



EXHIBIT 6 – REVENUE REQUIREMENT

2021 Cost of Service

Hearst Power Distribution Company Ltd.
EB-2021-0027

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6.2 CALCULATION OF REVENUE REQUIREMENT

6.2.1 DETERMINATION OF NET UTILITY INCOME

HPDCL's current rates are based on Board approved rates effective May 1, 2020 through an IRM proceeding (EB-2019-0040). Existing revenues based on existing Board approved rates, which are used in calculating utility income, are comprised of distribution revenue and exclude pass-thru charges such as LV Charges and Transmission Charges and well as balances in deferral and variance accounts.

Details on existing and projected distribution revenue at existing rates are presented in both Exhibit 3 and Exhibit 8 and are also replicated below. Other revenues are shown in Exhibit 3 Section 3.4. Table 1 below shows distribution revenues at both current rates and proposed 2021 volumes.

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Table 1 - Distribution Revenues at Current Rates – 2021 Volumes

Current Rates at Proposed Test Year Load

Customer Class Name	Test Year Projected Revenue from Existing Variable Charges							
	Variable Distribution Rate	per	Test Year Volume	Gross Variable Revenue	Transform. Allowance Rate	Transform. Allowance kW's	Transform. Allowance \$'s	Net Variable Revenue
<i>Residential</i>	\$0.0000	kWh	23,652,429	\$0.00			\$0.00	\$0.00
<i>General Service < 50 kW</i>	\$0.0066	kWh	10,991,463	\$72,543.66			\$0.00	\$72,543.66
<i>General Service > 50 to 4999 kW</i>	\$1.8310	kW	65,172	\$119,329.51	-0.45	67,244	-\$30,259.80	\$89,069.71
<i>Intermediate</i>	\$1.2164	kW	57,468	\$69,903.94	-0.45	60,194	-\$27,087.30	\$42,816.64
<i>Sentinel</i>	\$8.5001	kW	27	\$226.62			\$0.00	\$226.62
<i>Street Lighting</i>	\$2.6811	kW	1,366	\$3,661.93			\$0.00	\$3,661.93
Total Variable Revenue			34,767,924	\$265,665.65	-0.9	127438	-\$57,347.10	\$208,318.55

Current Rates at Proposed Test Year Load

Customer Class Name	Test Year Projected Revenue from Existing Fixed Charges							
	Fixed Rate	Customers (Connections)	Fixed Charge Revenue	Variable Revenue	TOTAL	% Fixed Revenue	% Variable Revenue	% Total Revenue
<i>Residential</i>	\$24.7300	2,250	\$667,643.44	\$0.00	\$667,643.44	100.00%		62.21%
<i>General Service < 50 kW</i>	\$19.4200	470	\$109,531.84	\$72,543.66	\$182,075.50	60.16%	39.84%	16.97%
<i>General Service > 50 to 4999 kW</i>	\$58.1900	36	\$24,881.10	\$89,069.71	\$113,950.81	21.83%	78.17%	10.62%
<i>Intermediate</i>	\$236.6900	2	\$5,430.32	\$42,816.64	\$48,246.96	11.26%	88.74%	4.50%
<i>Sentinel</i>	\$7.9500	12	\$1,159.88	\$226.62	\$1,386.50	83.66%	16.34%	0.13%
<i>Street Lighting</i>	\$4.8400	967	\$56,177.97	\$3,661.93	\$59,839.90	93.88%	6.12%	5.58%
Total Fixed Revenue		3,737	\$864,824.56	\$208,318.55	\$1,073,143.11			100%

2

1 **Table 2 - Distribution Revenues at Proposed Rates – 2021 Volumes**

Proposed Rates at Proposed Test Year Load

Customer Class Name	Test Year Projected Revenue from Proposed Variable Charges							
	Variable Distribution Rate	per	Test Year Volume	Gross Variable Revenue	Transform. Allowance Rate	Transform. Allowance kW's	Transform. Allowance \$'s	Net Variable Revenue
<i>Residential</i>	\$0.0000	kWh	23,652,429	\$0.00		0	\$0.00	\$0.00
<i>General Service < 50 kW</i>	\$0.0076	kWh	10,991,463	\$83,365.08		0	\$0.00	\$83,365.08
<i>General Service > 50 to 4999 kW</i>	\$2.0739	kW	65,172	\$135,160.55	-0.45	67,244	-\$30,259.80	\$104,900.75
<i>Intermediate</i>	\$1.3417	kW	57,468	\$77,107.28	-0.45	60,194	-\$27,087.30	\$50,019.98
<i>Sentinel</i>	\$12.2632	kW	27	\$326.94		0	\$0.00	\$326.94
<i>Street Lighting</i>	\$2.4458	kW	1,366	\$3,340.60		0	\$0.00	\$3,340.60
Total Variable Revenue			34,767,924	\$299,300.46	-0.9	127438	-\$114,694.20	\$241,953.36
<u>Proposed Rates at 2021 Load</u>								

Customer Class Name	Test Year Projected Revenue from Proposed Fixed Charges							
	Fixed Rate	Customers (Connections)	Fixed Charge Revenue	Variable Revenue	TOTAL	% Fixed Revenue	% Variable Revenue	% Total Revenue
<i>Residential</i>	\$28.9308	2,250	\$781,053.62	\$0.00	\$781,053.62	100.00%		63.33%
<i>General Service < 50 kW</i>	\$22.3169	470	\$125,870.84	\$83,365.08	\$209,235.92	60.16%	39.84%	16.97%
<i>General Service > 50 to 4999 kW</i>	\$60.9505	36	\$26,061.45	\$104,900.75	\$130,962.21	19.90%	80.10%	10.62%
<i>Intermediate</i>	\$236.6900	2	\$5,430.32	\$50,019.98	\$55,450.30	9.79%	90.21%	4.50%
<i>Sentinel</i>	\$11.4695	12	\$1,673.37	\$326.94	\$2,000.31	83.66%	16.34%	0.16%
<i>Street Lighting</i>	\$4.4153	967	\$51,248.46	\$3,340.60	\$54,589.06	93.88%	6.12%	4.43%
Total Fixed Revenue		3,737	\$991,338.07	\$241,953.36	\$1,233,291.43			100%

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6.2.2 PROPOSED REVENUE REQUIREMENT

The 2021 Base Revenue Requirement represents the amount of money that a HPDCL must receive from its customers in order to cover its costs and operating expenses. Table 3 below presents HPDCL's proposed 2021 Revenue Requirement as calculated in the OEB's Revenue Requirement Work Form which is being filed with this application and is also presented at Appendix 1 of this Exhibit. Table 3 shows the Statement of Rate Base and Table 4 shows the Return on Rate Base:

Table 3 – 2021 Test Year Revenue Requirement

<i>Particulars</i>	<i>Application</i>
<i>OM&A Expenses</i>	\$1,207,448
<i>Amortization/Depreciation</i>	\$140,435
<i>Property Taxes</i>	\$ -
<i>Capital Taxes</i>	\$ -
<i>Income Taxes (Grossed up)</i>	\$ -
<i>Other Expenses</i>	\$ -
<i>Return</i>	
<i>Deemed Interest Expense</i>	\$40,231
<i>Return on Deemed Equity</i>	\$80,559
<i>Service Revenue Requirement (before Revenues)</i>	\$1,468,673
<i>Revenue Offsets</i>	\$235,382
<i>Base Revenue Requirement (excluding Transformer Ownership Allowance credit adjustment)</i>	\$1,233,291
<i>Distribution revenue</i>	\$1,233,291
<i>Other revenue</i>	\$235,382
<i>Total revenue</i>	\$1,468,673

6.2.3 STATEMENT OF RATE BASE

Table 4 - Statement of Rate Base

Debt				
<i>Long-term Debt</i>	56.00%	\$1,352,314	2.85%	\$38,541
<i>Short-term Debt</i>	4.00%	\$96,594	1.75%	\$1,690
Total Debt	60.00%	\$1,448,907	2.78%	\$40,231
Equity				
<i>Common Equity</i>	40.00%	\$965,938	8.34%	\$80,559
<i>Preferred Shares</i>	0.00%	\$ -	0.00%	\$ -
Total Equity	40.00%	\$965,938	8.34%	\$80,559
Total	100.00%	\$2,414,846	5.00%	\$120,791

6.2.4 ACTUAL UTILITY RETURN ON RATE BASE

Table 5 - Return on Rate Base

Return	
<i>Deemed Interest Expense</i>	\$40,541
<i>Return on Deemed Equity</i>	\$80,559
Total	\$120,791

6.2.5 REQUESTED AND INDICATED RATE OF RETURN

The requested rate of return is 8.34% as per the OEB's prescribed Cost of Capital Parameters for the 2021 rate year. Details of the calculation can be found in Tab 2 of this exhibit in Table 10- Calculation of Revenue Deficiency or Surplus.

6.2.6 UTILITY INCOME AT PROPOSED REVENUE REQUIREMENT

Table 6 - Utility Income under proposed Revenue Requirement

<i>Particulars</i>	<i>Initial Application</i>
<u>Operating Revenues:</u>	
<i>Distribution Revenue (at Proposed Rates)</i>	\$1,233,291
<i>Other Revenue</i> ⁽¹⁾	\$235,382
	\$1,468,673
<i>Total Operating Revenues</i>	
<u>Operating Expenses:</u>	
<i>OM+A Expenses</i>	\$1,207,448
<i>Depreciation/Amortization</i>	\$140,435
<i>Property taxes</i>	\$ -
<i>Capital taxes</i>	\$ -
<i>Other expense</i>	\$ -
	\$1,347,883
<i>Subtotal (lines 4 to 8)</i>	
<i>Deemed Interest Expense</i>	\$40,231
<i>Total Expenses (lines 9 to 10)</i>	\$1,388,114
<i>Utility income before income taxes</i>	\$80,559
	\$ -
<i>Income taxes (grossed-up)</i>	
	\$80,560
<i>Utility net income</i>	

6.2.7 REVENUE REQUIREMENT TREND

Table 7 below presents HPDCL's Revenue Requirement trend starting from the 2015 Board Approved all the way to the 2021 proposed Revenue Requirement.

Table 7 - Trend in Revenue Requirement

Particular	Last Board Approved	2015	2016	2017	2018	2019	2020	2021
OM&A Expenses	\$1,019,224	\$1,215,979	\$1,047,826	\$1,092,597	\$1,121,716	\$1,101,747	\$1,204,850	\$1,207,448
Depreciation Expense	\$131,627	\$398,572*	\$128,840	\$133,250	\$98,049	\$108,885	\$131,750	\$140,435
Property Taxes	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Distribution Expenses	\$1,150,851	\$1,614,551	\$1,176,666	\$1,225,846	\$1,219,764	\$1,210,633	\$1,336,600	\$1,347,883
Regulated Return On Capital	\$136,753	\$149,520	\$146,108	\$140,216	\$140,315	\$147,777	\$146,847	\$120,791
Grossed up PILs	\$0	-\$9,143	\$12,123	\$2,661	\$30,128	\$34,921	\$11,144	\$0
Service Revenue Requirement	\$1,287,604	\$1,754,928	\$1,334,896	\$1,368,723	\$1,390,207	\$1,393,330	\$1,494,591	\$1,468,673
Less: Revenue Offsets	-\$229,503	-\$108,664	-\$170,833	-\$155,332	-\$277,588	-\$286,521	-\$317,750	-\$235,382
Base Revenue Requirement	\$1,058,101	\$1,646,264	\$1,164,064	\$1,213,391	\$1,112,619	\$1,106,810	\$1,176,841	\$1,233,291

* includes smart meters from 2015 BA

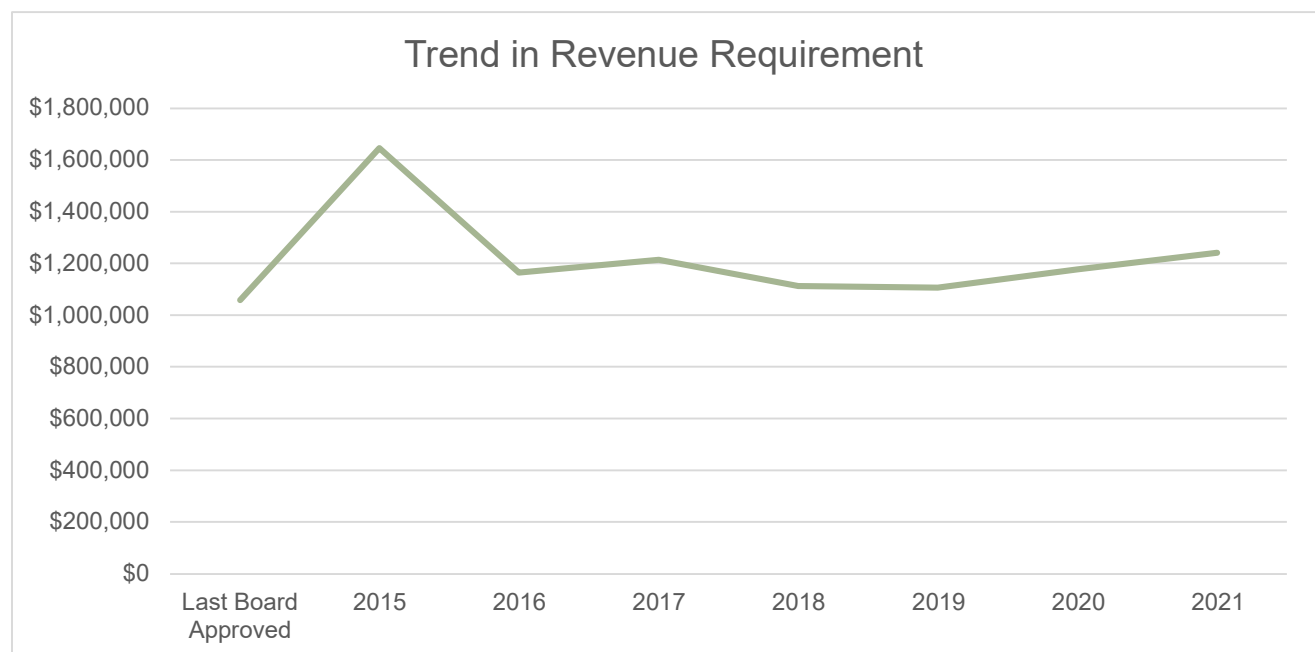


Table 8 - Variance Analysis of Revenue Requirement

	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	Variance over last CoS
Particular	Last Board Approved	2015	2016	2017	2018	2019	2020	2021	
OM&A Expenses	1,019,224	1,215,979	1,047,826	1,092,597	1,121,716	1,101,747	1,204,850	1,207,448	
Year over year change (\$)		196,755	-168,153	44,771	29,119	-19,968	103,103	2,598	188,224
Year over year change (%)		19.30%	-13.83%	4.27%	2.67%	-1.78%	9.36%	0.22%	18.47%
Depreciation Expense	131,627.00	398,571.81	128,839.77	133,249.66	98,048.93	108,885.20	131,750.10	140,435.35	
Year over year change (\$)		266,944.81	-269,732.04	4,409.89	-35,200.73	10,836.27	22,864.90	8,685.25	8,808
Year over year change (%)		202.80%	-67.67%	3.42%	-26.42%	11.05%	21.00%	6.59%	6.69%
Income Taxes	0.00	-9,143.00	12,123.00	2,661.00	30,128.00	34,921.00	11,144.00	0.00	
Year over year change (\$)		-9,143.00	21,266.00	-9,462.00	27,467.00	4,793.00	-23,777.00	-11,144.00	
Year over year change (%)			-232.59%	-78.05%	1032.21%	15.91%	-68.09%	-100.00%	
Total Distribution Expenses	1,150,850.69	1,605,407.89	1,188,788.81	1,228,507.47	1,249,892.48	1,245,553.59	1,347,744.10	1,347,882.85	
Year over year change (\$)		454,557.20	-416,619.08	39,718.66	21,385.01	-4,338.89	102,190.51	138.75	197,032
Year over year change (%)		39.50%	-25.95%	3.34%	1.74%	-0.35%	8.20%	0.01%	17.12%
Regulated Return On Capital	136,753.00	149,519.78	146,107.59	140,215.86	140,314.90	147,776.57	146,846.78	120,790.58	
Year over year change (\$)		12,766.78	-3,412.19	-5,891.73	99.04	7,461.67	-929.80	-26,056.20	-15,962
Year over year change (%)		9.34%	-2.28%	-4.03%	0.07%	5.32%	-0.63%	-17.74%	-11.67%
Grossed up PILs	0.00	-9,143.00	12,123.00	2,661.00	30,128.00	34,921.00	11,144.00	0.00	
Year over year change (\$)		-9,143.00	21,266.00	-9,462.00	27,467.00	4,793.00	-23,777.00	-11,144.00	
Year over year change (%)		0.00%	-232.59%	-78.05%	1032.21%	15.91%	-68.09%	-100.00%	
Service Revenue Requirement	1,287,603.69	1,745,784.66	1,347,019.40	1,371,384.33	1,420,335.38	1,428,251.16	1,505,734.88	1,468,673.43	
Year over year change (\$)		458,180.98	-398,765.26	24,364.93	48,951.05	7,915.78	77,483.71	-37,061.45	181,070
Year over year change (%)		35.58%	-22.84%	1.81%	3.57%	0.56%	5.43%	-2.46%	14.06%
Less: Revenue Offsets	-229,503.00	-108,663.60	-170,832.53	-155,332.24	-277,588.01	-286,520.61	-317,750.00	-235,382.00	
Year over year change (\$)		120,839.40	-62,168.93	15,500.29	-122,255.77	-8,932.60	-31,229.39	82,368.00	-5,879
Year over year change (%)		-52.65%	57.21%	-9.07%	78.71%	3.22%	10.90%	-25.92%	2.56%
Base Revenue Requirement	1,058,100.69	1,637,121.06	1,176,186.87	1,216,052.09	1,142,747.37	1,141,730.55	1,187,984.88	1,233,291.43	
Year over year change (\$)		579,020.38	-460,934.19	39,865.22	-73,304.72	-1,016.82	46,254.32	45,306.55	175,191
Year over year change (%)		54.72%	-28.16%	3.39%	-6.03%	-0.09%	4.05%	3.81%	16.56%

1 Table 7 and Table 8 above show a proposed revenue requirement for the test year is 16.56%
2 higher than the 2015 Cost of Service Approved Revenue Requirement.

3 OM&A cost which are higher than 2015 Board Approved by 188K are summarized in section
4 6.3.2 and are detailed in Exhibit 4. Regulatory costs are also projected to be higher for 2021 due
5 to provisions for Cost of Service components such as drafting of the Distribution System Plan by
6 a third-party engineering firm, legal assistance, provision for intervener costs and accounting
7 fees. Year over year variances in OM&A are explained throughout Exhibit 4 and Revenue Offsets
8 and explained in detail at Exhibit 3.

6.3 REVENUE DEFICIENCY OR SURPLUS

6.3.1 CALCULATION OF REVENUE DEFICIENCY OR SURPLUS

HPDCL's net revenue deficiency under the proposed rates is \$160,162 (using Base Revenue Requirement). 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>	\$1,468,673
<i>Grossed-Up Revenue Deficiency/(Sufficiency)</i>	\$160,126
<i>Base Revenue Requirement (to be recovered from Distribution Rates)</i>	\$1,233,291
<i>Revenue Deficiency/(Sufficiency) Associated with Base Revenue Requirement</i>	\$160,126

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

1

Table 10 - Revenue Deficiency (RRWF)

Particulars	At Current Approved Rates	At Proposed Rates
<i>Revenue Deficiency from Below</i>		\$160,126
<i>Distribution Revenue</i>	\$1,073,166	\$1,073,166
<i>Other Operating Revenue Offsets - net</i>	\$235,382	\$235,382
Total Revenue	\$1,308,548	\$1,468,674
<i>Operating Expenses</i>	\$1,347,883	\$1,347,883
<i>Deemed Interest Expense</i>	\$40,232	\$40,232
Total Cost and Expenses	\$1,388,114	\$1,388,114
Utility Income Before Income Taxes	(\$79,566)	\$80,560
<i>Tax Adjustments to Accounting Income per PILs model</i>	\$ -	\$ -
Taxable Income	(\$79,566)	\$80,560
<i>Income Tax Rate</i>	0.00%	0.00%
Income Tax on Taxable Income	\$ -	\$ -
Income Tax Credits	\$ -	\$ -
Utility Net Income	(\$79,566)	\$80,560
Utility Rate Base	\$2,414,857	\$2,414,857
<i>Deemed Equity Portion of Rate Base</i>	\$965,943	\$965,943
<i>Income/(Equity Portion of Rate Base)</i>	-8.24%	8.34%
<i>Target Return - Equity on Rate Base</i>	8.34%	8.34%
<i>Deficiency/Sufficiency in Return on Equity</i>	-16.58%	0.00%
<i>Indicated Rate of Return</i>	-1.63%	5.00%
<i>Requested Rate of Return on Rate Base</i>	5.00%	5.00%
<i>Deficiency/Sufficiency in Rate of Return</i>	-6.63%	0.00%
<i>Target Return on Equity</i>	\$80,559	\$80,559
<i>Revenue Deficiency/(Sufficiency)</i>	\$160,126	\$ -
Gross Revenue Deficiency/(Sufficiency)	\$160,126	

2 6.3.2 CAUSES OF REVENUE DEFICIENCY OR SURPLUS

HPDCL's existing rates are based on the Board-approved rates in 2015 following a cost of service rate application, and adjustments to its base distribution rates in 2016-2020 under the Board's third Generation Incentive Regulation Mechanism.

As shown in Table 10 in the previous section, the Revenue Deficiency is determined to be \$160,148. The deficiency is for the most part due to the increase in the OM&A which is offset by a reduction in depreciation expenses and lower rate of return.

Table 10 at the next page shows that the causes for the revenue deficiency stem from the most part from an increase of \$188,224 in OM&A from its 2015 Board-approved amount. The cost drivers underlying this increase are explained in Exhibit 4. The decrease in Working Capital Allowance is for the most part due to a lower cost of power in comparison to the 2015 Board Approved cost of power.

All other parameters are in line with the previous Board Approved 2015 parameters.

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

The major contributors of the deficiency from 2015 Board Approved to 2021 Test Year are presented in the table below and explanations following the table.

Table 11 – Differences in Revenue Requirement from 2015 Cost of Service

<i>Particular</i>	2015	2021	Diff
<i>Long Term Debt</i>	4.54%	2.85%	-1.69%
<i>Short Term Debt</i>	1.65%	1.75%	0.10%
<i>Return on Equity</i>	9.19%	8.34%	-0.85%
<i>Weighted Debt Rate</i>	4.35%	2.78%	-1.57%
<i>Regulated Rate of Return</i>	6.28%	5.00%	-1.28%
<i>Controllable Expenses</i>	\$1,019,224	\$1,207,448	\$188,224
<i>Power Supply Expense</i>	\$10,030,148	\$8,042,286	-\$1,987,862
<i>Total Eligible Distribution Expenses</i>	\$11,049,372	\$9,249,733	-\$1,799,638
<i>Working Capital Allowance Rate</i>	7.50%	7.50%	0.00%
<i>Total Working Capital Allowance ("WCA")</i>	\$828,703	\$693,730	-\$134,973
<i>Fixed Asset Opening Bal Bridge Year</i>	\$4,980,312	\$2,941,929	-\$2,038,383
<i>Fixed Asset Opening Bal Test Year</i>	-\$3,632,943	-\$1,220,802	\$2,412,141
<i>Average Fixed Asset</i>	\$673,684	\$860,563	\$186,879
<i>Working Capital Allowance</i>	\$828,703	\$693,730	-\$134,973
<i>Rate Base</i>	\$1,502,387	\$1,554,293	\$51,906
<i>Regulated Rate of Return</i>	6.28%	5.00%	-1.28%
<i>Regulated Return on Capital</i>	\$136,753	\$120,791	-\$15,962
<i>Deemed Interest Expense</i>	\$56,761	\$40,232	-\$16,529
<i>Deemed Return on Equity</i>	\$79,992	\$80,560	\$567
<i>OM&A</i>	\$1,019,224	\$1,207,448	\$188,224
<i>Depreciation Expense</i>	\$131,627	\$140,435	\$8,808
<i>PILs</i>	\$0	\$0	\$0
<i>Revenue Offset</i>	\$229,503	\$235,382	\$5,879
<i>Revenue Requirement</i>	\$1,058,101	\$1,233,292	\$175,191

The following sections explain the major drivers underpinning the change in revenue requirement from 2015 BA to the proposed 2021 Test Year:

- An increase of \$186,879 in Average Net Fixed Assets from \$673,684 in 2015 Board Approved to \$860,563 in 2021 is primarily due to needed investments in its HPDCL's distribution infrastructure. Details of the utility's capital spending is explained at Exhibit 2 and in the Distribution System Plan.

- A decrease of -\$134,984 in Working Capital of from \$828,703 in 2015 Board approved to \$693,719 in 2021 as a result of a reduction in cost of power.
- A reduction in the Weighted Average Cost of Capital from 6.48% in 2015 Board approved to 5.00% in 2021 which is explained at Exhibit 5.
- An increase in Depreciation Expenses of \$8,808 from \$131,627 in 2015 Board approved to \$140,435 in 2021.
- OM&A variances are explained in detail throughout Exhibit 4. An excerpt of the year over year variances and the relevant OEB Appendices related to OMA spending are replicated below.

2015 BA-2015 Actual: The total OM&A costs in 2015 were \$196,755 greater than the 2015 Board Approved amount. The major cause for the variance between Board Approved and Actual costs was the approved transfer of smart meter disposals in the amount of \$217,302. Third party services related to smart meters were also transferred from the smart meter deferral account to account 5630. Other unplanned costs include work on the warehouse as well as unplanned costs related to emergency calls.

2016 Actual vs. 2015 Actual: The total OM&A expenses in 2016 were \$168,153 lower than the 2015 Actual amount. The main contributor to the variance is a return to normal spending with respect to the previous year's costs related to smart meters. Variances are magnified as a result of 2015 being an unusual year in spending. 2016 represented a return to somewhat normal spending levels for that period.

Operation & Maintenance Costs were low due to having 2 out of 4 linemen in the apprentice classification which represents a lower workforce cost for this section.

2017 Actual vs. 2016 Actual: The main contributor to the variance is an increase in Operation and Maintenance where 3 one-time projects related to operations occurred. Billing and Collecting also saw an increase because of a billing system fee increase from one of HPDCL's suppliers (ERTH).

2018 Actual vs. 2017 Actual: Expenses related to Operations and Maintenance are higher than 2017 by a net of \$44,793 because of costs related to a labour dispute which were allocated to

several Operation and Maintenance accounts, partially offset by decreases in various accounts related to Billing and Collecting (reduction in bad debt and a billing clerk position being vacant for several months).

2019 Actual vs. 2018 Actual: 2019 saw a decrease in Operation and Maintenance costs as a result of a short-term vacancy and an increase in capital work. Another decrease of \$24,000 in costs was with respect to a decrease in total outside services contracted which was impacted by a lesser spending of -\$7,550 in investment management fees, -\$12,600 in legal fees and -\$9,635 in cybersecurity costs when compared to the previous year. These two decreases (O&M and Outside Services) were partially offset by an increase in underground system maintenance.

2020 Bridge vs. 2019 Actual: The total increase from 2019 to 2020 in the amount of \$103,103 is for the most part attributable to the increase in Administrative and General costs of \$72,959. The increase is due to one-time costs in regulatory and outside services expenses including fees, and consultant fees for both the preparation of HPDCL's rate application and Distribution System Plan, which represent an increase of \$53k in 2020. Also, \$20k is included in 2020 for two linemen trainings in the GTA area (\$10k per training), which is one more training when compared to 2019, therefore an increase of \$10k.

2021 Test vs. 2020 Bridge: The total change from 2020 to 2021 is marginal at \$2,597. The 2020 level of spending is expected to continue for 2021 and beyond.

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

Reporting Basis

	Board Approved	2015	2016	2017	2018	2019	2020	2021
<i>Operations</i>	\$145,860	\$175,120	\$129,461	\$180,412	\$165,467	\$169,073	\$212,350	\$181,784
<i>Maintenance</i>	\$322,700	\$422,733	\$282,006	\$257,745	\$317,482	\$305,687	\$274,000	\$310,458
Subtotal	\$468,560	\$597,853	\$411,467	\$438,157	\$482,950	\$474,760	\$486,350	\$492,241
<i>%Change (year over year)</i>		27.6%	-31.2%	6.5%	10.2%	-1.7%	2.4%	1.2%
<i>%Change (Test Year vs Last Rebasing Year - Actual)</i>								5.1%
<i>Billing and Collecting</i>	\$282,250	\$304,232	\$287,594	\$311,125	\$289,861	\$303,101	\$320,550	\$328,564
<i>Community Relations</i>	\$8,000	\$15,068	\$9,089	\$6,063	\$9,048	\$3,895	\$5,000	\$5,063
<i>Administrative and General+LEAP</i>	\$260,414	\$298,826	\$339,676	\$337,252	\$339,857	\$319,991	\$392,950	\$381,580
Subtotal	\$550,664	\$618,126	\$636,359	\$654,440	\$638,766	\$626,987	\$718,500	\$715,206
<i>%Change (year over year)</i>		12.3%	2.9%	2.8%	-2.4%	-1.8%	9.8%	-0.5%
<i>%Change (Test Year vs Last Rebasing Year - Actual)</i>								29.9%
Total	\$1,019,224	\$1,215,979	\$1,047,826	\$1,092,597	\$1,121,716	\$1,101,747	\$1,204,850	\$1,207,448
<i>%Change (year over year)</i>		19.3%	-13.8%	4.3%	2.7%	-1.8%	9.4%	0.2%
	Board Approved	2015	2016	2017	2018	2019	2020	2021
<i>Operations</i>	\$145,860	\$175,120	\$129,461	\$180,412	\$165,467	\$169,073	\$212,350	\$181,784
<i>Maintenance</i>	\$322,700	\$422,733	\$282,006	\$257,745	\$317,482	\$305,687	\$274,000	\$310,458
<i>Billing and Collecting</i>	\$282,250	\$304,232	\$287,594	\$311,125	\$289,861	\$303,101	\$320,550	\$328,564
<i>Community Relations</i>	\$8,000	\$15,068	\$9,089	\$6,063	\$9,048	\$3,895	\$5,000	\$5,063
<i>Administrative and General</i>	\$260,414	\$298,826	\$339,676	\$337,252	\$339,857	\$319,991	\$392,950	\$381,580
Total	\$1,019,224	\$1,215,979	\$1,047,826	\$1,092,597	\$1,121,716	\$1,101,747	\$1,204,850	\$1,207,448
<i>%Change (year over year)</i>		19.3%	-13.8%	4.3%	2.7%	-1.8%	9.4%	0.2%

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

Reporting Basis								
OM&A		2015	2016	2017	2018	2019	2020	2021
Opening Balance		\$1,018,127.00	\$1,215,979.00	\$1,047,826.00	\$1,092,597.00	\$1,121,716.00	\$1,101,748.00	\$1,204,850.00
5020-Overhead Distribution Lines and Feeders - Operation Labour		\$6,472	-\$7,386	\$9,808		\$7,602		
5025-Overhead Distribution Lines and Feeders - Operation Supplies and Expenses		-\$54,677			\$9,550			
5035-Overhead Distribution Transformers- Operation				\$7,133	-\$7,320			
5040-Underground Distribution Lines and Feeders - Operation Labour				\$6,744	-\$6,744			
5055-Underground Distribution Transformers - Operation				\$6,902	-\$6,050			
5070-Customer Premises - Operation Labour		\$40,032	-\$18,802			\$9,347		
5085-Miscellaneous Distribution Expense		\$30,423	-\$19,577	\$9,468		-\$25,830	\$38,505.93	-\$34,200
5105-Maintenance Supervision and Engineering		\$10,041						
5120-Maintenance of Poles, Towers and Fixtures		-\$33,700	\$34,121		\$23,774	-\$51,464		\$31,600
5125-Maintenance of Overhead Conductors and Devices		-\$77,690	\$41,094		\$18,570	-\$33,908	\$14,673.13	
5130-Maintenance of Overhead Services		-\$21,029	\$10,681	-\$10,103		\$8,448		
5135-Overhead Distribution Lines and Feeders - Right of Way		\$18,530	-\$5,820		-\$6,941	\$11,521	-\$5,592.74	
5145-Maintenance of Underground Conduit						\$17,494	-\$13,354.98	
5150-Maintenance of Underground Conductors and Devices						\$19,251	-\$17,149.37	
5155-Maintenance of Underground Services		-\$16,092		-\$5,045	\$8,033	\$19,693	-\$9,163.16	
5175-Maintenance of Meters		\$215,382	-\$218,628		\$12,606		-\$7,069.4	
5310-Meter Reading Expense			-\$5,052					
5315-Customer Billing			-\$16,473	\$21,676	-\$11,800	\$5,076	\$12,458	
5320-Collecting		\$16,732						
5335-Bad Debt Expense		-\$7,550			-\$9,888	\$7,462		
5340-Miscellaneous Customer Accounts Expenses		\$10,528						
5610-Management Salaries and Expenses					\$88,687		\$10,323	
5615-General Administrative Salaries and Expenses		-\$9,129	\$8,102		-\$100,551			
5630-Outside Services Employed		\$56,585	\$20,853	\$10,930	\$7,281	-\$26,113	\$33,464.12	-\$7,000
5655-Regulatory Expenses		-\$9,656	\$17,044	-\$20,830			\$21,603.54	
5665-Miscellaneous General Expenses			-\$7,572	\$6,700		\$9,001	\$5,803.14	-\$9,000
Misc. Decrease > 5000		-\$4,632	-\$18,165	-\$21,342		-\$19,229		
Misc. Increase < 5000		\$27,283	\$17,425	\$22,731	\$9,912	\$21,681	\$18,600	\$21,198
Closing Balance		\$1,215,979	\$1,047,826	\$1,092,597	\$1,121,716	\$1,101,748	\$1,204,850	\$1,207,448
OM&A Summay Integrity Check		\$1,215,979	\$1,047,826	\$1,092,597	\$1,121,716	\$1,101,747	\$1,204,850	\$1,207,448
Difference		\$0	\$0	\$0	\$0	\$1	\$0	\$1

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

<i>Programs</i>	2015 Board Approved	2015	2016	2017	2018	2019	2020	2021	Variance (Test Year vs. 2019 Actuals)	Variance (Test Year vs. Last Rebasing Year (2015 Board- Approved))
<i>Reporting Basis</i>										
Customer Focus										
360 Communication	8,000	5,618	2,727	2,058	3,561	2,133	2,500	2,500	367	-5,500
Customer Service, Mailing Costs, Billing and Collections ²	274,193	304,797	282,513	306,493	298,083	301,531	318,050	326,001	24,470	51,808
Bad Debts	14,557	7,006	11,302	13,838	3,950	11,412	13,000	13,325	1,913	-1,232
Locates	\$24,705	\$40,472	\$21,550	\$25,783	\$23,937	\$33,691	\$38,750	\$39,719	6,028	15,014
Sub-Total	321,455	357,893	318,092	348,172	329,531	348,767	372,300	381,545	32,778	60,090
Operational Effectiveness										
Meters	14,593	231,900	8,617	9,458	20,148	17,785	11,500	11,538	-6,247	-3,055
Overhead lines	250,170	123,476	167,635	175,925	188,612	190,048	204,500	209,170	19,122	-41,000
Underground Lines	3,839	16,378	16,732	23,550	9,678	71,568	25,000	25,575	-45,993	21,736
Operations & engineering, Inspection drafting & design construction services	7,788	17,829	16,777	14,731	17,413	18,341	19,500	19,988	1,647	12,200
Distribution Transformers	60,000	61,057	59,271	55,833	63,866	61,253	66,000	67,650	6,397	7,650
Poles Towers & Fixtures	75,000	41,300	75,421	77,095	100,870	49,405	50,000	81,600	32,195	6,600
Warehouse and garage building costs	31,368	61,791	42,214	51,682	54,324	28,494	67,000	32,800	4,306	1,432
Admin, Legal, Professional and Insurance Services ¹	120,514	109,666	121,180	120,387	110,781	109,594	122,000	127,513	17,919	6,999
- Other (Misc. Gen. Expenses, Rent)	42,600	47,552	39,766	47,635	49,468	56,770	63,300	54,783	-1,987	12,183
Sub-Total	605,872	710,949	547,613	576,296	615,160	603,258	628,800	630,617	27,359	24,745
Public & Regulatory Responsiveness										
Regulatory & Compliance ¹	88,800	135,687	173,760	164,125	171,037	143,960	199,250	190,725	46,765	101,925

<i>Community and Public Assistance</i>	0	9,450	6,362	4,005	5,486	1,763	2,500	2,563	800	2,563
Sub-Total	88,800	145,137	180,122	168,130	176,523	145,723	201,750	193,288	47,565	104,488
Miscellaneous										
Special Purpose Charge as per OEB										
Donations - LEAP Funding	2,000	2,000	2,000	0	0	4,000	2,000	2,000	-2,000	0
Sub-Total	2,000	2,000	2,000	0	0	4,000	2,000	2,000	-2,000	0
Total	1,018,127	1,215,979	1,047,826	1,092,597	1,121,216	1,101,747	1,204,850	1,207,448	105,700	189,321

6.3.3 IMPACT OF IMPLEMENTATION OF MIFRS ON REVENUE DEFICIENCY OR SURPLUS

HPDCL's previous Cost of Service application was approved based on MIFRS accounting policy therefore, there are not transitional impacts to the net fixed asset in the herein application. The adoption of newly prescribed accounting policies (IFRS) has some impact on the depreciation expense.

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

1

Appendix 1 – Revenue Requirement Work Form

Revenue Requirement Workform (RRWF) for 2021 Filers



Version 1.00

Utility Name	Hearst Power Distribution Co. Ltd.
Service Territory	
Assigned EB Number	EB-2020-0027
Name and Title	Jessy Richard
Phone Number	705-372-2820
Email Address	jrichard@hearstpower.com
Test Year	2021
Bridge Year	2020
Last Rebasing Year	2015

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 Regt](#)

[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.**



Ontario Energy Board

Revenue Requirement Workform (RRWF) for 2021 Filers

Data Input ⁽¹⁾

	Initial Application ⁽²⁾				Per Board Decision
1 Rate Base					
Gross Fixed Assets (average)	\$2,941,929		\$	2,941,929	\$2,941,929
Accumulated Depreciation (average)	(\$1,220,802) ⁽⁵⁾			(\$1,220,802)	(\$1,220,802)
Allowance for Working Capital:					
Controllable Expenses	\$1,207,448		\$	1,207,448	\$1,207,448
Cost of Power	\$8,042,286		\$	8,042,286	\$8,042,286
Working Capital Rate (%)	7.50% ⁽⁹⁾				
2 Utility Income					
Operating Revenues:					
Distribution Revenue at Current Rates	\$1,073,166				
Distribution Revenue at Proposed Rates	\$1,233,292				
Other Revenue:					
Specific Service Charges	\$10,000				
Late Payment Charges	\$12,000				
Other Distribution Revenue	\$77,682				
Other Income and Deductions	\$135,700				
Total Revenue Offsets	\$235,382 ⁽⁷⁾				
Operating Expenses:					
OM+A Expenses	\$1,207,448		\$	1,207,448	\$1,207,448
Depreciation/Amortization	\$140,435		\$	140,435	\$140,435
Property taxes	\$ -		\$	-	\$0
Other expenses					
3 Taxes/PILs					
Taxable Income:					
Adjustments required to arrive at taxable income					
Utility Income Taxes and Rates:					
Income taxes (not grossed up)					
Income taxes (grossed up)					
Federal tax (%)					
Provincial tax (%)					
Income Tax Credits					
4 Capitalization/Cost of Capital					
Capital Structure:					
Long-term debt Capitalization Ratio (%)	56.0%				
Short-term debt Capitalization Ratio (%)	4.0% ⁽⁸⁾				
Common Equity Capitalization Ratio (%)	40.0%				
Preferred Shares Capitalization Ratio (%)					
	100.0%				
Cost of Capital					
Long-term debt Cost Rate (%)	2.85%				
Short-term debt Cost Rate (%)	1.75%				
Common Equity Cost Rate (%)	8.34%				
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⁾		\$2,941,929		\$ -		\$2,941,929		\$ -	\$2,941,929
2	Accumulated Depreciation (average) ⁽²⁾		(\$1,220,802)		\$ -		(\$1,220,802)		\$ -	(\$1,220,802)
3	Net Fixed Assets (average) ⁽²⁾		\$1,721,127		\$ -		\$1,721,127		\$ -	\$1,721,127
4	Allowance for Working Capital ⁽¹⁾		\$693,730		(\$693,730)		\$ -		\$ -	\$ -
5	Total Rate Base		\$2,414,857		(\$693,730)		\$1,721,127		\$ -	\$1,721,127

(1) Allowance for Working Capital - Derivation

6	Controllable Expenses	\$1,207,448	\$ -	\$1,207,448	\$ -	\$1,207,448
7	Cost of Power	\$8,042,286	\$ -	\$8,042,286	\$ -	\$8,042,286
8	Working Capital Base	\$9,249,733	\$ -	\$9,249,733	\$ -	\$9,249,733
9	Working Capital Rate % ⁽¹⁾	7.50%	-7.50%	0.00%	0.00%	0.00%
10	Working Capital Allowance	\$693,730	(\$693,730)	\$ -	\$ -	\$ -

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)	\$1,233,292	(\$1,233,292)	\$ -	\$ -	\$ -	\$ -
2	Other Revenue ⁽¹⁾	\$235,382	(\$235,382)	\$ -	\$ -	\$ -	\$ -
3	Total Operating Revenues	\$1,468,674	(\$1,468,674)	\$ -	\$ -	\$ -	\$ -
Operating Expenses:							
4	OM+A Expenses	\$1,207,448	\$ -	\$1,207,448	\$ -	\$1,207,448	\$1,207,448
5	Depreciation/Amortization	\$140,435	\$ -	\$140,435	\$ -	\$140,435	\$140,435
6	Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7	Capital taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8	Other expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
9	Subtotal (lines 4 to 8)	\$1,347,883	\$ -	\$1,347,883	\$ -	\$1,347,883	\$1,347,883
10	Deemed Interest Expense	\$40,232	(\$40,232)	\$ -	\$ -	\$ -	\$ -
11	Total Expenses (lines 9 to 10)	\$1,388,114	(\$40,232)	\$1,347,883	\$ -	\$1,347,883	\$1,347,883
12	Utility income before income taxes	\$80,560	(\$1,428,442)	(\$1,347,883)	\$ -	(\$1,347,883)	(\$1,347,883)
13	Income taxes (grossed-up)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
14	Utility net income	\$80,560	(\$1,428,442)	(\$1,347,883)	\$ -	(\$1,347,883)	(\$1,347,883)

Notes

Other Revenues / Revenue Offsets

(1)	Specific Service Charges	\$10,000	\$ -	\$ -	\$ -	\$ -
	Late Payment Charges	\$12,000	\$ -	\$ -	\$ -	\$ -
	Other Distribution Revenue	\$77,682	\$ -	\$ -	\$ -	\$ -
	Other Income and Deductions	\$135,700	\$ -	\$ -	\$ -	\$ -
	Total Revenue Offsets	\$235,382	\$ -	\$ -	\$ -	\$ -



Ontario Energy Board

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	\$80,560		\$ -	
2	Adjustments required to arrive at taxable utility income	\$ -		\$ -	
3	Taxable income	<u>\$80,560</u>		<u>\$ -</u>	
<u>Calculation of Utility Income Taxes</u>					
4	Income taxes	\$ -		\$ -	
6	Total taxes	<u>\$ -</u>		<u>\$ -</u>	
7	Gross-up of Income Taxes	\$ -		\$ -	
8	Grossed-up Income Taxes	<u>\$ -</u>		<u>\$ -</u>	
9	PILs / tax Allowance (Grossed-up Income taxes + Capital taxes)	<u>\$ -</u>		<u>\$ -</u>	
10	Other tax Credits	\$ -		\$ -	
<u>Tax Rates</u>					
11	Federal tax (%)	0.00%		0.00%	
12	Provincial tax (%)	0.00%		0.00%	
13	Total tax rate (%)	0.00%		0.00%	

Notes



Ontario Energy Board

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%	\$1,352,320	2.85%	\$38,541
2	Short-term Debt	4.00%	\$96,594	1.75%	\$1,690
3	Total Debt	60.00%	\$1,448,914	2.78%	\$40,232
	Equity				
4	Common Equity	40.00%	\$965,943	8.34%	\$80,560
5	Preferred Shares	0.00%	\$ -	0.00%	\$ -
6	Total Equity	40.00%	\$965,943	8.34%	\$80,560
7	Total	100.00%	\$2,414,857	5.00%	\$120,791
		(%)	(\$)	(%)	(\$)
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%	\$1,721,127	0.00%	\$ -
		(%)	(\$)	(%)	(\$)
8	Long-term Debt	0.00%	\$ -	2.85%	\$ -
9	Short-term Debt	0.00%	\$ -	1.75%	\$ -
10	Total Debt	0.00%	\$ -	0.00%	\$ -
	Equity				
11	Common Equity	0.00%	\$ -	8.34%	\$ -
12	Preferred Shares	0.00%	\$ -	0.00%	\$ -
13	Total Equity	0.00%	\$ -	0.00%	\$ -
14	Total	0.00%	\$1,721,127	0.00%	\$ -
		(%)	(\$)	(%)	(\$)
		(%)	(\$)	(%)	(\$)
	Debt				
8	Long-term Debt	0.00%	\$ -	2.85%	\$ -
9	Short-term Debt	0.00%	\$ -	1.75%	\$ -
10	Total Debt	0.00%	\$ -	0.00%	\$ -
	Equity				
11	Common Equity	0.00%	\$ -	8.34%	\$ -
12	Preferred Shares	0.00%	\$ -	0.00%	\$ -
13	Total Equity	0.00%	\$ -	0.00%	\$ -
14	Total	0.00%	\$1,721,127	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		\$160,126		\$274,717
2	Distribution Revenue	\$1,073,166	\$1,073,166	\$1,073,166	\$958,575
3	Other Operating Revenue	\$235,382	\$235,382	\$ -	\$ -
	Offsets - net				
4	Total Revenue	\$1,308,548	\$1,468,674	\$1,073,166	\$1,233,292
5	Operating Expenses	\$1,347,883	\$1,347,883	\$1,347,883	\$1,347,883
6	Deemed Interest Expense	\$40,232	\$40,232	\$ -	\$ -
8	Total Cost and Expenses	\$1,388,114	\$1,388,114	\$1,347,883	\$1,347,883
9	Utility Income Before Income Taxes	(\$79,566)	\$80,560	(\$274,717)	(\$114,591)
10	Tax Adjustments to Accounting Income per 2013 PILs model	\$ -	\$ -	\$ -	\$ -
11	Taxable Income	(\$79,566)	\$80,560	(\$274,717)	(\$114,591)
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	(\$79,566)	\$80,560	(\$274,717)	(\$1,347,883)
16	Utility Rate Base	\$2,414,857	\$2,414,857	\$1,721,127	\$1,721,127
17	Deemed Equity Portion of Rate Base	\$965,943	\$965,943	\$ -	\$ -
18	Income/(Equity Portion of Rate Base)	-8.24%	8.34%	0.00%	0.00%
19	Target Return - Equity on Rate Base	8.34%	8.34%	0.00%	0.00%
20	Deficiency/Sufficiency in Return on Equity	-16.58%	0.00%	0.00%	0.00%
21	Indicated Rate of Return	-1.63%	5.00%	-15.96%	0.00%
22	Requested Rate of Return on Rate Base	5.00%	5.00%	0.00%	0.00%
23	Deficiency/Sufficiency in Rate of Return	-6.63%	0.00%	-15.96%	0.00%
24	Target Return on Equity	\$80,560	\$80,560	\$ -	\$ -
25	Revenue Deficiency/(Sufficiency)	\$160,126	\$ -	\$274,717	\$ -
26	Gross Revenue	\$160,126 ⁽¹⁾		\$274,717 ⁽¹⁾	
	Deficiency/(Sufficiency)				

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	\$1,207,448		\$1,207,448		\$1,207,448			
2	Amortization/Depreciation	\$140,435		\$140,435		\$140,435			
3	Property Taxes	\$ -		\$ -		\$ -			
5	Income Taxes (Grossed up)	\$ -		\$ -		\$ -			
6	Other Expenses	\$ -		\$ -		\$ -			
7	Return								
	Deemed Interest Expense	\$40,232		\$ -		\$ -			
	Return on Deemed Equity	\$80,560		\$ -		\$ -			
8	Service Revenue Requirement (before Revenues)	<u>\$1,468,674</u>		<u>\$1,347,883</u>		<u>\$1,347,883</u>			
9	Revenue Offsets	\$235,382		\$ -		\$ -			
10	Base Revenue Requirement (excluding Transformer Ownership Allowance credit adjustment)	<u>\$1,233,292</u>		<u>\$1,347,883</u>		<u>\$1,347,883</u>			
11	Distribution revenue	\$1,233,292		\$ -		\$ -			
12	Other revenue	\$235,382		\$ -		\$ -			
13	Total revenue	<u>\$1,468,674</u>		<u>\$ -</u>		<u>\$ -</u>			
14	Difference (Total Revenue Less Distribution Revenue Requirement before Revenues)	<u>\$ -</u>	⁽¹⁾	<u>(\$1,347,883)</u>	⁽¹⁾	<u>(\$1,347,883)</u>	⁽¹⁾		

Summary Table of Revenue Requirement and Revenue Deficiency/Sufficiency

	Application		Δ% ⁽²⁾	Per Board Decision	Δ% ⁽²⁾
Service Revenue Requirement	\$1,468,674	\$1,347,883	(\$0)	\$1,347,883	(\$1)
Grossed-Up Revenue					
Deficiency/(Sufficiency)	\$160,126	\$274,717	\$1	\$1,347,883	(\$1)
Base Revenue Requirement (to be recovered from Distribution Rates)					
Revenue Deficiency/(Sufficiency)	\$1,233,292	\$1,347,883	\$0	\$1,347,883	(\$1)
Associated with Base Revenue Requirement					
Requirement	\$160,126	\$ -	(\$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	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
1	Residential	2,250	23,652,429	-			
2	General Service < 50 kW	470	10,991,463	-			
3	General Service > 50 to 4999 kW	36	23,398,367	65,172			
4	Intermediate	2	19,969,100	57,468			
5	Sentinel	12	9,724	27			
6	Street Lighting	967	453,699	1,373			
7	other	-	-	-			
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
Total			78,474,783	124,040		-	-

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⁾ (7A)	%
From Sheet 10. Load Forecast				
1 Residential	\$ 637,720	60.26%	\$ 949,252	64.63%
2 General Service < 50 kW	\$ 172,087	16.26%	\$ 246,060	16.75%
3 General Service > 50 to 4999 kW	\$ 134,090	12.67%	\$ 131,633	8.96%
4 Intermediate	\$ 48,419	4.58%	\$ 84,296	5.74%
5 Sentinel	\$ 1,914	0.18%	\$ 3,191	0.22%
6 Street Lighting	\$ 63,971	6.05%	\$ 54,243	3.69%
7 other				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				
Total	\$ 1,058,201	100.00%	\$ 1,468,674	100.00%

Service Revenue Requirement (from Sheet 9)	\$	1,468,673.97
---	-----------	---------------------

- (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	\$ 667,643	\$ 767,262	\$ 781,054	\$ 153,180
2	General Service < 50 kW	\$ 182,075	\$ 209,243	\$ 209,236	\$ 37,473
3	General Service > 50 to 4999 kW	\$ 113,951	\$ 130,953	\$ 130,962	\$ 20,579
4	Intermediate	\$ 48,247	\$ 55,446	\$ 55,450	\$ 13,136
5	Sentinel	\$ 1,389	\$ 1,597	\$ 2,000	\$ 550
6	Street Lighting	\$ 59,860	\$ 68,792	\$ 54,589	\$ 10,464
7	other				
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					
Total		\$ 1,073,166	\$ 1,233,292	\$ 1,233,292	\$ 235,382

- (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)	
	2015			
	%	%	%	%
1 Residential	91.09	96.96%	98.42%	85 - 115
2 General Service < 50 kW	100.79	100.27%	100.26%	
3 General Service > 50 to 4999 kW	145.00	115.12%	115.12%	
4 Intermediate	86.92	81.36%	81.36%	
5 Sentinel	210.00	67.26%	79.91%	
6 Street Lighting	86.92	146.11%	119.93%	
7 other				
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	98.42%	98.42%	98.42%	85 - 115
2	General Service < 50 kW	100.26%	100.26%	100.26%	
3	General Service > 50 to 4999 kW	115.12%	115.12%	115.12%	
4	Intermediate	81.36%	81.36%	81.36%	
5	Sentinel	79.91%	79.91%	79.91%	
6	Street Lighting	119.93%	119.93%	119.93%	
7	other				
8					
9					
10					
11					
12					
13					
14					
15					
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'.

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			
From sheet 10, Load Forecast																
1 Residential	kWh	2,250	23,652,429	-	\$ 781,054	\$ 781,054	\$ 0	100.00%	0.00%			\$0.0000 /kWh	4	\$ 781,032.13	\$ -	\$ 781,032.13
2 General Service < 50 kW	kWh	470	10,991,463	-	\$ 209,236	\$ 125,871	\$ 83,365	60.16%	39.84%	\$22.32	2	\$0.0076 /kWh		\$ 125,888.30	\$ 83,535.1199	\$ 209,423.42
3 General Service > 50 to 4999 kW	kW	36	23,398,367	65,172	\$ 130,962	\$ 26,061	\$ 104,901	19.90%	80.10%	\$60.95		\$2.6414 /kW		\$ 26,061.24	\$ 172,144.7109	\$ 130,961.95
4 Intermediate	kW	2	19,969,100	57,468	\$ 55,450	\$ 5,430	\$ 50,020	9.79%	90.21%	\$236.69		\$1.9178 /kW		\$ 5,430.32	\$ 110,211.9194	\$ 55,448.24
5 Sentinel	kW	12	9,724	27	\$ 2,000	\$ 1,670	\$ 331	83.48%	16.52%	\$11.44		\$12.2368 /kW		\$ 1,669.06	\$ 330.5380	\$ 1,999.60
6 Street Lighting	kW	967	453,699	1,373	\$ 54,589	\$ 51,231	\$ 3,358	93.85%	6.15%	\$4.41		\$2.4450 /kW		\$ 51,186.96	\$ 3,357.6831	\$ 54,544.64
7 other		-	-	-										\$ -	\$ -	\$ -
8		-	-	-										\$ -	\$ -	\$ -
9		-	-	-										\$ -	\$ -	\$ -
#		-	-	-										\$ -	\$ -	\$ -
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#		-	-	-										\$ -	\$ -	\$ -
Total Transformer Ownership Allowance														\$ 127,438		
Notes:														Rates recover revenue requirement		
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).																
Total Distribution Revenues														\$ 1,233,409.98		
Base Revenue Requirement														\$ 1,233,291.97		
Difference														\$ 118.01		
% Difference														0.010%		



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	\$ 120,791	5.00%	\$ 2,414,857	\$ 9,249,733	\$ 693,730	\$ 140,435	\$ -	\$ 1,207,448	\$ 1,468,674	\$ 235,382	\$ 1,233,292	\$ 160,126

1