### **MILTON HYDRO** DISTRIBUTION INC.

### EXHIBIT 6

REVENUE DEFICIENCY OR SUFFICIENCY



### **EXHIBIT 6 – REVENUE DEFICIENCY OR SUFFICIENCY**

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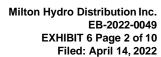
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### **Table of Contents**

7	6.1. Revenue Deficiency - Overview	2
8	6.2. Revenue Requirement	3
9	6.3. Determination of Net Income	3
10	6.4. Statement of Rate Base	4
11	6.5. Actual Utility Return on Rate Base	5
12	6.6. Deficiency or Sufficiency in Revenue.	7
13	6.7. Cost Drivers on Revenue Deficiency	ξ
14	TABLES	
15	Table 6-1 Determination of Net Income	2
16	Table 6-2 Rate Base	5
17	Table 6-3 Return on Rate Base	6
18	Table 6-4 Revenue Deficiency Calculation	8
19	Table 6-5 Revenue Deficiency by Revenue Requirement Component	ę
20	LIST OF ATTACHMENTS	
04	Attackers and C.A. DEVENUE DECLUDEMENT MODIFICADIA	

21 Attachment 6-1 REVENUE REQUIREMENT WORKFORM



### 6.1. REVENUE DEFICIENCY - OVERVIEW

The information in this Exhibit supports Milton Hydro's request in its Application for an increase in its revenue requirement to support its proposed capital and operating budgets for 2023 Test Year; service its debt; pay its deemed PILs; and earn its allowed ROE.

Milton Hydro has included the following information in this Exhibit, excluding energy costs (i.e., Cost of Power and associated costs) and revenues:

Determination of Net Utility Income

Statement of Rate Base

Actual Utility Return on Rate Base

Indicated Rate of Return

· Requested Rate of Return

• Deficiency or Sufficiency in Revenue

Gross Deficiency or Sufficiency in Revenue

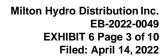
24 Milton Hydro has determined that its Revenue Deficiency for the 2023 Test Year is \$4,350,355.

The calculations on which this determination is based are set out below. The Revenue Deficiency calculation does not include the following:

Recovery of Deferral and Variance Accounts;

• Other electricity charges which include Energy Commodity, Transmission Charges and Wholesale Market Service Charges; and

 These items are considered elsewhere in this Application and are treated either as recoveries of regulatory assets or regulatory liabilities on the Balance Sheet, or as energy related costs recorded in the OEB-prescribed Retail Settlement Variance Accounts.



### REVENUE REQUIREMENT

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Milton Hydro's Revenue Requirement consists of the following:

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Administrative & General, Billing & Collecting Expense

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Operation & Maintenance Expense

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**Depreciation Expense** 

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11 **Property Taxes** 

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Income Taxes/PILs

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Deemed Interest & Return on Equity

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17 Milton Hydro's revenue requirement is primarily received through electricity distribution rates 18 with Other Revenue from OEB approved specific service charges such as Late Payment 19 Charges and Other Miscellaneous Charges. The Other Revenues are detailed in EXHIBIT 3 -20 Operating Revenues and are treated as revenue offsets against Milton Hydro's Service Revenue Requirement to calculate Base Revenue Requirement upon which class specific

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22 distribution rates are calculated.

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Milton Hydro has included the OEB's Revenue Requirement Work Form ("RRWF") as Attachment 6-1 to this Exhibit and has also filed the Excel model.

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Milton Hydro has ensured that numbers entered in the RRWF reconcile with the appropriate numbers in other Exhibits to this Application.

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6.3. **Determination of Net Income** 

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- 32 Milton Hydro has determined its allowable 2023 Test Year Net Income to be \$3,934,446. The following Table 6-1 provides the detailed Net Income calculations.
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### **Table 6-1 Determination of Net Income**

Details	Initial Application
Operating Revenues	
Distribution Revenue (at proposed rate)	\$24,771,346
Other Revenue	\$2,201,364
Total Operating Revenues	\$26,972,710
Operating Expenses	
Operations, Maintenance and Administration ("OM&A") Expenses	\$14,933,345
Depreciation / Amortization	\$4,916,957
Property Taxes	\$200,193
Total Operating Expenses	\$20,050,494
Deemed Interest Expense	\$2,303,653
Total Expenses	\$22,354,148
Utility income before income taxes	\$4,618,562
Income Taxes (grossed up)	\$684,115
Utility Income	\$3,934,446

### 6.4. Statement of Rate Base

Milton Hydro has provided its Rate Base calculations in the amount of \$113,581,019 in the following Table 6-2. Rate Base is used in determining Milton Hydro's actual and regulated return.

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### Table 6-2 Rate Base

Rate Base Calculation	Initial Application
Net Fixed Assets Opening Balance 2023	\$102,306,088
Net Fixed Assets Closing Balance 2023	\$106,522,568
Average Net Fixed Asset Balance for 2023	\$104,414,328
Major spares	\$610,000
Working Capital Allowance	\$8,556,691
Rate Base	\$113,581,019
Working Capital Allowance	
Controllable Expenses	\$15,133,537
Cost of Power	\$98,955,674
Total Working Capital Expenses	\$114,089,211
Working Capital Allowance rate of 7.5%	\$8,556,691

### 6.5. Actual Utility Return on Rate Base

Milton Hydro had provided the calculations of its 2022 Bridge Year, 2023 Test Year at Existing Rates and the 2023 Test Year at Proposed Rates in order to achieve the Required Revenue in Table 6-3. Milton Hydro's return for the 2022 Bridge Year is expected to be 5.98% as shown in Table 6-3 below.



### Table 6-3 Return on Rate Base

Details	2022 Bridge Year Actual	2023 Test Year Existing Rates	2023 Test Year Required Revenue
Actual Return on Rate Base			
Rate Base	\$107,957,483	\$113,581,019	\$113,581,019
Interest Expense	\$1,977,470	\$2,303,653	\$2,303,653
Net Income	\$1,995,532	\$736,936	\$3,934,446
Total Actual Return on Rate Base	\$3,973,002	\$3,040,589	\$6,238,099
Actual Return on Rate Base	3.68%	2.68%	5.49%
Required Return on Rate Base:			
Rate Base	\$107,957,483	\$113,581,019	\$113,581,019
Return Rates:			
Return on Debt (Weighted)	4.40%	3.38%	3.38%
Return on Equity	8.34%	8.66%	8.66%
Deemed Interest Expense	\$2,851,905	\$2,303,653	\$2,303,653
Return On Equity	\$3,601,462	\$3,934,446	\$3,934,446
Total Return	\$6,453,366	\$6,238,099	\$6,238,100
Expected Return on Rate Base	5.98%	5.49%	5.49%

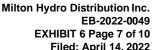
### **Indicated Rate of Return**

Milton Hydro's 2023 Test Year Indicated Rate of Return at current approved rates is 2.7% as presented in Table 6-4 below on line 21 and is calculated as the sum of Utility Net Income plus Deemed Interest Expense divided by the Utility Rate Base.

### Requested Rate of Return

Milton Hydro has determined its requested Rate of Return on Rate Base to be 5.5% or \$6,238,100, calculated as Deemed Interest Expense plus Return on Equity divided by Rate Base as shown in Table 6-3 above.

Table 6-3 above summarizes the computation of Milton Hydro's 2023 Test Year requested Rate of Return on Rate Base of 5.5%.



Filed: April 14, 2022



Also as summarized in Table 6-3 above, in the absence of a change to distribution rates for 2023, as proposed in this Application, and if the 2022 Approved rates remained unchanged, Milton Hydro's Return on Rate Base would be \$3,040,589 or 2.68%.

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### 6.6 **Deficiency or Sufficiency in Revenue**

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Milton Hydro has provided a detailed calculation supporting its 2023 Test Year Revenue Deficiency after tax in the amount of \$3,197,510 in Table 6-4 below as shown on line 25.

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### **Gross Deficiency or Sufficiency in Revenue**

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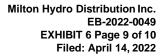
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Milton Hydro has provided a detailed calculation supporting its 2023 Test Year Gross Revenue Deficiency before tax in the following Table 6-4. The Gross Revenue Deficiency before tax is calculated in the amount of \$4,350,354 as shown on line 26 of this table. Table 6-4 provides the Revenue Deficiency calculation for the 2023 Test Year at Proposed Rates, which balances the Revenue Deficiency, Net Income and Total Return on Rate Base.



### **Table 6-4 Revenue Deficiency Calculation**

Line		Initial Application			
No.	Particulars	At Current	At Proposed		
		Approved Rates	Rates		
1	Revenue Deficiency from Below		\$4,350,355		
2	Distribution Revenue	\$20,420,991	\$20,420,991		
3	Other Operating Revenue Offsets - net	\$2,201,364	\$2,201,364		
4	Total Revenue	\$22,622,355	\$26,972,710		
_	Occurred to the control of the contr	<b>#</b> 00.050.404	#00.050.404		
5	Operating Expenses	\$20,050,494	\$20,050,494		
6	Deemed Interest Expense	\$2,303,653	\$2,303,653		
8	Total Cost and Expenses	\$22,354,147	\$22,354,147		
9	Utility Income Before Income Taxes	\$268,208	\$4,618,563		
10	Tax Adjustments to Accounting Income per 2023 PILs	\$(2,021,577)	\$(2,021,577)		
11	Taxable Income	\$(1,753,371)	\$2,596,986		
12	Income Tax Rate	26.5%	26.5%		
13	Income Tax on Taxable Income	\$(464,643)	\$688,201		
14	Income Tax On Taxable Income Income Tax Credits	` ' '			
15	Utility Net Income (line 9-line13)	\$(4,085) <b>\$736,936</b>	\$(4,085) <b>\$3,934,447</b>		
13	othity Net income (inte 9-inte 13)	\$730,930	\$3,934,447		
16	Utility Rate Base	\$113,581,019	\$113,581,019		
17	Deemed Equity Portion of Rate Base	\$45,432,407	\$45,432,407		
18	Income/(Equity Portion of Rate Base)	1.62%	8.66%		
19	Target Return - Equity on Rate Base	8.66%	8.66%		
20	Deficiency/Sufficiency in Return on Equity	(8.07%)	—%		
24	Indicated Data of Datum	2.600/	F 400/		
21	Indicated Rate of Return	2.68%	5.49%		
22	Requested Rate of Return on Rate Base	5.49%	5.49%		
23	Deficiency/Sufficiency in Rate of Return	(2.82%)	—%		
24	Target Return on Equity	\$3,934,446	\$3,934,446		
25	Revenue Deficiency/(Sufficiency) After Tax	\$3,197,510	\$0		
26	Gross Revenue Deficiency/(Sufficiency) Before Tax	\$4,350,354			





**Cost Drivers on Revenue Deficiency** 

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Table 6-5 Revenue Deficiency by Revenue Requirement Component

Service Revenue Requirement	2016 Approved Rates (A)	2023 Allocation B *	2023 Proposed "C"	Revenue Deficiency (D) = (C) - (B)
OM&A Expenses	\$9,572,448	\$11,763,625	\$15,133,537	\$3,369,912
Amortization	\$3,150,579	\$3,845,800	\$4,916,957	\$1,071,157
Return on Rate Base	\$5,299,075	\$6,560,483	\$6,238,100	\$(322,383)
PILS	\$254,201	\$226,224	\$684,115	\$457,891
Total	\$18,276,303	\$22,622,355	\$26,972,709	\$4,350,354

Table 6-5 below outlines the contributors to the Revenue Deficiency by Revenue Requirement

component. Column A lists the 2016 approved amounts. Column B lists the 2023 revenue at existing rates shown in Table 6-4 above, allocated to each Revenue Requirement component

based on the proportions in Column A. It is Milton Hydro's view that Column B estimates the

Revenue Requirement components for revenue at existing rates based on the components

assumed in existing rates. Column C lists the 2023 Test Year proposed components. Finally,

Column D represents the difference between Column C and Column B which provides an

estimate of the Revenue Requirement components for the Revenue Deficiency of \$4,350,354.

\*2023 Base Revenue Allocated based on proportion of Revenue at Existing Rates (B)

	2016 OEB Approved (A)	2023 Test Year Proposed (C)	2023 Test Year vs. 2016 OEB Approved.
Rate Base	88,574,495	113,581,019	25,006,524

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There are two main contributors to the Revenue Deficiency of 4,350,354 for the 2023 Test Year:

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OM&A costs increased by \$5,561,090 from 2016 OEB approved to 2023 Test Year which is different than the increase for the same period of \$3,369,912 from the table above. The reason for the difference is due to Milton Hydro resetting its resource requirements in the 2023 Application. Milton Hydro has grown to a large distributor size, but its resources are scaled at the small distributor size, Milton Hydro discusses its resource requirements and addressing them through a 3-pronged approach digitally modernizing its IT systems, becoming more efficient through Lean Six Sigma, and through rightsizing and right- skilling its workforce. Milton Hydro has made an extensive case in Exhibit 4.4 explaining its FTE requirements. In addition, Milton Hydro is establishing an in-house system control room. Milton Hydro presents its business case for an in-house system control room in

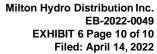




Exhibit 4 sub-section 4.4.2.4. Network Control Room Operations. For more details on explanation of the variance between 2016 OEB approved OM&A and 2023 Test Year OM&A please refer to Exhibit 4.3.2 to 4.3.5.

Amortization costs increased by \$1,766,378 from 2016 OEB approved to 2023 Test Year which is different than the increase for the same period of \$1,071,157 from the table above. Milton Hydro has assets that are relatively new, since it is a high growth utility, this would contribute to an increase in depreciation and amortization. For more details on explanation of the variance between 2016 OEB approved Amortization and 2023 Test Year Amortization please refer to Exhibit 4.6.

 PILS increased by \$457,891 primarily due to an increase in taxable income. See Exhibit sub-section 4.7. INCOME TAXES AND PAYMENTS IN LIEU OF TAXES AND PROPERTY TAXES for more.



### **EXHIBIT 6**

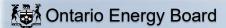
# **ATTACHMENT 6-1**REVENUE REQUIREMENT WORKFORM



Version 1.00



Utility Name	Milton Hydro Distribution Inc.
Service Territory	
Assigned EB Number	EB-2022-0049
Name and Title	Dan Gapic
Phone Number	905-876-4611 x410
Email Address	gapicd@miltonhydro.com
Test Year	2023
Bridge Year	2022
Last Rebasing Year	2016



1. Info 8. Rev\_Def\_Suff

2. Table of Contents 9. Rev Reqt

3. Data Input Sheet 10. Load Forecast

4. Rate\_Base 11. Cost Allocation

<u>5. Utility Income</u> <u>12. Residential Rate Design</u>

6. Taxes PILs 13. Rate Design and Revenue Reconciliation

7. Cost of Capital 14. Tracking Sheet

### Notes:

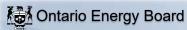
(1) Pale green cells represent inputs

(2) Pale green boxes at the bottom of each page are for additional notes

(3) Pale yellow cells represent drop-down lists

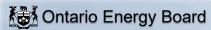
(4) Please note that this model uses MACROS. Before starting, please ensure that macros have been enabled.

(5) Completed versions of the Revenue Requirement Work Form are required to be filed in working Microsoft Excel format.



### Data Input (1)

		Initial Application	(2)			(6)		Per Board Decision
1	Rate Base Gross Fixed Assets (average) Accumulated Depreciation (average) Allowance for Working Capital:	\$187,041,882 (\$82,017,555)	(5)		\$ 187,041,882 (\$82,017,555)			\$187,041,882 (\$82,017,555)
	Controllable Expenses Cost of Power Working Capital Rate (%)	\$15,133,537 \$98,955,674 7.50%	(9)	0.00%	\$ 15,133,537 \$ 98,955,674 7.50%	(9)	0.00%	\$15,133,537 \$98,955,674 7.50% (9)
2	Utility Income Operating Revenues:							
	Distribution Revenue at Current Rates Distribution Revenue at Proposed Rates Other Revenue:	\$20,420,991 \$24,771,346		\$0 \$0	\$20,420,991 \$24,771,346		\$0 \$0	\$20,420,991 \$24,771,346
	Specific Service Charges Late Payment Charges Other Distribution Revenue Other Income and Deductions	\$321,846 \$226,280 \$1,119,716 \$533,522		\$0 \$0 \$0 \$0	\$321,846 \$226,280 \$1,119,716 \$533,522		\$0 \$0 \$0 \$0	\$321,846 \$226,280 \$1,119,716 \$533,522
	Total Revenue Offsets	\$2,201,364	(7)	\$0	\$2,201,364		\$0	\$2,201,364
	Operating Expenses: OM+A Expenses Depreciation/Amortization Property taxes Other expenses	\$14,933,345 \$4,916,957 \$200,193			\$ 14,933,345 \$ 4,916,957 \$ 200,193			\$14,933,345 \$4,916,957 \$200,193
3	Taxes/PILs Taxable Income:							
	Adjustments required to arrive at taxable income	(\$2,021,577)	(3)	\$0	(\$2,021,577)		\$0	(\$2,021,577)
	Utility Income Taxes and Rates: Income taxes (not grossed up) Income taxes (grossed up) Federal tax (%)	\$502,825 \$684,115 15.00%		\$0 0.00%	\$502,825 \$684,115 15.00%		\$0 0.00%	\$502,825 \$684,115 15.00%
	Provincial tax (%) Income Tax Credits	11.50% (\$4,085)		0.00%	11.50% (\$4,085)		0.00% \$0	11.50% (\$4,085)
4	Capitalization/Cost of Capital Capital Structure:							
	Long-term debt Capitalization Ratio (%) Short-term debt Capitalization Ratio (%) Common Equity Capitalization Ratio (%) Prefered Shares Capitalization Ratio (%)	56.00% 4.00% 40.00%	(8)	0.00% 0.00% 0.00%	56.0% 4.0% 40.0%	(8)	0.00% 0.00% 0.00%	56.0% 4.0% (8) 40.0%
	Cost of Capital Long-term debt Cost Rate (%) Short-term debt Cost Rate (%) Common Equity Cost Rate (%) Prefered Shares Cost Rate (%)	3.54% 1.17% 8.66%		0.00% 0.00% 0.00%	3.54% 1.17% 8.66%		0.00% 0.00% 0.00%	3.54% 1.17% 8.66%



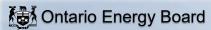
### **Rate Base and Working Capital**

Rate	Base
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Line No.	Particulars	Initial Application				Per Board Decision
1	Gross Fixed Assets (average) (2)	\$187,041,882	\$ -	\$187,041,882	\$ -	\$187,041,882
2	Accumulated Depreciation (average) (2)	(\$82,017,555)	<u> </u>	(\$82,017,555)	\$ -	(\$82,017,555)
3	Net Fixed Assets (average) (2)	\$105,024,328	\$ -	\$105,024,328	\$ -	\$105,024,328
4	Allowance for Working Capital (1)	\$8,556,691	\$-	\$8,556,691	\$-	\$8,556,691
5	Total Rate Base	\$113,581,019	<u> </u>	\$113,581,019	<u>     \$ -                              </u>	\$113,581,019

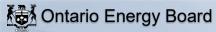
### (1) Allowance for Working Capital - Derivation

Controllable Expenses Cost of Power Working Capital Base		\$15,133,537 \$98,955,674 \$114,089,211		\$ - \$ - \$ -	\$15,133,537 \$98,955,674 \$114,089,211	\$ - \$ - \$ -	\$15,133,537 \$98,955,674 \$114,089,211
Working Capital Rate %	(1)	7.50%	0.	00%	7.50%	0.00%	7.50%
Working Capital Allowance		\$8,556,691		\$ -	\$8,556,691	\$ -	\$8,556,691



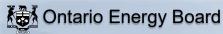
### **Utility Income**

Line No.	Particulars	Initial Application				Per Board Decision
1	Operating Revenues: Distribution Revenue (at Proposed Rates)	\$24,771,346	\$ -	\$24,771,346	\$ -	\$24,771,346
2		(1) \$2,201,364	\$ -	\$2,201,364	\$ -	\$2,201,364
3	Total Operating Revenues	\$26,972,710	\$-	\$26,972,710	<u>    \$ -</u>	\$26,972,710
4 5 6 7 8	Operating Expenses: OM+A Expenses Depreciation/Amortization Property taxes Capital taxes Other expense	\$14,933,345 \$4,916,957 \$200,193 \$- \$-	\$ - \$ - \$ - \$ - \$ -	\$14,933,345 \$4,916,957 \$200,193 \$-	\$ - \$ - \$ - \$ - \$ -	\$14,933,345 \$4,916,957 \$200,193 \$ -
9	Subtotal (lines 4 to 8)	\$20,050,494	\$ -	\$20,050,494	\$ -	\$20,050,494
10	Deemed Interest Expense	\$2,303,653	\$-	\$2,303,653	\$-	\$2,303,653
11	Total Expenses (lines 9 to 10)	\$22,354,148	<u> </u>	\$22,354,148	\$-	\$22,354,148
12	Utility income before income taxes	\$4,618,562	<u> </u>	\$4,618,562	<u> </u>	\$4,618,562
13	Income taxes (grossed-up)	\$684,115	\$	\$684,115	\$-	\$684,115
14	Utility net income	\$3,934,447	<u> </u>	\$3,934,447	<u> </u>	\$3,934,447
<u>Notes</u>	Other Revenues / Rever	nue Offsets				
(1)	Specific Service Charges Late Payment Charges Other Distribution Revenue Other Income and Deductions	\$321,846 \$226,280 \$1,119,716 \$533,522	\$ - \$ - \$ - \$ -	\$321,846 \$226,280 \$1,119,716 \$533,522	\$ - \$ - \$ - \$ -	\$321,846 \$226,280 \$1,119,716 \$533,522
	Total Revenue Offsets	\$2,201,364	<u> </u>	\$2,201,364	<u> </u>	<u>\$2,201,364</u>



### Taxes/PILs

Line No.	Particulars	Application		Per Board Decision
	<b>Determination of Taxable Income</b>			
1	Utility net income before taxes	\$3,934,446	\$3,934,446	\$3,934,446
2	Adjustments required to arrive at taxable utility income	(\$2,021,577)	(\$2,021,577)	(\$2,021,577)
3	Taxable income	\$1,912,869	\$1,912,869	\$1,912,869
	Calculation of Utility income Taxes			
4	Income taxes	\$502,825	\$502,825	\$502,825
6	Total taxes	\$502,825	\$502,825	\$502,825
7	Gross-up of Income Taxes	\$181,291	\$181,291	\$181,291
8	Grossed-up Income Taxes	\$684,115	\$684,115	\$684,115
9	PILs / tax Allowance (Grossed-up Income taxes + Capital taxes)	\$684,115	\$684,115	\$684,115
10	Other tax Credits	(\$4,085)	(\$4,085)	(\$4,085)
	Tax Rates			
11 12 13	Federal tax (%) Provincial tax (%) Total tax rate (%)	15.00% 11.50% 26.50%	15.00% 11.50% 26.50%	15.00% 11.50% 26.50%



### **Capitalization/Cost of Capital**

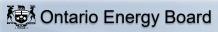
Line No.	Particulars	Capitaliz	ration Ratio	Cost Rate	Return
		Initial A	pplication		
		(%)	(\$)	(%)	(\$)
1	Debt Long-term Debt	56.00%	\$63,605,370	3.54%	\$2,250,497
2	Short-term Debt	4.00%	\$4,543,241	1.17%	\$53,156
3	Total Debt	60.00%	\$68,148,611	3.38%	\$2,303,653
	Equity				
4	Common Equity	40.00%	\$45,432,407	8.66%	\$3,934,446
5	Preferred Shares	0.00%	\$ -	0.00%	\$ -
6	Total Equity	40.00%	\$45,432,407	8.66%	\$3,934,446
7	Total	100.00%	\$113,581,019	5.49%	\$6,238,100
		(%)	(\$)	(%)	(\$)
	Debt	50.000/	<b>\$00.005.070</b>	0.540/	<b>#0.050.407</b>
1 2	Long-term Debt Short-term Debt	56.00% 4.00%	\$63,605,370 \$4,543,241	3.54% 1.17%	\$2,250,497 \$53,156
3	Total Debt	60.00%	\$68,148,611	3.38%	\$2,303,653
		<del></del>		<del></del>	
	Equity	40.000/	¢45,400,407	0.000/	<b>#2.024.440</b>
4 5	Common Equity Preferred Shares	40.00% 0.00%	\$45,432,407 \$ -	8.66% 0.00%	\$3,934,446 \$ -
6	Total Equity	40.00%	\$45,432,407	8.66%	\$3,934,446
_		400,000/	<u> </u>		<b>**</b>
7	Total	<u>100.00%</u>	\$113,581,019	<u>5.49%</u>	\$6,238,100
		Por Pos	rd Decision		
		rei boa	u Decision		
	D.M.	(%)	(\$)	(%)	(\$)
8	Long-term Debt	56.00%	\$63,605,370	3.54%	\$2,250,497
9	Short-term Debt	4.00%	\$4,543,241	1.17%	\$53,156
10	Total Debt	60.00%	\$68,148,611	3.38%	\$2,303,653
	Equity				
11	Common Equity	40.00%	\$45,432,407	8.66%	\$3,934,446
12 13	Preferred Shares	0.00%	\$ - \$45,432,407	0.00%	<u> </u>
13	Total Equity	40.00%	\$45,432,407	<u>8.66%</u>	<u> </u>
14	Total	100.00%	\$113,581,019	5.49%	\$6,238,100

### **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 2 3	Revenue Deficiency from Below Distribution Revenue Other Operating Revenue Offsets - net	\$20,420,991 \$2,201,364	\$4,350,355 \$20,420,991 \$2,201,364	\$20,420,991 \$2,201,364	\$4,350,355 \$20,420,991 \$2,201,364	\$20,420,991 \$2,201,364	\$4,350,355 \$20,420,991 \$2,201,364
4	Total Revenue	\$22,622,355	\$26,972,710	\$22,622,355	\$26,972,710	\$22,622,355	\$26,972,710
5 6 8	Operating Expenses Deemed Interest Expense Total Cost and Expenses	\$20,050,494 \$2,303,653 \$22,354,148	\$20,050,494 \$2,303,653 \$22,354,148	\$20,050,494 \$2,303,653 \$22,354,148	\$20,050,494 \$2,303,653 \$22,354,148	\$20,050,494 \$2,303,653 \$22,354,148	\$20,050,494 \$2,303,653 \$22,354,148
9	Utility Income Before Income Taxes	\$268,207	\$4,618,562	\$268,207	\$4,618,562	\$268,207	\$4,618,562
10	Tax Adjustments to Accounting Income per 2013 PILs model	(\$2,021,577)	(\$2,021,577)	(\$2,021,577)	(\$2,021,577)	(\$2,021,577)	(\$2,021,577)
11	Taxable Income	(\$1,753,370)	\$2,596,985	(\$1,753,370)	\$2,596,985	(\$1,753,370)	\$2,596,985
12 13	Income Tax Rate	26.50% (\$464,643)	26.50% \$688,201	26.50% (\$464,643)	26.50% \$688,201	26.50% (\$464,643)	26.50% \$688,201
14	Income Tax on Taxable Income Income Tax Credits	(\$4,085)	(\$4,085)	(\$4,085)	(\$4,085)	(\$4,085)	(\$4.085)
15	Utility Net Income	\$736,936	\$3,934,447	\$736,936	\$3,934,447	\$736,936	\$3,934,447
16	Utility Rate Base	\$113,581,019	\$113,581,019	\$113,581,019	\$113,581,019	\$113,581,019	\$113,581,019
17	Deemed Equity Portion of Rate Base	\$45,432,407	\$45,432,407	\$45,432,407	\$45,432,407	\$45,432,407	\$45,432,407
18	Income/(Equity Portion of Rate Base)	1.62%	8.66%	1.62%	8.66%	1.62%	8.66%
19	Target Return - Equity on Rate Base	8.66%	8.66%	8.66%	8.66%	8.66%	8.66%
20	Deficiency/Sufficiency in Return on Equity	-7.04%	0.00%	-7.04%	0.00%	-7.04%	0.00%
21 22	Indicated Rate of Return Requested Rate of Return on Rate Base	2.68% 5.49%	5.49% 5.49%	2.68% 5.49%	5.49% 5.49%	2.68% 5.49%	5.49% 5.49%
23	Deficiency/Sufficiency in Rate of Return	-2.82%	0.00%	-2.82%	0.00%	-2.82%	0.00%
24 25 26	Target Return on Equity Revenue Deficiency/(Sufficiency) Gross Revenue Deficiency/(Sufficiency)	\$3,934,446 \$3,197,511 \$4,350,355 (1)	\$3,934,446 \$0	\$3,934,446 \$3,197,511 \$4,350,355 (1)	\$3,934,446 \$0	\$3,934,446 \$3,197,511 \$4,350,355 (1)	\$3,934,446 \$0



### **Revenue Requirement**

ine No.	Particulars	Application				Per Board Decision	
1	OM&A Expenses	\$14,933,345		\$14,933,345		\$14,933,345	
2	Amortization/Depreciation	\$4,916,957		\$4,916,957		\$4,916,957	
3	Property Taxes	\$200,193		\$200,193		\$200,193	
5	Income Taxes (Grossed up)	\$684,115		\$684,115		\$684,115	
6	Other Expenses	\$ -		, , ,		, ,	
7	Return	·					
	Deemed Interest Expense	\$2,303,653		\$2,303,653		\$2,303,653	
	Return on Deemed Equity	\$3,934,446		\$3,934,446		\$3,934,446	
8	Service Revenue Requirement						
•	(before Revenues)	\$26,972,710		\$26,972,710		\$26,972,710	
9	Revenue Offsets	\$2,201,364		\$2,201,364		\$2,201,364	
10	Base Revenue Requirement	\$24,771,346		\$24,771,346		\$24,771,346	
	(excluding Tranformer Owership Allowance credit adjustment)						
11	Distribution revenue	\$24,771,346		\$24,771,346		\$24,771,346	
12	Other revenue	\$2,201,364		\$2,201,364		\$2,201,364	
12	Other revenue	φ2,201,304		Ψ2,201,304		φ2,201,30 <del>4</del>	
13	Total revenue	\$26,972,710		\$26,972,710		\$26,972,710	
14	Difference (Total Revenue Less Distribution Revenue Requirement						
	before Revenues)	\$0	(1)	\$0	(1)	\$0	(1)

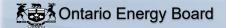
### Summary Table of Revenue Requirement and Revenue Deficiency/Sufficiency

	Application		Δ% <sup>(2)</sup>	Per Board Decision	Δ% (2)
Service Revenue Requirement Grossed-Up Revenue	\$26,972,710	\$26,972,710	0.00%	\$26,972,710	(100.00%)
Deficiency/(Sufficiency)	\$4,350,355	\$4,350,355	0.00%	\$4,350,355	(100.00%)
Base Revenue Requirement (to be					
recovered from Distribution Rates) Revenue Deficiency/(Sufficiency)	\$24,771,346	\$24,771,346	0.00%	\$24,771,346	(100.00%)
Associated with Base Revenue					
Requirement	\$4,350,355	\$4,350,355	0.00%	\$4,350,355	(100.009

### Notes

Line 11 - Line 8

Percentage Change Relative to Initial Application



### **Load Forecast Summary**

This spreadsheet provides a summary of the customer and load forecast on which the test year revenue requirement is derived. The amounts serve as the denominators for deriving the rates to recover the test year revenue requirement for purposes of this RRWF.

The information to be input is inclusive of any adjustments to kWh and kW to reflect the impacts of CDM programs up to and including CDM programs planned to be executed in the test year. i.e., the load forecast adjustments determined in **Appendix 2-I** should be incorporated into the entries. The inputs should correspond with the summary of the Load Forecast for the Test Year in **Appendix 2-IB** and in Exhibit 3 of the application.

Appendix 2-IB is still required to be filled out, as it also provides a year-over-year variance analysis of demand growth andf trends from historical actuals to the Bridge and Test Year forecasts.

### Stage in Process:

12 13

Customer Class
Input the name of each customer class.
Residential
GS < 50 kW GS >50 to 999 kW GS >1000 to 4999 kW Large Use Street Lighting
Sentinel Lighting Unmetered and Scattered

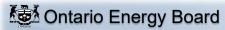
	In	itial Annlication	
Customer / Connections Test Year average or mid-year	""	itial Application kWh Annual	<b>kW/kVA</b> <sup>(1)</sup> Annual
40,088 2,990 344 12 3 2,919 231 223		353,525,758 87,960,137 1,067,791	595,236 225,594 260,034 14,179 378

Initial Application

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

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

Total 442,553,687 1,095,421 - - - -



### **Cost Allocation and Rate Design**

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

Stage in Application Process: Initial Application

### A) Allocated Costs

Name of Customer Class <sup>(3)</sup>	Allocated from vious Study <sup>(1)</sup>	%	Illocated Class enue Requirement	%
From Sheet 10. Load Forecast			(7A)	
1 Residential	\$ 10,963,823	67.23%	\$ 18,708,337	69.36%
2 GS < 50 kW	\$ 2,107,285	12.92%	\$ 3,161,607	11.72%
3 GS >50 to 999 kW 4 GS >1000 to 4999 kW	\$ 1,896,276 477,713	11.63% 2.93%	\$ 3,418,069 555,620	12.67% 2.06%
5 Large Use	\$ 468,592	2.93%	\$ 699,903	2.59%
6 Street Lighting	\$ 20,653	0.13%	\$ 315,263	1.17%
7 Sentinel Lighting	\$ 337,476	2.07%	\$ 56,885	0.21%
8 Unmetered and Scattered	\$ 34,996	0.21%	\$ 57,025	0.21%
9 10 11 12 13 14 15 16 17 18				
Total	\$ 16,306,814	100.00%	\$ 26,972,710	100.00%
		Service Revenue Requirement (from Sheet 9)	\$ 26,972,709.67	

- (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 cos 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 Ser 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 closely as possible.

### B) Calculated Class Revenues

Name of Customer Class		Forecast (LF) X rent approved rates		LF X current proved rates X (1+d)	LF X	Proposed Rates	Miscellaneous Revenues		
		(7B)		(7C)		(7D)	(7E)		
1 Residential 2 GS < 50 kW 3 GS >50 to 999 kW 4 GS >1000 to 4999 kW 5 Large Use 6 Street Lighting 7 Sentinel Lighting Unmetered and Scattered 9 10 11	\$ \$ \$ \$ \$ \$ \$ \$ \$	14,373,804 2,365,881 2,313,136 510,521 522,350 260,279 31,732 43,288	* * * * * * * *	17,435,906 2,869,893 2,805,911 619,279 633,628 315,727 38,491 52,510	\$ \$ \$ \$ \$ \$ \$ \$ \$	17,435,906 2,869,893 2,807,875 619,279 633,628 315,727 36,528 52,510	\$ \$ \$ \$ \$ \$ \$ \$ \$	1,597,793 230,834 236,923 41,741 55,341 28,422 5,269 5,041	
13 14 15 16 17 18 19 20	\$	20,420,991	\$	24,771,346	\$	24,771,346	\$	2,201,364	

<sup>(4)</sup> In columns 7B to 7D, LF means Load Forecast of Annual Billing Quantities (i.e., customers or connections, as applicable X 12 months, and kWh, kW or kVA Revenue quantities should be net of the Transformer Ownership Allowance for applicable customer classes. Exclude revenues from rate adders and rate rid

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

<sup>(6)</sup> Column 7C - The OEB-issued cost allocation model calculates "1+d" on worksheet O-1, cell C22. "d" is defined as Revenue Deficiency/Revenue at Current I

<sup>(7)</sup> Column 7E - If using the OEB-issued cost allocation model, enter Miscellaneous Revenues as it appears on worksheet O-1, row 19,

### C) Rebalancing Revenue-to-Cost Ratios

Name of Customer Class	Previously Approved Ratios	Status Quo Ratios	Proposed Ratios	Policy Range		
	Most Recent Year:	(7C + 7E) / (7A)	(7D + 7E) / (7A)			
	%	%	%	%		
1 Residential	97.83%	101.74%	101.74%	85 - 115		
2 GS < 50 kW	109.47%	98.07%	98.07%	80 - 120		
GS >50 to 999 kW	97.83%	89.02%	89.08%	80 - 120		
GS >1000 to 4999 kW	120.00%	118.97%	118.97%	80 - 120		
Large Use	115.00%	98.44%	98.44%	85 - 115		
Street Lighting	97.83%	109.16%	109.16%	80 - 120		
Sentinel Lighting Unmetered and Scattered	60.00%	76.93%	73.48%	80 - 120		
Onmetered and Scattered	104.42%	100.92%	100.92%	80 - 120		
<b>;</b>						
3						

<sup>(8)</sup> Previously Approved Revenue-to-Cost (R/C) Ratios - For most applicants, the most recent year would be the third year (at the latest) of the Price Cap IR per 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 is equal to those after the adjustment in 2014.

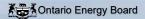
<sup>(9)</sup> Status Quo Ratios - The OEB-issued cost allocation model provides the Status Quo Ratios on Worksheet O-1. The Status Quo means "Before Rebalancing"

<sup>(10)</sup> Ratios shown in red are outside of the allowed range. Applies to both Tables C and D.

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

Name of Customer Class	Propose	Policy Range		
	Test Year	Price Cap IR Po	eriod	
		1	2	
Residential	101.74%	101.74%	101.74%	85 - 115
GS < 50 kW	98.07%	98.07%	98.07%	80 - 120
GS >50 to 999 kW	89.08%	89.08%	89.08%	80 - 120
GS >1000 to 4999 kW	118.97%	118.30%	118.30%	80 - 120
Large Use	98.44%	98.44%	98.44%	85 - 115
Street Lighting	109.16%	109.16%	109.16%	80 - 120
Sentinel Lighting	73.48%	80.00%	80.00%	80 - 120
Unmetered and Scattered	100.92%	100.92%	100.92%	80 - 120
3				
5				
1				
9				

<sup>(11)</sup> The applicant should complete Table D if it is applying for approval of a revenue-to-cost ratio in 2021 that is outside of the OEB's policy range for any custon 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-c be "Change" or "No Change" in 2019 (in the current Revenue/Cost Ratio Adjustment Workform, Worksheet C1.1 'Decision - Cost Revenue Adjustment, colu TBD for class(es) that will be entered as 'Rebalance'.



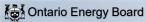
### Rate Design and Revenue Reconciliation

This sheet replaces Appendix 2-V, and provides a simplified model for calculating the standard monthly and voluemtric rates based on the allocated class revenues and fixed/variable split resulting from the cost allocation study and rate design and as proposed by the applicant. However, the RRWF does not replace the rate generator model that an applicant distributor may use in support of its application. The RRWF provides a demonstrative check on the derivation of the revenue requirement 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:		I.	nitial Application		C	lass Allocated R	venues					Dist	ribution Rates			Revenue Reconciliati	on
	Customer and Lo	oad Forecast				t 11. Cost Allocat Residential Rate	on and Sheet 12. Design	Fixed / Variab  Percentage to be fraction betwe	entered as a	•							
Customer Class	Volumetric Charge	Customers /	kWh	kW or kVA	Total Class Revenue	Monthly	Volumetric	Fixed	Variable	Transformer Ownership	Monthly Serv	rice Charge	Volumetr	c Rate	1		Distribution Revenues less
From sheet 10. Load Forecast	Determinant	Connections	KVVII	KW OF KVA	Requirement	Service Char	je Volumetric			Allowance 1 (\$)	Rate	No. of decimals	Rate	No. of decimals	MSC Revenues	Volumetric revenues	Transformer Ownership
1 Residential 2 GS < 50 kW 3 GS > 50 to 999 kW 4 GS > 1000 to 4999 kW 5 GS > 1000 to 4999 kW 5 GS > 1000 to 4999 kW 6 GS + 1000 to 4999 kW 6 GS treet Lighting 7 Sentinet Lighting 8 Unmetered and Scattered 9 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	KWh KW KW KW KW KW KW	40,088 2,990 344 12 3 2,919 231 223	353,525,758 87,960,137 - - - - 1,067,791 - - - - - -	595,236 225,594 260,034 14,179 378 - - - - - - - - - - - - -	\$ 17,435,906 \$ 2,868,893 \$ 2,807,875 \$ 619,275 \$ 633,626 \$ 315,727 \$ 36,525 \$ 52,510	\$ 800,10 \$ 434,38 \$ 119,20 \$ 119,00 \$ 113,88 \$ 17,93	0 \$ 2,069,793 6 \$ 2,373,488 3 \$ 500,076 4 \$ 514,624 7 \$ 201,870 7 \$ 18,551	100.00% 27.88% 15.47% 19.25% 36.06% 49.22% 54.14%	0.00% 72.12% 84.55% 80.75% 81.22% 63.94% 50.78% 45.86%	\$ 42,807 \$ 118,660	\$36.2! \$22.3! \$105.2! \$827.8! \$3,305.66 \$3.2! \$6.4! \$10.6!	) ) ) ; ;	\$0,0000 /k-W \$0.0235 /k-W \$4.0534 /k-W \$2.7427 /k-W \$1.9791 /k-W \$14.2372 /k-W \$49.0965 /k-W \$0.0226 /k-W	h	\$ 17,438,098.76 \$ 800,099.68 \$ 494,396.28 \$ 119,203.20 \$ 119,003.76 \$ 113,857.05 \$ 17,977.42 \$ 28,428.63 \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ -	\$ 2,067,063,2271 \$ 2,416,299,5136 \$ 618,736,3579 \$ 514,633,5396 \$ 201,870,1658 \$ 18,550,8550 \$ 24,132,0825 \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ -	\$ 17,438,098.76 \$ 2,807,162.97 \$ 2,807,878.77 \$ 619,279.47 \$ 633,637.33 \$ 315,727.2. \$ 36,528.2 \$ 52,560.7 \$ 5.5 \$ -
								Total Transformer Owner	ership Allowance	\$ 161,467					Total Distribution R	evenues	\$ 24,770,873.4
lotes:													Rates recover revenu	e requirement	Base Revenue Requ	uirement	\$24,771,345.6
Transformer Ownership Allowance is	entered as a positive a	mount, and only for t	those classes to wh	ich it applies.											Difference % Difference		-\$ 472.2° -0.002°

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

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



### **Tracking Form**

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

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

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

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

### Summary of Proposed Changes

			Cost of	Capital	Rate Bas	e and Capital Exp	enditures	Ope	erating Expense	es	Revenue Requirement			
	Reference <sup>(1)</sup>	Item / Description <sup>(2)</sup>	Regulated Return on Capital	Regulated Rate of Return	Rate Base	Working Capital	Working Capital Allowance (\$)	Amortization / Depreciation	Taxes/PILs	OM&A	Service Revenue Requirement	Other Revenues		
		Original Application	\$ 6,238,100	5.49%	\$ 113,581,019	\$ 114,089,211	\$ 8,556,691	\$ 4,916,957	\$ 684,115	\$ 14,933,345	\$ 26,972,710	\$ 2,201,364	\$ 24,771,346	\$ 4,350,355
1		Change												
2		Change												
3		Change												
4		Change												
5		Change												
6		Change												
7		Change												