT

6.2.1 DETERMINATION OF NET UTILITY INCOME

LPDL's current rates are based on Board approved rates effective May 1, 2018, through an IRM proceeding EB-2017-0058. Through the same IRM, the former PSP also has a set of rates which were effective January 1, 2018. The determination of 2018 Bridge Year revenue at approved blended rates as well as 2019 Test Year revenue using load forecast at current blended rates, used a blend of the two tariffs on the proportional ratio of 2017 actual RRR data applied to both 2018 Bridge Year and 2019 Test Year load forecast. Existing revenues based on existing Board Approved LPDL and former PSP rates, which are used in calculating utility income, are comprised of distribution revenue and exclude pass-thru charges such as LV Charges and Transmission Charges.

Details on existing and projected distribution revenue at existing rates are presented in Exhibit 3 and replicated below. Other revenues are presented in section 3.4 of Exhibit 3.

Table 1 shows current LPDL rates at current LPDL volumes to determine part of 2018 Bridge Year revenue, followed by current PSP rates at current PSP volumes, then an add of the two together to result in 2018 Bridge Year revenue – forecast volume at blended/weighted rates. These blended rates were then applied to 2019 Test Year forecast to develop the date in Table 2. Table 3 then calculates 2019 Proposed Rates applied to 2019 Test Year load forecast.

Table 1: Distribution Revenues at Current Blended Rates – 2018 Volumes

LPDL Rates Only								
2018 Rates at 2018 Load								
Bridge Year Projected Revenues @ LPDL current rates on LPDL volume								
Bridge Year Projected Revenue from Existing Variable Charges								
Customer Class Name	Variable Distribution Rate	per	Bridge Year Volume	Gross Variable Revenue	Transform. Allowance Rate	Transform. Allowance kW's	Transform. Allowance \$'s	Net Variable Revenue
Residential	\$0.0038	kWh	75,597,473	\$287,270			\$0	\$287,270
General Service < 50 kW	\$0.0093	kWh	41,002,198	\$381,320			\$0	\$381,320
General Service 50 to 4,999 kW	\$2.8961	kW	208,338	\$603,368	-0.60	129,265	-\$77,559	\$525,809
Unmetered Scattered Load	\$0.0060	kWh	109,956	\$660			\$0	\$660
Sentinel Lighting	\$22.6765	kW	100	\$2,275			\$0	\$2,275
Street Lighting	\$16.5322	kW	2,178	\$36,009			\$0	\$36,009
Total Variable Revenue			116,920,244	\$1,310,902		129265	-\$77,559	\$1,233,343

2018 Rates at 2018 Load								
Lakeland								
Bridge 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	\$30.51	8,272	\$3,028,465	\$287,270	\$3,315,736	91.34%	8.66%	41.43%
General Service < 50 kW	\$45.73	1,599	\$877,455	\$381,320	\$1,258,775	69.71%	30.29%	15.73%
General Service 50 to 4,999 kW	\$322.06	94	\$361,827	\$525,809	\$887,636	40.76%	59.24%	11.09%
Unmetered Scattered Load	\$13.08	34	\$5,337	\$660	\$5,996	89.00%	11.00%	0.07%
Sentinel Lighting	\$6.55	38	\$3,007	\$2,275	\$5,282	56.93%	43.07%	0.07%
Street Lighting	\$5.39	1,786	\$115,494	\$36,009	\$151,503	76.23%	23.77%	1.89%
Total Fixed Revenue		11,822	\$4,391,586	\$1,233,343	\$5,624,929			

PSP Rates Only								
2018 Rates at 2018 Bridge Year Projected Revenues @ PSP current rates on PSP volume								
Bridge Year Projected Revenue from Existing Variable Charges								
Customer Class Na	Variable Distribution Rate	per	Bridge Year Volume	Gross Variable Revenue	Transform. Allowance Rate	Transform. Allowance kW's	Transform. Allowance \$'s	Net Variable Revenue
Residential	\$0.0076	kWh	28,682,875	\$217,990			\$0	\$217,990
General Service < 50	\$0.0144	kWh	17,277,069	\$248,790			\$0	\$248,790
General Service 50 to	\$4.0690	kW	71,804	\$292,169			\$0	\$292,169
Unmetered Scattered	\$0.1421	kWh	56,112	\$7,974			\$0	\$7,974
Sentinel Lighting	\$17.6167	kW	19	\$338			\$0	\$338
Street Lighting	\$29.0019	kW	1,005	\$29,139			\$0	\$29,139
Total Variable Revenue			46,088,884	\$796,399		0	\$0	\$796,399

2018 Rates at 2018 PSP								
Bridge Year Projected Revenue from Existing Fixed Charges								
Customer Class Na	Fixed Rate	Customers (Connections)	Fixed Charge Revenue	Variable Revenue	TOTAL	% Fixed Revenue	% Variable Revenue	% Total Revenue
Residential	\$34.69	2,936	\$1,222,288	\$217,990	\$1,440,278	84.86%	15.14%	18.00%
General Service < 50	\$35.16	549	\$231,644	\$248,790	\$480,433	48.22%	51.78%	6.00%
General Service 50 to	\$202.64	42	\$103,047	\$292,169	\$395,215	26.07%	73.93%	4.94%
Unmetered Scattered	\$24.35	17	\$4,967	\$7,974	\$12,941	38.39%	61.61%	0.16%
Sentinel Lighting	\$4.55	6	\$313	\$338	\$651	48.13%	51.87%	0.01%
Street Lighting	\$2.90	1,063	\$37,005	\$29,139	\$66,145	55.95%	44.05%	0.83%
Total Fixed Revenue		4,614	\$1,599,265	\$796,399	\$2,395,663			

Blended Rates								
2018 Rates at 2018 Load		Bridge Year Projected Revenues @ current rates						
Bridge Year Projected Revenue from Existing Variable Charges								
Customer Class Name	Variable Distribution Rate	per	Bridge Year Volume	Gross Variable Revenue	Transform. Allowance Rate	Transform. Allowance kW's	Transform. Allowance \$'s	Net Variable Revenue
Residential	\$0.0048	kWh	104,280,349	\$505,260			\$0	\$505,260
General Service < 50 kW	\$0.0108	kWh	58,279,267	\$630,110			\$0	\$630,110
General Service 50 to 4,999 kW	\$3.1967	kW	280,141	\$895,536	-0.60	129,265	-\$77,559	\$817,977
Unmetered Scattered Load	\$0.0520	kWh	166,068	\$8,633			\$0	\$8,633
Sentinel Lighting	\$21.9542	kW	119	\$2,613			\$0	\$2,613
Street Lighting	\$20.4675	kW	3,183	\$65,148			\$0	\$65,148
Total Variable Revenue			163,009,127	\$2,107,300		129265	-\$77,559	\$2,029,741

2018 Rates at 2018 Load								
Bridge 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	\$31.61	11,208	\$4,250,754	\$505,260	\$4,756,014	89.38%	10.62%	59.43%
General Service < 50 kW	\$43.03	2,148	\$1,109,098	\$630,110	\$1,739,209	63.77%	36.23%	21.73%
General Service 50 to 4,999 kW	\$284.85	136	\$464,874	\$817,977	\$1,282,851	36.24%	63.76%	16.03%
Unmetered Scattered Load	\$16.84	51	\$10,304	\$8,633	\$18,937	54.41%	45.59%	0.24%
Sentinel Lighting	\$6.29	44	\$3,321	\$2,613	\$5,933	55.97%	44.03%	0.07%
Street Lighting	\$4.46	2,849	\$152,500	\$65,148	\$217,648	70.07%	29.93%	2.72%
Total Fixed Revenue		16,436	\$5,990,851	\$2,029,741	\$8,020,592			

Table 2: Distribution Revenues at Current Blended Rates – 2019 Volumes

2018 Rates at 2019 Load		Test Year Projected Revenues @ current weighted rates						
		Test Year Projected Revenue from Existing Variable Charges						
Customer Class Name	Variable Distribution Rate	per	Test Year Volume	Gross Variable Revenue	Transform. Allowance Rate	Transform. Allowance kW's	Transform. Allowance \$'s	Net Variable Revenue
Residential	\$0.0048	kWh	103,566,100	\$501,800			\$0	\$501,800
General Service < 50 kW	\$0.0108	kWh	58,157,023	\$628,789			\$0	\$628,789
General Service 50 to 4,999 kW	\$3.1967	kW	276,220	\$883,002	-0.60	129265	-\$77,559	\$805,443
Unmetered Scattered Load	\$0.0520	kWh	166,068	\$8,633			\$0	\$8,633
Sentinel Lighting	\$21.9542	kW	119	\$2,613			\$0	\$2,613
Street Lighting	\$20.4675	kW	3,183	\$65,148			\$0	\$65,148
Total Variable Revenue			162,168,713	\$2,089,984		129265	-\$77,559	\$2,012,425

2018 Rates at 2019 Load		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	\$31.61	11,208	\$4,250,754	\$501,800	\$4,752,553	89.44%	10.56%	59.38%
General Service < 50 kW	\$43.03	2,148	\$1,109,098	\$628,789	\$1,737,887	63.82%	36.18%	21.71%
General Service 50 to 4,999 kW	\$284.85	136	\$464,874	\$805,443	\$1,270,317	36.60%	63.40%	15.87%
Unmetered Scattered Load	\$16.84	51	\$10,304	\$8,633	\$18,937	54.41%	45.59%	0.24%
Sentinel Lighting	\$6.29	44	\$3,321	\$2,613	\$5,933	55.97%	44.03%	0.07%
Street Lighting	\$4.46	2,849	\$152,500	\$65,148	\$217,648	70.07%	29.93%	2.72%
Total Fixed Revenue		16,436	\$5,990,851	\$2,012,425	\$8,003,275			

Table 3: Distribution Revenues at Proposed Rates – 2019 Volumes**2019 Rates at 2019 Load****Test Year Projected Revenues @ proposed rates**

Test Year Projected Revenue from Proposed Variable Charges								
Customer Class Name	Variable Distribution Rate	per	Test Year Volume	Gross Variable Revenue	Transform. Allowance Rate	Transform. Allowance kW's	Transform. Allowance \$'s	Net Variable Revenue
Residential	\$0.0000	kWh	103,566,100	\$2			\$0	\$2
General Service < 50 kW	\$0.0092	kWh	58,157,023	\$537,341			\$0	\$537,341
General Service 50 to 4999 kW	\$2.6632	kW	276,220	\$735,635	-0.60	129265	-\$77,559	\$658,076
Unmetered Scattered Load	\$0.0000	kWh	166,068	\$0			\$0	\$0
Sentinel Lighting	\$19.3714	kW	119	\$2,305			\$0	\$2,305
Street Lighting	\$31.9529	kW	3,183	\$101,706			\$0	\$101,706
Total Variable Revenue			162,168,713	\$1,376,990		129265	-\$77,559	\$1,299,431

2019 Rates at 2019 Load

Test Year Projected Revenue from Proposed Fixed Charges								
Customer Class Name	Fixed Rate	Customers (Connections)	Fixed Charge Revenue	Variable Revenue	TOTAL	% Fixed Revenue	% Variable Revenue	% Total Revenue
Residential	\$33.54	11,208	\$4,511,332	\$2	\$4,511,334	100.00%	0.00%	56.37%
General Service < 50 kW	\$43.67	2,148	\$1,125,739	\$537,341	\$1,663,080	67.69%	32.31%	20.78%
General Service 50 to 4,999 kW	\$289.11	136	\$471,823	\$658,076	\$1,129,899	41.76%	58.24%	14.12%
Unmetered Scattered Load	\$14.71	51	\$9,004	\$0	\$9,004	100.00%		0.11%
Sentinel Lighting	\$6.39	44	\$3,373	\$2,305	\$5,678	59.40%	40.60%	0.07%
Street Lighting	\$6.96	2,849	\$238,075	\$101,706	\$339,782	70.07%	29.93%	4.25%
Total Fixed Revenue		16,436	\$6,359,346	\$1,299,431	\$7,658,777			

6.2.2 PROPOSED REVENUE REQUIREMENT

LPDL's Revenue Requirement consists of the following:

- Operation & Maintenance Expenses,
- Administration & General and Billing & Collecting Expenses,
- Depreciation Expense,
- Property Taxes,
- PILs,
- Deemed Interest & Return on Equity.

The proposed Base Revenue Requirement of \$7,658,777, which represents the revenue to be recovered from base distribution rates, is equal to the total Service Revenue Requirement of \$8,340,991 less Revenue Offsets of \$682,214 derived from other revenue sources.

Table 4 below presents LPDL's proposed 2019 Test Year Revenue Requirement.

Table 4: Test Year Revenue Requirement

Particular	2019
OM&A Expenses	\$5,071,718
Depreciation Expense	\$1,337,805
Property Taxes	\$56,828
Total Distribution Expenses	\$6,466,351
Regulated Return On Capital	\$1,633,260
Grossed up PILs	\$241,378
Service Revenue Requirement	\$8,340,991
Less: Revenue Offsets	-\$682,214
Base Revenue Requirement	\$7,658,777

6.2.3 STATEMENT OF RATE BASE

Table 5: Statement of 2019 Rate Base

Particulars	Capitalization Ratio		Cost Rate	Return
	(%)	(\$)	(%)	(\$)
Debt				
Long-term Debt	56.00%	\$16,834,013	3.11%	\$523,538
Short-term Debt	4.00%	\$1,202,429	2.29%	\$27,536
Total Debt	60.0%	\$18,036,442	3.06%	\$551,073
Equity				
Common Equity	40.00%	\$12,024,295	9.00%	\$1,082,187
Preferred Shares		\$ -		\$ -
Total Equity	40.0%	\$12,024,295	9.00%	\$1,082,187
Total	100.0%	\$30,060,737	5.43%	\$1,633,260

The details for the calculation of cost rates presented above can be found in Exhibit 5.

6.2.4 ACTUAL UTILITY RETURN ON RATE BASE

Table 6: Return on Rate Base

Return	
Deemed Interest Expense	\$551,073
Return on Deemed Equity	\$1,082,187
Total	\$1,633,260

6.2.5 REQUESTED AND INDICATED RATE OF RETURN

The requested rate of return is 9.0% as per the OEB prescribed Cost of Capital Parameters.
Details of the calculation can be found at 6.2.3 of this exhibit and Exhibit 5.

6.2.6 UTILITY INCOME AT PROPOSED REVENUE REQUIREMENT

Table 7: Utility Income under proposed Revenue Requirement

Particulars	2019
<u>Operating Revenues:</u>	
Distribution Revenue (at Proposed Rates)	\$7,658,777
Other Revenue ⁽¹⁾	\$682,214
Total Operating Revenues	\$8,340,991
<u>Operating Expenses:</u>	
OM+A Expenses	\$5,071,718
Depreciation/Amortization	\$1,337,805
Property taxes	\$56,828
Capital taxes	\$ -
Other expense	\$ -
Subtotal (lines 4 to 8)	\$6,466,351
Deemed Interest Expense	\$551,073
Total Expenses (lines 9 to 10)	\$7,017,424
Utility income before income taxes	<u>\$1,323,567</u>
Income taxes (grossed-up)	<u>\$241,379</u>
Utility net income	<u><u>\$1,082,184</u></u>

6.2.7 CALCULATION OF REVENUE DEFICIENCY OR SUFFICIENCY

LPDL's net revenue sufficiency under the proposed rates is \$344,504 (as shown in Table 8 below). This sufficiency is calculated as the difference between the 2019 Test Year Revenue Requirement and the Forecast Test Year Revenue at LPDL's 2018 approved blended distribution rates.

1

Table 8: Revenue Sufficiency Calculation

Particulars	At Current Approved Rates	At Proposed Rates
Revenue Deficiency from Below Distribution Revenue	\$8,003,275	(\$344,504)
Other Operating Revenue	\$682,214	\$682,214
Offsets - net		
Total Revenue	\$8,685,489	\$8,340,986
Operating Expenses	\$6,466,351	\$6,466,351
Deemed Interest Expense	\$551,072	\$551,072
Total Cost and Expenses	\$7,017,423	\$7,017,423
Utility Income Before Income Taxes	\$1,668,066	\$1,323,563
Tax Adjustments to Accounting Income per 2013 PILs model	(\$412,701)	(\$412,701)
Taxable Income	\$1,255,365	\$910,862
Income Tax Rate	26.50%	26.50%
Income Tax on Taxable Income	\$332,672	\$241,379
Income Tax Credits	\$ -	\$ -
Utility Net Income	\$1,335,394	\$1,082,185
Utility Rate Base	\$30,060,667	\$30,060,667
Deemed Equity Portion of Rate Base	\$12,024,267	\$12,024,267
Income/(Equity Portion of Rate Base)	11.11%	9.00%
Target Return - Equity on Rate Base	9.00%	9.00%
Deficiency/Sufficiency in Return on Equity	2.11%	0.00%
Indicated Rate of Return	6.28%	5.43%
Requested Rate of Return on Rate Base	5.43%	5.43%
Deficiency/Sufficiency in Rate of Return	0.84%	0.00%
Target Return on Equity	\$1,082,184	\$1,082,184
Revenue Deficiency/(Sufficiency)	(\$253,210)	\$1
Gross Revenue	(\$344,504) ⁽¹⁾	
Deficiency/(Sufficiency)		

2

6.3 COST DRIVERS

6.3.1 COST DRIVERS OF REVENUE SUFFICIENCY

Table 9, below outlines the contributors to the revenue sufficiency by revenue requirement component. The first column is the 2013 Board Approved Proxy amounts (Refer to Exhibit 5 for the computation of the 2013 Board Approved Proxy). The second column is the 2019 Test Year revenue at existing blended rates allocated in the same proportion as the 2013 Board Approved Proxy in order to represent the breakout in current rates. The third column lists the 2019 Test Year proposed components. The difference between the 2019 existing rates column and the 2019 proposed column gives rise to the revenue sufficiency by component.

The revenue sufficiency of \$344,504 for the 2019 Test Year is primarily due to the effect of;

- (i) A reduced interest rate, \$244,730. Reduction to the long term debt rate (4.93% down to 3.11%) as LPDL has endeavoured to find debt instruments with favourable interest rates to reduce pressure from increasing costs in a service territory that has little to no growth.
- (ii) Slightly decreased OM&A costs, \$42,727, and
- (iii) Reduction in depreciation expense of \$200,782 is due to the level of relative capital spending as well as an increase in contributed capital all of which are contributors to the calculated sufficiency.

Property Taxes have increased significantly from 2013 Board Approved Proxy to 2019 Test Year Proposed the reason being that there was a misclassification in PSP's 2011 COS that included Property Taxes in a general G&A account. 2013 Board Approved Proxy compared to 2019 Test Year variances in OM&A expenses are explained in detail at Exhibit 4.

The return on rate base has increased as a result of an increase in total Rate Base of \$4,143,400 over 2013 Board Approved Proxy. This includes a reduction in the working capital allowance ("WCA") of \$1,861,938. The WCA has decreased due to the reduction in the WCA percentage from 13.59% (weighted average of former entities) to 7.5% based on the Board Approved WCA.

- 1 Included in the working capital is the Cost of Power, which has dropped significantly due to the
2 implementation of the Fair Hydro Plan which reduced commodity prices (Exhibit 2, Table 23).
3 PILs has increased as a result of a higher Regulatory Taxable income through decreased CCA.

Table 9 : Revenue Sufficiency by Revenue Requirement Component

Particular	2013 Board Approved Proxy	2019 Revenue at Existing Rates Allocated in Proportion	2019 Proposed	Revenue Sufficiency
OM&A	\$4,745,006	\$5,114,445	\$5,071,718	-\$42,727
Depreciation Expense	\$1,427,448	\$1,538,587	\$1,337,805	-\$200,782
Property Tax	\$10,702	\$11,535	\$56,828	\$45,293
Return on Rate Base	\$941,092	\$1,014,364	\$1,082,184	\$67,820
PILs	\$195,532	\$210,756	\$241,378	\$30,623
Deemed Interest	\$738,318	\$795,802	\$551,072	-\$244,730
Service Revenue Requirement	\$8,058,099	\$8,685,489	\$8,340,985	-\$344,504
Rate base	\$25,917,267		\$30,060,667	\$4,143,400

- 6
7
8 Table 10 below summarizes the rate changes and values used to calculate the rate of return, rate
9 base, and revenue requirement.

1 **Table 10 : Variance Analysis of Revenue Requirement and Rate Base**

Particular	2013 Board Approved Proxy	2019 Proposed	Diff
Long Term Debt	4.93%	3.11%	-1.82%
Short Term Debt	2.17%	2.29%	0.12%
Return on Equity	9.08%	9.00%	-0.08%
Weighted Debt Rate	4.75%	3.06%	-1.69%
Regulated Rate of Return	6.48%	5.43%	-1.05%
Controlable Expenses	\$4,755,708	\$5,128,546	\$372,837
Power Supply Expense	\$30,061,947	\$33,127,471	\$3,065,523
Total Eligible Distribution Expenses	\$34,817,656	\$38,256,016	\$3,438,361
Working Capital Allowance Rate	13.59%	7.50%	-6.09%
Total Working Capital Allowance ("WCA")	\$4,731,139	\$2,869,201	-\$1,861,938
Fixed Asset Opening Bal Bridge Year	\$20,409,400	\$26,686,509	\$6,277,109
Fixed Asset Opening Bal Test Year	\$21,962,856	\$27,696,423	\$5,733,567
Average Fixed Asset	\$21,186,128	\$27,191,466	\$6,005,338
Working Capital Allowance	\$4,731,139	\$2,869,201	-\$1,861,938
Rate Base	\$25,917,267	\$30,060,667	\$4,143,400
Regulated Rate of Return	6.48%	5.43%	-1.05%
Regulated Return on Capital	\$1,679,410	\$1,633,256	-\$46,154
Deemed Interest Expense	\$738,318	\$551,072	-\$187,246
Deemed Return on Equity	\$941,092	\$1,082,184	\$141,092
OM&A	\$4,745,006	\$5,071,718	\$326,711
Depreciation Expense	\$1,427,448	\$1,337,805	-\$89,643
Property Tax	\$10,702	\$56,828	\$46,126
PILs	\$195,532	\$241,378	\$45,846
Revenue Offset	-\$388,650	-\$682,214	-\$293,564
Base Revenue Requirement	\$7,669,449	\$7,658,771	-\$10,677
Service Revenue Requirement	\$8,058,099	\$8,340,985	\$282,887

6.3.2 IMPACT OF IMPLEMENTATION OF MIFRS ON REVENUE DEFICIENCY OR
SURPLUS

In LPDL's last CoS Application completed in 2013, LPDL received approval from the Board for the change in accounting policy for an update in LPDL's useful lives. No further changes have occurred that would result in a change in revenue deficiency or sufficiency.

In that same application, LPDL demonstrated that there were no differences between values for Modified IFRS versus Revised CGAAP under the new useful lives. LPDL's OM&A has not been impacted by the policy which states that burdens which are no longer eligible for capitalization should be removed from rate base and included as an operating expense since the utility has never capitalized administrative burdens on capital projects.¹

¹ MFR -Impacts of any changes in methodologies to deficiency/sufficiency

APPENDICES

Appendix A

PDF of RRWF^{2 3}

² MFR - RRWF - in PDF and Excel. Revenue requirement, def/sufficiency, data entered in RRWF must correspond with other exhibits

³ MFR - If the enhanced RRWF cannot reflect a distributor's proposed rates accurately, the distributor must file its rate generator model



Ontario Energy Board

Revenue Requirement Workform (RRWF) for 2019 Filers



Version 8.00

Utility Name	Lakeland Power Distribution Ltd.
Service Territory	Bracebridge, Huntsville, Parry Sound, Sundridge, E
Assigned EB Number	EB-2018-0050
Name and Title	Margaret Maw, CFO
Phone Number	705-789-5442
Email Address	mmaw@lakelandholding.com
Test Year	2019
Bridge Year	2018
Last Rebasing Year	2013

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.

This Workbook Model is protected by copyright and is being made available to you solely for the purpose of filing your application. You may use and copy this model for that purpose, and provide a copy of this model to any person that is advising or assisting you in that regard. Except as indicated above, any copying, reproduction, publication, sale, adaptation, translation, modification, reverse engineering or other use or dissemination of this model without the express written consent of the Ontario Energy Board is prohibited. If you provide a copy of this model to a person that is advising or assisting you in preparing the application or reviewing your draft rate order, you must ensure that the person understands and agrees to the restrictions noted above.

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)		(6)	Per Board Decision
1 Rate Base					
Gross Fixed Assets (average)	\$51,404,111		\$ 51,404,111		\$51,404,111
Accumulated Depreciation (average)	(\$24,212,645)	(5)	(\$24,212,645)		(\$24,212,645)
Allowance for Working Capital:					
Controllable Expenses	\$5,128,546		\$ 5,128,546		\$5,128,546
Cost of Power	\$33,128,401		\$ 33,128,401		\$33,128,401
Working Capital Rate (%)	7.50%	(9)		(9)	
2 Utility Income					
Operating Revenues:					
Distribution Revenue at Current Rates	\$8,003,275				
Distribution Revenue at Proposed Rates	\$7,658,777				
Other Revenue:					
Specific Service Charges	\$65,626				
Late Payment Charges	\$83,700				
Other Distribution Revenue	\$452,835				
Other Income and Deductions	\$80,053				
Total Revenue Offsets	\$682,214	(7)			
Operating Expenses:					
OM+A Expenses	\$5,071,718		\$ 5,071,718		\$5,071,718
Depreciation/Amortization	\$1,337,805		\$ 1,337,805		\$1,337,805
Property taxes	\$56,828		\$ 56,828		\$56,828
Other expenses					
3 Taxes/PILs					
Taxable Income:					
Adjustments required to arrive at taxable income	(\$412,701)	(3)			
Utility Income Taxes and Rates:					
Income taxes (not grossed up)	\$177,414				
Income taxes (grossed up)	\$241,379				
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)	
Common Equity Capitalization Ratio (%)	40.0%				
Preferred Shares Capitalization Ratio (%)					
	100.0%				
Cost of Capital					
Long-term debt Cost Rate (%)	3.11%				
Short-term debt Cost Rate (%)	2.29%				
Common Equity Cost Rate (%)	9.00%				
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 (%)
- (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.



Ontario Energy Board

Revenue Requirement Workform (RRWF) for 2019 Filers

Rate Base and Working Capital

Rate Base										
Line No.	Particulars		Initial Application						Per Board Decision	
1	Gross Fixed Assets (average)	(2)	\$51,404,111		\$ -		\$51,404,111		\$ -	\$51,404,111
2	Accumulated Depreciation (average)	(2)	(\$24,212,645)		\$ -		(\$24,212,645)		\$ -	(\$24,212,645)
3	Net Fixed Assets (average)	(2)	\$27,191,466		\$ -		\$27,191,466		\$ -	\$27,191,466
4	Allowance for Working Capital	(1)	\$2,869,271		(\$2,869,271)		\$ -		\$ -	\$ -
5	Total Rate Base		\$30,060,737		(\$2,869,271)		\$27,191,466		\$ -	\$27,191,466

(1) Allowance for Working Capital - Derivation

6	Controllable Expenses	\$5,128,546	\$ -	\$5,128,546	\$ -	\$5,128,546
7	Cost of Power	\$33,128,401	\$ -	\$33,128,401	\$ -	\$33,128,401
8	Working Capital Base	\$38,256,946	\$ -	\$38,256,946	\$ -	\$38,256,946
9	Working Capital Rate % ⁽¹⁾	7.50%	-7.50%	0.00%	0.00%	0.00%
10	Working Capital Allowance	\$2,869,271	(\$2,869,271)	\$ -	\$ -	\$ -

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.



Ontario Energy Board

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)	\$7,658,777		(\$7,658,777)		\$ -	\$ -
2	Other Revenue ⁽¹⁾	\$682,214		(\$682,214)		\$ -	\$ -
3	Total Operating Revenues	\$8,340,991		(\$8,340,991)		\$ -	\$ -
Operating Expenses:							
4	OM+A Expenses	\$5,071,718		\$ -		\$5,071,718	\$5,071,718
5	Depreciation/Amortization	\$1,337,805		\$ -		\$1,337,805	\$1,337,805
6	Property taxes	\$56,828		\$ -		\$56,828	\$56,828
7	Capital taxes	\$ -		\$ -		\$ -	\$ -
8	Other expense	\$ -		\$ -		\$ -	\$ -
9	Subtotal (lines 4 to 8)	\$6,466,351		\$ -		\$6,466,351	\$6,466,351
10	Deemed Interest Expense	\$551,073		(\$551,073)		\$ -	\$ -
11	Total Expenses (lines 9 to 10)	\$7,017,424		(\$551,073)		\$6,466,351	\$6,466,351
12	Utility income before income taxes	\$1,323,567		(\$7,789,918)		(\$6,466,351)	(\$6,466,351)
13	Income taxes (grossed-up)	\$241,379		\$ -		\$241,379	\$241,379
14	Utility net income	\$1,082,188		(\$7,789,918)		(\$6,707,730)	(\$6,707,730)

Notes

Other Revenues / Revenue Offsets

⁽¹⁾	Specific Service Charges	\$65,626		\$ -		\$ -
	Late Payment Charges	\$83,700		\$ -		\$ -
	Other Distribution Revenue	\$452,835		\$ -		\$ -
	Other Income and Deductions	\$80,053		\$ -		\$ -
	Total Revenue Offsets	\$682,214		\$ -		\$ -



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	\$1,082,187		\$ -	\$ -
2	Adjustments required to arrive at taxable utility income	(\$412,701)		\$ -	\$ -
3	Taxable income	<u>\$669,486</u>		<u>\$ -</u>	<u>\$ -</u>
<u>Calculation of Utility income Taxes</u>					
4	Income taxes	<u>\$177,414</u>		<u>\$177,414</u>	<u>\$177,414</u>
6	Total taxes	<u>\$177,414</u>		<u>\$177,414</u>	<u>\$177,414</u>
7	Gross-up of Income Taxes	<u>\$63,965</u>		<u>\$63,965</u>	<u>\$63,965</u>
8	Grossed-up Income Taxes	<u>\$241,379</u>		<u>\$241,379</u>	<u>\$241,379</u>
9	PILs / tax Allowance (Grossed-up Income taxes + Capital taxes)	<u>\$241,379</u>		<u>\$241,379</u>	<u>\$241,379</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 (%)	26.50%		26.50%	26.50%

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%	\$16,834,013	3.11%	\$523,538
2	Short-term Debt	4.00%	\$1,202,429	2.29%	\$27,536
3	Total Debt	60.00%	\$18,036,442	3.06%	\$551,073
	Equity				
4	Common Equity	40.00%	\$12,024,295	9.00%	\$1,082,187
5	Preferred Shares	0.00%	\$ -	0.00%	\$ -
6	Total Equity	40.00%	\$12,024,295	9.00%	\$1,082,187
7	Total	100.00%	\$30,060,737	5.43%	\$1,633,260
		(%)	(\$)	(%)	(\$)
	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%	\$27,191,466	0.00%	\$ -
		Per Board Decision			
		(%)	(\$)	(%)	(\$)
	Debt				
8	Long-term Debt	0.00%	\$ -	3.11%	\$ -
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%	\$27,191,466	0.00%	\$ -

Notes

Revenue Requirement Workform (RRWF) for 2019 Filers

Revenue Deficiency/Sufficiency

		Initial Application		Per Board Decision			
Line No.	Particulars	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		(\$344,499)		(\$1,685,721)		\$8,797,756
2	Distribution Revenue	\$8,003,275	\$8,003,276	\$8,003,275	\$9,344,498	\$ -	(\$8,797,756)
3	Other Operating Revenue Offsets - net	\$682,214	\$682,214	\$ -	\$ -	\$ -	\$ -
4	Total Revenue	\$8,685,489	\$8,340,991	\$8,003,275	\$7,658,777	\$ -	\$ -
5	Operating Expenses	\$6,466,351	\$6,466,351	\$6,466,351	\$6,466,351	\$6,466,351	\$6,466,351
6	Deemed Interest Expense	\$551,073	\$551,073	\$ -	\$ -	\$ -	\$ -
8	Total Cost and Expenses	\$7,017,424	\$7,017,424	\$6,466,351	\$6,466,351	\$6,466,351	\$6,466,351
9	Utility Income Before Income Taxes	\$1,668,065	\$1,323,567	\$1,536,924	\$1,192,426	(\$6,466,351)	(\$6,466,351)
10	Tax Adjustments to Accounting Income per 2013 PILs model	(\$412,701)	(\$412,701)	(\$412,701)	(\$412,701)	\$ -	\$ -
11	Taxable Income	\$1,255,364	\$910,866	\$1,124,224	\$779,725	(\$6,466,351)	(\$6,466,351)
12	Income Tax Rate	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%
13	Income Tax on Taxable Income	\$332,671	\$241,379	\$297,919	\$206,627	\$ -	\$ -
14	Income Tax Credits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
15	Utility Net Income	\$1,335,394	\$1,082,188	\$1,239,005	(\$6,707,730)	(\$6,466,351)	(\$6,707,730)
16	Utility Rate Base	\$30,060,737	\$30,060,737	\$27,191,466	\$27,191,466	\$27,191,466	\$27,191,466
17	Deemed Equity Portion of Rate Base	\$12,024,295	\$12,024,295	\$ -	\$ -	\$ -	\$ -
18	Income/(Equity Portion of Rate Base)	11.11%	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	2.11%	0.00%	0.00%	0.00%	0.00%	0.00%
21	Indicated Rate of Return	6.28%	5.43%	4.56%	0.00%	-23.78%	0.00%
22	Requested Rate of Return on Rate Base	5.43%	5.43%	0.00%	0.00%	0.00%	0.00%
23	Deficiency/Sufficiency in Rate of Return	0.84%	0.00%	4.56%	0.00%	-23.78%	0.00%
24	Target Return on Equity	\$1,082,187	\$1,082,187	\$ -	\$ -	\$ -	\$ -
25	Revenue Deficiency/(Sufficiency)	(\$253,207)	\$1	(\$1,239,005)	\$ -	\$6,466,351	\$ -
26	Gross Revenue Deficiency/(Sufficiency)	(\$344,499) ⁽¹⁾		(\$1,685,721) ⁽¹⁾		\$8,797,756 ⁽¹⁾	

Notes:

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



Ontario Energy Board

Revenue Requirement Workform (RRWF) for 2019 Filers

Revenue Requirement

Line No.	Particulars	Application				Per Board Decision	
1	OM&A Expenses	\$5,071,718		\$5,071,718		\$5,071,718	
2	Amortization/Depreciation	\$1,337,805		\$1,337,805		\$1,337,805	
3	Property Taxes	\$56,828		\$56,828		\$56,828	
5	Income Taxes (Grossed up)	\$241,379		\$241,379		\$241,379	
6	Other Expenses	\$ -		\$ -		\$ -	
7	Return						
	Deemed Interest Expense	\$551,073		\$ -		\$ -	
	Return on Deemed Equity	\$1,082,187		\$ -		\$ -	
8	Service Revenue Requirement (before Revenues)	<u>\$8,340,990</u>		<u>\$6,707,730</u>		<u>\$6,707,730</u>	
9	Revenue Offsets	\$682,214		\$ -		\$ -	
10	Base Revenue Requirement (excluding Transformer Ownership Allowance credit adjustment)	<u>\$7,658,776</u>		<u>\$6,707,730</u>		<u>\$6,707,730</u>	
11	Distribution revenue	\$7,658,777		\$ -		\$ -	
12	Other revenue	\$682,214		\$ -		\$ -	
13	Total revenue	<u>\$8,340,991</u>		<u>\$ -</u>		<u>\$ -</u>	
14	Difference (Total Revenue Less Distribution Revenue Requirement before Revenues)	<u>\$1</u>	⁽¹⁾	<u>(\$6,707,730)</u>	⁽¹⁾	<u>(\$6,707,730)</u>	⁽¹⁾

Summary Table of Revenue Requirement and Revenue Deficiency/Sufficiency

	Application		Δ% ⁽²⁾	Per Board Decision	Δ% ⁽²⁾
Service Revenue Requirement	\$8,340,990	\$6,707,730	(\$0)	\$6,707,730	(\$1)
Grossed-Up Revenue					
Deficiency/(Sufficiency)	(\$344,499)	(\$1,685,721)	\$4	\$8,797,756	(\$1)
Base Revenue Requirement (to be recovered from Distribution Rates)	\$7,658,776	\$6,707,730	(\$0)	\$6,707,730	(\$1)
Revenue Deficiency/(Sufficiency) Associated with Base Revenue Requirement	(\$344,498)	\$ -	(\$1)	\$ -	(\$1)

Notes

⁽¹⁾ Line 11 - Line 8

⁽²⁾ Percentage Change Relative to Initial Application



Ontario Energy Board

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			Per Board Decision		
Input the name of each customer class.		Customer / Connections Test Year average or mid-year	kWh Annual	kW/kVA ⁽¹⁾ Annual	Customer / Connections Test Year average or mid-year	kWh Annual	kW/kVA ⁽¹⁾ Annual
1	Residential	11,208	103,566,100				
2	General Service <50kW	2,148	58,157,023				
3	General Service >50kW	136	113,634,985	276,220			
4	Sentinel lights	44	42,775	119			
5	Street lights	2,849	1,154,724	3,183			
6	Unmetered Scattered load	51	166,068				
7							
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
Total			276,721,675	279,522		-	-

Notes:

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



Ontario Energy Board

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⁾	%
From Sheet 10. Load Forecast				
(7A)				
1 Residential	\$ 4,692,295	58.46%	\$ 5,012,772	60.10%
2 General Service <50kW	\$ 1,667,801	20.78%	\$ 1,881,115	22.55%
3 General Service >50kW	\$ 1,401,504	17.46%	\$ 1,026,409	12.31%
4 Sentinel lights	\$ 7,444	0.09%	\$ 7,001	0.08%
5 Street lights	\$ 239,244	2.98%	\$ 405,349	4.86%
6 Unmetered Scattered load	\$ 18,129	0.23%	\$ 8,345	0.10%
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				
Total	\$ 8,026,417	100.00%	\$ 8,340,991	100.00%
Service Revenue Requirement (from Sheet 9)			\$ 8,340,990.07	

- (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	\$ 4,752,554	\$ 4,547,982	\$ 4,511,969	\$ 397,962
2	General Service <50kW	\$ 1,737,887	\$ 1,663,080	\$ 1,663,080	\$ 147,192
3	General Service >50kW	\$ 1,270,318	\$ 1,215,637	\$ 1,121,322	\$ 110,326
4	Sentinel lights	\$ 5,939	\$ 5,682.43	\$ 5,678	\$ 759
5	Street lights	\$ 217,642	\$ 208,274	\$ 347,632	\$ 25,058
6	Unmetered Scattered load	\$ 18,935	\$ 18,120	\$ 9,096	\$ 917
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					
Total		\$ 8,003,275	\$ 7,658,776	\$ 7,658,777	\$ 682,214

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

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)	
		2013			
		%	%	%	%
1	Residential	97.92%	98.67%	97.95%	85 - 115
2	General Service <50kW	95.71%	96.23%	96.23%	80 - 120
3	General Service >50kW	115.48%	129.18%	120.00%	80 - 120
4	Sentinel lights	78.65%	92.01%	91.94%	80 - 120
5	Street lights	94.13%	57.56%	91.94%	80 - 120
6	Unmetered Scattered load	102.89%	228.13%	120.00%	80 - 120
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		Proposed Revenue-to-Cost Ratio			Policy Range
		Test Year	Price Cap IR Period		
		2019	2020	2021	
1	Residential	97.95%	97.95%	97.95%	85 - 115
2	General Service <50kW	96.23%	96.23%	96.23%	80 - 120
3	General Service >50kW	120.00%	120.00%	120.00%	80 - 120
4	Sentinel lights	91.94%	91.94%	91.94%	80 - 120
5	Street lights	91.94%	91.94%	91.94%	80 - 120
6	Unmetered Scattered load	120.00%	120.00%	120.00%	80 - 120
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'.



Ontario Energy Board

Revenue Requirement (RRWF) for 2019 F

New Rate Design Policy For Residential C

Please complete the following tables.

A Data Inputs (from Sheet 10. Load Forecast)

Test Year Billing Determinants for Residential Class	
Customers	11,208
kWh	103,566,100

Proposed Residential Class Specific Revenue Requirement ¹	\$ 4,511,969.23
--	-----------------

Residential Base Rates on Current Tariff	
Monthly Fixed Charge (\$)	\$ 31.61
Distribution Volumetric Rate (\$/kWh)	\$ 0.0048

B Current Fixed/Variable Split

	Base Rates	Billing Determinants
Fixed	31.61	11,208
Variable	0.0048	103,566,100
TOTAL	-	-

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
Fixed	\$ 4,039,617.76	30.04
Variable	\$ 472,351.47	0.0046
TOTAL	\$ 4,511,969.23	-

	New F/V Split	Revenue @ new F/V Split
--	---------------	-------------------------

Fixed	100.00%	\$ 4,511,969.23
Variable	0.00%	\$ -
TOTAL	-	\$ 4,511,969.23

Checks ³	
Change in Fixed Rate	\$ 3.51
Difference Between Revenues @ Proposed Rates and Class Specific Revenue Requirement	\$371.57
	0.01%

Notes:

- ¹ The final residential class specific revenue requirement, excluding allocated Miscellaneous Revenues, a 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 complete over a four year period and began the transition in 2016 would input the number "3" into cell D40. If the distributor would input the number "4". Where the change in the residential rate design will result in the fixed charge 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 and calculated base rates should be minimal (i.e. should be reasonably considered as a rounding error)

Workform Filers

Customers

Revenue	% of Total Revenue
\$ 4,251,418.56	89.53%
\$ 497,117.28	10.47%
\$ 4,748,535.84	-

Reconciliation - Test Year Base Rates @ Current F/V Split
\$ 4,040,259.84
\$ 476,404.06
\$ 4,516,663.90

Final Adjusted Base Rates	Revenue Reconciliation @ Adjusted Rates
------------------------------	---

\$	33.55	\$	4,512,340.80
\$	-	\$	-
-		\$	4,512,340.80

s shown on Sheet 11. Cost Allocation, should be

npleted. A distributor transitioning to fully fixed
A distributor transitioning over a five-year period
increasing by more than \$4/year, a distributor

sed class revenue requirement and the revenue at

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 RRFW does not replace the rate generator model that an applicant distributor may use in support of its application. The RRFW 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/P.L.s, etc.

[illegible]

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: $MSC \times (\text{average number of customers or connections}) \times 12 \text{ months}) / (\text{Class Allocated Revenue Requirement})$.



Ontario Energy Board

Revenue Requirement Workform (RRWF) for 2019 Filers

Tracking Form

The first row shown, labelled "Original Application", summarizes key statistics based on the data inputs into the RRWF. After the original application filing, the applicant provides key changes in capital and operating expenses, load forecasts, cost of capital, etc., as revised through the processing of the application. This could be due to revisions or responses to interrogatories. 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.

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	\$ 1,633,260	5.43%	\$ 30,060,737	\$ 38,256,946	\$ 2,869,271	\$ 1,337,805	\$ 241,379	\$ 5,071,718	\$ 8,340,990	\$ 682,214	\$ 7,658,776	-\$ 344,499