# **EXHIBIT 6**

# CALCULATION OF REVENUE DEFICIENCY OR SUFFICIENCY

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## LIST OF ATTACHMENTS

Attachment16\_2020RRWF\_BHI\_10302020

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#### **EXHIBIT 6 – CALCULATION OF REVENUE DEFICIENCY/SUFFICIENCY**

#### **2 6.1 OVERVIEW**

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

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- 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.

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#### 6.2 REVENUE REQUIREMENT CALCULATION

2 BHI provides the following information in Table 1 below, excluding energy costs and energy

3 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

17 Application.

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- 19 BHI's proposed revenue deficiency for the 2021 Test Year is \$3,903,311. This deficiency is
- 20 calculated as the difference between the 2021 Test Year Distribution Revenue Requirement of
- 21 \$35,529,884 and the 2021 Test Year load forecast at 2020 OEB-approved electricity distribution
- 22 rates of \$31,626,573.

### Table 1 - Revenue Sufficiency/Deficiency Calculation

	2021 Load	
Description	Forecast at 2020	2021 Test Year
	Rates	
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 Refecting Tax Credits	26.50%	26.50%

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

Description	2021 Load Forecast at 2020	2021 Test Year
	Rates	
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

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#### 6.3 DRIVERS OF TEST YEAR DEFICIENCY

- 2 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
- 7 PILs

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- Return on Rate Base (Deemed Interest Expense plus Return on Equity)
- 9 BHI derives its service revenue requirement through (i) distribution rates charged to its
- 10 customers and (ii) other revenues. Other revenues include OEB-approved specific service
- 11 charges, rent from electric property, late payment charges and other miscellaneous revenues.
- 12 These other revenues, described in detail in Exhibit 3, are treated as offsets against BHI's
- 13 service revenue requirement, the net amount of which represents the base revenue requirement
- 14 upon which class-specific distribution rates are calculated.

### 6.3.1 Impacts of Changes in Methodologies

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

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

### 6.3.2 Summary of Revenue Requirement Drivers

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

#### 3 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		

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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.

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#### 6.3.2.1 OM&A

- 2 OM&A increased from \$17,302,974 in the OEB-approved 2014 Test Year (MIFRS) to
- 3 \$21,497,775 in the 2021 Test Year due to the following:

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- 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.

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

#### 19 **6.3.2.2 Depreciation**

- 20 Depreciation increased from \$4,510,060 in the OEB-approved 2014 Test Year (MIFRS) to
- 21 \$6,883,779 in the 2021 Test Year primarily due to an increase in in-service capital additions,
- 22 discussed in further detail in Section 2.2.2 of Exhibit 2.

#### 23 **6.3.2.3 Deemed Interest Expense and Deemed Equity**

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

- 27 Rate base increased from \$131,828,683 in the 2014 Cost of Service to \$148,576,805 in the
- 28 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

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default working capital allowance percentage from 13.0% to 7.5%<sup>1</sup> 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 Parameters<sup>2</sup> as identified in Table 4.

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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.

#### 9 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

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#### 11 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)

<sup>&</sup>lt;sup>1</sup> OEB Letter, Allowance for Working Capital for Electricity Distribution Rate Applications, June 3, 2015

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

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#### 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.

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## **APPENDICES**

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# Appendix A – Revenue Requirement Work Form





Version 1.00

<b>Utility Name</b>	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	· <u>2014</u>



1. Info 8. Rev\_Def\_Suff

2. Table of Contents 9. Rev\_Regt

3. Data\_Input\_Sheet 10. Load Forecast

4. Rate\_Base 11. Cost Allocation

5. Utility Income 12. Residential Rate Design

6. Taxes\_PILs 13. Rate Design and Revenue Reconciliation

7. Cost of Capital 14. Tracking Sheet

#### Notes:

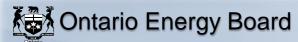
Pale green cells i	represent inputs
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Pale green boxes at the bottom of each page are for additional notes

(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.



# Data Input (1)

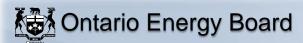
	_	Initial Application	(2)			(6)		Per Board Decision	
1	Rate Base	<b>#</b> 000 <b>7</b> 00 <b>7</b> 00			Φ 000 700 700			<b>#</b> 000 <b>7</b> 00 <b>7</b> 00	
	Gross Fixed Assets (average) Accumulated Depreciation (average) Allowance for Working Capital:	\$309,790,789 (\$177,210,289)	(5)		\$ 309,790,789 (\$177,210,289)			\$309,790,789 (\$177,210,289)	
	Controllable Expenses Cost of Power	\$21,839,565 \$191,444,505			\$ 21,839,565 \$ 191,444,505			\$21,839,565 \$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 Distribution Revenue at Proposed Rates	\$31,626,573 \$35,529,884		\$0 \$0	\$31,626,573 \$35,529,884		\$0 \$0	\$31,626,573 \$35,529,884	
	Other Revenue:	•							
	Specific Service Charges  Late Payment Charges  Other Distribution Revenue	\$226,581 \$294,000		\$0 \$0	\$226,581 \$294,000		\$0 \$0	\$226,581 \$294,000	
	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		ΨΟ	\$457,175		ΨΟ	\$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%	
	Prefered 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 \$0	2.75%	
	Common Equity Cost Rate (%)	8.52%		\$0	8.52%		\$0	8.52%	
	Prefered 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 (%)
- 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
- Net of addbacks and deductions to arrive at taxable income.
- (4) Average of Gross Fixed Assets at beginning and end of the Test Year
- Average of Accumulated Depreciation at the beginning and end of the Test Year. Enter as a negative amount.
- 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
- 4.0% unless an Applicant has proposed or been approved for another amount.
- 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.



### **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)	\$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	<u>    \$ -</u>	\$148,576,805	<u>    \$ -</u>	\$148,576,805

# (1) Allowance for Working Capital - Derivation

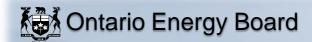
Controllable Expenses Cost of Power		\$21,839,565 \$191,444,505	\$ - \$ -	\$21,839,565 \$191,444,505	\$ - \$ -	\$21,839,56 \$191,444,50
Working Capital Base	<u> </u>	\$213,284,070	\$ -	\$213,284,070	\$ -	\$213,284,07
Working Capital Rate %	(1)	7.50%	0.00%	7.50%	0.00%	7.50
Working Capital Allowance	=	\$15,996,305	<del></del>	\$15,996,305	<del></del>	\$15,996,30

#### **Notes**

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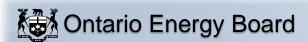
Some Applicants may have a unique rate as a result of a lead-lag study. The default rate for 2021 cost of service applications is 7.5%, per the letter issued by the Board on June 3, 2015.

Average of opening and closing balances for the year.



# **Utility Income**

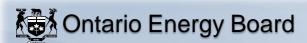
Line No.	Particulars	Initial Application				Per Board Decision
1	Operating Revenues: Distribution Revenue (at Proposed Rates)	\$35,529,884	\$ -	\$35,529,884	\$ -	\$35,529,884
2	Other Revenue (1)	\$1,691,087	\$ -	\$1,691,087	\$ -	\$1,691,087
3	Total Operating Revenues	\$37,220,971	<u> </u>	\$37,220,971	<u> </u>	\$37,220,971
4 5 6 7 8	Operating Expenses: OM+A Expenses Depreciation/Amortization Property taxes Capital taxes Other expense	\$21,497,775 \$6,883,779 \$341,790 \$- \$-	\$ - \$ - \$ - \$ - \$ -	\$21,497,775 \$6,883,779 \$341,790 \$ -	\$ - \$ - \$ - \$ - \$ -	\$21,497,775 \$6,883,779 \$341,790 \$-
9	Subtotal (lines 4 to 8)	\$28,723,345	\$ -	\$28,723,345	\$ -	\$28,723,345
10	Deemed Interest Expense	\$2,976,954	<u> </u>	\$2,976,954	<u> </u>	\$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	<u> </u>	\$5,520,672	<u> </u>	\$5,520,672
13	Income taxes (grossed-up)	\$457,175	<u> </u>	\$457,175	<u> </u>	\$457,175
14	Utility net income	\$5,063,498	<u>    \$ -</u>	\$5,063,498	<u> </u>	\$5,063,498
<u>Notes</u>	Other Revenues / Revenue	e Offsets				
(1)	Specific Service Charges Late Payment Charges Other Distribution Revenue Other Income and Deductions	\$226,581 \$294,000 \$ - \$1,170,506	\$ - \$ - \$ -	\$226,581 \$294,000 \$ - \$1,170,506	\$ - \$ - \$ -	\$226,581 \$294,000 \$ - \$1,170,506
	Total Revenue Offsets	\$1,691,087	<u> </u>	\$1,691,087	<u>\$ -</u>	\$1,691,087



#### Taxes/PILs

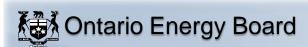
Line No.	Particulars	Application		Per Board Decision
	<b>Determination of Taxable Income</b>			
1	Utility net income before taxes	\$5,063,498	\$5,063,498	\$5,063,498
2	Adjustments required to arrive at taxable utility income	(\$3,346,741)	(\$3,346,741)	(\$3,346,741)
3	Taxable income	\$1,716,756	\$1,716,756	\$1,716,756
	Calculation of Utility income Taxes			
4	Income taxes	\$336,023	\$336,023	\$336,023
6	Total taxes	\$336,023	\$336,023	\$336,023
7	Gross-up of Income Taxes	\$121,151	\$121,151	\$121,151
8	Grossed-up Income Taxes	\$457,175	\$457,175	\$457,175
9	PILs / tax Allowance (Grossed-up Income taxes + Capital taxes)	\$457,175	\$457,175	\$457,175
10	Other tax Credits	(\$118,917)	(\$118,917)	(\$118,917)
	Tax Rates			
11 12 13	Federal tax (%) Provincial tax (%) Total tax rate (%)	15.00% 11.50% 26.50%	15.00% 11.50% 26.50%	15.00% 11.50% 26.50%

### <u>Notes</u>



# **Capitalization/Cost of Capital**

Line No.	Particulars	Capitalization Ratio		Cost Rate	Return
		Initial A	Application		
	Debt	(%)	(\$)	(%)	(\$)
1 2	Long-term Debt Short-term Debt	56.00% 4.00%	\$83,203,011 \$5,943,072	3.38% 2.75%	\$2,813,519 \$163,434
3	Total Debt	60.00%	\$89,146,083	3.34%	\$2,976,954
4	Equity Common Equity	40.00%	\$59,430,722	8.52%	\$5,063,498
5 6	Preferred Shares Total Equity	0.00% 40.00%	\$ - \$59,430,722	0.00% 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 3	Short-term Debt Total Debt	4.00% 60.00%	\$5,943,072 \$89,146,083	2.75% 3.34%	\$163,434 \$2,976,954
J	Equity	00.0070	ψου, 140,000	3.0470	Ψ2,370,334
4	Common Equity	40.00%	\$59,430,722	8.52%	\$5,063,498
5 6	Preferred Shares Total Equity	<u>0.00%</u> 40.00%	<u>\$ -</u> \$59,430,722	0.00% 8.52%	\$ - \$5,063,498
· ·	Total Equity	40.00%	\$39,430,722	0.52 /6	\$5,005,498
7	Total	100.00%	\$148,576,805	5.41%	\$8,040,451
		Per Boa	rd Decision		
	Debt	(%)	(\$)	(%)	(\$)
8	Long-term Debt	56.00%	\$83,203,011	3.38%	\$2,813,519
9 10	Short-term Debt  Total Debt	4.00% 60.00%	\$5,943,072 \$89,146,083	2.75% 3.34%	\$163,434 \$2,976,954
10		00.00 /8	\$69,140,063	3.34 //	\$2,970,934
11	Equity  Common Equity	40.00%	\$59,430,722	8.52%	\$5,063,498
12	Preferred Shares	0.00%	\$ -	0.00%	<u> </u>
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
<u>Notes</u>					



# **Revenue Deficiency/Sufficiency**

Initial Application	Per Board Decision
	i ci Boara Becisioni

Line No.	Particulars	At Current Approved Rates	At Proposed Rates	At Current Approved Rates	At Proposed Rates	At Current Approved Rates	At Proposed Rates
1	Revenue Deficiency from Below		\$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	\$33,317,660	\$37,220,971	\$33,317,660	\$37,220,971	\$33,317,660	\$37,220,971
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	<b>Total Cost and Expenses</b>	\$31,700,298	\$31,700,298	\$31,700,298	\$31,700,298	\$31,700,298	\$31,700,298
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	(\$1,729,380)	\$2,173,931	(\$1,729,380)	\$2,173,931	(\$1,729,380)	\$2,173,931
12	Income Tax Rate	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%
13		(\$458,286)	\$576,092	(\$458,286)	\$576,092	(\$458,286)	\$576,092
	Income Tax on Taxable Income						
14	Income Tax Credits	(\$118,917)	(\$118,917)	(\$118,917)	(\$118,917)	(\$118,917)	(\$118,917)
15	Utility Net Income	\$2,194,564	\$5,063,498	\$2,194,564	\$5,063,498	\$2,194,564	\$5,063,498
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 25 26	Target Return on Equity Revenue Deficiency/(Sufficiency) Gross Revenue Deficiency/(Sufficiency)	\$5,063,498 \$2,868,934 \$3,903,311 <sup>(1)</sup>	\$5,063,498 \$ -	\$5,063,498 \$2,868,934 \$3,903,311 (1)	\$5,063,498 \$ -	\$5,063,498 \$2,868,934 \$3,903,311 (1)	\$5,063,498 \$ -

### Notes:

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



#### **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)	\$37,220,971		\$37,220,971		\$37,220,971	
9	Revenue Offsets	\$1,691,087		\$1,691,087		\$1,691,087	
10	Base Revenue Requirement	\$35,529,884		\$35,529,884		\$35,529,884	
	(excluding Tranformer Owership Allowance credit adjustment)						
11	Distribution revenue	\$35,529,884		\$35,529,884		\$35,529,884	
12	Other revenue	\$1,691,087		\$1,691,087		\$1,691,087	
13	Total revenue	\$37,220,971		\$37,220,971		\$37,220,971	
14	Difference (Total Revenue Less Distribution Revenue Requirement before Revenues)	<u> </u>	(1)	<u> </u>	(1)	\$-	(1)

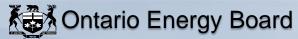
#### Summary Table of Revenue Requirement and Revenue Deficiency/Sufficiency

	Application		$\Delta\%$ <sup>(2)</sup>	Per Board Decision	Δ% (2)
Service Revenue Requirement Grossed-Up Revenue	\$37,220,971	\$37,220,971	\$0	\$37,220,971	(\$1)
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** 

Line 11 - Line 8

Percentage Change Relative to Initial Application



### **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 andf trends from historical actuals to the Bridge and Test Year forecasts.

Stage	in	Pr	00	ces

Initial App	

Customer Class		ln
Input the name of each customer class.	Customer / Connections Test Year average or mid-year	
Residential GS<50kW GS>50kW Streetlighting Unmetered Scattered Load	62,056 5,564 1,003 17,283 554	

	Initial Application	
Customer / Connections Test Year average	<b>kWh</b> Annual	<b>kW/kVA</b> <sup>(1)</sup> Annual
or mid-year	Allilual	Alliluai
62,056 5,564 1,003 17,283 554	529,231,270 167,003,174 825,433,794 5,569,644 3,103,371	2,267,945 15,528

Customer / Connections	kWh	kW/kVA <sup>(1)</sup>
rest Year average or mid-year	Annual	Annual

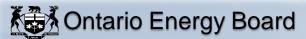
	Per Board Decision											
Customer / Connections	kWh	kW/kVA <sup>(1)</sup>										
Test Year average or mid-year	Annual	Annual										

Total 1,530,341,252 2,283,473

#### Notes:

15

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



#### **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 <sup>(3)</sup> From Sheet 10. Load Forecast		Allocated from ious Studv <sup>(1)</sup>	%	Ilocated Class enue Requirement (1) (7A)	%		
Residential CGS<50kW GS>50kW Streetlighting Unmetered Scattered Load	\$ \$ \$ \$	18,706,189 4,150,181 7,602,005 257,829 120,341	60.66% 13.46% 24.65% 0.84% 0.39%	\$ \$ \$ \$	23,066,826 4,539,542 9,381,790 157,786 75,027	61.97% 12.20% 25.21% 0.42% 0.20%	
Total	\$	30,836,545	Service Revenue Requirement (from	\$ \$	37,220,971 37,220,970.53	100.00%	

- (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		Forecast (LF) X ent approved rates		F X current proved rates X (1+d)	LF X	Proposed Rates	Miscellaneous Revenues		
		(7B)		(7C)		(7D)		(7E)	
1 Residential 2 GS<50kW	\$	19,741,165 4,228,441	\$ \$	22,177,594 4,750,309	\$ \$	22,177,594 4,750,309	\$ \$	1,074,288 191,141	
3 GS>50kW 4 Streetlighting	\$ \$	7,331,962 207,849	\$ \$	8,236,863 233,501	\$ \$	8,336,498 179,474	\$ \$	411,764 9,869	
5 Unmetered Scattered Load 6 7 8 9 9 9 9 9 9 9 9 9 9 9 9 9 9 9 9 9 9	\$	117,157	\$	131,616	\$	86,009	\$	4,024	
Total	\$	31,626,573	\$	35,529,884	\$	35,529,884	\$	1,691,087	

<sup>(4)</sup> 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.

<sup>(5)</sup> Columns 7C and 7D - Column Total should equal the Base Revenue Requirement for each.

<sup>(6)</sup> 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.

<sup>(7)</sup> 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: 2014	(7C + 7E) / (7A)	(7D + 7E) / (7A)			
	%	%	%	%		
1 Residential 2 GS<50kW	105.00% 100.00%	100.80% 108.85%	100.80% 108.85%	85 - 115 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 6 7 8 9 0 1 2 3 4 5 6 7 8 9 0 0	119.96%	180.79%	120.00%	80 - 120		

<sup>(8)</sup> 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.

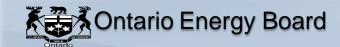
<sup>(9)</sup> Status Quo Ratios - The OEB-issued cost allocation model provides the Status Quo Ratios on Worksheet O-1. The Status Quo means "Before Rebalancing".

<sup>(10)</sup> 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	Propos	Policy Range			
	Test Year	Price Cap IR P	, ,		
	2021	2022	2023		
Residential	100.80%	100.80%	100.80%	85 - 115	
GS<50kW	108.85%	108.85%	108.85%	80 - 120	
GS>50kW	93.25%	93.25%	93.25%	80 - 120	
Streetlighting	120.00%	120.00%	120.00%	80 - 120	
Unmetered Scattered Load	120.00%	120.00%	120.00%	80 - 120	

<sup>(11)</sup> 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'.



# Rate Design and Revenue Reconciliation

This sheet replaces Appendix 2-V, and provides a simplified model for calculating the standard monthly and voluemtric 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, 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.

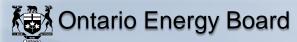
Stage in Process: Initial Application					Cla	ss Allocated Reve	enues					Dist	ribution Rates		Re	venue Reconciliation	on
	Customer and Load Forecast			From Sheet 11. Cost Allocation and Sheet 12. Residential Rate Design			Percentage to	Fixed / Variable Splits <sup>2</sup> Percentage to be entered as a fraction between 0 and 1									
Customer Class	Volumetric Charge	Customers / Connections	kWh	kW or kVA	Total Class Revenue	Monthly Service Charge	Volumetric	Fixed	Variable	Transformer Ownership	Monthly Ser		Volumetric R		1	Volumetrie	Revenues les Transforme
From sheet 10. Load Forecast	Determinant	Connections			Requirement	Service Charge				Allowance <sup>1</sup> (\$)	Rate	No. of decimals	Rate	No. of decimals	MSC Revenues	Volumetric revenues	Ownership Allowance
Residential GS<50kW GS>50kW Unmetered Scattered Load GS	kWh kW kW kWh	62,056 5,564 1,003 17,283 554 - - - - - - - - - - - - - - -	529,231,270 167,003,174 825,433,794 5,569,644 3,103,371 - - - - - - - - - - - - - - - - -	- 2,267,945 15,528 - - - - - - - - - - - - - -	\$ 22,177,594 \$ 4,750,309 \$ 8,336,498 \$ 179,474 \$ 86,009	\$ 22,177,594 \$ 2,029,899 \$ 868,256 \$ 116,406 \$ 47,506	\$ 2,720,410 \$ 7,468,242 \$ 63,068 \$ 38,503	10.42% 64.86%	0.00% 57.27% 89.58% 35.14% 44.77%	\$ 514,689	\$29.78 \$30.40 \$72.13 \$0.56 \$7.14	) 3 6	\$0.0000 /kWh \$0.0163 /kWh \$3.5199 /kW \$4.0616 /kW \$0.0124 /kWh	4	\$ 868,234.64 \$ 116,143.58	\$ 2,722,151.7289 \$ 7,982,939.1517 \$ 63,068.8978 \$ 38,481.7991 \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ -	\$22,176,231. \$ 4,752,070. \$ 8,336,484. \$ 179,212. \$ 85,966. \$ \$ \$ \$ \$ \$ \$ \$ -
								Total Transformer Ow	nership Allowance	\$ 514,689					Total Distribution Rev	enues	\$35,529,964
otes:													Rates recover revenue re	quirement	Base Revenue Require	ement	\$35,529,883 \$ 81

0.000%

% Difference

<sup>&</sup>lt;sup>1</sup> Transformer Ownership Allowance is entered as a positive amount, and only for those classes to which it applies.

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 calcutated as: [MSC x (average number of customers or connections) x 12 months] / (Class Allocated Revenue Requirement).



### **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.)

# Summary of Proposed Changes

			Cost of	Capital	Rate Base	e and Capital Exp	enditures	Оре	erating Expense	es	Revenue Requirement			
R	eference <sup>(1)</sup>	Item / Description <sup>(2)</sup>	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		•
		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

<sup>(2)</sup> Short description of change, issue, etc.