

EXHIBIT 6

CALCULATION OF REVENUE DEFICIENCY OR SUFFICIENCY

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LIST OF ATTACHMENTS

Attachment16_2020RRWF_BHI_10302020

EXHIBIT 6 – CALCULATION OF REVENUE DEFICIENCY/SUFFICIENCY

6.1 OVERVIEW

The information in this Exhibit 6 summarizes BHI's request for an increase to its revenue requirement in 2021 based on a revenue deficiency in 2021 as compared to the revenue requirement computed by applying its 2021 load forecast to its 2020 OEB-approved electricity distribution rates. BHI requires this increase in order to:

- support its capital and operating expenditures for 2021 as described in Exhibits 2 and 4 respectively;
- continue to provide a safe and reliable supply of electricity to its customers;
- allow it to earn a fair return on the cost of its financial capital in a manner consistent with the *Report of the Board on Cost of Capital for Ontario's Regulated Utilities (EB-2009-0084)* issued December 11, 2009 ("Cost of Capital Report") and as provided in Exhibit 5; and
- meet its Payments in Lieu of Taxes ("PILs") liabilities as provided in Exhibit 4.

6.2 REVENUE REQUIREMENT CALCULATION

BHI provides the following information in Table 1 below, excluding energy costs and energy sales (i.e., cost of power and other associated costs):

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

The revenue deficiency calculation is net of electricity price differentials captured in the Retail Settlement Variance Accounts ("RSVAs"). BHI does not incur low voltage charges; and does not have distribution expenditures/revenues being tracked through approved deferral and variance accounts for certain distribution assets for which disposition is not being sought in the Application.

BHI's proposed revenue deficiency for the 2021 Test Year is \$3,903,311. This deficiency is calculated as the difference between the 2021 Test Year Distribution Revenue Requirement of \$35,529,884 and the 2021 Test Year load forecast at 2020 OEB-approved electricity distribution rates of \$31,626,573.

1 **Table 1 - Revenue Sufficiency/Deficiency Calculation**

Description	2021 Load Forecast at 2020 Rates	2021 Test Year
Revenue:		
Revenue Deficiency		3,903,311
Distribution Revenue	31,626,573	31,626,573
Other Operating Revenue (Net)	1,691,087	1,691,087
Total Revenue	33,317,660	37,220,971
Costs and Expenses:		
Administrative & General, Billing & Collecting	10,612,096	10,612,096
Operation & Maintenance	10,838,680	10,838,680
Donations - LEAP	47,000	47,000
Depreciation & Amortization	6,883,779	6,883,779
Property Taxes	341,790	341,790
Deemed Interest	2,976,954	2,976,954
Total Costs and Expenses	31,700,298	31,700,298
Income and Income Taxes:		
Utility Income Before Income Taxes	1,617,361	5,520,672
Corporate Income Taxes	(577,203)	457,175
Utility Net Income	2,194,564	5,063,498
Income Tax Expense Calculation:		
Accounting Income	1,617,361	5,520,672
Tax Adjustments to Accounting Income	(3,346,741)	(3,346,741)
Taxable Income	(1,729,380)	2,173,931
Income tax expense before credits	(458,286)	576,092
Credits	118,917	118,917
Income Tax Expense	(577,203)	457,175
Tax Rate Reflecting Tax Credits	26.50%	26.50%

2

1 **Table 1 - Revenue Sufficiency/Deficiency Calculation Continued**

Description	2021 Load Forecast at 2020 Rates	2021 Test Year
Actual Return on Rate Base:		
Rate Base	148,576,805	148,576,805
Interest Expense	2,976,954	2,976,954
Net Income	2,194,564	5,063,498
Total Actual Return on Rate Base	5,171,518	8,040,451
Actual Return on Rate Base	3.48%	5.41%
Required Return on Rate Base:		
Rate Base	148,576,805	148,576,805
Return Rates:		
Return on Debt (Weighted)	3.34%	3.34%
Return on Equity	8.52%	8.52%
Deemed Interest Expense	2,976,954	2,976,954
Return On Equity	5,063,498	5,063,498
Total Return	8,040,451	8,040,451
Expected Return on Rate Base	5.41%	5.41%
Revenue Deficiency After Tax	2,868,934	0
Revenue Deficiency Before Tax	3,903,311	0

Tax Calculation - PILs Workform		2021 Test Year
Deemed Utility Income		5,063,498
Tax Adjustments to Accounting Income		(3,346,741)
Taxable Income prior to adjusting revenue to PILs		1,716,756
Tax Rate		26.50%
Total PILs before gross up		454,940
Small Business Tax Credit		
Total PILs after SBTC		454,940
Tax Rate		26.50%
Apprentice Tax Credit		118,917
Total PILs before gross up after all credits		336,023
Grossed up PILs		457,175

6.3 DRIVERS OF TEST YEAR DEFICIENCY

BHI's revenue requirement is comprised of the following components:

- Operation and Maintenance Expense
- Administrative and General, Billing and Collection Expense
- Depreciation/Amortization Expense
- Property Taxes
- PILs
- Return on Rate Base (Deemed Interest Expense plus Return on Equity)

BHI derives its service revenue requirement through (i) distribution rates charged to its customers and (ii) other revenues. Other revenues include OEB-approved specific service charges, rent from electric property, late payment charges and other miscellaneous revenues. These other revenues, described in detail in Exhibit 3, are treated as offsets against BHI's service revenue requirement, the net amount of which represents the base revenue requirement upon which class-specific distribution rates are calculated.

6.3.1 Impacts of Changes in Methodologies

BHI adopted new capitalization and depreciation policies under Revised CGAAP effective January 1, 2013 as directed by the OEB. These policies incorporated changes to the useful lives of its capital assets and changes to its capitalization policies with respect to overheads.

BHI transitioned to IFRS as of January 1, 2015 and has prepared this Application on that basis. Since BHI adopted the new capitalization and depreciation policies on January 1, 2013, these changes were included in its 2014 Cost of Service application (EB-2013-0115) which was filed under Revised CGAAP. There were no other material changes between the 2014 Revised CGAAP and MIFRS statements with the exception of \$396,790 in depreciation allocated to OM&A under Revised CGAAP, and depreciation expense under MIFRS. However, this was removed from OM&A for the purposes of calculating working capital allowance in the OEB-approved 2014 Test Year. Therefore the 2014 Test Year revenue requirement under Revised CGAAP is the same as under MIFRS and as such, there is no impact to BHI's revenue deficiency in the 2021 Test Year as a result of a change in methodologies. This change is discussed in further detail in Section 1.4.12 of Exhibit 1.

6.3.2 Summary of Revenue Requirement Drivers

BHI provides a summary of the drivers of the 2021 Test Year deficiency and specific references to data in Table 2 below.

Table 2 - Revenue Deficiency by Component

Revenue Requirement	2014 Cost of Service (Revised CGAAP)	2014 Cost of Service (MIFRS)	2021 Load Forecast at 2021 Rates	Proposed 2021 Test Year	Revenue Deficiency	Exhibit	Reference
OM&A Expenses	\$17,687,000	\$17,302,974	\$19,110,098	\$21,497,775	\$2,387,677	4	Sections 4.1, 4.2 and 4.3
Depreciation	\$4,126,034	\$4,510,060	\$4,458,015	\$6,883,779	\$2,425,764	4	Section 4.4
Property Taxes	\$273,559	\$273,559	\$295,570	\$341,790	\$46,220	4	Section 4.5.2
PILs	\$211,146	\$211,146	\$228,135	\$457,175	\$229,040	4	Section 4.5
Deemed Interest Expense	\$3,603,142	\$3,603,142	\$3,893,051	\$2,976,954	(\$916,098)	5	Section 5.1, Table 1
Return on Deemed Equity	\$4,935,666	\$4,935,666	\$5,332,790	\$5,063,498	(\$269,293)	5	Section 5.1, Table 1
Total Service Revenue Requirement	\$30,836,547	\$30,836,547	\$33,317,660	\$37,220,971	\$3,903,311		
Other Operating Revenue	\$2,001,014	\$2,001,014	\$1,691,087	\$1,691,087	\$0	3	Section 3.3
Total Base Revenue Requirement	\$28,835,532	\$28,835,532	\$31,626,573	\$35,529,884	\$3,903,311		

BHI's 2021 Test Year deficiency of \$3,903,311 is primarily driven by an increase in Operating, Maintenance and Administration expenses ("OM&A") of \$2,387,677; and Depreciation of \$2,425,764; partially offset by a decrease in deemed interest expense and return on deemed equity after taxes of (\$956,351) - comprised of Deemed Interest Expense (\$916,098), Return on Deemed Equity (\$269,293), and PILs \$229,040.

6.3.2.1 OM&A

OM&A increased from \$17,302,974 in the OEB-approved 2014 Test Year (MIFRS) to \$21,497,775 in the 2021 Test Year due to the following:

- An increase in base salaries and benefits primarily due to inflation;
- An increase in overtime primarily in operations departments due to (i) an increased number of outages and repairs as a result of extreme weather events; (ii) after-hours equipment failures; and (iii) the significant rate of turnover in the corporation since 2014;
- An increase in incentive compensation;
- An increase in consulting fees in the Engineering and Information Technology departments primarily driven by technological advancements and changes;
- An increase in postage, mail service, and stationery costs as a result of the transition to monthly billing;
- An increase in regulatory costs associated with rebasing and the OEB cost assessment;
- A decrease in locates due to the switch to a new locate provider; and
- An increase in vegetation management expenditures driven by current market costs.

These changes are discussed in further detail in Section 4.1.2 in Exhibit 4.

6.3.2.2 Depreciation

Depreciation increased from \$4,510,060 in the OEB-approved 2014 Test Year (MIFRS) to \$6,883,779 in the 2021 Test Year primarily due to an increase in in-service capital additions, discussed in further detail in Section 2.2.2 of Exhibit 2.

6.3.2.3 Deemed Interest Expense and Deemed Equity

The components contributing to the decrease in deemed interest expense and return on deemed equity are identified in Tables 3 and 4 below.

Rate base increased from \$131,828,683 in the 2014 Cost of Service to \$148,576,805 in the 2021 Test Year due to:

- an increase in average net fixed assets of \$27,828,061; partially offset by a decrease in the working capital allowance of (\$11,079,938) primarily as a result of a decrease in the

default working capital allowance percentage from 13.0% to 7.5%¹ as identified in Table 3; and

- BHI's weighted average cost of capital decreased from 6.48% in the 2014 Cost of Service to 5.41% in the 2021 Test Year as a result of decreases in the OEB's Cost of Capital Parameters² as identified in Table 4.

The net effect of these changes was a decrease in deemed interest expense and return on deemed equity before tax of (\$498,356) as identified in Table 4.

Table 3 – Rate Base Variance

Description	2014 Cost of Service (EB-2013-0115)	Proposed 2021 Test Year	Increase/ (Decrease)	Exhibit	Reference
Net Fixed Assets	\$104,752,440	\$132,580,500	\$27,828,061	2	Section 2.1.1
OM&A	\$17,576,533	\$21,839,565	\$4,263,032	4	Sections 4.1, 4.2 and 4.3
Cost of Power	\$190,702,260	\$191,444,505	\$742,245	3	OEB Chapter 2 Appendices - 2Z Tab "App.2zb_Cost of Power"
Total OM&A and Cost of Power	\$208,278,793	\$213,284,070	\$5,005,277		
Working Capital Allowance %	13.00%	7.50%	\$0		Section 2.1.3
Working Capital Allowance \$ at 13.0%	\$27,076,243	\$27,726,929	\$650,686		
Working Capital Allowance \$ reduction to 7.5%		(\$11,730,624)	(\$11,730,624)		
Working Capital Allowance \$	\$27,076,243	\$15,996,305	(\$11,079,938)		
Rate Base	\$131,828,683	\$148,576,806	\$16,748,123	2	Section 2.1.1.2

Table 4 – Total Return Variance

Description	Rate Base \$	Return %	Return \$
2014 Cost of Service	\$131,828,683	6.48%	\$8,538,807
Increase in Net Fixed Assets	\$27,828,061	6.48%	\$1,802,479
Decrease in Working Capital Allowance	(\$11,079,938)	6.48%	(\$717,670)
2021 Test Year before Reduction to Cost of Capital Parameters	\$148,576,806	6.48%	\$9,623,617
Reduction in Deemed Interest Expense		-1.22%	(\$1,083,948)
Reduction in Deemed Equity		-0.84%	(\$499,218)
2021 Test Year before Reduction to Cost of Capital Parameters	\$148,576,806	5.26%	\$8,040,451
Net Change from 2014 Cost of Service to 2021 Test Year	\$16,748,123	-1.22%	(\$498,356)

¹ OEB Letter, *Allowance for Working Capital for Electricity Distribution Rate Applications*, June 3, 2015

² <https://www.oeb.ca/industry/rules-codes-and-requirements/cost-capital-parameter-updates>

1 **6.4 REVENUE REQUIREMENT WORK FORM**

2 BHI has completed the OEB's Revenue Requirement Work Form ("RRWF") which is filed as a
3 live Excel file Attachment16_2020RRWF_BHI_10302020. A PDF version of the RRWF is
4 provided as Appendix A.

APPENDICES

Appendix A – Revenue Requirement Work Form



Ontario Energy Board

Revenue Requirement Workform (RRWF) for 2021 Filers



Version 1.00

Utility Name	Burlington Hydro Inc.
Service Territory	
Assigned EB Number	EB-2020-0007
Name and Title	Sally Blackwell, VP Regulatory Compliance and As.
Phone Number	905-336-4373
Email Address	sblackwell@burlingtonhydro.com
Test Year	2021
Bridge Year	2020
Last Rebasing Year	2014



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)	\$309,790,789		\$ 309,790,789		\$309,790,789
	Accumulated Depreciation (average)	(\$177,210,289) ⁽⁵⁾		(\$177,210,289)		(\$177,210,289)
	Allowance for Working Capital:					
	Controllable Expenses	\$21,839,565		\$ 21,839,565		\$21,839,565
	Cost of Power	\$191,444,505		\$ 191,444,505		\$191,444,505
	Working Capital Rate (%)	7.50% ⁽⁹⁾	\$0	7.50% ⁽⁹⁾	\$0	7.50% ⁽⁹⁾
2	Utility Income					
	Operating Revenues:					
	Distribution Revenue at Current Rates	\$31,626,573	\$0	\$31,626,573	\$0	\$31,626,573
	Distribution Revenue at Proposed Rates	\$35,529,884	\$0	\$35,529,884	\$0	\$35,529,884
	Other Revenue:					
	Specific Service Charges	\$226,581	\$0	\$226,581	\$0	\$226,581
	Late Payment Charges	\$294,000	\$0	\$294,000	\$0	\$294,000
	Other Distribution Revenue					
	Other Income and Deductions	\$1,170,506	\$0	\$1,170,506	\$0	\$1,170,506
	Total Revenue Offsets	\$1,691,087 ⁽⁷⁾	\$0	\$1,691,087	\$0	\$1,691,087
	Operating Expenses:					
	OM+A Expenses	\$21,497,775		\$ 21,497,775		\$21,497,775
	Depreciation/Amortization	\$6,883,779		\$ 6,883,779		\$6,883,779
	Property taxes	\$341,790		\$ 341,790		\$341,790
	Other expenses					
3	Taxes/PILs					
	Taxable Income:					
		(\$3,346,741) ⁽³⁾	\$0	(\$3,346,741)	\$0	(\$3,346,741)
	Adjustments required to arrive at taxable income					
	Utility Income Taxes and Rates:					
	Income taxes (not grossed up)	\$336,023	\$0	\$336,023	\$0	\$336,023
	Income taxes (grossed up)	\$457,175		\$457,175		\$457,175
	Federal tax (%)	15.00%	\$0	15.00%	\$0	15.00%
	Provincial tax (%)	11.50%	\$0	11.50%	\$0	11.50%
	Income Tax Credits	(\$118,917)	\$0	(\$118,917)	\$0	(\$118,917)
4	Capitalization/Cost of Capital					
	Capital Structure:					
	Long-term debt Capitalization Ratio (%)	56.0%	\$0	56.0%	\$0	56.0%
	Short-term debt Capitalization Ratio (%)	4.0% ⁽⁸⁾	\$0	4.0% ⁽⁸⁾	\$0	4.0% ⁽⁸⁾
	Common Equity Capitalization Ratio (%)	40.0%	\$0	40.0%	\$0	40.0%
	Preferred Shares Capitalization Ratio (%)					
		100.0%		100.0%		100.0%
	Cost of Capital					
	Long-term debt Cost Rate (%)	3.38%	\$0	3.38%	\$0	3.38%
	Short-term debt Cost Rate (%)	2.75%	\$0	2.75%	\$0	2.75%
	Common Equity Cost Rate (%)	8.52%	\$0	8.52%	\$0	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)	\$309,790,789		\$ -		\$309,790,789		\$ -	\$309,790,789
2	Accumulated Depreciation (average)	(2)	(\$177,210,289)		\$ -		(\$177,210,289)		\$ -	(\$177,210,289)
3	Net Fixed Assets (average)	(2)	\$132,580,500		\$ -		\$132,580,500		\$ -	\$132,580,500
4	Allowance for Working Capital	(1)	\$15,996,305		\$ -		\$15,996,305		\$ -	\$15,996,305
5	Total Rate Base		\$148,576,805		\$ -		\$148,576,805		\$ -	\$148,576,805

(1) Allowance for Working Capital - Derivation

6	Controllable Expenses	\$21,839,565	\$ -	\$21,839,565	\$ -	\$21,839,565
7	Cost of Power	\$191,444,505	\$ -	\$191,444,505	\$ -	\$191,444,505
8	Working Capital Base	\$213,284,070	\$ -	\$213,284,070	\$ -	\$213,284,070
9	Working Capital Rate % ⁽¹⁾	7.50%	0.00%	7.50%	0.00%	7.50%
10	Working Capital Allowance	\$15,996,305	\$ -	\$15,996,305	\$ -	\$15,996,305

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)	\$35,529,884	\$ -	\$35,529,884	\$ -	\$35,529,884		
2	Other Revenue ⁽¹⁾	\$1,691,087	\$ -	\$1,691,087	\$ -	\$1,691,087		
3	Total Operating Revenues	\$37,220,971	\$ -	\$37,220,971	\$ -	\$37,220,971		
	Operating Expenses:							
4	OM+A Expenses	\$21,497,775	\$ -	\$21,497,775	\$ -	\$21,497,775		
5	Depreciation/Amortization	\$6,883,779	\$ -	\$6,883,779	\$ -	\$6,883,779		
6	Property taxes	\$341,790	\$ -	\$341,790	\$ -	\$341,790		
7	Capital taxes	\$ -	\$ -	\$ -	\$ -	\$ -		
8	Other expense	\$ -	\$ -	\$ -	\$ -	\$ -		
9	Subtotal (lines 4 to 8)	\$28,723,345	\$ -	\$28,723,345	\$ -	\$28,723,345		
10	Deemed Interest Expense	\$2,976,954	\$ -	\$2,976,954	\$ -	\$2,976,954		
11	Total Expenses (lines 9 to 10)	\$31,700,298	\$ -	\$31,700,298	\$ -	\$31,700,298		
12	Utility income before income taxes	\$5,520,672	\$ -	\$5,520,672	\$ -	\$5,520,672		
13	Income taxes (grossed-up)	\$457,175	\$ -	\$457,175	\$ -	\$457,175		
14	Utility net income	\$5,063,498	\$ -	\$5,063,498	\$ -	\$5,063,498		

Notes

Other Revenues / Revenue Offsets

(1)	Specific Service Charges	\$226,581	\$ -	\$226,581	\$ -	\$226,581
	Late Payment Charges	\$294,000	\$ -	\$294,000	\$ -	\$294,000
	Other Distribution Revenue	\$ -	\$ -	\$ -	\$ -	\$ -
	Other Income and Deductions	\$1,170,506	\$ -	\$1,170,506	\$ -	\$1,170,506
	Total Revenue Offsets	\$1,691,087	\$ -	\$1,691,087	\$ -	\$1,691,087



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	\$5,063,498		\$5,063,498		\$5,063,498
2	Adjustments required to arrive at taxable utility income	(\$3,346,741)		(\$3,346,741)		(\$3,346,741)
3	Taxable income	<u>\$1,716,756</u>		<u>\$1,716,756</u>		<u>\$1,716,756</u>
<u>Calculation of Utility income Taxes</u>						
4	Income taxes	<u>\$336,023</u>		<u>\$336,023</u>		<u>\$336,023</u>
6	Total taxes	<u>\$336,023</u>		<u>\$336,023</u>		<u>\$336,023</u>
7	Gross-up of Income Taxes	<u>\$121,151</u>		<u>\$121,151</u>		<u>\$121,151</u>
8	Grossed-up Income Taxes	<u>\$457,175</u>		<u>\$457,175</u>		<u>\$457,175</u>
9	PILs / tax Allowance (Grossed-up Income taxes + Capital taxes)	<u>\$457,175</u>		<u>\$457,175</u>		<u>\$457,175</u>
10	Other tax Credits	(\$118,917)		(\$118,917)		(\$118,917)
<u>Tax Rates</u>						
11	Federal tax (%)	15.00%		15.00%		15.00%
12	Provincial tax (%)	<u>11.50%</u>		<u>11.50%</u>		<u>11.50%</u>
13	Total tax rate (%)	<u>26.50%</u>		<u>26.50%</u>		<u>26.50%</u>

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%	\$83,203,011	3.38%	\$2,813,519
2	Short-term Debt	4.00%	\$5,943,072	2.75%	\$163,434
3	Total Debt	60.00%	\$89,146,083	3.34%	\$2,976,954
	Equity				
4	Common Equity	40.00%	\$59,430,722	8.52%	\$5,063,498
5	Preferred Shares	0.00%	\$ -	0.00%	\$ -
6	Total Equity	40.00%	\$59,430,722	8.52%	\$5,063,498
7	Total	100.00%	\$148,576,805	5.41%	\$8,040,451
		(%)	(\$)	(%)	(\$)
	Debt				
1	Long-term Debt	56.00%	\$83,203,011	3.38%	\$2,813,519
2	Short-term Debt	4.00%	\$5,943,072	2.75%	\$163,434
3	Total Debt	60.00%	\$89,146,083	3.34%	\$2,976,954
	Equity				
4	Common Equity	40.00%	\$59,430,722	8.52%	\$5,063,498
5	Preferred Shares	0.00%	\$ -	0.00%	\$ -
6	Total Equity	40.00%	\$59,430,722	8.52%	\$5,063,498
7	Total	100.00%	\$148,576,805	5.41%	\$8,040,451
		Per Board Decision			
		(%)	(\$)	(%)	(\$)
	Debt				
8	Long-term Debt	56.00%	\$83,203,011	3.38%	\$2,813,519
9	Short-term Debt	4.00%	\$5,943,072	2.75%	\$163,434
10	Total Debt	60.00%	\$89,146,083	3.34%	\$2,976,954
	Equity				
11	Common Equity	40.00%	\$59,430,722	8.52%	\$5,063,498
12	Preferred Shares	0.00%	\$ -	0.00%	\$ -
13	Total Equity	40.00%	\$59,430,722	8.52%	\$5,063,498
14	Total	100.00%	\$148,576,805	5.41%	\$8,040,451

Notes



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	At Current Approved Rates	At Proposed Rates
1	Revenue Deficiency from Below		\$3,903,311		\$3,903,311		\$3,903,311
2	Distribution Revenue	\$31,626,573	\$31,626,573	\$31,626,573	\$31,626,573	\$31,626,573	\$31,626,573
3	Other Operating Revenue	\$1,691,087	\$1,691,087	\$1,691,087	\$1,691,087	\$1,691,087	\$1,691,087
	Offsets - net						
4	Total Revenue	<u>\$33,317,660</u>	<u>\$37,220,971</u>	<u>\$33,317,660</u>	<u>\$37,220,971</u>	<u>\$33,317,660</u>	<u>\$37,220,971</u>
5	Operating Expenses	\$28,723,345	\$28,723,345	\$28,723,345	\$28,723,345	\$28,723,345	\$28,723,345
6	Deemed Interest Expense	\$2,976,954	\$2,976,954	\$2,976,954	\$2,976,954	\$2,976,954	\$2,976,954
8	Total Cost and Expenses	<u>\$31,700,298</u>	<u>\$31,700,298</u>	<u>\$31,700,298</u>	<u>\$31,700,298</u>	<u>\$31,700,298</u>	<u>\$31,700,298</u>
9	Utility Income Before Income Taxes	\$1,617,361	\$5,520,672	\$1,617,361	\$5,520,672	\$1,617,361	\$5,520,672
10	Tax Adjustments to Accounting Income per 2013 PILs model	(\$3,346,741)	(\$3,346,741)	(\$3,346,741)	(\$3,346,741)	(\$3,346,741)	(\$3,346,741)
11	Taxable Income	<u>(\$1,729,380)</u>	<u>\$2,173,931</u>	<u>(\$1,729,380)</u>	<u>\$2,173,931</u>	<u>(\$1,729,380)</u>	<u>\$2,173,931</u>
12	Income Tax Rate	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%
13	Income Tax on Taxable Income	<u>(\$458,286)</u>	<u>\$576,092</u>	<u>(\$458,286)</u>	<u>\$576,092</u>	<u>(\$458,286)</u>	<u>\$576,092</u>
14	Income Tax Credits	<u>(\$118,917)</u>	<u>(\$118,917)</u>	<u>(\$118,917)</u>	<u>(\$118,917)</u>	<u>(\$118,917)</u>	<u>(\$118,917)</u>
15	Utility Net Income	<u>\$2,194,564</u>	<u>\$5,063,498</u>	<u>\$2,194,564</u>	<u>\$5,063,498</u>	<u>\$2,194,564</u>	<u>\$5,063,498</u>
16	Utility Rate Base	\$148,576,805	\$148,576,805	\$148,576,805	\$148,576,805	\$148,576,805	\$148,576,805
17	Deemed Equity Portion of Rate Base	\$59,430,722	\$59,430,722	\$59,430,722	\$59,430,722	\$59,430,722	\$59,430,722
18	Income/(Equity Portion of Rate Base)	3.69%	8.52%	3.69%	8.52%	3.69%	8.52%
19	Target Return - Equity on Rate Base	8.52%	8.52%	8.52%	8.52%	8.52%	8.52%
20	Deficiency/Sufficiency in Return on Equity	-4.83%	0.00%	-4.83%	0.00%	-4.83%	0.00%
21	Indicated Rate of Return	3.48%	5.41%	3.48%	5.41%	3.48%	5.41%
22	Requested Rate of Return on Rate Base	5.41%	5.41%	5.41%	5.41%	5.41%	5.41%
23	Deficiency/Sufficiency in Rate of Return	-1.93%	0.00%	-1.93%	0.00%	-1.93%	0.00%
24	Target Return on Equity	\$5,063,498	\$5,063,498	\$5,063,498	\$5,063,498	\$5,063,498	\$5,063,498
25	Revenue Deficiency/(Sufficiency)	\$2,868,934	\$ -	\$2,868,934	\$ -	\$2,868,934	\$ -
26	Gross Revenue Deficiency/(Sufficiency)	<u>\$3,903,311 ⁽¹⁾</u>		<u>\$3,903,311 ⁽¹⁾</u>		<u>\$3,903,311 ⁽¹⁾</u>	

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



Ontario Energy Board

Revenue Requirement Workform (RRWF) for 2021 Filers

Revenue Requirement

Line No.	Particulars	Application				Per Board Decision	
1	OM&A Expenses	\$21,497,775		\$21,497,775		\$21,497,775	
2	Amortization/Depreciation	\$6,883,779		\$6,883,779		\$6,883,779	
3	Property Taxes	\$341,790		\$341,790		\$341,790	
5	Income Taxes (Grossed up)	\$457,175		\$457,175		\$457,175	
6	Other Expenses	\$ -					
7	Return						
	Deemed Interest Expense	\$2,976,954		\$2,976,954		\$2,976,954	
	Return on Deemed Equity	\$5,063,498		\$5,063,498		\$5,063,498	
8	Service Revenue Requirement (before Revenues)	<u>\$37,220,971</u>		<u>\$37,220,971</u>		<u>\$37,220,971</u>	
9	Revenue Offsets	<u>\$1,691,087</u>		<u>\$1,691,087</u>		<u>\$1,691,087</u>	
10	Base Revenue Requirement (excluding Tranformer Owership Allowance credit adjustment)	<u>\$35,529,884</u>		<u>\$35,529,884</u>		<u>\$35,529,884</u>	
11	Distribution revenue	\$35,529,884		\$35,529,884		\$35,529,884	
12	Other revenue	<u>\$1,691,087</u>		<u>\$1,691,087</u>		<u>\$1,691,087</u>	
13	Total revenue	<u>\$37,220,971</u>		<u>\$37,220,971</u>		<u>\$37,220,971</u>	
14	Difference (Total Revenue Less Distribution Revenue Requirement before Revenues)	<u>\$ -</u>	(1)	<u>\$ -</u>	(1)	<u>\$ -</u>	(1)

Summary Table of Revenue Requirement and Revenue Deficiency/Sufficiency

	Application		Δ% (2)	Per Board Decision	Δ% (2)
Service Revenue Requirement	\$37,220,971	\$37,220,971	\$0	\$37,220,971	(\$1)
Grossed-Up Revenue					
Deficiency/(Sufficiency)	\$3,903,311	\$3,903,311	\$0	\$3,903,311	(\$1)
Base Revenue Requirement (to be recovered from Distribution Rates)	\$35,529,884	\$35,529,884	\$0	\$35,529,884	(\$1)
Revenue Deficiency/(Sufficiency) Associated with Base Revenue Requirement	\$3,903,311	\$3,903,311	\$0	\$3,903,311	(\$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	kWh	kW/kVA ⁽¹⁾	Customer / Connections	kWh	kW/kVA ⁽¹⁾	Customer / Connections	kWh	kW/kVA ⁽¹⁾
		Test Year average or mid-year	Annual	Annual	Test Year average or mid-year	Annual	Annual	Test Year average or mid-year	Annual	Annual
1	Residential	62,056	529,231,270							
2	GS<50kW	5,564	167,003,174							
3	GS>50kW	1,003	825,433,794	2,267,945						
4	Streetlighting	17,283	5,569,644	15,528						
5	Unmetered Scattered Load	554	3,103,371							
6										
7										
8										
9										
10										
11										
12										
13										
14										
15										
16										
17										
18										
19										
20										
Total			1,530,341,252	2,283,473		-	-		-	-

Notes:

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



Ontario Energy Board

Revenue Requirement Workform (RRWF) for 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		\$ 18,706,189	60.66%	\$ 23,066,826	61.97%
2 GS<50kW		\$ 4,150,181	13.46%	\$ 4,539,542	12.20%
3 GS>50kW		\$ 7,602,005	24.65%	\$ 9,381,790	25.21%
4 Streetlighting		\$ 257,829	0.84%	\$ 157,786	0.42%
5 Unmetered Scattered Load		\$ 120,341	0.39%	\$ 75,027	0.20%
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					
Total		\$ 30,836,545	100.00%	\$ 37,220,971	100.00%
Service Revenue Requirement (from Sheet 9)				\$ 37,220,970.53	

- (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	\$ 19,741,165	\$ 22,177,594	\$ 22,177,594	\$ 1,074,288
2	GS<50kW	\$ 4,228,441	\$ 4,750,309	\$ 4,750,309	\$ 191,141
3	GS>50kW	\$ 7,331,962	\$ 8,236,863	\$ 8,336,498	\$ 411,764
4	Streetlighting	\$ 207,849	\$ 233,501	\$ 179,474	\$ 9,869
5	Unmetered Scattered Load	\$ 117,157	\$ 131,616	\$ 86,009	\$ 4,024
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					
Total		\$ 31,626,573	\$ 35,529,884	\$ 35,529,884	\$ 1,691,087

- (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	105.00%	100.80%	100.80%	85 - 115
2	GS<50kW	100.00%	108.85%	108.85%	80 - 120
3	GS>50kW	89.41%	92.19%	93.25%	80 - 120
4	Streetlighting	95.96%	154.24%	120.00%	80 - 120
5	Unmetered Scattered Load	119.96%	180.79%	120.00%	80 - 120
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					

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

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

Name of Customer Class		Proposed Revenue-to-Cost Ratio			Policy Range
		Test Year	Price Cap IR Period		
		2021	2022	2023	
1	Residential	100.80%	100.80%	100.80%	85 - 115
2	GS<50kW	108.85%	108.85%	108.85%	80 - 120
3	GS>50kW	93.25%	93.25%	93.25%	80 - 120
4	Streetlighting	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					
11					
12					
13					
14					
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16					
17					
18					
19					
20					

(11) The applicant should complete Table D if it is applying for approval of a revenue-to-cost ratio in 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'.

This sheet replaces Appendix 2-VV, 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 as proposed by the applicant. However, the RRVF does not replace the rate generator model that an applicant distributor may use in support of its application. The RRVF 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.

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

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



Ontario Energy Board

Revenue Requirement Workform (RRWF) for 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	\$ 8,040,451	5.41%	\$ 148,576,805	\$ 213,284,070	\$ 15,996,305	\$ 6,883,779	\$ 457,175	\$ 21,497,775	\$ 37,220,971	\$ 1,691,087	\$ 35,529,884	\$ 3,903,311