



EXHIBIT 6 – REVENUE REQUIREMENT

2021 Cost of Service

Wellington North Power Inc.
EB-2020-0061

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6.1 CALCULATION OF REVENUE REQUIREMENT

6.1.1 DETERMINATION OF NET UTILITY INCOME

Wellington North Power Inc.'s (WNP) current rates were approved by the Board with an effective date of May 1, 2020 and implemented November 1, 2020 through an Incentive Rate Mechanism (IRM) application (EB-2019-0073)^{1 2}. Existing revenues are based on existing Board approved rates, which are used in calculating utility's income and are comprised of distribution revenue and exclude pass-through 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.

The tables below illustrate distribution revenues at both current rates (effective May 1, 2020 and implemented November 1, 2020) and proposed Test Year 2021 rates using forecasted 2021 kWh consumption and demand kW volumes.

¹ EB-2019-0073 Decision & Rate Order (April 16, 2020) provided the option for the LDC to defer implementing approved Tariff of Rate and Charges set out in Schedule until November 1, 2020 in light of the COVID-19 emergency. On April 22, 2020, WNP notified the OEB that the utility had elected to defer implementation of May 1, 2020 OEB-approved rates until November 1st 2020. On September 14, 2020, WNP notified the OEB the LDC had completed the "Forgone Revenue Rate Rider Model" and was seeking approval to implement May 1st 2020 OEB-approved Tariff of Rate and Charges effective November 1st 2020

² EB-2019-0073 Final Rate Order (October 8, 2020) the OEB authorizes Wellington North Power to implement its new rates on November 1, 2020, including a rate rider for the recovery of forgone revenues resulting from postponing rate implementation in response to COVID-19. The rider, entitled Rate Rider for Recovery of COVID-19 Forgone Revenue from Postponing Rate Implementation, will be effective until April 30, 2021.

Table 1 - Distribution Revenues at Current Rates – 2021 Volumes

2020 Rates at 2021 Load								
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	\$0.0000	kWh	26,503,100	\$0.00			\$0.00	\$0.00
General Service < 50 kW	\$0.0188	kWh	11,455,522	\$215,363.81			\$0.00	\$215,363.81
General Service 50 - 999 kW	\$2.7600	kW	52,425	\$144,692.37	-0.60	10,607	-\$6,364.43	\$138,327.95
General Service 1000 - 4999 kW	\$3.1994	kW	92,890	\$297,191.37			\$0.00	\$297,191.37
Unmetered Scattered Load	\$0.0163	kWh	6,288	\$102.49			\$0.00	\$102.49
Sentinel Lighting	\$28.6379	kW	55	\$1,568.03			\$0.00	\$1,568.03
Street Lighting	\$1.8527	kW	632	\$1,171.78			\$0.00	\$1,171.78
Total Variable Revenue			38,110,912	\$660,089.86		10,607.38	-\$6,364.43	\$653,725.43
2020 Rates at 2021 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	\$36.39	3,355	\$1,465,096.22	\$0.00	\$1,465,096.22	100.00%		55.37%
General Service < 50 kW	\$43.75	468	\$245,712.12	\$215,363.81	\$461,075.93	53.29%	46.71%	17.42%
General Service 50 - 999 kW	\$289.38	34	\$118,205.67	\$138,327.95	\$256,533.62	46.08%	53.92%	9.69%
General Service 1000 - 4999 kW	\$2,365.10	5	\$141,906.00	\$297,191.37	\$439,097.37	32.32%	67.68%	16.59%
Unmetered Scattered Load	\$29.71	2	\$831.88	\$102.49	\$934.37	89.03%	10.97%	0.04%
Sentinel Lighting	\$7.75	23	\$2,139.00	\$1,568.03	\$3,707.03	57.70%	42.30%	0.14%
Street Lighting	\$1.68	924	\$18,627.84	\$1,171.78	\$19,799.62	94.08%	5.92%	0.75%
Total Fixed Revenue		4,811	\$1,992,518.73	\$653,725.43	\$2,646,244.16			

Current Rates were OEB approved for May 1st 2020 and to be implemented November 1st 2020 as per OEB Final Rate Order for EB-2019-0073 (October 8, 2020).

Table 2 - Distribution Revenues at Proposed Rates – 2021 Volumes

2021 Rates at 2021 Load								
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		kWh	26,503,100	\$0.00			\$0.00	\$0.00
General Service < 50 kW	\$0.0239	kWh	11,455,522	\$274,176.25			\$0.00	\$274,176.25
General Service 50 to 2999 kW	\$3.4101	kW	52,425	\$178,772.17	-0.60	10,607	(\$6,364.43)	\$172,407.74
General Service 3000-4999 kW	\$4.4260	kW	92,890	\$411,132.25			\$0.00	\$411,132.25
Unmetered Scattered Load	\$0.0125	kWh	6,288	\$78.51			\$0.00	\$78.51
Sentinel Lighting	\$32.4036	kW	55	\$1,774.22			\$0.00	\$1,774.22
Street Lighting	\$4.6187	kW	632	\$2,921.21			\$0.00	\$2,921.21
Total Variable Revenue			38,110,912	\$868,854.60		10607	(\$6,364.43)	\$862,490.17
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	\$39.18	3,355	\$1,577,424.29	\$0.00	\$1,577,424.29	92.88%		55.37%
General Service < 50 kW	\$43.85	468	\$246,273.74	\$274,176.25	\$520,449.99	47.21%	46.71%	17.42%
General Service 50 - 999 kW	\$289.38	34	\$118,205.67	\$172,407.74	\$290,613.41	40.67%	53.92%	9.69%
General Service 1000 - 4999 kW	\$2,365.10	5	\$141,906.00	\$411,132.25	\$553,038.25	25.66%	67.68%	16.59%
Unmetered Scattered Load	\$26.58	2	\$744.24	\$78.51	\$822.75	101.11%	10.97%	0.04%
Sentinel Lighting	\$8.78	23	\$2,423.28	\$1,774.22	\$4,197.50	50.96%	42.30%	0.14%
Street Lighting	\$4.25	924	\$47,124.00	\$2,921.21	\$50,045.21	37.22%	5.92%	0.75%
Total Fixed Revenue		4,811	\$2,134,101.23	\$862,490.17	\$2,996,591.40			

6.1.2 PROPOSED REVENUE REQUIREMENT

The 2021 Test Year Base Revenue Requirement, which represents the amount of money a utility must receive from its customers to cover its day-to-day operating costs, taxes, interest paid on debts owed to investors and a deemed return (profit) is calculated to be \$2,996,360.

The table below presents WNP's proposed 2021 Test Year Revenue Requirement as calculated in the OEB's Revenue Requirement Work Form which is being filed with this application and is also presented as Appendix 6A of this Exhibit.³

Table 3 - Test Year Revenue Requirement

	MIFRS
Particular	2021
OM&A Expenses + LEAP	\$1,918,500
Depreciation Expense	\$500,023
Property Taxes	\$14,000
Total Distribution Expenses	\$2,432,523
Regulated Return On Capital	\$699,167
Grossed up PILs	\$0
Service Revenue Requirement	\$3,131,690
Less: Revenue Offsets	-\$135,330
Base Revenue Requirement	\$2,996,360

WNP confirms that the OEB's 2021 Revenue Requirement Workform (RRWF) accurately reflects its' proposed rates for the 2021 Test Year and therefore there is no requirement for the Applicant to file its' rate generator model.⁴

³ MFR - RRWF - in PDF and Excel. Revenue requirement, def/sufficiency, data entered in RRWF must correspond with other exhibits

⁴ MFR - If the enhanced RRWF cannot reflect a distributor's proposed rates accurately, the distributor must file its rate generator model

6.1.3 STATEMENT OF RATE BASE

The table below shows the Statement of Rate Base:

Table 4 - Statement of Rate Base

	(%)	(\$)	(%)	(\$)
Debt:				
<i>Long-term Debt</i>	56.00%	\$6,888,930	3.87%	\$266,395
<i>Short-term Debt</i>	4.00%	\$492,066	2.75%	\$13,532
Total Debt	60.0%	\$7,380,997	3.79%	\$279,927
Equity:				
<i>Common Equity</i>	40.00%	\$4,920,665	8.52%	\$419,241
<i>Preferred Shares</i>		\$ -		\$ -
Total Equity	40.0%	\$4,920,665	8.52%	\$419,241
Total	100.0%	\$12,301,661	5.68%	\$699,167

6.1.4 ACTUAL UTILITY RETURN ON RATE BASE

The table below shows the Return on Rate Base:

Table 5 - Return on Rate Base

Return	
<i>Deemed Interest Expense</i>	\$279,927
<i>Return on Deemed Equity</i>	\$419,241
Total	\$699,167

6.1.5 REQUESTED AND INDICATED RATE OF RETURN

In preparing its' 2021 Cost of Service application, WNP has used the most recent published allowed return on equity (ROE) rate of 8.52% as per the OEB's prescribed Cost of Capital Parameters published for 2020 Cost of Service applications⁵.

WNP acknowledges that in the normal course the Board will issue a new deemed ROE for Cost of Service applications with a January 1st/May 1st 2021 implementation date with the expectation that WNP will update its application to reflect the new deemed ROE. However, WNP is concerned that the new deemed ROE for 2021 implementation dates will be materially affected by COVID-19's impact on the economy, such that it would be reasonable to allow for some relief for rate filers like WNP for whom 2021 is the Test Year for a 5 year period. In WNP's opinion, this issue is generic and equally applicable to all LDC's filing Cost of Service rate applications for rate years 2021 and 2022.

Accordingly, while WNP proposes to update the deemed ROE for its' 2021 Test Year in the normal course so that the ROE embedded in its' 2021 Test Year rates properly reflect the economic conditions within which WNP expects to operate in 2021, WNP also proposes that it be allowed an opportunity to apply for an adjustment to its' embedded ROE in a future IRM application to reflect the Canadian economy's recovery from COVID-19 related impacts. WNP proposes that it be allowed to seek such an adjustment once during the IRM period at a time when the Board's deemed ROE exhibits material recovery from the impacts of COVID 19.

⁵ OEB "2020 Cost of Capital Parameters Updates" letter (October 31, 2019), Value for Applications for rate changes in 2020 ROE 8.52%

6.1.6 UTILITY INCOME AT PROPOSED REVENUE REQUIREMENT

The table below summarizes WNP's income when applying the proposed revenue requirement for the 2021 Test Year:

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>	\$2,996,360
<i>Other Revenue</i>	\$135,330
<i>Total Operating Revenues</i>	\$3,131,690
<u>Operating Expenses:</u>	
<i>OM+A Expenses</i>	\$1,915,000
<i>Depreciation/Amortization</i>	\$500,023
<i>Property taxes</i>	\$14,000
<i>Income taxes</i>	\$-
<i>Other expense</i>	\$ 3,500
<i>Total Operating Expenses</i>	\$2,432,523
<i>Deemed Interest Expense</i>	\$279,927
<i>Total Expenses</i>	\$2,712,450
<i>Utility income before income taxes</i>	\$419,241
<i>Income taxes (grossed-up)</i>	\$-
<i>Utility net income</i>	\$419,241

6.1.7 REVENUE REQUIREMENT TREND

The table below presents WNP's Revenue Requirement trend starting from the 2016 Board Approved year through to the 2021 proposed Revenue Requirement:

Table 7 - Trend in Revenue Requirement

	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS
Particular	Last Board Approved	2016	2017	2018	2019	2020	2021
OM&A Expenses + LEAP	\$1,722,909	\$1,744,054	\$1,718,058	\$1,713,234	\$1,819,082	\$1,897,500	\$1,918,500
Depreciation Expense	\$365,779	\$353,743	\$395,986	\$412,895	\$428,700	\$438,822	\$500,023
Property Taxes	\$14,000	\$13,493	\$13,282	\$12,892	\$12,560	\$14,000	\$14,000
Total Distribution Expenses	\$2,102,688	\$2,111,290	\$2,127,325	\$2,139,021	\$2,260,343	\$2,350,322	\$2,432,523
Regulated Return On Capital	\$566,491	\$566,491	\$592,749	\$598,075	\$603,458	\$594,994	\$699,167
Grossed up PILs	\$0	-\$23,610	-\$12,918	\$2,870	-\$896	\$0	\$0
Service Revenue Requirement	\$2,669,179	\$2,654,171	\$2,707,157	\$2,739,966	\$2,862,904	\$2,945,316	\$3,131,690
Less: Revenue Offsets	(\$130,105)	(\$146,157)	(\$164,384)	(\$179,871)	(\$194,487)	(\$129,604)	(\$135,330)
Base Revenue Requirement	\$2,539,074	\$2,508,014	\$2,542,772	\$2,560,094	\$2,668,417	\$2,815,712	\$2,996,360

The table below summarizes the year-over-year changes in WNP's Revenue Requirement starting from the 2016 Board Approved year through to the 2021 proposed Revenue Requirement.

Table 8 - Variance Analysis of Revenue Requirement

	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	Variance over last CoS
Particular	Last Board Approved	2016	2017	2018	2019	2020 Bridge Year	2021 Test Year	
OM&A Expenses	\$1,722,909	\$1,744,054	\$1,718,058	\$1,713,234	\$1,819,082	\$1,897,500	\$1,918,500	
Year over year change (\$)		\$21,145	(\$25,996)	(\$4,824)	\$105,847	\$78,418	\$21,000	\$195,591
Year over year change (%)		1.23%	-1.49%	-0.28%	6.18%	4.31%	1.11%	11.35%
Compound Annual Growth Rate (2016 Actual to 2021 Test Year)								1.92%
Depreciation Expense	\$365,779	\$353,743	\$395,986	\$412,895	\$428,700	\$438,822	\$500,023	
Year over year change (\$)		(\$12,036)	\$42,243	\$16,909	\$15,806	\$10,122	\$61,201	\$134,244
Year over year change (%)		-3.29%	11.94%	4.27%	3.83%	2.36%	13.95%	36.70%
Compound Annual Growth Rate (2016 Actual to 2021 Test Year)								7.17%
Property Taxes	\$14,000	\$13,493	\$13,282	\$12,892	\$12,560	\$14,000	\$14,000	
Year over year change (\$)		(\$507)	(\$212)	(\$390)	(\$331)	\$1,440	\$0	\$0
Year over year change (%)		-3.62%	-1.57%	-2.94%	-2.57%	11.46%	0.00%	0.00%
Compound Annual Growth Rate (2016 Actual to 2021 Test Year)								0.74%
Total Distribution Expenses	\$2,102,688	\$2,111,290	\$2,127,325	\$2,139,021	\$2,260,343	\$2,350,322	\$2,432,523	
Year over year change (\$)		\$8,602	\$16,035	\$11,695	\$121,322	\$89,980	\$82,201	\$329,835
Year over year change (%)		0.41%	0.76%	0.55%	5.67%	3.98%	3.50%	15.69%
Compound Annual Growth Rate (2016 Actual to 2021 Test Year)								2.87%
Regulated Return On Capital	\$566,491	\$566,491	\$592,749	\$598,075	\$603,458	\$594,994	\$699,167	
Year over year change (\$)		\$0	\$26,259	\$5,326	\$5,383	(\$8,464)	\$104,174	\$132,677
Year over year change (%)		0.00%	4.64%	0.90%	0.90%	-1.40%	17.51%	23.42%
Compound Annual Growth Rate (2016 Actual to 2021 Test Year)								4.30%
Grossed up PILs	\$0	(\$23,610)	(\$12,918)	\$2,870	(\$896)	\$0	\$0	
Year over year change (\$)		(\$23,610)	\$10,692	\$15,788	(\$3,767)	\$896	\$0	\$0
Year over year change (%)			-45.29%	-122.22%	-131.22%	-100.00%		
Service Revenue Requirement	\$2,669,179	\$2,654,171	\$2,707,157	\$2,739,966	\$2,862,904	\$2,945,316	\$3,131,690	
Year over year change (\$)		(\$15,008)	\$52,986	\$32,809	\$122,939	\$82,412	\$186,375	\$462,512
Year over year change (%)		-0.56%	2.00%	1.21%	4.49%	2.88%	6.33%	17.33%
Compound Annual Growth Rate (2016 to Actual to 2021 Test Year)								3.36%
Less: Revenue Offsets	(\$130,105)	(\$146,157)	(\$164,384)	(\$179,871)	(\$194,487)	(\$129,604)	(\$135,330)	
Year over year change (\$)		(\$16,052)	(\$18,228)	(\$15,487)	(\$14,616)	\$64,883	(\$5,726)	(\$5,225)
Year over year change (%)		12.34%	12.47%	9.42%	8.13%	-33.36%	4.42%	4.02%
Compound Annual Growth Rate (2016 to Actual to 2021 Test Year)								-1.53%
Base Revenue Requirement	\$2,539,074	\$2,508,014	\$2,542,772	\$2,560,094	\$2,668,417	\$2,815,712	\$2,996,360	
Year over year change (\$)		(\$31,060)	\$34,758	\$17,322	\$108,323	\$147,295	\$180,649	\$457,287
Year over year change (%)		-1.22%	1.39%	0.68%	4.23%	5.52%	6.42%	18.01%
Compound Annual Growth Rate (2016 Actual to 2021 Test Year)								3.62%

As illustrated in the above tables, the proposed revenue requirement for the Test Year (2021) is 18.01% higher than the 2016 Cost of Service Approved Revenue Requirement. The revenue requirement increased moderately in 2017 and 2018. The increase in 2019 and 2020 was partly

1 due to the effects on OM&A of increasing cyber security monitoring. Over the period 2016 (Actual
2 to the 2021 Test Year, WNP's OM&A annual compound growth rate has been 1.92% which is on
3 par with or below inflation.

4 Another reason for the increase in revenue requirement is the increase in amortization expense
5 due to the capital investments necessary as outlined in WNP's DSP filed in 2015. Increases are
6 especially large in the 2021 Test Year when the 1508 Advanced Capital Module (ACM) assets for
7 a substation replacement in 2018 are added to the rate base. WNP confirms that the assets and
8 expenses (depreciation) for the substation replacement in 2018 were not included in the 2018 rate
9 base but instead held in the 1508 ACM regulatory account; through this Application, the LDC is
10 requesting approval to transfer the balances in 1508 ACM regulatory account into the 2021 Test
11 Year rate base.

12 Year over year variances in OM&A are explained throughout Exhibit 4 and Revenue Offsets details
13 are outlined in Exhibit 3. The regulated return on capital increased significantly, especially in the
14 2021 Test Year.

15

6.2 REVENUE DEFICIENCY OR SURPLUS

6.2.1 CALCULATION OF REVENUE DEFICIENCY OR SURPLUS

WNP's net revenue deficiency under the proposed rates is \$350,116. This deficiency is calculated as the difference between the 2021 Test Year Revenue Requirement and the Forecast Test Year Revenue Requirement at the Applicant's 2020 approved distribution rates.

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

<i>Service Revenue Requirement</i>	\$3,131,690
<i>Grossed-Up Revenue Deficiency/(Sufficiency)</i>	\$350,116
<i>Base Revenue Requirement (to be recovered from Distribution Rates)</i>	\$2,996,360
<i>Revenue Deficiency/(Sufficiency) Associated with Base Revenue Requirement</i>	\$350,116

The Revenue Deficiency is presented at the next page is an excerpt from the Revenue Requirement Work Form.

1

Table 10 - Revenue Deficiency (RRWF)⁶

Particulars	Initial Application	
	At Current Approved Rates	At Proposed Rates
Revenue Deficiency from Below		\$350,116
Distribution Revenue	\$2,646,244	\$2,646,244
Other Operating Revenue	\$135,330	\$135,330
Offsets - net		
Total Revenue	\$2,781,574	\$3,131,690
Operating Expenses	\$2,432,523	\$2,432,523
Deemed Interest Expense	\$279,927	\$279,927
Total Cost and Expenses	\$2,712,450	\$2,712,450
Utility Income Before Income Taxes	\$69,124	\$419,241
Tax Adjustments to Accounting Income per 2013 PILs model	(\$419,241)	(\$419,241)
Taxable Income	(\$350,116)	(\$0)
Income Tax Rate	0.00%	0.00%
	\$ -	\$ -
Income Tax on Taxable Income		
Income Tax Credits	\$ -	\$ -
Utility Net Income	\$69,124	\$419,241
Utility Rate Base	\$12,301,661	\$12,301,661
Deemed Equity Portion of Rate Base	\$4,920,665	\$4,920,665
Income/(Equity Portion of Rate Base)	1.40%	8.52%
Target Return - Equity on Rate Base	8.52%	8.52%
Deficiency/Sufficiency in Return on Equity	-7.12%	0.00%
Indicated Rate of Return	2.84%	5.68%
Requested Rate of Return on Rate Base	5.68%	5.68%
Deficiency/Sufficiency in Rate of Return	-2.85%	0.00%
Target Return on Equity	\$419,241	\$419,241
Revenue Deficiency/(Sufficiency)	\$350,116	\$ -
Gross Revenue	\$350,116 ⁽¹⁾	
Deficiency/(Sufficiency)		

2

3 The drivers for the revenue deficiency are discussed in the next section.

⁶ 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).

6.2.2 CAUSES OF REVENUE DEFICIENCY OR SURPLUS⁷

WNP's existing rates are based on the Board-approved rates in 2016 as an outcome of a cost of service rate application, and subsequent annual adjustments to its' base distribution rates in years 2017 to 2020 under the Board's third Generation Incentive Regulation Mechanism.

As illustrated in the previous section, the Revenue Deficiency is determined to be \$350,116. The deficiency is for the most part due to the increase in the Rate Base, Depreciation Expenses and OM&A. The major contributors of the deficiency from 2016 Board Approved to Test Year (2021) are presented in the table below with explanations following.

Table 11 – Differences in Revenue Requirement from 2016 Cost of Service

Particular	MIFRS 2016	MIFRS 2021	Diff
Long Term Debt	4.02%	3.87%	-0.15%
Short Term Debt	1.65%	2.75%	1.10%
Return on Equity	9.19%	8.52%	-0.67%
Weighted Debt Rate	3.86%	3.79%	-0.07%
Regulated Rate of Return	5.99%	5.68%	-0.31%
Controlable Expenses	\$1,736,909	\$1,932,500	\$195,591
Power Supply Expense	\$14,081,514	\$12,196,563	-\$1,884,951
Total Eligible Distribution Expenses	\$15,818,423	\$14,129,063	-\$1,689,359
Working Capital Allowance Rate	7.50%	7.50%	0.00%
Total Working Capital Allowance ("WCA")	\$1,186,382	\$1,059,680	-\$126,702
Fixed Asset Opening Bal Bridge Year	\$7,683,811	\$11,228,623	\$3,544,812
Fixed Asset Opening Bal Test Year	\$8,847,868	\$11,255,340	\$2,407,472
Average Fixed Asset	\$8,265,840	\$11,241,982	\$2,976,142
Working Capital Allowance	\$1,186,382	\$1,059,680	-\$126,702
Rate Base	\$9,452,221	\$12,301,661	\$2,849,440
Regulated Rate of Return	5.99%	5.68%	-0.31%
Regulated Return on Capital	\$566,491	\$699,167	\$132,677
Deemed Interest Expense	\$219,027	\$279,927	\$60,900
Deemed Return on Equity	\$347,464	\$419,241	\$71,777
OM&A	\$1,722,909	\$1,918,500	\$195,591
Depreciation Expense	\$365,779	\$500,023	\$134,244
Property Taxes	\$14,000	\$14,000	\$0
PILs	\$0	\$0	\$0
Revenue Offset	\$130,105	\$135,330	\$5,225
Revenue Requirement	\$2,539,073	\$2,996,360	\$457,287

⁷ MFR - Summary of drivers for test year deficiency/sufficiency, how much each driver contributes; references in application evidence mapped to drivers

The table above shows that the causes for the revenue deficiency stem from an increase in Rate Base of \$2,849,440 higher than the 2016 Board-approved amount. Based on a 5.68% overall cost of capital, the increase in the rate base drives an increase in the revenue requirement.

The factors contributing to the change in the rate base are discussed in detail at Exhibit 2 and can be summarized due to:

- a) Investments in the distribution system to follow the Distribution System Plan.
- b) In 2016, the construction and energization of a new 2nd 44kV to the Town of Mount Forest to address capacity concerns.
- c) The demolition and build of MS3 substation in 2018.

The Working Capital Allowance was reduced by \$126,702 due to a lower cost of power and there was a 0.31% reduction in the Weighted Average Cost of Capital from the 2016 Board Approved amount of 5.99% to 5.68% for 2021.

Increased Operations, Maintenance, and Administration (OM&A) expenses are another driver of the revenue deficiency. Projected OM&A for the Test Year 2021 is \$195,591 higher than the 2016 Board-approved amount. WNP's OM&A actual costs have seen a compound annual growth rate of all years of 1.92% (from 2016 Actuals to 2021 Test Year), which is below annual inflation rates.

The cost drivers underlying this increase are explained in Exhibit 4. The relevant OEB Appendices related to OMA spending are presented below this list for ease of reference.

The table below shows the recoverable Operations, Maintenance and Administrative expenses from 2016 Board Approved through to the Test Year (2021).

Table 12 – OEB Appendix 2-JA – Summary of Recoverable OM&A Expenses⁸

	2016 Last Rebasing Year OEB Approved	2016 Last Rebasing Year Actuals	2017 Actuals	2018 Actuals	2019 Actuals	2020 Bridge Year	2021 Test Year
<i>Reporting Basis</i>	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS
Operations	\$ 420,000	\$ 442,995	\$ 444,043	\$ 394,084	\$ 407,117	\$ 430,429	\$ 443,000
Maintenance	\$ 234,500	\$ 218,122	\$ 222,539	\$ 243,715	\$ 214,209	\$ 253,402	\$ 252,000
SubTotal	\$ 654,500	\$ 661,117	\$ 666,582	\$ 637,798	\$ 621,325	\$ 683,831	\$ 695,000
%Change (year over year)		1.0%	0.8%	-4.3%	-2.6%	10.1%	1.6%
%Change (Test Year vs Last Rebasing Year - Actual)							5.1%
Billing and Collecting	\$ 361,000	\$ 380,741	\$ 347,237	\$ 351,745	\$ 402,260	\$ 417,717	\$ 415,500
Community Relations	\$ 7,000	\$ 8,794	\$ 6,835	\$ 9,833	\$ 7,370	\$ 5,458	\$ 7,500
Administrative and General	\$ 700,409	\$ 693,403	\$ 697,404	\$ 713,859	\$ 788,126	\$ 790,494	\$ 800,500
SubTotal	\$ 1,068,409	\$ 1,082,937	\$ 1,051,476	\$ 1,075,436	\$ 1,197,756	\$ 1,213,669	\$ 1,223,500
%Change (year over year)		1.4%	-2.9%	2.3%	11.4%	1.3%	0.8%
%Change (Test Year vs Last Rebasing Year - Actual)							13.0%
Total	\$ 1,722,909	\$ 1,744,054	\$ 1,718,058	\$ 1,713,234	\$ 1,819,082	\$ 1,897,500	\$ 1,918,500
%Change (year over year)		1.2%	-1.5%	-0.3%	6.2%	4.3%	1.1%
	2016 Last Rebasing Year OEB Approved	2016 Last Rebasing Year Actuals	2017 Actuals	2018 Actuals	2019 Actuals	2020 Bridge Year	2021 Test Year
Operations	\$ 420,000	\$ 442,995	\$ 444,043	\$ 394,084	\$ 407,117	\$ 430,429	\$ 443,000
Maintenance	\$ 234,500	\$ 218,122	\$ 222,539	\$ 243,715	\$ 214,209	\$ 253,402	\$ 252,000
Billing and Collecting	\$ 361,000	\$ 380,741	\$ 347,237	\$ 351,745	\$ 402,260	\$ 417,717	\$ 415,500
Community Relations	\$ 7,000	\$ 8,794	\$ 6,835	\$ 9,833	\$ 7,370	\$ 5,458	\$ 7,500
Administrative and General	\$ 700,409	\$ 693,403	\$ 697,404	\$ 713,859	\$ 788,126	\$ 790,494	\$ 800,500
Total	\$ 1,722,909	\$ 1,744,054	\$ 1,718,058	\$ 1,713,234	\$ 1,819,082	\$ 1,897,500	\$ 1,918,500
%Change (year over year)		1.2%	-1.5%	-0.3%	6.2%	4.3%	1.1%

The table on the following page shows the OM & A cost drivers from 2016 through to the Test Year (2021). The cost drivers are explained in detail in Exhibit 4.

⁸ MFR - Summary of recoverable OM&A expenses; Appendix 2-JA

Table 13 – OEB Appendix 2-JB – Recoverable OM&A Cost Driver Table⁹

Reporting Basis	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS
OM&A	2016	2017	2018	2019	2020	2021
Opening Balance	\$1,720,000	\$1,744,054	\$1,718,058	\$1,713,234	\$1,819,082	\$1,897,500
Unplanned event: Ice Storm Mar 24-27 causing multiple power outages and trees down in service territory resulting in overtime	\$16,000	-\$16,000				
WNP Working Agreement contractual adjustments		\$22,500	\$20,200	\$21,600	\$22,000	\$23,000
CSR employee on maternity leave, position not back-filled		-\$35,000				
CSR employee on maternity leave, position back-filled with temporary contractor			-\$4,824	-\$18,000	\$18,000	
Benefits covered while employee was on maternity leave				\$7,400	-\$7,400	
Organizational restructure: appointment of CEO/President and removal of COO and CAO positions			-\$10,000			
Two employees received Merit/Step increases into the next the pay step in their grade					\$5,800	
Cyber security changes including retaining a CUO officer and changed to IS infrastructure		\$5,600	\$12,000	\$35,000		
Implementation of SLA with 3rd-party IT provider with monthly fee structure for server patching, antivirus scans and backups				\$14,000		
Additional product included in SLA with 3rd-party IT provider - inclusion of Firewall monitoring, increase in IT assistance					\$11,400	
IT software upgrade for connectivity with MDM/R and ODS provider				\$7,400		
CIS software upgrades necessary for implementing OEB's new customer service rules and bill presentment				\$2,600	\$8,000	-\$8,000
Meter training for Operations	\$10,500	-\$5,000	-\$5,000			
Substation inspection moved to future year			-\$10,000	\$11,000		
Arc Flash Study		\$10,590	-\$10,590			
An increase in Grounds Keeping - snow removal and lawn care				\$1,800		
Decrease/Increase in CIS yearly maintenance		-\$10,000	\$3,000	\$2,000	\$2,300	
Chainsaw Training Course				\$1,200		
Cross Phase Testing				\$4,350	-\$4,350	
Elster MAS yearly maintenance				\$5,700		
Increase in locates due to large Wightman Fibre project in Arthur					\$8,400	
Purchase of bills & envelopes - WNP received a better rate for a higher volume					\$6,365	-\$6,365
1518 & 1548 Charges						\$12,000
Utility charges at new substation				\$3,000		
Miscellaneous Remaining Balance	-\$2,446	\$1,314	\$390	\$6,798	\$7,903	\$365
Closing Balance	\$1,744,054	\$1,718,058	\$1,713,234	\$1,819,082	\$1,897,500	\$1,918,500

⁹ MFR - Recoverable OM&A cost drivers; Appendix 2-JB

6.2.3 IMPACT OF IMPLEMENTATION OF MIFRS ON REVENUE DEFICIENCY OR SURPLUS

In WNP's 2012 Cost of Service Rate application (EB-2011-0249), the Applicant received approval from the Board for the change in accounting policy for an update in the LDC's useful lives. In its application, WNP filed its 2012 Test Year Fixed Asset information using mid-life typical useful lives as derived from the Kinectrics Study commissioned by the Board and adopted these depreciation rates from January 1st 2012.

The Applicant confirms that no further changes have occurred that would result in a change to the projected revenue deficiency or sufficiency for the Test Year (2020).¹⁰

WNP adopted MIFRS (*Modified* - International Financial Reporting Standards) on January 1st 2015 with a transition date of January 1st 2014. WNP's OM&A has not been impacted by the policy which states that burdens which are no longer eligible for capitalization have been removed from rate base and included as an operating expense because the utility has never capitalized administrative burdens on capital projects.

¹⁰ MFR - Impacts of any changes in methodologies to deficiency/sufficiency

1 APPENDICES

2 List of Appendices

Appendix 6A	Revenue Requirement Work Form

3

4

1 APPENDIX 6A REVENUE REQUIREMENT WORK FORM

2



Ontario Energy Board

Revenue Requirement Workform (RRWF) for 2021 Filers



Version 1.00

Utility Name	Wellington North Power Inc.
Service Territory	
Assigned EB Number	EB-2020-0061
Name and Title	Richard Bucknall
Phone Number	519-323-1710
Email Address	rbucknall@wellingtonnorthpower.com
Test Year	2021
Bridge Year	2020
Last Rebasing Year	2016

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



Ontario Energy Board

Revenue Requirement Workform (RRWF) for 2021 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 2021 Filers

Data Input ⁽¹⁾

	Initial Application	(2)	(6)	Per Board Decision
1 Rate Base				
Gross Fixed Assets (average)	\$14,679,188		\$ 14,679,188	\$14,679,188
Accumulated Depreciation (average)	(\$3,437,206)	(5)	(\$3,437,206)	(\$3,437,206)
Allowance for Working Capital:				
Controllable Expenses	\$1,932,500		\$ 1,932,500	\$1,932,500
Cost of Power	\$12,196,563		\$ 12,196,563	\$12,196,563
Working Capital Rate (%)	7.50%	(9)	(9)	(9)
2 Utility Income				
Operating Revenues:				
Distribution Revenue at Current Rates	\$2,646,244			
Distribution Revenue at Proposed Rates	\$2,996,360			
Other Revenue:				
Specific Service Charges	\$34,000			
Late Payment Charges	\$24,500			
Other Distribution Revenue	\$71,130			
Other Income and Deductions	\$5,700			
Total Revenue Offsets	\$135,330	(7)		
Operating Expenses:				
OM+A Expenses	\$1,915,000		\$ 1,915,000	\$1,915,000
Depreciation/Amortization	\$500,023		\$ 500,023	\$500,023
Property taxes	\$14,000		\$ 14,000	\$14,000
Other expenses	\$3,500		3500	\$3,500
3 Taxes/PILs				
Taxable Income:				
Adjustments required to arrive at taxable income	(\$419,241)	(3)		
Utility Income Taxes and Rates:				
Income taxes (not grossed up)	\$ -			
Income taxes (grossed up)	\$ -			
Federal tax (%)	0.00%			
Provincial tax (%)	0.00%			
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)	(8)
Common Equity Capitalization Ratio (%)	40.0%			
Preferred Shares Capitalization Ratio (%)				
	100.0%			
Cost of Capital				
Long-term debt Cost Rate (%)	3.87%			
Short-term debt Cost Rate (%)	2.75%			
Common Equity Cost Rate (%)	8.52%			
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 M12. 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 2021 Filers

Rate Base and Working Capital

Rate Base										
Line No.	Particulars		Initial Application				Per Board Decision			
1	Gross Fixed Assets (average)	(2)	\$14,679,188		\$ -		\$14,679,188		\$ -	\$14,679,188
2	Accumulated Depreciation (average)	(2)	(\$3,437,206)		\$ -		(\$3,437,206)		\$ -	(\$3,437,206)
3	Net Fixed Assets (average)	(2)	\$11,241,982		\$ -		\$11,241,982		\$ -	\$11,241,982
4	Allowance for Working Capital	(1)	\$1,059,680		(\$1,059,680)		\$ -		\$ -	\$ -
5	Total Rate Base		\$12,301,661		(\$1,059,680)		\$11,241,982		\$ -	\$11,241,982

(1) Allowance for Working Capital - Derivation

6	Controllable Expenses	\$1,932,500	\$ -	\$1,932,500	\$ -	\$1,932,500
7	Cost of Power	\$12,196,563	\$ -	\$12,196,563	\$ -	\$12,196,563
8	Working Capital Base	\$14,129,063	\$ -	\$14,129,063	\$ -	\$14,129,063
9	Working Capital Rate % ⁽¹⁾	7.50%	-7.50%	0.00%	0.00%	0.00%
10	Working Capital Allowance	\$1,059,680	(\$1,059,680)	\$ -	\$ -	\$ -

Notes

(1) Some Applicants may have a unique rate as a result of a lead-lag study. The default rate for 2021 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 2021 Filers

Utility Income

Line No.	Particulars	Initial Application					Per Board Decision
Operating Revenues:							
1	Distribution Revenue (at Proposed Rates)	\$2,996,360	(\$2,996,360)	\$ -	\$ -	\$ -	\$ -
2	Other Revenue ⁽¹⁾	\$135,330	(\$135,330)	\$ -	\$ -	\$ -	\$ -
3	Total Operating Revenues	\$3,131,690	(\$3,131,690)	\$ -	\$ -	\$ -	\$ -
Operating Expenses:							
4	OM+A Expenses	\$1,915,000	\$ -	\$1,915,000	\$ -	\$1,915,000	\$1,915,000
5	Depreciation/Amortization	\$500,023	\$ -	\$500,023	\$ -	\$500,023	\$500,023
6	Property taxes	\$14,000	\$ -	\$14,000	\$ -	\$14,000	\$14,000
7	Capital taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8	Other expense	\$3,500	\$ -	\$3,500	\$ -	\$3,500	\$3,500
9	Subtotal (lines 4 to 8)	\$2,432,523	\$ -	\$2,432,523	\$ -	\$2,432,523	\$2,432,523
10	Deemed Interest Expense	\$279,927	(\$279,927)	\$ -	\$ -	\$ -	\$ -
11	Total Expenses (lines 9 to 10)	\$2,712,450	(\$279,927)	\$2,432,523	\$ -	\$2,432,523	\$2,432,523
12	Utility income before income taxes	\$419,241	(\$2,851,764)	(\$2,432,523)	\$ -	(\$2,432,523)	(\$2,432,523)
13	Income taxes (grossed-up)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
14	Utility net income	\$419,241	(\$2,851,764)	(\$2,432,523)	\$ -	(\$2,432,523)	(\$2,432,523)

Notes

Other Revenues / Revenue Offsets

(1)	Specific Service Charges	\$34,000	\$ -	\$ -	\$ -	\$ -
	Late Payment Charges	\$24,500	\$ -	\$ -	\$ -	\$ -
	Other Distribution Revenue	\$71,130	\$ -	\$ -	\$ -	\$ -
	Other Income and Deductions	\$5,700	\$ -	\$ -	\$ -	\$ -
	Total Revenue Offsets	\$135,330	\$ -	\$ -	\$ -	\$ -



Revenue Requirement Workform (RRWF) for 2021 Filers

Taxes/PILs

Line No.	Particulars	Application				Per Board Decision			
<u>Determination of Taxable Income</u>									
1	Utility net income before taxes	\$419,241		\$ -		\$ -			
2	Adjustments required to arrive at taxable utility income	(\$419,241)		\$ -		\$ -			
3	Taxable income	\$ -		\$ -		\$ -			
<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 (%)	0.00%		0.00%		0.00%			
12	Provincial tax (%)	0.00%		0.00%		0.00%			
13	Total tax rate (%)	0.00%		0.00%		0.00%			

Notes



Revenue Requirement Workform (RRWF) for 2021 Filers

Capitalization/Cost of Capital

Line No.	Particulars	Capitalization Ratio		Cost Rate	Return
		Initial Application			
		(%)	(\$)	(%)	(\$)
	Debt				
1	Long-term Debt	56.00%	\$6,888,930	3.87%	\$266,395
2	Short-term Debt	4.00%	\$492,066	2.75%	\$13,532
3	Total Debt	60.00%	\$7,380,997	3.79%	\$279,927
	Equity				
4	Common Equity	40.00%	\$4,920,665	8.52%	\$419,241
5	Preferred Shares	0.00%	\$ -	0.00%	\$ -
6	Total Equity	40.00%	\$4,920,665	8.52%	\$419,241
7	Total	100.00%	\$12,301,661	5.68%	\$699,167
		Per Board Decision			
		(%)	(\$)	(%)	(\$)
	Debt				
1	Long-term Debt	0.00%	\$ -	0.00%	\$ -
2	Short-term Debt	0.00%	\$ -	0.00%	\$ -
3	Total Debt	0.00%	\$ -	0.00%	\$ -
	Equity				
4	Common Equity	0.00%	\$ -	0.00%	\$ -
5	Preferred Shares	0.00%	\$ -	0.00%	\$ -
6	Total Equity	0.00%	\$ -	0.00%	\$ -
7	Total	0.00%	\$11,241,982	0.00%	\$ -
		Per Board Decision			
		(%)	(\$)	(%)	(\$)
	Debt				
8	Long-term Debt	0.00%	\$ -	3.87%	\$ -
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%	\$11,241,982	0.00%	\$ -

Notes



Ontario Energy Board

Revenue Requirement Workform (RRWF) for 2021 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
1	Revenue Deficiency from Below		\$350,116		(\$213,721)
2	Distribution Revenue	\$2,646,244	\$2,646,244	\$2,646,244	\$3,210,082
3	Other Operating Revenue	\$135,330	\$135,330	\$ -	\$ -
	Offsets - net				
4	Total Revenue	\$2,781,574	\$3,131,690	\$2,646,244	\$2,996,360
5	Operating Expenses	\$2,432,523	\$2,432,523	\$2,432,523	\$2,432,523
6	Deemed Interest Expense	\$279,927	\$279,927	\$ -	\$ -
8	Total Cost and Expenses	\$2,712,450	\$2,712,450	\$2,432,523	\$2,432,523
9	Utility Income Before Income Taxes	\$69,124	\$419,241	\$213,721	\$563,837
10	Tax Adjustments to Accounting Income per 2013 PILs model	(\$419,241)	(\$419,241)	(\$419,241)	(\$419,241)
11	Taxable Income	(\$350,116)	(\$0)	(\$205,520)	\$144,597
12	Income Tax Rate	0.00%	0.00%	0.00%	0.00%
13	Income Tax on Taxable Income	\$ -	\$ -	\$ -	\$ -
14	Income Tax Credits	\$ -	\$ -	\$ -	\$ -
15	Utility Net Income	\$69,124	\$419,241	\$213,721	(\$2,432,523)
16	Utility Rate Base	\$12,301,661	\$12,301,661	\$11,241,982	\$11,241,982
17	Deemed Equity Portion of Rate Base	\$4,920,665	\$4,920,665	\$ -	\$ -
18	Income/(Equity Portion of Rate Base)	1.40%	8.52%	0.00%	0.00%
19	Target Return - Equity on Rate Base	8.52%	8.52%	0.00%	0.00%
20	Deficiency/Sufficiency in Return on Equity	-7.12%	0.00%	0.00%	0.00%
21	Indicated Rate of Return	2.84%	5.68%	1.90%	0.00%
22	Requested Rate of Return on Rate Base	5.68%	5.68%	0.00%	0.00%
23	Deficiency/Sufficiency in Rate of Return	-2.85%	0.00%	1.90%	0.00%
24	Target Return on Equity	\$419,241	\$419,241	\$ -	\$ -
25	Revenue Deficiency/(Sufficiency)	\$350,116	\$ -	(\$213,721)	\$ -
26	Gross Revenue Deficiency/(Sufficiency)	\$350,116 ⁽¹⁾		(\$213,721) ⁽¹⁾	

Notes:

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



Revenue Requirement Workform (RRWF) for 2021 Filers

Revenue Requirement

Line No.	Particulars	Application				Per Board Decision	
1	OM&A Expenses	\$1,915,000		\$1,915,000		\$1,915,000	
2	Amortization/Depreciation	\$500,023		\$500,023		\$500,023	
3	Property Taxes	\$14,000		\$14,000		\$14,000	
5	Income Taxes (Grossed up)	\$ -		\$ -		\$ -	
6	Other Expenses	\$3,500		\$3,500		\$3,500	
7	Return						
	Deemed Interest Expense	\$279,927		\$ -		\$ -	
	Return on Deemed Equity	\$419,241		\$ -		\$ -	
8	Service Revenue Requirement (before Revenues)	<u>\$3,131,690</u>		<u>\$2,432,523</u>		<u>\$2,432,523</u>	
9	Revenue Offsets	\$135,330		\$ -		\$ -	
10	Base Revenue Requirement (excluding Tranformer Owership Allowance credit adjustment)	<u>\$2,996,360</u>		<u>\$2,432,523</u>		<u>\$2,432,523</u>	
11	Distribution revenue	\$2,996,360		\$ -		\$ -	
12	Other revenue	\$135,330		\$ -		\$ -	
13	Total revenue	<u>\$3,131,690</u>		<u>\$ -</u>		<u>\$ -</u>	
14	Difference (Total Revenue Less Distribution Revenue Requirement before Revenues)	<u>\$ -</u>	⁽¹⁾	<u>(\$2,432,523)</u>	⁽¹⁾	<u>(\$2,432,523)</u>	⁽¹⁾

Summary Table of Revenue Requirement and Revenue Deficiency/Sufficiency

	Application		Δ% ⁽²⁾	Per Board Decision	Δ% ⁽²⁾
Service Revenue Requirement	\$3,131,690	\$2,432,523	(\$0)	\$2,432,523	(\$1)
Grossed-Up Revenue					
Deficiency/(Sufficiency)	\$350,116	(\$213,721)	(\$2)	\$2,432,523	(\$1)
Base Revenue Requirement (to be recovered from Distribution Rates)	\$2,996,360	\$2,432,523	(\$0)	\$2,432,523	(\$1)
Revenue Deficiency/(Sufficiency) Associated with Base Revenue Requirement	\$350,116	\$ -	(\$1)	\$ -	(\$1)

Notes

⁽¹⁾ Line 11 - Line 8

⁽²⁾ Percentage Change Relative to Initial Application



Ontario Energy Board

Revenue Requirement Workform (RRWF) for 2021 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	3,355	26,503,100				
2	General Service<50kW	468	11,455,522				
3	General Service 50-999kW	34	18,697,353	52,425			
4	General Service 1000-4999kW	5	42,766,148	92,890			
5	Unmetered Scattered Load	2	6,288				
6	Sentinel Lights	23	19,673	55			
7	Street Lights	924	229,833	632			
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
Total			99,677,917	146,002		-	-

Notes:

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



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Revenue Requirement Workform (RRWF) for 2021 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	\$ 1,559,734	58.43%	\$ 1,773,877	56.64%
2 General Service<50kW	\$ 404,332	15.15%	\$ 448,883	14.33%
3 General Service 50-999kW	\$ 199,789	7.49%	\$ 275,282	8.79%
4 General Service 1000-4999kW	\$ 481,194	18.03%	\$ 571,471	18.25%
5 Unmetered Scattered Load	\$ 260	0.01%	\$ 624	0.02%
6 Sentinel Lights	\$ 5,988	0.22%	\$ 4,526	0.14%
7 Street Lights	\$ 17,882	0.67%	\$ 57,027	1.82%
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				
Total	\$ 2,669,178	100.00%	\$ 3,131,690	100.00%
Service Revenue Requirement (from Sheet 9)			\$ 3,131,690.45	

- (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	\$ 1,465,096	\$ 1,658,939	\$ 1,577,450	\$ 86,284
2	General Service<50kW	\$ 461,076	\$ 522,079	\$ 520,438	\$ 18,231
3	General Service 50-999kW	\$ 256,534	\$ 290,475	\$ 290,475	\$ 5,120
4	General Service 1000-4999kW	\$ 439,097	\$ 497,193	\$ 553,038	\$ 18,423
5	Unmetered Scattered Load	\$ 934	\$ 1,058	\$ 716	\$ 32
6	Sentinel Lights	\$ 3,707	\$ 4,197	\$ 4,197	\$ 255
7	Street Lights	\$ 19,800	\$ 22,419	\$ 50,045	\$ 6,985
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					
Total		\$ 2,646,244	\$ 2,996,360	\$ 2,996,360	\$ 135,330

- (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 Most Recent Year: 2016	Status Quo Ratios (7C + 7E) / (7A)	Proposed Ratios (7D + 7E) / (7A)	Policy Range
		%	%	%	%
1	Residential	92.49%	98.38%	93.79%	85 - 115
2	General Service<50kW	119.07%	120.37%	120.00%	80 - 120
3	General Service 50-999kW	119.61%	107.38%	107.38%	80 - 120
4	General Service 1000-4999kW	99.68%	90.23%	100.00%	80 - 120
5	Unmetered Scattered Load	114.76%	174.73%	120.00%	80 - 120
6	Sentinel Lights	79.87%	98.38%	98.38%	80 - 120
7	Street Lights	119.96%	51.56%	100.00%	80 - 120
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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		
		2021	2022	2023	
1	Residential	93.79%	93.79%	93.79%	85 - 115
2	General Service<50kW	120.00%	120.00%	120.00%	80 - 120
3	General Service 50-999kW	107.38%	107.38%	107.38%	80 - 120
4	General Service 1000-4999kW	100.00%	100.00%	100.00%	80 - 120
5	Unmetered Scattered Load	120.00%	120.00%	120.00%	80 - 120
6	Sentinel Lights	98.38%	98.38%	98.38%	80 - 120
7	Street Lights	100.00%	100.00%	100.00%	80 - 120
8					
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(11) The applicant should complete Table D if it is applying for approval of a revenue-to-cost ratio in 2021 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 2022 and 2023 Price Cap IR models, as necessary. For 2022 and 2023, enter the planned revenue-to-cost ratios that will be "Change" or "No Change" in 2019 (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 2021 Filers

Rate Design and Revenue Reconciliation

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

Stage in Process:		Initial Application		Class Allocated Revenues			Fixed / Variable Splits ²			Distribution Rates			Revenue Reconciliation				
Customer and Load Forecast					From Sheet 11, Cost Allocation and Sheet 12, Residential Rate Design			Percentage to be entered as a fraction between 0 and 1		Transformer Ownership Allowance ¹ (\$)	Monthly Service Charge		Volumetric Rate		MSC Revenues	Volumetric revenues	Distribution Revenues less Transformer Ownership
Customer Class	Volumetric Charge Determinant	Customers / Connections	kWh	kW or kVA	Total Class Revenue Requirement	Monthly Service Charge	Volumetric	Fixed	Variable		Rate	No. of decimals	Rate	No. of decimals			
1 Residential	kWh	3,355	26,503,100	-	\$ 1,577,450	\$ 1,577,450	\$ -	100.00%	0.00%	\$38.18	2	\$0.0000 /kWh	4	\$ 1,577,424.29	\$ -	\$ 1,577,424.29	
2 General Service-50kW	kWh	468	11,455,522	-	\$ 520,438	\$ 246,262	\$ 274,176	47.32%	52.68%	\$43.85		\$0.0239 /kWh		\$ 246,273.74	\$ 273,786.9770	\$ 520,060.72	
3 General Service 50-999kW	kW	34	18,697,353	52,425	\$ 290,475	\$ 118,067	\$ 172,408	40.65%	59.35%	\$289.04		\$3.4101 /kW		\$ 118,066.79	\$ 178,773.7183	\$ 290,476.08	
4 General Service 1000-4999kW	kW	5	42,766,148	92,890	\$ 553,038	\$ 141,906	\$ 411,132	25.66%	74.34%	\$2,365.10		\$4.4260 /kW		\$ 141,906.00	\$ 411,129.8953	\$ 553,035.90	
5 Unmetered Scattered Load	kWh	2	6,288	-	\$ 716	\$ 638	\$ 79	89.04%	10.96%	\$22.78		\$0.0125 /kWh		\$ 637.84	\$ 78.6000	\$ 716.44	
6 Sentinel Lights	kW	23	19,673	55	\$ 4,197	\$ 2,423	\$ 1,774	57.73%	42.27%	\$8.78		\$32.4036 /kW		\$ 2,423.28	\$ 1,774.2161	\$ 4,197.50	
7 Street Lights	kW	924	229,833	632	\$ 50,045	\$ 47,124	\$ 2,921	94.16%	5.84%	\$4.25		\$4.6187 /kW		\$ 47,124.00	\$ 2,921.1984	\$ 50,045.20	
8		-	-	-										\$ -	\$ -	\$ -	
9		-	-	-										\$ -	\$ -	\$ -	
10		-	-	-										\$ -	\$ -	\$ -	
11		-	-	-										\$ -	\$ -	\$ -	
12		-	-	-										\$ -	\$ -	\$ -	
13		-	-	-										\$ -	\$ -	\$ -	
14		-	-	-										\$ -	\$ -	\$ -	
15		-	-	-										\$ -	\$ -	\$ -	
16		-	-	-										\$ -	\$ -	\$ -	
17		-	-	-										\$ -	\$ -	\$ -	
18		-	-	-										\$ -	\$ -	\$ -	
19		-	-	-										\$ -	\$ -	\$ -	
20		-	-	-										\$ -	\$ -	\$ -	
Total Transformer Ownership Allowance										\$ 6,364	Rates recover revenue requirement		Total Distribution Revenues		\$ 2,995,956.13		
													Base Revenue Requirement		\$ 2,996,360.45		
													Difference		-\$ 404.32		
													% Difference		-0.013%		

Notes:

- ¹ Transformer Ownership Allowance is entered as a positive amount, and only for those classes to which it applies.
- ² The Fixed/Variable split, for each customer class, drives the "rate generator" portion of this sheet of the RRWF. Only the "fixed" fraction is entered, as the sum of the "fixed" and "variable" portions must sum to 100%. For a distributor that may set the Monthly Service Charge, the "fixed" ratio is calculated as: [MSC x (average number of customers or connections) x 12 months] / (Class Allocated Revenue Requirement).



Ontario Energy Board

Revenue Requirement Workform (RRWF) for 2021 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	\$ 699,167	5.68%	\$ 12,301,661	\$ 14,129,063	\$ 1,059,680	\$ 500,023	\$ -	\$ 1,915,000	\$ 3,131,690	\$ 135,330	\$ 2,996,360	\$ 350,116