



EXHIBIT 6 – REVENUE REQUIREMENT

2020 Cost of Service

Hydro 2000 Inc.
EB-2019-0041

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6.2 CALCULATION OF REVENUE REQUIREMENT

6.2.1 DETERMINATION OF NET UTILITY INCOME

Hydro 2000's current rates are based on Board approved rates effective May 1, 2019 through an IRM proceeding (EB-2018-0039). Existing revenues based on existing Board approved 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 and well as balances in deferral and variance accounts.

Details on existing and projected distribution revenue at existing rates are presented in both Exhibit 3 and Exhibit 8 and are also replicated below. Other revenues are shown in Exhibit 3 Section 3.4. Table 1 below shows distribution revenues at both current rates and proposed 2020 volumes.

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Table 1 - Distribution Revenues at Current Rates – 2020 Volumes

Projected Revenues at Current Rates

<u>2019 Rates at 2020 Load</u>								
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
<i>Residential</i>	\$0.0062	kWh	12,367,886	\$76,681			\$0.00	\$76,681
<i>General Service < 50 kW</i>	\$0.0099	kWh	3,861,286	\$38,227			\$0.00	\$38,227
<i>General Service > 50 to 4999 kW</i>	\$1.4631	kW	10,671	\$15,613			\$0.00	\$15,613
<i>Street Lighting</i>	\$7.2916	kW	421	\$3,066			\$0.00	\$3,066
<i>Unmetered Scattered Load</i>	\$0.0443	kWh	17,280	\$766			\$0.00	\$766
<i>0</i>			0	\$0			\$0.00	\$0
Total Variable Revenue			16,257,544	\$134,352	0	0	0	\$134,352
<u>2019 Rates at 2020 Load</u>								
Revenue from Existing Fixed Charges								
Customer Class Name	Fixed Rate	Customers (Connections)	Fixed Charge Revenue	Variable Revenue	TOTAL	% Fixed Revenue	% Variable Revenue	% Total Revenue
<i>Residential</i>	\$25.92	1,113	\$346,047.55	76,681	\$422,728	81.86%	18.14%	78.51%
<i>General Service < 50 kW</i>	\$22.77	141	\$38,526.84	38,227	\$76,754	50.20%	49.80%	14.25%
<i>General Service > 50 to 4999 kW</i>	\$84.54	13	\$13,208.53	15,613	\$28,821	45.83%	54.17%	5.35%
<i>Street Lighting</i>	\$1.25	370	\$5,556.75	3,066	\$8,623	64.44%	35.56%	1.60%
<i>Unmetered Scattered Load</i>	\$15.68	4	\$752.64	766	\$1,518	49.58%	50.42%	0.28%
<i>0</i>			\$0.00	-	\$0			
Total Fixed Revenue		1,641	\$404,092.31	134,352	\$538,444			

2

1

Table 2 - Distribution Revenues at Proposed Rates – 2020 Volumes

<u>2020 Rates at 2020 Load</u>								
Customer Class Name	Revenue from Proposed Variable Charges							
	Variable Distribution Rate	per	Test Year Volume	Gross Variable Revenue	Transform. Allowance Rate	Transform. Allowance kW's	Transform. Allowance \$'s	Net Variable Revenue
<i>Residential</i>	\$0.0034	kWh	12,367,886	\$41,850			\$0.00	\$41,850
<i>General Service < 50 kW</i>	\$0.0105	kWh	3,861,286	\$40,520			\$0.00	\$40,520
<i>General Service > 50 to 4999 kW</i>	\$1.4590	kW	10,671	\$15,569	0.60		\$0.00	\$15,569
<i>Street Lighting</i>	\$7.4372	kW	421	\$3,127			\$0.00	\$3,127
<i>Unmetered Scattered Load</i>	\$0.0146	kWh	17,280	\$252			\$0.00	\$252
Total Variable Revenue			16,257,544	\$101,318	0.6	0	\$0.00	\$101,318
<u>2020 Rates at 2020 Load</u>								
Customer Class Name	Revenue from Proposed Fixed Charges							
	Fixed Rate	Customers (Connections)	Fixed Charge Revenue	Variable Revenue	TOTAL	% Fixed Revenue	% Variable Revenue	% Total Revenue
<i>Residential</i>	\$31.45	1,113	\$419,876.37	\$41,850	\$461,727	90.94%	9.06%	79.45%
<i>General Service < 50 kW</i>	\$24.14	141	\$40,837.88	\$40,520	\$81,358	50.20%	49.80%	14.00%
<i>General Service > 50 to 4999 kW</i>	\$84.54	13	\$13,208.53	\$15,569	\$28,777	45.90%	54.10%	4.95%
<i>Street Lighting</i>	\$1.27	370	\$5,667.70	\$3,127	\$8,795	64.44%	35.56%	1.51%
<i>Unmetered Scattered Load</i>	\$5.65	4	\$271.13	\$252	\$523	51.83%	48.17%	0.09%
Total Fixed Revenue		1,641	\$479,861.62	\$101,318	\$581,180			

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6.2.2 PROPOSED REVENUE REQUIREMENT

The 2020 Base Revenue Requirement, which represents the amount of money that a utility must receive from its customers to cover its costs and operating expenses. Table 3 below presents Hydro 2000's proposed 2020 Revenue Requirement as calculated in the OEB's Revenue Requirement Work Form which is being filed with this application and is also presented at Appendix 1 of this Exhibit.^{1 2} Table 3 shows the Statement of Rate Base and Table 4 shows the Return on Rate Base

Table 3 - Test Year Revenue Requirement

OM&A Expenses	\$507,699
Amortization/Depreciation	\$47,219
Property Taxes	\$ -
Income Taxes (Grossed up)	\$ -
Other Expenses	\$ -
Return	
Deemed Interest Expense	\$19,592
Return on Deemed Equity	\$35,002
Service Revenue Requirement (before Revenues)	\$609,512
Revenue Offsets	\$28,356
Base Revenue Requirement (excluding Transformer Ownership Allowance credit adjustment)	\$581,156
Distribution revenue	\$581,156
Other revenue	\$28,356
Total revenue	\$609,512

¹ MFR - RRWF - in PDF and Excel. Revenue requirement, def/sufficiency, data entered in RRWF must correspond with other exhibits

² MFR - If the enhanced RRWF cannot reflect a distributor's proposed rates accurately, the distributor must file its rate generator model

6.2.3 STATEMENT OF RATE BASE

Table 4 - Statement of Rate Base

	(%)	(\$)	(%)	(\$)
Debt				
Long-term Debt	56.00%	\$575,152		3.21%
Short-term Debt	4.00%	\$41,082		2.75%
Total Debt	60.0%	\$616,235		3.18%
Equity				
Common Equity	40.00%	\$410,823		8.52%
Preferred Shares		\$ -		
Total Equity	40.0%	\$410,823		8.52%
Total	100.0%	\$1,027,058		5.32%

6.2.4 ACTUAL UTILITY RETURN ON RATE BASE

Table 5 - Return on Rate Base

	Return
Deemed Interest Expense	\$19,592
Return on Deemed Equity	\$35,002
Total	\$54,594

6.2.5 REQUESTED AND INDICATED RATE OF RETURN

The requested rate of return is 8.52% as per the OEB prescribed Cost of Capital Parameters. Details of the calculation can be found in Tab 2 of this exhibit in Table 10- Calculation of Revenue Deficiency or Surplus.

6.2.6 UTILITY INCOME AT PROPOSED REVENUE REQUIREMENT

Table 6 - Utility Income under proposed Revenue Requirement

<i>Particulars</i>	<i>Initial Application</i>
<u>Operating Revenues:</u>	
<i>Distribution Revenue (at Proposed Rates)</i>	\$581,156
<i>Other Revenue</i>	\$28,356
<i>Total Operating Revenues</i>	\$609,512
<u>Operating Expenses:</u>	
<i>OM+A Expenses</i>	\$507,699
<i>Depreciation/Amortization</i>	\$47,219
<i>Property taxes</i>	\$ -
<i>Capital taxes</i>	\$ -
<i>Other expense</i>	\$ -
Total Operating Expenses	\$554,918
<i>Deemed Interest Expense</i>	\$19,596
Total Expenses	\$19,592
Utility income before income taxes	\$574,510
<i>Income taxes (grossed-up)</i>	
Utility net income	\$35,002

6.2.7 REVENUE REQUIREMENT TREND

Table 7 below presents Hydro 2000's Revenue Requirement trend starting from the 2012 Board Approved all the way to the 2020 proposed Revenue Requirement.

Table 7 - Trend in Revenue Requirement

	CGAAP	CGAAP	NEWGAAP	NEWGAAP	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS
<i>Particular</i>	Last Board Approved	2012	2013	2014	2015	2016	2017	2018	2019	2020
<i>OM&A Expenses</i>	\$401,566	\$425,427	\$411,858	\$385,393	\$435,292	\$438,252	\$480,961	\$453,606	\$508,206	\$507,699
<i>Depreciation Expense</i>	\$76,703	\$160,881	\$61,981	\$58,304	\$55,997	\$46,539	\$42,773	\$40,706	\$40,128	\$47,219
<i>Property Taxes</i>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<i>Total Distribution Expenses</i>	\$478,269	\$586,308	\$473,839	\$443,697	\$491,289	\$484,791	\$523,734	\$494,312	\$548,333	\$554,918
<i>Regulated Return On Capital</i>	\$65,322	\$59,714	\$54,757	\$60,507	\$64,967	\$75,962	\$75,962	\$75,962	\$79,606	\$54,594
<i>Grossed up PILs</i>	\$187	-\$8,536	\$5,734	\$21,817	\$9,905	\$6,769	-\$215	\$6,849	\$952	\$0
<i>Service Revenue Requirement</i>	\$543,778	\$637,485	\$534,330	\$526,021	\$566,161	\$567,522	\$599,480	\$577,123	\$628,892	\$609,512
<i>Less: Revenue Offsets</i>	-\$23,303	-\$106,979	-\$15,795	-\$52,909	-\$52,909	-\$53,510	-\$41,071	-\$43,302	-\$44,493	-\$28,356
<i>Base Revenue Requirement</i>	\$520,475	\$530,507	\$518,535	\$473,112	\$513,252	\$514,012	\$558,410	\$533,820	\$584,399	\$581,156

Table 8 - Variance Analysis of Revenue Requirement

	CGAAP	CGAAP	NEWGAAP	NEWGAAP	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	Variance over last CoS
Particular	Last Board Approved	2012	2013	2014	2015	2016	2017	2018	2019	2020	
OM&A Expenses	401,566	425,427	411,858	385,393	435,292	438,252	480,961	453,606	508,206	507,699	
Year over year change (\$)		23,861	-13,570	-26,464	49,899	2,960	42,709	-27,355	54,600	-507	106,133
Year over year change (%)		5.94%	-3.19%	-6.43%	12.95%	0.68%	9.75%	-5.69%	12.04%	-0.10%	26.43%
Depreciation Expense	76,702.96	160,880.55	61,981.45	58,303.53	55,997.04	46,539.43	42,772.50	40,706.00	40,127.54	47,218.55	
Year over year change (\$)		84,177.59	-98,899.10	-3,677.92	-2,306.49	-9,457.61	-3,766.93	-2,066.50	-578.46	7,091.01	-29,484.41
Year over year change (%)		109.74%	-61.47%	-5.93%	-3.96%	-16.89%	-8.09%	-4.83%	-1.42%	17.67%	-38.44%
Total Distribution Expenses	478,268.96	586,307.93	473,839.05	443,696.87	491,289.21	484,791.24	523,733.53	494,311.94	548,333.24	554,917.55	
Year over year change (\$)		108,038.97	-112,468.88	-30,142.18	47,592.34	-6,497.97	38,942.29	-29,421.59	54,021.30	6,584.31	76,648.59
Year over year change (%)		22.59%	-19.18%	-6.36%	10.73%	-1.32%	8.03%	-5.62%	10.93%	1.20%	16.03%
Regulated Return On Capital	65,322.48	59,713.56	54,756.98	60,506.87	64,966.86	75,961.96	75,961.96	75,961.96	79,606.01	54,594.28	
Year over year change (\$)		-5,608.91	-4,956.58	5,749.89	4,459.99	10,995.10	0.00	0.00	3,644.05	-25,011.73	-10,728.19
Year over year change (%)		-8.59%	-8.30%	10.50%	7.37%	16.92%	0.00%	0.00%	4.80%	-31.42%	-16.42%
Grossed up PILs	187.00	-8,536.00	5,734.00	21,817.00	9,905.00	6,769.00	-215.00	6,849.00	952.25	0.00	
Year over year change (\$)		-8,723.00	14,270.00	16,083.00	-11,912.00	-3,136.00	-6,984.00	7,064.00	-5,896.75	-952.25	-187.00
Year over year change (%)		-4664.71%	-167.17%	280.48%	-54.60%	-31.66%	-103.18%	-3285.58%	-86.10%	-100.00%	-100.00%
Service Revenue Requirement	543,778.43	637,485.49	534,330.03	526,020.74	566,161.07	567,522.20	599,480.49	577,122.90	628,891.50	609,511.83	
Year over year change (\$)		93,707.06	-103,155.46	-8,309.29	40,140.33	1,361.13	31,958.29	-22,357.59	51,768.60	-19,379.67	65,733.40
Year over year change (%)		17.23%	-16.18%	-1.56%	7.63%	0.24%	5.63%	-3.73%	8.97%	-3.08%	12.09%
Less: Revenue Offsets	-23,303.00	-106,978.58	-15,795.11	-52,908.60	-52,908.60	-53,509.89	-41,070.95	-43,302.42	-44,492.93	-28,356.00	
Year over year change (\$)		-83,675.58	91,183.47	-37,113.49	0.00	-601.29	12,438.94	-2,231.47	-1,190.51	16,136.93	-5,053.00
Year over year change (%)		359.08%	-85.24%	234.97%	0.00%	1.14%	-23.25%	5.43%	2.75%	-36.27%	21.68%

1 As can be seen from Table 7 and Table 8 above, the proposed revenue requirement for the test
2 year is 11.66% higher than the 2012 Cost of Service Approved Revenue Requirement.

3 [Insert Summary of OM&A cost drivers once Exhibit 4 has been finalized]

4 Regulatory costs are also projected to be higher for 2020 due to provisions for an oral hearing
5 and drafting of the Distribution System Plan by a third-party engineering firm. Year over year
6 variances in OM&A are explained throughout Exhibit 4 and Revenue Offsets and explained in
7 detail at Exhibit 3.

6.3 REVENUE DEFICIENCY OR SURPLUS

6.3.1 CALCULATION OF REVENUE DEFICIENCY OR SURPLUS

Hydro 2000's net revenue deficiency under the proposed rates is \$42,711 (using Base Revenue Requirement). This deficiency is calculated as the difference between the 2020 Test Year Revenue Requirement and the Forecast Test Year Revenue Requirement at the Applicant's 2019 approved distribution rates.

Table 9 - Summary Table of Revenue Requirement and Revenue Deficiency/Sufficiency (RRWF)

<i>Service Revenue Requirement</i>	\$609,512
<i>Grossed-Up Revenue Deficiency/(Sufficiency)</i>	\$48,813
<i>Base Revenue Requirement (to be recovered from Distribution Rates)</i>	\$581,156
<i>Revenue Deficiency/(Sufficiency) Associated with Base Revenue Requirement</i>	\$42,711

The Revenue Deficiency sheet presented at the next page is an excerpt from the Revenue Requirement Work Form. The drivers of the revenue deficiency are detailed in Table 10 at the next page.

1

Table 10 - Revenue Deficiency (RRWF)³

Particulars	At Current Approved Rates	At Proposed Rates
Revenue Deficiency from Below		\$48,813
Distribution Revenue	\$538,444	\$532,343
Other Operating Revenue Offsets - net	\$28,356	\$28,356
Total Revenue	\$566,800	\$609,512
Operating Expenses	\$554,918	\$554,918
Deemed Interest Expense	\$19,592	\$19,592
Total Cost and Expenses	\$574,510	\$574,510
Utility Income Before Income Taxes	(\$7,709)	\$35,002
Tax Adjustments to Accounting PILs model		
Income per 2013		
	(\$54,693)	(\$54,693)
Taxable Income	(\$62,402)	(\$19,691)
Income Tax Rate	12.50%	12.50%
Income Tax on Taxable Income	\$ -	\$ -
Income Tax Credits	\$ -	\$ -
Utility Net Income	(\$7,709)	\$35,002
Utility Rate Base	\$1,027,058	\$1,027,058
Deemed Equity Portion of Rate Base	\$410,823	\$410,823
Income/(Equity Portion of Rate Base)	-1.88%	8.52%
Target Return - Equity on Rate Base	8.52%	8.52%
Deficiency/Sufficiency in Return on Equity	-10.40%	0.00%
Indicated Rate of Return	1.16%	5.32%
Requested Rate of Return on Rate Base	5.32%	5.32%
Deficiency/Sufficiency in Rate of Return	-4.16%	0.00%
Target Return on Equity	\$35,002	\$35,002
Revenue Deficiency/(Sufficiency)	\$42,711	
Gross Revenue Deficiency/(Sufficiency)	\$48,813	(1)

2

3

³ MFR - Calculation of delivery-related Revenue Deficiency/Sufficiency (excluding cost of power and associated costs): net utility income, rate base, actual return on rate base, indicated rate of return, requested rate of return, deficiency/sufficiency, gross deficiency/sufficiency. Deficiency/sufficiency must also be net of other costs (e.g. LV costs, RSVAs, smart meter and other DVA balances).

46.3.2 CAUSES OF REVENUE DEFICIENCY OR SURPLUS

Hydro 2000's existing rates are based on the Board-approved rates in 2012 following a cost of service rate application, and adjustments to its base distribution rates in 2013-2019 under the Board's third Generation Incentive Regulation Mechanism.

As shown in Table 10 in the previous section, the Revenue Deficiency is determined to be \$42,711. The deficiency is for the most part due to the increase in the OM&A which is offset by a reduction in depreciation expenses and lower rate of return.

Table 10 at the next page shows that the causes for the revenue deficiency stem from the most part from an increase of \$106,133 in OM&A from its 2012 Board-approved amount. The decrease in Working Capital Allowance, depreciation expense, revenue offset combined with a lower Regulated Rate of Return offset the increase in OM&A and results in a revenue deficiency of \$42,711.

The factors contributing to the change in the rate base are discussed in detail at Exhibit 2 but for the most part, are due to (1) investments in the distribution system to follow the Distribution System Plan. (2).

Increased Operations, Maintenance, and Administration (OM&A) expenses are another driver of the revenue deficiency. Projected OM&A for 2020 is \$106,133 higher than the 2012 Board-approved amount. The cost drivers underlying this increase are explained in Exhibit 4.

The major contributors of the deficiency from 2012 Board Approved to 2020 Test Year are presented in the table below and explanations following the table.

⁴ MFR - Summary of drivers for test year deficiency/sufficiency, how much each driver contributes; references in application evidence mapped to drivers

Table 11 – Differences in Revenue Requirement from 2012 Cost of Service

<i>Particular</i>	CGAAP	MIFRS	<i>Diff</i>
	2012	2020	
<i>Long Term Debt</i>	5.32%	3.21%	-2.11%
<i>Short Term Debt</i>	2.08%	2.75%	0.67%
<i>Return on Equity</i>	9.12%	8.52%	-0.60%
<i>Weighted Debt Rate</i>	5.10%	3.18%	-1.92%
<i>Regulated Rate of Return</i>	6.71%	5.32%	-1.39%
<i>Controllable Expenses</i>	\$401,566	\$507,699	\$106,133
<i>Power Supply Expense</i>	\$2,424,532	\$3,090,751	\$666,219
<i>Total Eligible Distribution Expenses</i>	\$2,826,098	\$3,598,450	\$772,352
<i>Working Capital Allowance Rate</i>	15.00%	7.50%	-7.50%
<i>Total Working Capital Allowance ("WCA")</i>	\$423,915	\$269,884	-\$154,031
<i>Fixed Asset Opening Bal Bridge Year</i>	\$1,042,597	\$1,170,249	\$127,653
<i>Fixed Asset Opening Bal Test Year</i>	-\$493,060	-\$340,036	\$153,024
<i>Fixed Asset</i>	\$549,537	\$830,214	\$280,677
<i>Working Capital Allowance</i>	\$423,915	\$269,884	-\$154,031
<i>Rate Base</i>	\$973,451	\$1,100,098	\$126,646
<i>Regulated Rate of Return</i>	6.71%	5.32%	-1.39%
<i>Regulated Return on Capital</i>	\$65,322	\$54,594	-\$10,728
<i>Deemed Interest Expense</i>	\$29,811	\$19,592	-\$10,219
<i>Deemed Return on Equity</i>	\$35,512	\$35,002	-\$509
<i>OM&A</i>	\$401,566	\$507,699	\$106,133
<i>Depreciation Expense</i>	\$76,703	\$47,219	-\$29,484
<i>PILs</i>	\$187	\$0	-\$187
<i>Revenue Offset</i>	-\$23,303	-\$28,356	-\$5,053
<i>Revenue Requirement</i>	\$520,475	\$581,156	\$60,680

- The increase in OM&A of \$106,133 from \$401,566 in 2012 Board Approved to \$507,699 in 2020 is primarily due to an increase in Maintenance to its distribution system as a result of the distribution system planning as well as an increase in tree trimming. Billing and collecting has also increased as a result of going from bi-monthly to monthly billing. Hydro 2000 has also adopted a more rigorous approach to collecting. Increases in Administration costs are related to the increase in the use of external accounting services, new software licenses and overall inflationary increases. OM&A variances are

1 explained in detail throughout Exhibit 4. The relevant OEB Appendices related to OMA
2 spending are replicated below.

- 3 • An increase of \$280,677 in Average Net Fixed Assets from \$549,537 in 2012 Board
4 Approved to \$830,214 in 2020 is primarily due to needed investments in its Hydro
5 2000's distribution infrastructure. Details of the utility's capital spending is explained at
6 Exhibit 2 and in the Distribution System Plan.
- 7 • A decrease of -\$154,031 in Working Capital of from \$423,915 in 2012 Board approved
8 to \$269,884 in 2020 as a result of adopting a mandatory 7.5% Working Capital
9 Allowance rate as opposed to the 15% that was embedded in Hydro 2000's 2012 rates.
- 10 • A reduction in the Weighted Average Cost of Capital from 6.71% in 2012 Board
11 approved to 5.32% in 2020 which is explained at Exhibit 5.
- 12 • A decrease in Depreciation Expenses of -\$29,484 from \$76,703 in 2012 Board approved
13 to \$47,219 in 2020.
- 14 • A marginal decrease in deemed PILs expense of -\$187 from the 2012 Board approved
15 value to \$0 in 2020.

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Table 12 – OEB Appendix 2-JA – Summary of Recoverable OM&A Expenses⁵

Reporting Basis	CGAAP	CGAAP	NEWGAAP	NEWGAAP	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS
	Board Approved	2012	2013	2014	2015	2016	2017	2018	2019	2020
Operations	\$12,775	\$3,936	\$17,166	\$9,576	\$15,920	\$16,705	\$13,384	\$15,998	\$15,959	\$10,000
Maintenance	\$2,050	\$65,534	\$13,761	\$300	\$6,015	\$28,132	\$42,888	\$28,940	\$28,068	\$41,146
SubTotal	\$14,825	\$69,469	\$30,927	\$9,876	\$21,935	\$44,837	\$56,272	\$44,938	\$44,027	\$51,146
%Change (year over year)		368.6%	-55.5%	-68.1%	122.1%	104.4%	25.5%	-20.1%	-2.0%	16.2%
%Change (Test Year vs Last Rebasing Year - Actual)								203.1%	197.0%	245.0%
Billing and Collecting	\$127,734	\$142,613	\$131,905	\$151,230	\$152,424	\$168,966	\$175,254	\$164,389	\$165,283	\$160,231
Community Relations	\$717	\$0	\$0	\$0	\$0	\$0	\$411	\$0	\$0	\$0
Administrative and General+LEAP	\$258,290	\$213,346	\$249,026	\$224,287	\$260,933	\$224,449	\$249,024	\$244,280	\$298,896	\$296,322
SubTotal	\$386,741	\$355,958	\$380,931	\$375,517	\$413,357	\$393,415	\$424,689	\$408,668	\$464,178	\$456,553
%Change (year over year)		-8.0%	7.0%	-1.4%	10.1%	-4.8%	7.9%	-3.8%	13.6%	-1.6%
%Change (Test Year vs Last Rebasing Year - Actual)								5.7%	20.0%	18.1%
Total	\$401,566	\$425,427	\$411,858	\$385,393	\$435,292	\$438,252	\$480,961	\$453,606	\$508,206	\$507,699
%Change (year over year)		5.9%	-3.2%	-6.4%	12.9%	0.7%	9.7%	-5.7%	12.0%	-0.1%

Year over Year variances

	Board Approved	2012	2013	2014	2015	2016	2017	2018	2019	2020
Operations	\$12,775	-\$8,839	\$13,230	-\$7,589	\$6,344	\$785	-\$3,321	\$2,614	-\$39	-\$5,959
Maintenance	\$2,050	\$63,484	-\$51,772	-\$13,461	\$5,715	\$22,117	\$14,756	-\$13,949	-\$871	\$13,078
Billing and Collecting	\$127,734	\$14,879	-\$10,708	\$19,325	\$1,194	\$16,542	\$6,288	-\$10,865	\$894	-\$5,052
Community Relations	\$717	-\$717	\$0	\$0	\$0	\$0	\$411	-\$411	\$0	\$0
Administrative and General	\$258,290	-\$44,944	\$35,681	-\$24,739	\$36,646	-\$36,484	\$24,576	-\$4,745	\$54,616	-\$2,574
Total	\$401,566	\$23,861	-\$13,570	-\$26,464	\$49,899	\$2,960	\$42,709	-\$27,355	\$54,600	-\$507

*Hydro 2000 notes that it has modified appendix 2-JA so that it would fit on this page.

⁵ MFR - Summary of recoverable OM&A expenses; Appendix 2-JA

Table 13 – OEB Appendix 2-JB – Recoverable OM&A Cost Driver Table⁶

<i>Reporting Basis</i>	<i>CGAAP</i>	<i>CGAAP</i>	<i>CGAAP</i>	<i>CGAAP</i>	<i>CGAAP</i>	<i>CGAAP</i>	<i>CGAAP</i>	<i>NEWGAAP</i>	<i>NEWGAAP</i>
<i>OM&A</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>
Opening Balance	\$401,566	\$425,427	\$411,857	\$385,393	\$435,292	\$438,252	\$480,961	\$453,606	\$508,206
5010-Load Dispatching	-\$5,345								
5065-Meter Expense				\$7,250	-\$7,250				
5095-Overhead Distribution Lines and Feeders - Rental Paid		\$11,000	-\$11,000						-\$7,246
5120-Maintenance of Poles, Towers and Fixtures					\$5,000	\$21,666	-\$26,666		
5125-Maintenance of Overhead Conductors and Devices					\$9,622	-\$9,351	\$9,575	-\$4,865	
5135-Overhead Distribution Lines and Feeders - Right of Way		\$12,861	-\$13,236		\$7,178				
5175-Maintenance of Meters	\$63,240	-\$63,240						\$5,006	\$13,891
5315-Customer Billing	\$13,300			-\$7,869	\$25,007				-\$8,872
5335-Bad Debt Expense		-\$11,995	\$17,969	\$8,781	-\$9,493		-\$12,760		
5605-Executive Salaries and Expenses				\$5,187			-\$6,964	\$14,527	\$7,554
5610-Management Salaries and Expenses	-\$20,858	\$15,937	-\$9,980	\$23,457	-\$40,058	-\$24,160	\$6,657	\$26,367	-\$11,128
5620-Office Supplies and Expenses	\$9,976				-\$7,922	\$5,938	\$7,652		\$5,211
5630-Outside Services Employed	\$17,319	-\$19,338			\$23,988	\$22,122		-\$16,318	
5645-Employee Pensions and Benefits				-\$8,301	\$7,462				
5655-Regulatory Expenses	-\$50,884	\$43,037	-\$14,983	\$13,799	-\$22,547	\$16,089	-\$11,396	\$26,318	\$0
Expenses < \$5000	-\$2,887	-\$1,833	\$4,766	\$7,595	\$11,972	\$10,406	\$6,546	\$3,565	\$82
Closing Balance	\$425,427	\$411,857	\$385,393	\$435,292	\$438,252	\$480,961	\$453,606	\$508,206	\$507,699
OM&A Summary Integrity Check	\$425,427	\$411,858	\$385,393	\$435,292	\$438,252	\$480,961	\$453,606	\$508,206	\$507,699
Difference	\$0	-\$1	\$0	\$0	\$0	\$0	\$0	\$0	\$0

⁶ MFR - Recoverable OM&A cost drivers; Appendix 2-JB

Table 14 - OEB Appendix 2-JC – OM&A Programs Table⁷

<i>Reporting Basis</i>	<i>CGAAP</i>	<i>CGAAP</i>	<i>CGAAP</i>	<i>CGAAP</i>	<i>MIFRS</i>	<i>MIFRS</i>	<i>MIFRS</i>	<i>MIFRS</i>	<i>MIFRS</i>	<i>MIFRS</i>
<i>Programs</i>	<i>2012</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>
Customer Focus										
<i>Customer Service, Mailing Costs, Billing and Collections, Bad Debt</i>	\$128,451	\$142,613	\$132,005	\$151,330	\$152,724	\$168,966	\$175,665	\$164,389	\$165,283	\$160,231
Sub-Total	\$128,451	\$142,613	\$132,005	\$151,330	\$152,724	\$168,966	\$175,665	\$164,389	\$165,283	\$160,231
Distribution System Effectiveness										
<i>Operational Effectiveness</i>	\$12,775	\$3,936	\$17,166	\$9,576	\$15,920	\$16,705	\$13,384	\$15,998	\$15,959	\$10,000
<i>Maintenance Effectiveness</i>	\$2,050	\$65,534	\$13,761	\$300	\$6,015	\$28,132	\$42,888	\$28,940	\$28,068	\$41,146
Sub-Total	\$14,825	\$69,469	\$30,927	\$9,876	\$21,935	\$44,837	\$56,272	\$44,938	\$44,027	\$51,146
Administrative Effectiveness										
<i>Wages</i>	\$121,060	\$100,088	\$116,086	\$105,213	\$134,057	\$96,569	\$71,983	\$72,841	\$116,696	\$112,995
<i>Office related expenses</i>	\$45,878	\$55,438	\$52,046	\$50,864	\$44,339	\$46,170	\$55,347	\$60,542	\$61,573	\$68,818
Sub-Total	\$166,938	\$155,525	\$168,132	\$156,077	\$178,396	\$142,739	\$127,330	\$133,384	\$178,270	\$181,813
Public and Regulatory Responsiveness										
<i>Regulatory & Compliance (Regulatory and Accounting Services, ESA)</i>	\$91,352	\$57,820	\$80,794	\$68,111	\$82,237	\$81,710	\$121,694	\$110,896	\$120,626	\$114,509
Sub-Total	\$91,352	\$57,820	\$80,794	\$68,111	\$82,237	\$81,710	\$121,694	\$110,896	\$120,626	\$114,509
TOTAL OM&A	401,566	425,427	411,858	385,393	435,292	438,252	480,961	453,606	508,206	507,699
integrity check	401,566	425,427	411,858	385,393	435,292	438,252	480,961	453,606	508,206	507,699

USoA Accounts for each program are listed at Exhibit 4.3.1

⁷ MFR - Completed Appendix 2-JC OM&A Programs Table - completed by program or major functions; include variance analysis limited to variances that are outliers, between test year and last OEB approved and most recent actuals, including an explanation for each significant change whether the change was within or outside the applicant's control and explanation of why

6.3.3 IMPACT OF IMPLEMENTATION OF MIFRS ON REVENUE DEFICIENCY OR SURPLUS

The adoption of newly prescribed accounting policies (IFRS) has some impact on the depreciation expense. Side by side comparison of the depreciation expense under CGAAP vs IFRS are presented in Exhibit 2. The utility is also seeking recovery of balances in account 1576 as per OEB policy.

Hydro 2000's OM&A has not been impacted by the policy which states that burdens which are longer eligible for capitalization have been removed from rate base and included as an operating expense since the utility has never capitalized administrative burdens on capital projects.⁸

⁸ MFR - Impacts of any changes in methodologies to deficiency/sufficiency

1

Appendix 1 – Revenue Requirement Work Form



Ontario Energy Board

Revenue Requirement Workform (RRWF) for 2019 Filers



Version 8.00

Utility Name	Hydro 2000 Inc.
Service Territory	
Assigned EB Number	EB-2019-0041
Name and Title	Lise Wilkinson
Phone Number	613-679-4093
Email Address	Lisewilkinson@hydro2000.ca
Test Year	2020
Bridge Year	2019
Last Rebasing Year	2012

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 Req](#)

[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)	\$1,074,600			\$ 1,074,600		\$1,074,600
Accumulated Depreciation (average)	(\$317,426) ⁽⁵⁾			(\$317,426)		(\$317,426)
Allowance for Working Capital:						
Controllable Expenses	\$507,699			\$ 507,699		\$507,699
Cost of Power	\$3,090,754			\$ 3,090,754		\$3,090,754
Working Capital Rate (%)	7.50% ⁽⁹⁾					
2 Utility Income						
Operating Revenues:						
Distribution Revenue at Current Rates	\$538,561					
Distribution Revenue at Proposed Rates	\$581,156					
Other Revenue:						
Specific Service Charges	\$7,596					
Late Payment Charges	\$6,337					
Other Distribution Revenue	\$13,588					
Other Income and Deductions	\$835					
Total Revenue Offsets	\$28,356 ⁽⁷⁾					
Operating Expenses:						
OM+A Expenses	\$507,699			\$ 507,699		\$507,699
Depreciation/Amortization	\$47,219			\$ 47,219		\$47,219
Property taxes						
Other expenses						
3 Taxes/PILs						
Taxable Income:						
Adjustments required to arrive at taxable income	(\$54,693) ⁽³⁾					
Utility Income Taxes and Rates:						
Income taxes (not grossed up)	\$ -					
Income taxes (grossed up)	\$ -					
Federal tax (%)	9.00%					
Provincial tax (%)	3.50%					
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 (%)	0.0%					
	100.0%					
Cost of Capital						
Long-term debt Cost Rate (%)	3.21%					
Short-term debt Cost Rate (%)	2.75%					
Common Equity Cost Rate (%)	8.52%					
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

Rate Base									
Line No.	Particulars		Initial Application						Per Board Decision
1	Gross Fixed Assets (average)	(2)	\$1,074,600		\$ -		\$1,074,600		\$1,074,600
2	Accumulated Depreciation (average)	(2)	(\$317,426)		\$ -		(\$317,426)		(\$317,426)
3	Net Fixed Assets (average)	(2)	\$757,174		\$ -		\$757,174		\$757,174
4	Allowance for Working Capital	(1)	\$269,884	(\$269,884)		\$ -		\$ -	\$ -
5	Total Rate Base		\$1,027,058	(\$269,884)		\$757,174		\$ -	\$757,174

(1) Allowance for Working Capital - Derivation

6	Controllable Expenses	\$507,699	\$ -	\$507,699	\$ -	\$507,699
7	Cost of Power	\$3,090,754	\$ -	\$3,090,754	\$ -	\$3,090,754
8	Working Capital Base	\$3,598,453	\$ -	\$3,598,453	\$ -	\$3,598,453
9	Working Capital Rate % ⁽¹⁾	7.50%	-7.50%	0.00%	0.00%	0.00%
10	Working Capital Allowance	\$269,884	(\$269,884)	\$ -	\$ -	\$ -

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)	\$581,156		(\$581,156)		\$ -	\$ -
2	Other Revenue ⁽¹⁾	\$28,356		(\$28,356)		\$ -	\$ -
3	Total Operating Revenues	\$609,512		(\$609,512)		\$ -	\$ -
Operating Expenses:							
4	OM+A Expenses	\$507,699		\$ -		\$507,699	\$507,699
5	Depreciation/Amortization	\$47,219		\$ -		\$47,219	\$47,219
6	Property taxes	\$ -		\$ -		\$ -	\$ -
7	Capital taxes	\$ -		\$ -		\$ -	\$ -
8	Other expense	\$ -		\$ -		\$ -	\$ -
9	Subtotal (lines 4 to 8)	\$554,918		\$ -		\$554,918	\$554,918
10	Deemed Interest Expense	\$19,592		(\$19,592)		\$ -	\$ -
11	Total Expenses (lines 9 to 10)	\$574,510		(\$19,592)		\$554,918	\$554,918
12	Utility income before income taxes	\$35,002		(\$589,920)		(\$554,918)	(\$554,918)
13	Income taxes (grossed-up)	\$ -		\$ -		\$ -	\$ -
14	Utility net income	\$35,002		(\$589,920)		(\$554,918)	(\$554,918)

Notes

Other Revenues / Revenue Offsets

(1)	Specific Service Charges	\$7,596		\$ -		\$ -
	Late Payment Charges	\$6,337		\$ -		\$ -
	Other Distribution Revenue	\$13,588		\$ -		\$ -
	Other Income and Deductions	\$835		\$ -		\$ -
	Total Revenue Offsets	\$28,356		\$ -		\$ -



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	\$35,002		\$ -	\$ -
2	Adjustments required to arrive at taxable utility income	(\$54,693)		\$ -	\$ -
3	Taxable income	(\$19,691)		\$ -	\$ -
<u>Calculation of Utility income Taxes</u>					
4	Income taxes	\$ -		\$ -	\$ -
6	Total taxes	\$ -		\$ -	\$ -
7	Gross-up of Income Taxes	\$ -		\$ -	\$ -
8	Grossed-up Income Taxes	\$ -		\$ -	\$ -
9	PILs / tax Allowance (Grossed-up Income taxes + Capital taxes)	\$ -		\$ -	\$ -
10	Other tax Credits	\$ -		\$ -	\$ -
<u>Tax Rates</u>					
11	Federal tax (%)	9.00%		9.00%	9.00%
12	Provincial tax (%)	3.50%		3.50%	3.50%
13	Total tax rate (%)	12.50%		12.50%	12.50%

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%	\$575,152	3.21%	\$18,462
2	Short-term Debt	4.00%	\$41,082	2.75%	\$1,130
3	Total Debt	60.00%	\$616,235	3.18%	\$19,592
	Equity				
4	Common Equity	40.00%	\$410,823	8.52%	\$35,002
5	Preferred Shares	0.00%	\$ -	0.00%	\$ -
6	Total Equity	40.00%	\$410,823	8.52%	\$35,002
7	Total	100.00%	\$1,027,058	5.32%	\$54,594
		(%)	(\$)	(%)	(\$)
	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%	\$757,174	0.00%	\$ -
		(%)	(\$)	(%)	(\$)
	Debt				
8	Long-term Debt	0.00%	\$ -	3.21%	\$ -
9	Short-term Debt	0.00%	\$ -	2.75%	\$ -
10	Total Debt	0.00%	\$ -	0.00%	\$ -
	Equity				
11	Common Equity	0.00%	\$ -	8.52%	\$ -
12	Preferred Shares	0.00%	\$ -	0.00%	\$ -
13	Total Equity	0.00%	\$ -	0.00%	\$ -
14	Total	0.00%	\$757,174	0.00%	\$ -

Notes

Revenue Requirement Workform (RRWF) for 2019 Filers

Revenue Deficiency/Sufficiency

Line No.	Particulars	Initial Application		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		\$48,680		\$18,693		\$634,191
2	Distribution Revenue	\$538,561	\$532,476	\$538,561	\$562,462	\$ -	(\$634,191)
3	Other Operating Revenue	\$28,356	\$28,356	\$ -	\$ -	\$ -	\$ -
4	Total Revenue	\$566,917	\$609,512	\$538,561	\$581,156	\$ -	\$ -
5	Operating Expenses	\$554,918	\$554,918	\$554,918	\$554,918	\$554,918	\$554,918
6	Deemed Interest Expense	\$19,592	\$19,592	\$ -	\$ -	\$ -	\$ -
8	Total Cost and Expenses	\$574,510	\$574,510	\$554,918	\$554,918	\$554,918	\$554,918
9	Utility Income Before Income Taxes	(\$7,593)	\$35,002	(\$16,357)	\$26,238	(\$554,918)	(\$554,918)
10	Tax Adjustments to Accounting Income per 2013 PILs model	(\$54,693)	(\$54,693)	(\$54,693)	(\$54,693)	\$ -	\$ -
11	Taxable Income	(\$62,286)	(\$19,691)	(\$71,050)	(\$28,455)	(\$554,918)	(\$554,918)
12	Income Tax Rate	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%
13	Income Tax on Taxable Income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
14	Income Tax Credits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
15	Utility Net Income	(\$7,593)	\$35,002	(\$16,357)	(\$554,918)	(\$554,918)	(\$554,918)
16	Utility Rate Base	\$1,027,058	\$1,027,058	\$757,174	\$757,174	\$757,174	\$757,174
17	Deemed Equity Portion of Rate Base	\$410,823	\$410,823	\$ -	\$ -	\$ -	\$ -
18	Income/(Equity Portion of Rate Base)	-1.85%	8.52%	0.00%	0.00%	0.00%	0.00%
19	Target Return - Equity on Rate Base	8.52%	8.52%	0.00%	0.00%	0.00%	0.00%
20	Deficiency/Sufficiency in Return on Equity	-10.37%	0.00%	0.00%	0.00%	0.00%	0.00%
21	Indicated Rate of Return	1.17%	5.32%	-2.16%	0.00%	-73.29%	0.00%
22	Requested Rate of Return on Rate Base	5.32%	5.32%	0.00%	0.00%	0.00%	0.00%
23	Deficiency/Sufficiency in Rate of Return	-4.15%	0.00%	-2.16%	0.00%	-73.29%	0.00%
24	Target Return on Equity	\$35,002	\$35,002	\$ -	\$ -	\$ -	\$ -
25	Revenue Deficiency/(Sufficiency)	\$42,595	(\$0)	\$16,357	\$ -	\$554,918	\$ -
26	Gross Revenue Deficiency/(Sufficiency)	\$48,680 ⁽¹⁾		\$18,693 ⁽¹⁾		\$634,191 ⁽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	\$507,699		\$507,699		\$507,699	
2	Amortization/Depreciation	\$47,219		\$47,219		\$47,219	
3	Property Taxes	\$ -					
5	Income Taxes (Grossed up)	\$ -		\$ -		\$ -	
6	Other Expenses	\$ -					
7	Return						
	Deemed Interest Expense	\$19,592		\$ -		\$ -	
	Return on Deemed Equity	\$35,002		\$ -		\$ -	
8	Service Revenue Requirement (before Revenues)	<u>\$609,512</u>		<u>\$554,918</u>		<u>\$554,918</u>	
9	Revenue Offsets	\$28,356		\$ -		\$ -	
10	Base Revenue Requirement (excluding Transformer Ownership Allowance credit adjustment)	<u>\$581,156</u>		<u>\$554,918</u>		<u>\$554,918</u>	
11	Distribution revenue	\$581,156		\$ -		\$ -	
12	Other revenue	\$28,356		\$ -		\$ -	
13	Total revenue	<u>\$609,512</u>		<u>\$ -</u>		<u>\$ -</u>	
14	Difference (Total Revenue Less Distribution Revenue Requirement before Revenues)	<u>\$ -</u>	(1)	<u>(\$554,918)</u>	(1)	<u>(\$554,918)</u>	(1)

Summary Table of Revenue Requirement and Revenue Deficiency/Sufficiency

	Application		Δ% (2)	Per Board Decision	Δ% (2)
Service Revenue Requirement	\$609,512	\$554,918	(\$0)	\$554,918	(\$1)
Grossed-Up Revenue					
Deficiency/(Sufficiency)	\$48,680	\$18,693	(\$1)	\$634,191	(\$1)
Base Revenue Requirement (to be recovered from Distribution Rates)	\$581,156	\$554,918	(\$0)	\$554,918	(\$1)
Revenue Deficiency/(Sufficiency) Associated with Base Revenue Requirement	\$42,595	\$ -	(\$1)	\$ -	(\$1)

Notes

- (1) Line 11 - Line 8
(2) Percentage Change Relative to Initial Application



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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	1,113	12,367,886	-			
2	General Service < 50 kW	141	3,861,286	-			
3	General Service > 50 to 4999 kW	13	3,984,230	10,671			
4	Street Lighting	370	153,000	421			
5	Unmetered Scattered Load	4	17,280	-			
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
Total			20,383,682	11,092		-	-

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⁾	%
From Sheet 10. Load Forecast				
			(7A)	
1 Residential			\$ 505,837	82.99%
2 General Service < 50 kW			\$ 70,602	11.58%
3 General Service > 50 to 4999 kW			\$ 24,432	4.01%
4 Street Lighting			\$ 8,187	1.34%
5 Unmetered Scattered Load			\$ 454	0.07%
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				
Total	\$ -	0.00%	\$ 609,512	100.00%
Service Revenue Requirement (from Sheet 9)			\$ 609,511.84	

- (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	\$ 422,728	\$ 456,313	\$ 461,220	\$ 23,881
2	General Service < 50 kW	\$ 76,754	\$ 82,824	\$ 81,729	\$ 2,993
3	General Service > 50 to 4999 kW	\$ 28,821	\$ 31,079	\$ 28,851	\$ 468
4	Street Lighting	\$ 8,620	\$ 9,302	\$ 8,837	\$ 987
5	Unmetered Scattered Load	\$ 1,518	\$ 1,638	\$ 518	\$ 26
6					
7					
8					
9					
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12					
13					
14					
15					
16					
17					
18					
19					
20					
Total		\$ 538,441	\$ 581,156	\$ 581,156	\$ 28,355

- (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)	
		2014			
		%	%	%	%
1	Residential	95.00	94.93%	95.90%	85 - 115
2	General Service < 50 kW	120.00	121.55%	120.00%	80 - 120
3	General Service > 50 to 4999 kW	120.00	129.12%	120.00%	80 - 120
4	Street Lighting	103.00	125.67%	120.00%	80 - 120
5	Unmetered Scattered Load	110.00	366.80%	120.00%	80 - 120
6					
7					
8					
9					
10					
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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	95.90%	95.90%	95.90%	85 - 115
2	General Service < 50 kW	120.00%	120.00%	120.00%	80 - 120
3	General Service > 50 to 4999 kW	120.00%	120.00%	120.00%	80 - 120
4	Street Lighting	120.00%	120.00%	120.00%	80 - 120
5	Unmetered Scattered Load	120.00%	120.00%	120.00%	80 - 120
6					
7					
8					
9					
10					
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(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	1,113
kWh	12,367,886
Proposed Residential Class Specific Revenue Requirement ¹	
	\$ 461,220.30
Residential Base Rates on Current Tariff	
Monthly Fixed Charge (\$)	\$ 25.92
Distribution Volumetric Rate (\$/kWh)	\$ 0.0062

B Current Fixed/Variable Split

	Base Rates	Billing Determinants	Revenue	% of Total Revenue
Fixed	25.92	1,113	\$ 346,187.52	81.87%
Variable	0.0062	12,367,886	\$ 76,680.89	18.13%
TOTAL	-	-	\$ 422,868.41	-

C Calculating Test Year Base Rates

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

	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	\$ 377,584.86	28.27	\$ 377,574.12
Variable	\$ 83,635.44	0.0068	\$ 84,101.62
TOTAL	\$ 461,220.30	-	\$ 461,675.74

	New F/V Split	Revenue @ new F/V Split	Final Adjusted Base Rates	Revenue Reconciliation @ Adjusted Rates
Fixed	90.93%	\$ 419,402.58	\$ 31.40	\$ 419,378.40
Variable	9.07%	\$ 41,817.72	\$ 0.0034	\$ 42,050.81
TOTAL	-	\$ 461,220.30	-	\$ 461,429.21

Checks ³	
Change in Fixed Rate	\$ 3.13
Difference Between Revenues @ Proposed Rates and Class Specific Revenue Requirement	\$208.91
	0.05%

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)

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.

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



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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	\$ 54,594	5.32%	\$ 1,027,058	\$ 3,598,453	\$ 269,884	\$ 47,219	\$ -	\$ 507,699	\$ 609,512	\$ 28,356	\$ 581,156	\$ 48,680

1