



Exhibit 6 – Calculation of Revenue Deficiency/Sufficiency

EXHIBIT	TAB	SCHEDULE	CONTENTS
6	1	1	6.0 Calculation of Revenue Deficiency/Sufficiency
			6.1 Deficiency or Sufficiency in Revenue
			6.1.1 Cost Drivers on Revenue or Sufficiency Deficiency
			6.2 Determination of Net Utility Income
			6.3 Statement of Rate Base
			6.4 Actual Utility Return on Rate Base
			6.4.1 Indicated Rate of Return
			6.4.2 Requested Rate of Return



6.0 CALCULATION OF REVENUE DEFICIENCY/SUFFICIENCY

1. This section complies with the requirements as set out in the Board’s Minimum Filing Requirements for Natural Gas Distribution Cost of Service Applications. Consistent with the requirements, ENGLP has included the following tables in this section:

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

6.1 Deficiency or sufficiency in revenue

2. ENGLP has determined that the revenue sufficiency for the 2020 Test Year is \$352,267. The calculation of the revenue sufficiency for 2018 through 2020 is shown in Table 6.1-1 below.

Table 6.1-1
2018–2020 Summary of Cost of Service
 (\$)

Description	A 2018 F	B 2019 Bridge	C 2020 Test
1 Transportation Costs	970,411	674,644	675,544
2 Distribution OM&A	4,122,001	3,244,157	3,359,102
3 Depreciation and Amortization	1,151,793	1,271,333	1,136,086
4 Property Taxes	573,251	605,000	632,000
5 Income Taxes - Support COS	0	169,642	4,536
6 Return on Rate Base	795,557	892,986	958,244
7 Other Revenue	(119,793)	(112,913)	(112,913)
8 Net Cost of Service	7,493,220	6,744,851	6,652,600
9 Revenue at Existing Rates	7,234,872	7,079,005	7,004,867
10 Revenue Sufficiency (Deficiency)	(258,348)	334,154	352,267
11 Gross Sufficiency (Deficiency)¹			479,274

Note 1 : Row 10 / (1 - Tax Rate)



3. ENGLP has calculated the revenue deficiency net of gas supply-related changes captured in the QRAM in accordance with the Board’s Filing Requirements

6.1.1 Cost Drivers on Revenue or Sufficiency Deficiency

4. In Table 6.1.1-1 below, ENGLP provides the contributors to the 2020 Test Year revenue sufficiency by the different cost components. Column A of the table is the 2020 revenue at existing rates allocated by the 2019 revenue requirement. Column B of the table is proposed 2020 revenue requirement and column C is the variance.

**Table 6.1.1-1
 Cost Drivers of Revenue Sufficiency
 (\$)**

	A	B	C
Description	2020 Revenue at Existing Rates	2020 Proposed Revenue Requirement	Variance
1 Transportation Costs	700,200	675,544	(24,656)
2 Distribution OM&A	3,360,306	3,359,102	(1,203)
3 Depreciation and Amortization	1,334,155	1,136,086	(198,069)
4 Property Taxes	627,917	632,000	4,083
5 Income Taxes	157,265	4,536	(152,729)
6 Return on Rate Base	942,214	958,244	16,030
7 Other Revenue	(117,190)	(112,913)	4,277
8 Total	7,004,867	6,652,600	(352,267)

5. As observed in rows 3 and 5 of the table, the 2020 Test Year revenue sufficiency is driven by depreciation and income taxes, respectively. In regards to the decrease in depreciation, this observation is consistent with the propose changes in service lives of the Aylmer assets as discussed in Exhibit 1, Tab 1, Schedule 1 and Exhibit 4, Tab 1, Schedule 1. As shown in Table 4.4-3 of Exhibit 4, Tab 1, Schedule 1, the change in service lives resulted in a decrease in depreciation expense of approximately \$0.20 million in the Test Year. The change in service lives had the greatest depreciation expense impact on the IGPC pipeline and mains – plastic asset.

6. ENGLP is forecasting lower income taxes in the 2020 Test Year. Due to the revenue sufficiency, ENGLP is proposing to lower rates in the 2020 Test Year which will lower revenues. This effect combined with the other taxable deductions (e.g., CCA) will result in a lower taxable income. A table showing the income tax payable was produced in Section 4.5.2 of



Exhibit 4, Tab 1, Schedule 1 as Table 4.5.2-1. A part of Table 4.5.2-1 is reproduced below for reference.

Table 6.1.1-2
Taxable Income
 (\$)

Description	A 2020 Test Year
1 Commodity Revenue	4,749,851
2 Commodity Cost	(4,749,851)
4 Distribution Revenue	6,652,600
5 add: Other Revenue	112,913
6 less: Distribution OM&A and Transportation Costs (Deductible Portion)	(4,027,074)
7 less: Property Taxes	(632,000)
8 less: Interest Expense	(408,085)
9 less: CCA	(1,681,235)
10 Taxable Income	17,119

6.2 Determination of Net Utility Income

7. ENGLP calculated a 2020 Test Year Net Income of \$288,292. Table 6.2-1 below outlines the net income calculations.

Table 6.2-1
Proposed 2020 Test Year Net Utility Income
 (\$)

Description	A Amount
1 Operating Revenues	
2 Distribution Revenues	6,652,600
3 Other Revenues	112,913
4 Total Revenues	6,765,513
5 Operating Expenses	
6 Distribution OM&A and Transportation Cost	(4,034,646)
7 Depreciation Expense	(1,136,086)
8 Property Taxes	(632,000)
9 Interest Expense	(408,085)
10 Gain / Loss on Disposal	(162,461)
11 Total Expenses	(6,373,279)
12 Net Income before Income Taxes	392,234
13 Income Taxes	(103,942)
14 Utility Net Income	288,292



6.3 Statement of Rate Base

8. ENGLP 2020 Proposed Test Year Mid-Year Rate Base is \$16.36 million. Table 6.3-1 below outlines the Rate Base calculations.

Table 6.3-1
2020 Test Year Rate Base
 (\$)

Description	A Amount
1 Opening Fixed Assets	16,335,026
2 Closed Fixed Assets	16,376,478
3 Mid-Year (Average) Fixed Assets	16,355,752
4 Working Capital Allowance	0
5 Total Rate Base	16,355,752

6.4 Actual Utility Return on Rate Base

9. ENGLP proposed 2020 Test Year return on rate base is calculated below in Table 6.4-1.

Table 6.4-1
2020 Test Year Return on Rate Base
 (\$)

Capital Component	A Mid-Year Rate Base	B Ratio	C Cost Rate	D Return Component (WACC)	E Return Amount
1 Equity	6,542,301	40.00%	8.98%	3.59%	587,499
2 LT Debt	9,159,221	56.00%	3.85%	2.15%	352,296
3 ST Debt	654,230	4.00%	2.82%	0.11%	18,449
4 Total	16,355,752	100.00%		5.86%	958,244

6.4.1 Indicated Rate of Return

10. ENGLP's 2020 indicated rate of return is 5.86% as shown in Table 6.4-1, above.

6.4.2 Requested Rate of Return

11. ENGLP's 2020 requested rate of return is \$958,244 or 5.86% as shown in Table 6.4-1 above.