



**Lakefront
Utilities
Inc.**

Lakefront Utilities Inc.

2022 Cost of Service Application

EB-2021-0039

Rates Effective: January 1, 2022

Date Filed: April 30, 2021

**Lakefront Utilities Inc.
207 Division St.
P.O. Box 577
Cobourg, ON
K9A 4L3**

EXHIBIT 6 – REVENUE DEFICIENCY/SUFFICIENCY

EB-2021-0039

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2.6 CALCULATION OF REVENUE DEFICIENCY OR SUFFICIENCY

This section is devoted to defining each element of LUI's 2022 Cost of Service, explaining how each element is determined and explaining the relationship between the various components. The major components covered in this application summary are as follows:

1. Determination of Net Utility Income
2. Statement of Rate Base
3. Actual Utility Return on Rate Base
4. Indicated and Requested Rate of Return
5. Deficiency or Sufficiency (Gross) in Revenue
6. Impact of Change in Accounting Standards or Policies

DETERMINATION OF NET UTILITY INCOME

LUI's current distribution rates are based on the Board Approved rates effective January 1, 2021 through an IRM proceeding (EB-2020-0036). In accordance with the filing requirements, utility income calculated in this Exhibit is based on existing Board Approved rates and proposed 2022 Test Year rates and excludes any cost and revenues (i.e.: LV Charges and Transmission Charges) related to the cost of power as well as balances in deferral and variance accounts. The OEB's Revenue Requirement Work Form (RRWF) is included in Appendix A to this Exhibit and has also been filed in Excel format in conjunction with this Application.

As detailed in Table 6.2 LUI's 2022 Test Year revenue requirement results in a target net income (return on deemed equity) of \$771,686.

Details on project 2022 distribution revenue, applying both 2021 approved rates and 2022 proposed rates to the proposed 2022 load forecast are presented in Exhibit 3 and Exhibit 8 and are also replicated below. Table 6.0 shows that the projected 2022 distribution revenue at current rates is \$4,626,779, which results in a revenue deficiency of \$166,389. Table 6.1 shows the calculation of the 2022 rates required to reduce the revenue deficiency to \$0 and to allow LUI to earn its target net income.

Table 6.0: Test Year Distribution Revenues at Current Rates

| Test Year Projected Revenue from Existing Variable Charges | | | | | | | | |
|--|----------------------------|-----|--------------------|------------------------|----------------------------|----------------------------|---------------------------|----------------------|
| Customer Class Name | Variable Distribution Rate | per | Test Year Volume | Gross Variable Revenue | Transformer Allowance Rate | Transformer Allowance - kW | Transformer Allowance \$s | Net Variable Revenue |
| Residential | \$0.0000 | kWh | 74,590,807 | 0 | | | | 0 |
| General Service < 50 kW | \$0.0088 | kWh | 32,535,249 | 286,310 | | | | 286,310 |
| General Service 50-2999 kW | \$3.5909 | kW | 274,141 | 984,412 | 0.60 | 180,933 | 108,560 | 875,852 |
| General Service 3000-4999 kW | \$2.2188 | kW | 48,547 | 107,716 | 0.60 | 48,547 | 29,128 | 78,588 |
| Street Lighting | \$4.1584 | kW | 2,831 | 11,773 | | | | 11,773 |
| Sentinel Lights | \$12.0041 | kW | 130 | 1,559 | | | | 1,559 |
| Unmetered Scattered Load | \$0.0229 | kWh | 599,285 | 13,724 | | | | 13,724 |
| Total Variable Revenue | | | 108,050,990 | 1,405,494 | | 229,480 | 137,688 | 1,267,806 |

| Test Year Projected Revenue from Existing Fixed Charges | | | | | | | | |
|---|------------|-------------------------|----------------------|------------------|------------------|-----------------|--------------------|-----------------|
| Customer Class Name | Fixed Rate | Customers (Connections) | Fixed Charge Revenue | Variable Revenue | Total | % Fixed Revenue | % Variable Revenue | % Total Revenue |
| Residential | \$23.78 | 9,611 | 2,742,564 | 0 | 2,742,564 | 100.00% | 0.00% | 59.28% |
| General Service < 50 kW | \$25.50 | 1,148 | 351,141 | 286,310 | 637,451 | 55.09% | 44.91% | 13.78% |
| General Service 50-2999 kW | \$89.62 | 105 | 113,066 | 875,852 | 988,918 | 11.43% | 88.57% | 21.37% |
| General Service 3000-4999 kW | \$6,174.88 | 1 | 74,099 | 78,588 | 152,687 | 48.53% | 51.47% | 3.30% |
| Street Lighting | \$1.59 | 3,159 | 60,269 | 11,773 | 72,043 | 83.66% | 16.34% | 1.56% |
| Sentinel Lights | \$5.27 | 49 | 3,121 | 1,559 | 4,680 | 66.69% | 33.31% | 0.10% |
| Unmetered Scattered Load | \$15.37 | 80 | 14,712 | 13,724 | 28,436 | 51.74% | 48.26% | 0.61% |
| Total Variable Revenue | | 14,152 | 3,358,973 | 1,267,806 | 4,626,779 | | | 100% |

LUI's 2022 Service Revenue Requirement of \$5,222,441 represents the total revenue required by LUI in order to continue distributing electricity safely and reliably. The Service Revenue Requirement consists of OM&A expenses, costs related to capital investments (depreciation and return on capital), as well as payment of both property taxes and income taxes.

The 2022 Base Revenue Requirement of \$4,793,168 is the basis for determining 2022 distribution rates and the 2022 RRRP funding amount, based on the cost allocation study presented in Exhibit 7 and the rate design process presented in Exhibit 8. This amount is calculated as the Service Revenue Requirement, less a Revenue Offset of \$429,272, being the net revenue received from sources other than rates.

Table 6.1 below summarizes LUI's proposed 2022 Revenue Requirements, consistent with Sheet 9 of the RRWF.

Table 6.1: Test Year Revenue Requirement

| Particulars | 2022 Test Year |
|-----------------------------|----------------|
| OM&A Expenses | 2,825,707 |
| Amortization Expense | 1,001,950 |
| Property Taxes | 58,058 |
| Total Distribution Expenses | 3,885,715 |
| | |
| Regulated Return on Capital | 1,183,306 |
| | |
| Grossed up PILs | 153,420 |
| Service Revenue Requirement | 5,222,441 |
| | |
| Less: Revenue Offsets | 429,272 |
| | |
| Basic Revenue Requirement | 4,793,168 |

The following table provides the calculation of LUI's 2022 net income at the proposed 2022 revenue requirement, consistent with Sheet 5 of the RRWF.

1 **Table 6.2: Utility Income under Proposed Revenue Requirement**

| Particulars | Initial Application |
|---|---------------------|
| | |
| Operating Revenues | |
| Distribution Revenue (at proposed rates) | 4,793,168 |
| Other Revenue | 429,272 |
| Total Operating Revenues | 5,222,441 |
| | |
| Operating Expenses | |
| OM&A Expenses | 2,825,707 |
| Amortization | 1,001,950 |
| Property Taxes | 58,058 |
| Capital taxes | 0 |
| Other Expensess | 0 |
| Total Operating Expenses | 3,885,715 |
| | |
| Deemed Interest Expense | 411,620 |
| | |
| Total Expenses | 4,297,335 |
| | |
| Utility Income Before Income Taxes | 925,106 |
| Income Taxes (grossed-up) | 153,420 |
| Utility Net Income | 771,686 |

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STATEMENT OF RATE BASE

Determination of LUI's 2022 rate base is required as a first step in determining the return on capital amount of \$1,183,306 included in the revenue requirement. Table 6.2 summarizes the calculation of LUI's rate base for the 2022 Test Year, consistent with the more detailed rate base calculations and analysis contained in Exhibit #2.

Table 6.2: Calculation of 2022 Rate Base

| | |
|------------------------------------|---------------------|
| Gross Fixed Assets (average) | \$37,943,278 |
| Accumulated Depreciation (average) | (\$17,522,273) |
| Net Fixed Assets (average) | \$20,421,005 |
| | |
| Allowance for Working Capital | \$2,711,078 |
| Total Rate Base | \$23,132,083 |

ACTUAL UTILITY RETURN ON RATE BASE

Table 6.3 below summarizes the calculation of LUI's 2022 return on rate base, consistent with the Cost of Capital parameters and capital structure presented in Exhibit 5.

Table 6.3: Calculation of Return on Rate Base

| Particulars | Capitalization Ratio | | Cost Rate | Return |
|---------------------|----------------------|-------------------|--------------|--------------------|
| | (%) | (\$) | (%) | (\$) |
| Debt | | | | |
| Long-term Debt | 56.00% | 12,953,967 | 3.05% | \$395,428 |
| Short-term Debt | 4.00% | 925,283 | 1.75% | \$16,192 |
| Total Debt | 60.0% | 13,879,250 | 2.97% | \$411,620 |
| | | | | |
| Equity | | | | |
| Common Equity | 40.00% | 9,252,833 | 8.34% | \$771,686 |
| Preferred Shares | | | | \$ - |
| Total Equity | 40.0% | 9,252,833 | 8.34% | \$771,686 |
| | | | | |
| Total | 100.0% | 23,132,083 | 5.12% | \$1,183,306 |

Table 6.4 compares LUI's 2022 return on rate base, at both current approved rates, and proposed rates. The amounts in Table 6.4 are consistent with the amounts in Sheet 8 of the RRWF and the difference of \$122,296 is equal to the revenue sufficiency (prior to being grossed-up for taxes).

Table 6.4: Return on Rate Base – Current vs Proposed Rates

| Particulars | At Current Rates | At Proposed Rates | Difference |
|----------------------------------|--------------------|--------------------|------------------|
| Deemed Interest Expense | \$411,620 | \$411,620 | \$0 |
| Return on Deemed Equity | \$649,390 | \$771,686 | \$122,296 |
| Total Return on Rate Base | \$1,061,010 | \$1,183,306 | \$122,296 |
| | | | |
| Rate Base | \$23,132,083 | \$23,132,083 | \$0 |
| | | | |
| Rate of Return on Rate Base | 4.59% | 5.12% | 0.53% |

INDICATED AND REQUESTED RATE OF RETURN

The requested rate of return on rate base is 5.12%. Exhibit 5 provides detail on the determination of this rate, consistent with LUI's cost of debt and the OEB prescribed cost of capital parameters. As shown in Table 6.4, LIU's indicated rate of return (i.e.: its rate of return on rate base at existing approved rates) is 5.12%.

DEFICIENCY OR SUFFICIENCY (GROSS) IN REVENUE

LUI's net revenue deficiency at current approved rates is \$166,389. This deficiency is calculated as the difference between the 2022 Test Year Revenue Requirement and the forecast Test Year revenue at LUI's 2021 approved distribution rates.

The detailed calculation of the 2022 revenue deficiency is provided in Table 6.5 which is consistent with Sheet 8 of the RRWF. The drivers of the change in revenue requirement between 2017 Board Approved and 2022 Test Year that result in a 2022 revenue deficiency are detailed in Table 6.6.

Table 6.5: Revenue Deficiency (RRWF)

| Line No. | Particulars | Initial Application | |
|----------|--|---------------------------------|---------------------|
| | | At Current Approved Rates | At Proposed Rates |
| 1 | Revenue Deficiency from Below | | \$166,389 |
| 2 | Distribution Revenue | \$4,626,779 | \$4,626,779 |
| 3 | Other Operating Revenue | \$429,272 | \$429,272 |
| | Offsets - net | | |
| 4 | Total Revenue | \$5,056,051 | \$5,222,441 |
| 5 | Operating Expenses | \$3,885,715 | \$3,885,715 |
| 6 | Deemed Interest Expense | \$411,620 | \$411,620 |
| 8 | Total Cost and Expenses | \$4,297,335 | \$4,297,335 |
| 9 | Utility Income Before Income Taxes | \$758,716 | \$925,106 |
| 10 | Tax Adjustments to Accounting Income per 2013 PILs model | (\$346,164) | (\$346,164) |
| 11 | Taxable Income | \$412,552 | \$578,942 |
| 12 | Income Tax Rate | 26.50% | 26.50% |
| 13 | Income Tax on Taxable Income | \$109,326 | \$153,420 |
| 14 | Income Tax Credits | \$ - | \$ - |
| 15 | Utility Net Income | \$649,390 | \$771,686 |
| 16 | Utility Rate Base | \$23,132,083 | \$23,132,083 |
| 17 | Deemed Equity Portion of Rate Base | \$9,252,833 | \$9,252,833 |
| 18 | Income/(Equity Portion of Rate Base) | 7.02% | 8.34% |
| 19 | Target Return - Equity on Rate Base | 8.34% | 8.34% |
| 20 | Deficiency/Sufficiency in Return on Equity | -1.32% | 0.00% |
| 21 | Indicated Rate of Return | 4.59% | 5.12% |
| 22 | Requested Rate of Return on Rate Base | 5.12% | 5.12% |
| 23 | Deficiency/Sufficiency in Rate of Return | -0.53% | 0.00% |
| 24 | Target Return on Equity | \$771,686 | \$771,686 |
| 25 | Revenue Deficiency/(Sufficiency) | \$122,296 | \$ - |
| 26 | Gross Revenue Deficiency/(Sufficiency) | \$166,389 ⁽¹⁾ | |

Table 6.6 below provides a summary of the drivers of the Test Year deficiency/sufficiency, along with how much each driver contributes and specific references to the data contained in the detailed schedules and tables filed in this application.

Table 6.6: Differences in Revenue Requirement from 2017 Cost of Service

| Particulars | 2017 Board Approved | 2022 Test Year | Increase (Decrease) - \$ | Increase (Decrease) - % | Reference |
|---|---------------------|-------------------|--------------------------|-------------------------|--------------------|
| Distribution Revenue | 4,331,620 | 4,626,779 | 295,159 | 6.81% | Exhibit #6 - 2.6 |
| Other Operating Revenue Offsets - net | 419,585 | 429,272 | 9,687 | 2.31% | Exhibit #3 - 2.3.3 |
| Total Revenue | 4,751,205 | 5,056,051 | 304,846 | 6.42% | |
| Operating Expenses | 3,464,253 | 3,885,715 | 421,462 | 12.17% | Exhibit #4 - 2.4.1 |
| Deemed Interest Expenses | 420,819 | 411,620 | (9,199) | (2.19%) | Exhibit #6 - 2.6 |
| Total Cost and Expenses | 3,885,072 | 4,297,335 | 412,263 | 10.61% | |
| Utility Income Before Income Taxes | 866,133 | 758,716 | (107,417) | (12.40%) | |
| Tax Adjustments to Accounting Income per PILs Model | (385,676) | (346,164) | 39,512 | (10.24%) | Exhibit #4 - 2.4.5 |
| Taxable Income | 480,457 | 412,552 | (67,905) | (14.13%) | |
| Income Tax Rate | 26.50% | 26.50% | 0.00% | 0.00% | Exhibit #4 - 2.4.5 |
| Income Tax on Taxable Income | 127,321 | 109,326 | (17,995) | (14.13%) | Exhibit #4 - 2.4.5 |
| Utility Net Income | 738,812 | 649,390 | (89,422) | (12.10%) | |
| Utility Rate Base | 19,540,253 | 23,132,083 | 3,591,830 | 18.38% | |
| Deemed Equity Portion of Rate Base | 7,816,101 | 9,252,833 | 1,436,732 | 18.38% | Exhibit #6 - 2.6 |
| Income/(Equity Portion of Rate Base) | 9.45% | 8.34% | -1.11% | (11.75%) | |
| Target Return - Equity on Rate Base | 8.78% | 8.34% | -0.44% | (5.01%) | |
| Deficiency/Sufficiency in Rate of Return | 0.67% | 0.00% | -0.67% | (100.00%) | |
| Indicated Rate of Return | 5.93% | 5.12% | -0.81% | (13.74%) | Exhibit #6 - 2.6 |
| Requested Rate of Return on Rate Base | 5.67% | 5.12% | -0.55% | (9.78%) | Exhibit #6 - 2.6 |
| Deficiency/Sufficiency in Rate of Return | 0.26% | 0.00% | -0.26% | (100.00%) | |
| Target Return on Equity | 686,254 | 771,686 | 85,432 | 12.45% | |
| Revenue Deficiency/(Sufficiency) | (52,558) | 122,296 | 174,854 | (332.69%) | |

Distribution Revenue: \$295,159 increase

- The increase is primarily due to annual inflationary increases approved in LUI's IRM filings, increases in customer counts, and increases in usage.

Operating Expenses: \$421,462 increase

- The increase in operating expenses is detailed further in Exhibit 4. The primary increase is operations and maintenance (\$298,744).
- Appendix 2-JB, included in Section 4.2.1 of Exhibit 4 identifies the cost drivers between 2017 Board Approved and the 2022 forecasted OM&A expenses. Section 4.2.2 provides explanations for each of these cost drivers.

Deemed Equity Portion of Rate Base: \$1,436,732 increase

- This is primarily the result of an increase in rate base and a lower rate of regulated return on rate base. Between 2017 and 2022, LUI's average net fixed assets have increased by \$2,330,176, as a result of implementing the majority of projects and programs identified in its previous DSP. Explanations of variances between the 2017 and 2022 DSP and actual/forecast 2017 to 2022 capital expenditures are provided in the 2022-2026 DSP submitted with this Application.

IMPACT OF CHANGE IN ACCOUNTING STANDARDS OR POLICIES

LUI has adopted MIFRS and confirms that it made the required changes to its capitalization policies and depreciation rates. As such, there are no changes to accounting standards that impact the change in revenue requirement.

2.6.1 REVENUE REQUIREMENT WORK FORM

Table 6.7 below presents LUI's Revenue Requirement trend from the 2017 Board Approved to 2022 Test Year:

Table 6.7: Trend in Revenue Requirement

| Particulars | 2017 Board Approved | 2017 | 2018 | 2019 | 2020 | 2021 Bridge Year | 2022 Test Year |
|------------------------------------|---------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| OM&A Expenses | 2,371,880 | 2,389,866 | 2,611,275 | 2,625,359 | 2,692,701 | 2,690,311 | 2,825,707 |
| Property Taxes | 62,359 | 59,800 | 57,970 | 56,399 | 55,042 | 57,200 | 58,058 |
| Amortization Expense | 1,030,014 | 1,067,843 | 1,011,840 | 1,017,124 | 1,095,726 | 1,096,728 | 1,001,950 |
| | | | | | | | |
| Total Distribution Expenses | 3,464,253 | 3,517,509 | 3,681,085 | 3,698,882 | 3,843,469 | 3,844,239 | 3,885,715 |
| | | | | | | | |
| Regulated Return on Capital | 1,107,073 | 1,158,719 | 1,187,512 | 1,200,895 | 1,240,604 | 1,270,992 | 1,183,306 |
| | | | | | | | |
| Grossed up PILs | 108,371 | 53,996 | 93,203 | (17,262) | 23,432 | 207,254 | 153,420 |
| Service Revenue Requirement | 4,679,697 | 4,730,225 | 4,961,801 | 4,882,515 | 5,107,505 | 5,322,484 | 5,222,441 |
| | | | | | | | |
| Less: Revenue Offsets | 419,585 | 380,655 | 447,045 | 371,780 | 275,919 | 319,790 | 429,272 |
| | | | | | | | |
| Base Revenue Requirement | 4,260,112 | 4,349,569 | 4,514,756 | 4,510,735 | 4,831,585 | 5,002,695 | 4,793,168 |

Table 6.6 summarizes the drivers of the increase in LUI's revenue requirement between 2017 Board Approved and 2022 Test Year with respect to each of the above line items, with references to sections of the Application where supporting evidence can be found.

Detailed year-over-year variance analysis and/or cost driver analysis for certain line items can be also found in the following sections of the Application:

- OM&A expenses – sections 4.2 and 4.3 of Exhibit 4
- Regulated return on capital – section 5.3 of Exhibit 5
- Revenue offsets – section 3.4.2 of Exhibit 3
- Rate base – section 2.1.3 of Exhibit 2
- Grossed up PILs – section 2.4.5.1 of Exhibit 4

APPENDIX A – REVENUE REQUIREMENT WORKFORM

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Ontario Energy Board

Revenue Requirement Workform (RRWF) for 2021 Filers



Version 1.00

| | |
|--------------------|--|
| Utility Name | Lakefront Utilities Inc. |
| Service Territory | Cobourg/Colborne |
| Assigned EB Number | EB-2021-0039 |
| Name and Title | Adam Giddings, Director of Regulatory Finance |
| Phone Number | 1-905-372-2193 ext: 5242 |
| Email Address | agiddings@lusi.on.ca |
| Test Year | 2022 |
| Bridge Year | 2021 |
| Last Rebasing Year | 2017 |

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

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[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](#)

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[10. Load Forecast](#)

[11. Cost Allocation](#)

[12. Residential Rate Design](#)

[13. Rate Design and Revenue Reconciliation](#)

[14. Tracking Sheet](#)

Notes:

- (1) Pale green cells represent inputs
- (2) Pale green boxes at the bottom of each page are for additional notes
- (3) Pale yellow cells represent drop-down lists
- (4) ***Please note that this model uses MACROS. Before starting, please ensure that macros have been enabled.***
- (5) ***Completed versions of the Revenue Requirement Work Form are required to be filed in working Microsoft Excel format.***



Revenue Requirement Workform (RRWF) for 2021 Filers

Data Input ⁽¹⁾

| | Initial Application | (2) | (6) | Per Board Decision |
|--|------------------------|-----|----------------|-----------------------|
| 1 Rate Base | | | | |
| Gross Fixed Assets (average) | \$37,943,278 | | \$ 37,943,278 | \$37,943,278 |
| Accumulated Depreciation (average) | (\$17,522,273) | (5) | (\$17,522,273) | (\$17,522,273) |
| Allowance for Working Capital: | | | | |
| Controllable Expenses | \$2,883,765 | | \$ 2,883,765 | \$2,883,765 |
| Cost of Power | \$33,263,943 | | \$ 33,263,943 | \$33,263,943 |
| Working Capital Rate (%) | 7.50% | (9) | (9) | (9) |
| 2 Utility Income | | | | |
| Operating Revenues: | | | | |
| Distribution Revenue at Current Rates | \$4,626,779 | | | |
| Distribution Revenue at Proposed Rates | \$4,793,168 | | | |
| Other Revenue: | | | | |
| Specific Service Charges | \$143,880 | | | |
| Late Payment Charges | \$45,500 | | | |
| Other Distribution Revenue | \$234,892 | | | |
| Other Income and Deductions | \$5,000 | | | |
| Total Revenue Offsets | \$429,272 | (7) | | |
| Operating Expenses: | | | | |
| OM+A Expenses | \$2,825,707 | | \$ 2,825,707 | \$2,825,707 |
| Depreciation/Amortization | \$1,001,950 | | \$ 1,001,950 | \$1,001,950 |
| Property taxes | \$58,058 | | \$ 58,058 | \$58,058 |
| Other expenses | | | | |
| 3 Taxes/PILs | | | | |
| Taxable Income: | | | | |
| Adjustments required to arrive at taxable income | (\$346,164) | (3) | | |
| Utility Income Taxes and Rates: | | | | |
| Income taxes (not grossed up) | \$112,763 | | | |
| Income taxes (grossed up) | \$153,420 | | | |
| Federal tax (%) | 15.00% | | | |
| Provincial tax (%) | 11.50% | | | |
| Income Tax Credits | | | | |
| 4 Capitalization/Cost of Capital | | | | |
| Capital Structure: | | | | |
| Long-term debt Capitalization Ratio (%) | 56.0% | | | |
| Short-term debt Capitalization Ratio (%) | 4.0% | (8) | (8) | (8) |
| Common Equity Capitalization Ratio (%) | 40.0% | | | |
| Preferred Shares Capitalization Ratio (%) | | | | |
| | 100.0% | | | |
| Cost of Capital | | | | |
| Long-term debt Cost Rate (%) | 3.05% | | | |
| Short-term debt Cost Rate (%) | 1.75% | | | |
| Common Equity Cost Rate (%) | 8.34% | | | |
| Preferred Shares Cost Rate (%) | 0.00% | | | |

Notes:

- General** Data inputs are required on Sheets 3. Data from Sheet 3 will automatically complete calculations on sheets 4 through 9 (Rate Base through Revenue Requirement). Sheets 4 through 9 do not require any inputs except for notes that the Applicant may wish to enter to support the results. Pale green cells are available on sheets 4 through 9 to enter both footnotes beside key cells and the related text for the notes at the bottom of each sheet.
- (1) All inputs are in dollars (\$) except where inputs are individually identified as percentages (%)
- (2) Data in column E is for Application as originally filed. For updated revenue requirement as a result of interrogatory responses, technical or settlement conferences, etc., use column M and Adjustments in column I
- (3) Net of addbacks and deductions to arrive at taxable income.
- (4) Average of Gross Fixed Assets at beginning and end of the Test Year
- (5) Average of Accumulated Depreciation at the beginning and end of the Test Year. Enter as a negative amount.
- (6) Select option from drop-down list by clicking on cell 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) | \$37,943,278 | | \$ - | | \$37,943,278 | | \$ - | \$37,943,278 |
| 2 | Accumulated Depreciation (average) | (2) | (\$17,522,273) | | \$ - | | (\$17,522,273) | | \$ - | (\$17,522,273) |
| 3 | Net Fixed Assets (average) | (2) | \$20,421,005 | | \$ - | | \$20,421,005 | | \$ - | \$20,421,005 |
| 4 | Allowance for Working Capital | (1) | \$2,711,078 | | (\$2,711,078) | | \$ - | | \$ - | \$ - |
| 5 | Total Rate Base | | \$23,132,083 | | (\$2,711,078) | | \$20,421,005 | | \$ - | \$20,421,005 |

(1) Allowance for Working Capital - Derivation

| | | | | | | |
|----|---------------------------------------|--------------|---------------|--------------|-------|--------------|
| 6 | Controllable Expenses | \$2,883,765 | \$ - | \$2,883,765 | \$ - | \$2,883,765 |
| 7 | Cost of Power | \$33,263,943 | \$ - | \$33,263,943 | \$ - | \$33,263,943 |
| 8 | Working Capital Base | \$36,147,708 | \$ - | \$36,147,708 | \$ - | \$36,147,708 |
| 9 | Working Capital Rate % ⁽¹⁾ | 7.50% | -7.50% | 0.00% | 0.00% | 0.00% |
| 10 | Working Capital Allowance | \$2,711,078 | (\$2,711,078) | \$ - | \$ - | \$ - |

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) | \$4,793,168 | | (\$4,793,168) | | \$ - | \$ - | \$ - |
| 2 | Other Revenue ⁽¹⁾ | \$429,272 | | (\$429,272) | | \$ - | \$ - | \$ - |
| 3 | Total Operating Revenues | \$5,222,441 | | (\$5,222,441) | | \$ - | \$ - | \$ - |
| Operating Expenses: | | | | | | | | |
| 4 | OM+A Expenses | \$2,825,707 | | \$ - | | \$2,825,707 | \$ - | \$2,825,707 |
| 5 | Depreciation/Amortization | \$1,001,950 | | \$ - | | \$1,001,950 | \$ - | \$1,001,950 |
| 6 | Property taxes | \$58,058 | | \$ - | | \$58,058 | \$ - | \$58,058 |
| 7 | Capital taxes | \$ - | | \$ - | | \$ - | \$ - | \$ - |
| 8 | Other expense | \$ - | | \$ - | | \$ - | \$ - | \$ - |
| 9 | Subtotal (lines 4 to 8) | \$3,885,715 | | \$ - | | \$3,885,715 | \$ - | \$3,885,715 |
| 10 | Deemed Interest Expense | \$411,620 | | (\$411,620) | | \$ - | \$ - | \$ - |
| 11 | Total Expenses (lines 9 to 10) | \$4,297,335 | | (\$411,620) | | \$3,885,715 | \$ - | \$3,885,715 |
| 12 | Utility income before income taxes | \$925,106 | | (\$4,810,821) | | (\$3,885,715) | \$ - | (\$3,885,715) |
| 13 | Income taxes (grossed-up) | \$153,420 | | \$ - | | \$153,420 | \$ - | \$153,420 |
| 14 | Utility net income | \$771,686 | | (\$4,810,821) | | (\$4,039,134) | \$ - | (\$4,039,134) |

Notes

Other Revenues / Revenue Offsets

| | | | | | | |
|----------------|-----------------------------|-----------|--|------|--|------|
| ⁽¹⁾ | Specific Service Charges | \$143,880 | | \$ - | | \$ - |
| | Late Payment Charges | \$45,500 | | \$ - | | \$ - |
| | Other Distribution Revenue | \$234,892 | | \$ - | | \$ - |
| | Other Income and Deductions | \$5,000 | | \$ - | | \$ - |
| | Total Revenue Offsets | \$429,272 | | \$ - | | \$ - |



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 | \$771,686 | | \$ - | | \$ - | |
| 2 | Adjustments required to arrive at taxable utility income | (\$346,164) | | \$ - | | \$ - | |
| 3 | Taxable income | <u>\$425,522</u> | | <u>\$ -</u> | | <u>\$ -</u> | |
| <u>Calculation of Utility income Taxes</u> | | | | | | | |
| 4 | Income taxes | \$112,763 | | \$112,763 | | \$112,763 | |
| 6 | Total taxes | <u>\$112,763</u> | | <u>\$112,763</u> | | <u>\$112,763</u> | |
| 7 | Gross-up of Income Taxes | \$40,656 | | \$40,656 | | \$40,656 | |
| 8 | Grossed-up Income Taxes | <u>\$153,420</u> | | <u>\$153,420</u> | | <u>\$153,420</u> | |
| 9 | PILs / tax Allowance (Grossed-up Income taxes + Capital taxes) | <u>\$153,420</u> | | <u>\$153,420</u> | | <u>\$153,420</u> | |
| 10 | Other tax Credits | \$ - | | \$ - | | \$ - | |
| <u>Tax Rates</u> | | | | | | | |
| 11 | Federal tax (%) | 15.00% | | 15.00% | | 15.00% | |
| 12 | Provincial tax (%) | 11.50% | | 11.50% | | 11.50% | |
| 13 | Total tax rate (%) | 26.50% | | 26.50% | | 26.50% | |

Notes



Revenue Requirement Workform (RRWF) for 2021 Filers

Capitalization/Cost of Capital

| Line No. | Particulars | Capitalization Ratio | | Cost Rate | | Return |
|----------|------------------|----------------------|--|--------------|-------|-------------|
| | | Initial Application | | | | |
| | | (%) | | (\$) | | (\$) |
| | Debt | | | | | |
| 1 | Long-term Debt | 56.00% | | \$12,953,967 | 3.05% | \$395,428 |
| 2 | Short-term Debt | 4.00% | | \$925,283 | 1.75% | \$16,192 |
| 3 | Total Debt | 60.00% | | \$13,879,250 | 2.97% | \$411,620 |
| | Equity | | | | | |
| 4 | Common Equity | 40.00% | | \$9,252,833 | 8.34% | \$771,686 |
| 5 | Preferred Shares | 0.00% | | \$ - | 0.00% | \$ - |
| 6 | Total Equity | 40.00% | | \$9,252,833 | 8.34% | \$771,686 |
| 7 | Total | 100.00% | | \$23,132,083 | 5.12% | \$1,183,306 |
| | | Per Board Decision | | | | |
| | | (%) | | (\$) | | (\$) |
| | Debt | | | | | |
| 1 | Long-term Debt | 0.00% | | \$ - | 0.00% | \$ - |
| 2 | Short-term Debt | 0.00% | | \$ - | 0.00% | \$ - |
| 3 | Total Debt | 0.00% | | \$ - | 0.00% | \$ - |
| | Equity | | | | | |
| 4 | Common Equity | 0.00% | | \$ - | 0.00% | \$ - |
| 5 | Preferred Shares | 0.00% | | \$ - | 0.00% | \$ - |
| 6 | Total Equity | 0.00% | | \$ - | 0.00% | \$ - |
| 7 | Total | 0.00% | | \$20,421,005 | 0.00% | \$ - |
| | | Per Board Decision | | | | |
| | | (%) | | (\$) | | (\$) |
| | Debt | | | | | |
| 8 | Long-term Debt | 0.00% | | \$ - | 3.05% | \$ - |
| 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% | | \$20,421,005 | 0.00% | \$ - |

Notes

Revenue Requirement Workform (RRWF) for 2021 Filers

Revenue Deficiency/Sufficiency

| | | Initial Application | | Per Board Decision | | | |
|----------|---|---------------------------------|--------------------|-----------------------------------|----------------------|-----------------------------------|----------------------|
| 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 | | \$166,389 | | (\$865,872) | | \$5,286,687 |
| 2 | Distribution Revenue | \$4,626,779 | \$4,626,779 | \$4,626,779 | \$5,659,040 | \$ - | (\$5,286,687) |
| 3 | Other Operating Revenue Offsets - net | \$429,272 | \$429,272 | \$ - | \$ - | \$ - | \$ - |
| 4 | Total Revenue | <u>\$5,056,051</u> | <u>\$5,222,441</u> | <u>\$4,626,779</u> | <u>\$4,793,168</u> | <u>\$ -</u> | <u>\$ -</u> |
| 5 | Operating Expenses | \$3,885,715 | \$3,885,715 | \$3,885,715 | \$3,885,715 | \$3,885,715 | \$3,885,715 |
| 6 | Deemed Interest Expense | \$411,620 | \$411,620 | \$ - | \$ - | \$ - | \$ - |
| 8 | Total Cost and Expenses | <u>\$4,297,335</u> | <u>\$4,297,335</u> | <u>\$3,885,715</u> | <u>\$3,885,715</u> | <u>\$3,885,715</u> | <u>\$3,885,715</u> |
| 9 | Utility Income Before Income Taxes | \$758,716 | \$925,106 | \$741,064 | \$907,454 | (\$3,885,715) | (\$3,885,715) |
| 10 | Tax Adjustments to Accounting Income per 2013 PILs model | (\$346,164) | (\$346,164) | (\$346,164) | (\$346,164) | \$ - | \$ - |
| 11 | Taxable Income | <u>\$412,552</u> | <u>\$578,942</u> | <u>\$394,900</u> | <u>\$561,289</u> | <u>(\$3,885,715)</u> | <u>(\$3,885,715)</u> |
| 12 | Income Tax Rate | 26.50% | 26.50% | 26.50% | 26.50% | 26.50% | 26.50% |
| 13 | Income Tax on Taxable Income | \$109,326 | \$153,420 | \$104,649 | \$148,742 | \$ - | \$ - |
| 14 | Income Tax Credits | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 15 | Utility Net Income | <u>\$649,390</u> | <u>\$771,686</u> | <u>\$636,416</u> | <u>(\$4,039,134)</u> | <u>(\$3,885,715)</u> | <u>(\$4,039,134)</u> |
| 16 | Utility Rate Base | \$23,132,083 | \$23,132,083 | \$20,421,005 | \$20,421,005 | \$20,421,005 | \$20,421,005 |
| 17 | Deemed Equity Portion of Rate Base | \$9,252,833 | \$9,252,833 | \$ - | \$ - | \$ - | \$ - |
| 18 | Income/(Equity Portion of Rate Base) | 7.02% | 8.34% | 0.00% | 0.00% | 0.00% | 0.00% |
| 19 | Target Return - Equity on Rate Base | 8.34% | 8.34% | 0.00% | 0.00% | 0.00% | 0.00% |
| 20 | Deficiency/Sufficiency in Return on Equity | -1.32% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| 21 | Indicated Rate of Return | 4.59% | 5.12% | 3.12% | 0.00% | -19.03% | 0.00% |
| 22 | Requested Rate of Return on Rate Base | 5.12% | 5.12% | 0.00% | 0.00% | 0.00% | 0.00% |
| 23 | Deficiency/Sufficiency in Rate of Return | -0.53% | 0.00% | 3.12% | 0.00% | -19.03% | 0.00% |
| 24 | Target Return on Equity | \$771,686 | \$771,686 | \$ - | \$ - | \$ - | \$ - |
| 25 | Revenue Deficiency/(Sufficiency) | \$122,296 | \$ - | (\$636,416) | \$ - | \$3,885,715 | \$ - |
| 26 | Gross Revenue Deficiency/(Sufficiency) | <u>\$166,389 ⁽¹⁾</u> | | <u>(\$865,872) ⁽¹⁾</u> | | <u>\$5,286,687 ⁽¹⁾</u> | |

Notes:

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



Revenue Requirement Workform (RRWF) for 2021 Filers

Revenue Requirement

| Line No. | Particulars | Application | | | | Per Board Decision | |
|----------|---|--------------------|----------------|----------------------|----------------|----------------------|----------------|
| 1 | OM&A Expenses | \$2,825,707 | | \$2,825,707 | | \$2,825,707 | |
| 2 | Amortization/Depreciation | \$1,001,950 | | \$1,001,950 | | \$1,001,950 | |
| 3 | Property Taxes | \$58,058 | | \$58,058 | | \$58,058 | |
| 5 | Income Taxes (Grossed up) | \$153,420 | | \$153,420 | | \$153,420 | |
| 6 | Other Expenses | \$ - | | | | | |
| 7 | Return | | | | | | |
| | Deemed Interest Expense | \$411,620 | | \$ - | | \$ - | |
| | Return on Deemed Equity | \$771,686 | | \$ - | | \$ - | |
| 8 | Service Revenue Requirement (before Revenues) | <u>\$5,222,441</u> | | <u>\$4,039,134</u> | | <u>\$4,039,134</u> | |
| 9 | Revenue Offsets | \$429,272 | | \$ - | | \$ - | |
| 10 | Base Revenue Requirement (excluding Transformer Ownership Allowance credit adjustment) | <u>\$4,793,168</u> | | <u>\$4,039,134</u> | | <u>\$4,039,134</u> | |
| 11 | Distribution revenue | \$4,793,168 | | \$ - | | \$ - | |
| 12 | Other revenue | \$429,272 | | \$ - | | \$ - | |
| 13 | Total revenue | <u>\$5,222,441</u> | | <u>\$ -</u> | | <u>\$ -</u> | |
| 14 | Difference (Total Revenue Less Distribution Revenue Requirement before Revenues) | <u>\$ -</u> | ⁽¹⁾ | <u>(\$4,039,134)</u> | ⁽¹⁾ | <u>(\$4,039,134)</u> | ⁽¹⁾ |

Summary Table of Revenue Requirement and Revenue Deficiency/Sufficiency

| | Application | | Δ% ⁽²⁾ | Per Board Decision | Δ% (2) |
|--|-------------|-------------|-------------------|--------------------|--------|
| Service Revenue Requirement | \$5,222,441 | \$4,039,134 | (\$0) | \$4,039,134 | (\$1) |
| Grossed-Up Revenue | | | | | |
| Deficiency/(Sufficiency) | \$166,389 | (\$865,872) | (\$6) | \$5,286,687 | (\$1) |
| Base Revenue Requirement (to be recovered from Distribution Rates) | \$4,793,168 | \$4,039,134 | (\$0) | \$4,039,134 | (\$1) |
| Revenue Deficiency/(Sufficiency) Associated with Base Revenue Requirement | \$166,389 | \$ - | (\$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 | | | | | | Per Board Decision | | |
|--|------------------------------|--|---------------|---------------------------------|--|---------------|---------------------------------|--|---------------|---------------------------------|
| Customer Class | | Initial Application | | | | | | Per Board Decision | | |
| Input the name of each customer class. | | Customer / Connections Test Year average or mid-year | kWh Annual | kW/kVA ⁽¹⁾ Annual | Customer / Connections Test Year average or mid-year | kWh Annual | kW/kVA ⁽¹⁾ Annual | Customer / Connections Test Year average or mid-year | kWh Annual | kW/kVA ⁽¹⁾ Annual |
| 1 | Residential | 9,611 | 74,590,807 | | | | | | | |
| 2 | General Service < 50 kW | 1,148 | 32,535,249 | | | | | | | |
| 3 | General Service 50-2999 kW | 105 | 103,964,876 | 274,141 | | | | | | |
| 4 | General Service 3000-4999 kW | 1 | 18,909,096 | 48,547 | | | | | | |
| 5 | Street Lighting | 3,159 | 1,059,150 | 2,831 | | | | | | |
| 6 | Sentinel Lights | 49 | 43,344 | 130 | | | | | | |
| 7 | Unmetered Scattered Load | 80 | 599,285 | | | | | | | |
| 8 | | | | | | | | | | |
| 9 | | | | | | | | | | |
| 10 | | | | | | | | | | |
| 11 | | | | | | | | | | |
| 12 | | | | | | | | | | |
| 13 | | | | | | | | | | |
| 14 | | | | | | | | | | |
| 15 | | | | | | | | | | |
| 16 | | | | | | | | | | |
| 17 | | | | | | | | | | |
| 18 | | | | | | | | | | |
| 19 | | | | | | | | | | |
| 20 | | | | | | | | | | |
| Total | | | 231,701,807 | 325,649 | | - | - | | - | - |

Notes:

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



Ontario Energy Board

Revenue Requirement Workform (RRWF) for 2021 Filers

Cost Allocation and Rate Design

This spreadsheet replaces **Appendix 2-P** and provides a summary of the results from the Cost Allocation spreadsheet, and is used in the determination of the class revenue requirement and, hence, ultimately, the determination of rates from customers in all classes to recover the revenue requirement.

Stage in Application Process: *Initial Application*

A) Allocated Costs

| Name of Customer Class ⁽³⁾ | Costs Allocated from Previous Study ⁽¹⁾ | % | Allocated Class Revenue Requirement ⁽¹⁾ | % |
|--|---|----------------|--|----------------|
| From Sheet 10. Load Forecast | | | | |
| (7A) | | | | |
| 1 Residential | \$ 2,840,059 | 60.69% | \$ 3,194,288 | 61.16% |
| 2 General Service < 50 kW | \$ 613,692 | 13.11% | \$ 732,907 | 14.03% |
| 3 General Service 50-2999 kW | \$ 1,006,480 | 21.51% | \$ 1,048,564 | 20.08% |
| 4 General Service 3000-4999 kW | \$ 121,592 | 2.60% | \$ 118,032 | 2.26% |
| 5 Street Lighting | \$ 62,559 | 1.34% | \$ 101,347 | 1.94% |
| 6 Sentinel Lights | \$ 4,837 | 0.10% | \$ 7,974 | 0.15% |
| 7 Unmetered Scattered Load | \$ 30,477 | 0.65% | \$ 19,329 | 0.37% |
| 8 | | | | |
| 9 | | | | |
| 10 | | | | |
| 11 | | | | |
| 12 | | | | |
| 13 | | | | |
| 14 | | | | |
| 15 | | | | |
| 16 | | | | |
| 17 | | | | |
| 18 | | | | |
| 19 | | | | |
| 20 | | | | |
| Total | \$ 4,679,696 | 100.00% | \$ 5,222,441 | 100.00% |
| Service Revenue Requirement (from Sheet 9) | | | \$ 5,222,440.60 | |

- (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 | \$ 2,742,564 | \$ 2,841,193 | \$ 2,899,195 | \$ 304,788 |
| 2 | General Service < 50 kW | \$ 637,451 | \$ 660,375 | \$ 685,459 | \$ 47,737 |
| 3 | General Service 50-2999 kW | \$ 988,918 | \$ 1,024,481 | \$ 991,780 | \$ 53,075 |
| 4 | General Service 3000-4999 kW | \$ 152,687 | \$ 158,178 | \$ 110,471 | \$ 7,531 |
| 5 | Street Lighting | \$ 72,043 | \$ 74,634 | \$ 78,444 | \$ 12,768 |
| 6 | Sentinel Lights | \$ 4,680 | \$ 4,848 | \$ 6,766 | \$ 1,222 |
| 7 | Unmetered Scattered Load | \$ 28,436 | \$ 29,459 | \$ 21,053 | \$ 2,152 |
| 8 | | | | | |
| 9 | | | | | |
| 10 | | | | | |
| 11 | | | | | |
| 12 | | | | | |
| 13 | | | | | |
| 14 | | | | | |
| 15 | | | | | |
| 16 | | | | | |
| 17 | | | | | |
| 18 | | | | | |
| 19 | | | | | |
| 20 | | | | | |
| Total | | \$ 4,626,779 | \$ 4,793,168 | \$ 4,793,168 | \$ 429,272 |

- (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) | |
| | 2017 % | % | % | % |
| 1 Residential | 92.85% | 98.49% | 100.30% | 85 - 115 |
| 2 General Service < 50 kW | 103.03% | 96.62% | 100.04% | 80 - 120 |
| 3 General Service 50-2999 kW | 104.44% | 102.76% | 99.65% | 80 - 120 |
| 4 General Service 3000-4999 kW | 109.72% | 140.39% | 99.97% | 80 - 120 |
| 5 Street Lighting | 294.25% | 86.24% | 90.00% | 80 - 120 |
| 6 Sentinel Lights | 115.49% | 76.13% | 100.18% | 80 - 120 |
| 7 Unmetered Scattered Load | 118.61% | 163.54% | 120.05% | 80 - 120 |
| 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 2022 | 2023 | Price Cap IR Period 2024 | | |
| 1 | Residential | 100.30% | 100.30% | 100.30% | 85 - 115 | |
| 2 | General Service < 50 kW | 100.04% | 100.04% | 100.04% | 80 - 120 | |
| 3 | General Service 50-2999 kW | 99.65% | 99.65% | 99.65% | 80 - 120 | |
| 4 | General Service 3000-4999 kW | 99.97% | 99.97% | 99.97% | 80 - 120 | |
| 5 | Street Lighting | 90.00% | 90.00% | 90.00% | 80 - 120 | |
| 6 | Sentinel Lights | 100.18% | 100.18% | 100.18% | 80 - 120 | |
| 7 | Unmetered Scattered Load | 120.05% | 120.05% | 120.05% | 80 - 120 | |
| 8 | | | | | | |
| 9 | | | | | | |
| 10 | | | | | | |
| 11 | | | | | | |
| 12 | | | | | | |
| 13 | | | | | | |
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(11) The applicant should complete Table D if it is applying for approval of a revenue-to-cost ratio in 2021 that is outside of the OEB's policy range for any customer class. Table D will show that the distributor is likely to enter into the 2022 and 2023 Price Cap IR models, as necessary. For 2022 and 2023, enter the planned revenue-to-cost ratios that will be "Change" or "No Change" in 2019 (in the current Revenue/Cost Ratio Adjustment Workform, Worksheet C1.1 'Decision - Cost Revenue Adjustment, column d), and enter TBD for class(es) that will be entered as 'Rebalance'.

Revenue Requirement Workform (RRWF) for 2021 Filers

Rate Design and Revenue Reconciliation

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

| Stage in Process: | | Initial Application | | | Class Allocated Revenues | | | Distribution Rates | | | | Revenue Reconciliation | | | | | | | | | |
|------------------------------|------------------------------|---------------------|-------|-------------|--|-------------------------|--------------|--------------------------------------|---------------------------------|--|------------|------------------------|----------|-----------------|------|-----------------|------|---------------------|-----------------|--|--|
| Customer and Load Forecast | | | | | From Sheet 11. Cost Allocation and Sheet 12. Residential Rate Design | | | Fixed / Variable Splits ² | | Transformer Ownership Allowance ¹ | | Monthly Service Charge | | Volumetric Rate | | MSC Revenues | | Volumetric revenues | | Distribution Revenues less Transformer Ownership | |
| Customer Class | | | | | Volumetric Charge Determinant | Customers / Connections | kWh | kW or kVA | Total Class Revenue Requirement | Monthly Service Charge | Volumetric | Fixed | Variable | | Rate | No. of decimals | Rate | No. of decimals | | | |
| From sheet 10. Load Forecast | | | | | | | | | | | | | | | | | | | | | |
| 1 | Residential | kWh | 9,611 | 74,590,807 | - | \$ 2,899,195 | \$ 2,899,195 | \$ - | 100.00% | 0.00% | | | | \$25.14 | 2 | \$0.0000 /kWh | 4 | \$ 2,899,414.16 | \$ - | \$ 2,899,414.16 | |
| 2 | General Service < 50 kW | kWh | 1,148 | 32,535,249 | - | \$ 685,459 | \$ 377,586 | \$ 307,873 | 55.09% | 44.91% | | | | \$27.42 | | \$0.0095 /kWh | | \$ 377,579.96 | \$ 309,084.8618 | \$ 686,664.82 | |
| 3 | General Service 50-2999 kW | kW | 105 | 103,964,876 | 274,141 | \$ 991,780 | \$ 113,393 | \$ 878,387 | 11.43% | 88.57% | \$ 108,560 | | | \$89.88 | | \$3.6001 /kW | | \$ 113,393.77 | \$ 986,933.7569 | \$ 991,767.82 | |
| 4 | General Service 3000-4999 kW | kW | 1 | 18,909,096 | 48,547 | \$ 110,471 | \$ 53,611 | \$ 56,859 | 48.53% | 51.47% | \$ 29,128 | | | \$4,467.60 | | \$1.7712 /kW | | \$ 53,611.20 | \$ 85,986.6155 | \$ 110,469.56 | |
| 5 | Street Lighting | kW | 3,159 | 1,059,150 | 2,831 | \$ 78,444 | \$ 65,625 | \$ 12,820 | 83.66% | 16.34% | | | | \$1.73 | | \$4.5279 /kW | | \$ 65,575.96 | \$ 12,819.6026 | \$ 78,395.56 | |
| 6 | Sentinel Lights | kW | 49 | 43,344 | 130 | \$ 6,766 | \$ 4,513 | \$ 2,254 | 66.69% | 33.31% | | | | \$7.62 | | \$17.3552 /kW | | \$ 4,513.18 | \$ 2,253.5473 | \$ 6,766.73 | |
| 7 | Unmetered Scattered Load | kWh | 80 | 599,285 | - | \$ 21,053 | \$ 10,893 | \$ 10,161 | 51.74% | 48.26% | | | | \$11.38 | | \$0.0170 /kWh | | \$ 10,893.10 | \$ 10,187.8522 | \$ 21,080.95 | |
| 8 | | | - | - | - | | | | | | | | | | | | | \$ - | \$ - | \$ - | |
| 9 | | | - | - | - | | | | | | | | | | | | | \$ - | \$ - | \$ - | |
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| # | | | - | - | - | | | | | | | | | | | | | \$ - | | | |

Notes:

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

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



Ontario Energy Board

Revenue Requirement Workform (RRWF) for 2021 Filers

Tracking Form

The first row shown, labelled "Original Application", summarizes key statistics based on the data inputs into the RRWF. After the original application filing, the applicant provides key changes in capital and operating expenses, load forecasts, cost of capital, etc., as revised through the processing of the application. This could be due to revisions or responses to interrogatories. The last row shown is the most current estimate of the cost of service data reflecting the original application and any updates provided by the applicant distributor (for updated evidence, responses to interrogatories, undertakings, etc.)

Please ensure a Reference (Column B) and/or Item Description (Column C) is entered. Please note that unused rows will automatically be hidden and the PRINT AREA set when the PRINT BUTTON on Sheet 1 is activated.

⁽¹⁾ Short reference to evidence material (interrogatory response, undertaking, exhibit number, Board Decision, Code, Guideline, Report of the Board, etc.)

⁽²⁾ Short description of change, issue, etc.

Summary of Proposed Changes

| Reference ⁽¹⁾ | Item / Description ⁽²⁾ | Cost of Capital | | Rate Base and Capital Expenditures | | | Operating Expenses | | | Revenue Requirement | | | |
|--------------------------|-----------------------------------|-----------------------------|--------------------------|------------------------------------|-----------------|--------------------------------|-----------------------------|------------|--------------|-----------------------------|----------------|--------------------------|---|
| | | Regulated Return on Capital | Regulated Rate of Return | Rate Base | Working Capital | Working Capital Allowance (\$) | Amortization / Depreciation | Taxes/PILs | OM&A | Service Revenue Requirement | Other Revenues | Base Revenue Requirement | Grossed up Revenue Deficiency / Sufficiency |
| | Original Application | \$ 1,183,306 | 5.12% | \$ 23,132,083 | \$ 36,147,708 | \$ 2,711,078 | \$ 1,001,950 | \$ 153,420 | \$ 2,825,707 | \$ 5,222,441 | \$ 429,272 | \$ 4,793,168 | \$ 166,389 |