



# Exhibit 6

## Revenue Requirement and Revenue Deficiency or Sufficiency

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## 2.6.1 Calculation of Revenue Requirement

In this exhibit, NOTL Hydro’s revenue requirement is being calculated based on the proposed rate base and cost structure. At this point, no account is being taken of NOTL Hydro’s proposed rate mitigation (assuming no significant alterations are made to this proposal). The rate mitigation will be dealt with separately in Exhibit 8.

NOTL Hydro has included the following information in this Exhibit:

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

### Determination of Net Income

**Table 6.1: Determination of Net Income**

Particulars	Application
<b><u>Operating Revenues:</u></b>	
Distribution Revenue (at Proposed Rates)	\$6,725,757
Other Revenue	\$608,681
<b>Total Operating Revenues</b>	<b>\$7,334,438</b>
<b><u>Operating Expenses:</u></b>	
OM&A Expenses	\$3,571,884
Depreciation/Amortization	\$1,417,700
Property taxes	\$43,384
<b>Total Operating Expenses</b>	<b>\$5,032,969</b>
Deemed Interest Expense	\$830,536
<b>Total Expenses</b>	<b>\$5,863,504</b>
<b>Utility income before income taxes</b>	<b>\$1,470,933</b>
Income taxes (grossed-up)	\$140,029
<b>Net income</b>	<b>\$1,330,905</b>

1 **Statement of Rate Base**

2 **Table 6.2: Statement of Rate Base**

Particulars	2019	2019	2020	2021	2022	2023	2024
	Board Appr	Actual	Actual	Actual	Actual	Bridge	Test
Net Capital Assets in Service:							
Opening Balance		26,203,305	26,084,280	29,497,401	30,732,245	30,264,127	32,905,404
Ending Balance		26,084,280	29,497,401	30,732,245	30,264,127	32,905,404	33,466,174
<b>Average Balance</b>	28,311,753	26,143,792	27,790,840	30,114,823	30,498,186	31,584,765	33,185,789
Working Capital Allowance	2,145,223	2,188,969	2,488,316	2,204,021	2,158,894	2,142,595	2,361,874
<b>Total Rate Base</b>	<b>30,456,976</b>	<b>28,332,761</b>	<b>30,279,156</b>	<b>32,318,844</b>	<b>32,657,079</b>	<b>33,727,361</b>	<b>35,547,664</b>

3  
4 Further details on the determination of rate base can be found in Exhibit 2.

5 **Rate of Return**

6 NOTL Hydro is requesting a rate of return on rate base of 6.08% and a rate of return on equity of  
7 9.36% which is the rate or return indicated in the OEB guidelines. More detail on the requested  
8 rate of return can be found in Exhibit 5.

9  
10 **Table 6.3: Rate of Return on Rate Base 2024**

Particulars	Capitalization Ratio	Cost Rate	Return
<b>Debt</b>	(%)	(\$)	(%)
Long-term Debt	56.0%	\$ 19,906,692	3.83%
Short-term Debt	4.0%	\$ 1,421,907	4.79%
<b>Total Debt</b>	<b>60.0%</b>	<b>\$ 21,328,598</b>	<b>3.89%</b>
<b>Equity</b>			
Common Equity	40.0%	\$ 14,219,065	9.36%
Preferred Shares		\$ -	
<b>Total Equity</b>	<b>40.0%</b>	<b>\$ 14,219,065</b>	<b>9.36%</b>
<b>Total</b>	<b>100.0%</b>	<b>\$35,547,664</b>	<b>6.08%</b>

11  
12 NOTL Hydro's indicated return on rate base for 2019-2022 as well as the forecast bridge and test  
13 years are shown below. These varied above and below the approved rate of return on rate base  
14 of 5.58%.

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**Table 6.4: Historical Indicated Returns on Rate Base**

	2019 BA	2019	2020	2021	2022	2023	2024	2024 @ 2023 rates
<b>Operating Revenues</b>								
Distribution Revenues	5,239,066	5,445,443	5,944,166	5,538,823	5,567,735	5,874,919	6,725,757	6,046,134
Other Revenue	482,447	319,680	32,384	836,567	1,542,595	564,121	608,681	608,681
swap MTM		50,364	255,112	(287,094)	(672,909)			
Other adjustments		20,915	(21,746)	9,108	166			
Revised other revenue	482,447	390,959	265,750	558,581	869,852	564,121	608,681	608,681
<b>Revised revenue</b>	<b>5,721,514</b>	<b>5,836,403</b>	<b>6,209,916</b>	<b>6,097,404</b>	<b>6,437,587</b>	<b>6,439,040</b>	<b>7,334,438</b>	<b>6,654,815</b>
<b>OM&amp;A Expenses</b>	2,671,367	2,839,611	2,963,599	3,167,865	3,320,508	3,410,378	3,571,884	3,571,884
Depreciation & Amortization	1,127,484	886,207	1,283,075	1,227,391	1,276,739	1,347,691	1,417,700	1,417,700
Property and Taxes	34,955	35,495	41,701	42,226	42,743	43,384	43,384	43,384
less donations		(9,260)	(10,860)	(5,797)	(6,003)	-	-	-
<b>Total Costs &amp; Expenses</b>	<b>3,833,805</b>	<b>3,752,054</b>	<b>4,277,516</b>	<b>4,431,686</b>	<b>4,633,987</b>	<b>4,801,453</b>	<b>5,032,969</b>	<b>5,032,969</b>
Interest Expenses (Actual and Deemed)	697,830	452,494	382,042	407,631	521,728	744,565	830,536	830,536
Interest on deferral accounts		19,347	(105,953)	1,452	9,880			
Adj to deemed interest		158,302	257,589	338,374	236,413			
Revised interest	697,830	630,144	533,678	747,458	768,021	744,565	830,536	830,536
<b>Total Expenses</b>	<b>4,531,636</b>	<b>4,382,197</b>	<b>4,811,194</b>	<b>5,179,145</b>	<b>5,402,008</b>	<b>5,546,018</b>	<b>5,863,504</b>	<b>5,863,504</b>
Utility Income before Income Taxes / PILs	<b>1,189,878</b>	<b>1,454,205</b>	<b>1,398,722</b>	<b>918,260</b>	<b>1,035,580</b>	<b>893,022</b>	<b>1,470,933</b>	<b>791,310</b>
PILs / Income Taxes	95,863	137,437	(358,781)	231,088	275,901	166,231	140,029	-
Reverse PILS		(137,437)	358,781	(231,088)	(275,901)			
Revised PILS	95,863	(38,574)	236,274	34,429	(113,213)	166,231	140,029	-
Utility Income	<b>1,094,015</b>	<b>1,492,779</b>	<b>1,162,449</b>	<b>883,831</b>	<b>1,148,793</b>	<b>726,791</b>	<b>1,330,905</b>	<b>791,310</b>
Utility Income	1,094,015	1,492,779	1,162,449	883,831	1,148,793	726,791	1,330,905	791,310
Utility Rate Base	30,456,976	25,947,551	29,083,502	32,318,916	32,657,079	33,727,361	35,547,664	35,547,664
Deemed Equity Portion of Rate Base	12,182,791	10,379,020	11,633,401	12,927,566	13,062,832	13,490,944	14,219,065	14,219,065
Income/(Equity Portion of Rate Base)	8.98%	14.38%	9.99%	6.84%	8.79%	5.39%	9.36%	5.57%
<b>Indicated Rate of Return</b>	<b>5.88%</b>	<b>8.18%</b>	<b>5.83%</b>	<b>5.05%</b>	<b>5.87%</b>	<b>4.36%</b>	<b>6.08%</b>	<b>4.56%</b>
<b>Approved Rate of Return</b>	<b>5.88%</b>	<b>5.88%</b>	<b>5.88%</b>	<b>5.88%</b>	<b>5.88%</b>	<b>5.88%</b>	<b>6.08%</b>	<b>6.08%</b>
Sufficiency / (Deficiency) in Return	0.00%	2.30%	(0.05%)	(0.84%)	(0.01%)	(1.52%)	0.00%	(1.52%)
Net Revenue Sufficiency / (Deficiency)	-	<b>596,376</b>	<b>(14,914)</b>	<b>(270,097)</b>	<b>(4,468)</b>	<b>(512,892)</b>	-	<b>(539,594)</b>

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**3 Revenue Sufficiency / (Deficiency)**

4 NOTL Hydro's Projected revenue for 2023 at current 2023 rates is provided in the table below.

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**Table 6.5: Projected Bridge Year Distribution Revenue**

2023 Rates at 2023 Load								
Bridge Year Projected Revenue from Existing Variable Charges								
Customer Class Name	Variable Distribution Rate	per	Bridge Year Volume	Gross Variable Revenue	Transform. Allowance Rate	Transform. Allowance kW's	Transform. Allowance \$'s	Net Variable Revenue
Residential	\$0.0000	kWh	78,769,365	\$0.00	\$0.0000		\$0	\$0
General Service < 50 kW	\$0.0129	kWh	44,812,686	\$578,083.65	\$0.0000		\$0	\$578,084
General Service > 50 kW	\$2.6057	kW	218,199	\$568,561.06	(\$0.5600)	28,940	(\$16,207)	\$552,355
Large User	\$2.6057	kW	30,000	\$78,171.00	(\$0.5600)	30,000	(\$16,800)	\$61,371
Unmetered Scattered Load	\$0.0060	kWh	379,083	\$2,274.50	\$0.0000		\$0	\$2,275
Street Lighting	\$1.9144	kW	1,572	\$3,009.44	\$0.0000		\$0	\$3,009
<b>Total Variable Revenue</b>				<b>\$1,230,099.65</b>		<b>58,940</b>	<b>(\$33,007)</b>	<b>\$1,197,093</b>

2023 Rates at 2023 Load								
Bridge 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	\$31.9700	8,282	\$3,177,450.35	\$0.00	\$3,177,450.35	100.00%		52.55%
General Service < 50 kW	\$43.5600	1,487	\$777,023.28	\$578,083.65	\$1,355,106.93	57.34%	42.66%	22.41%
General Service > 50 kW	\$311.3100	125	\$466,965.00	\$552,354.50	\$1,019,319.50	45.81%	54.19%	16.86%
Large User	\$4,080.9900	1	\$24,485.94	\$61,371.00	\$85,856.94	28.52%	71.48%	1.42%
Unmetered Scattered Load	\$23.4300	60	\$16,869.60	\$2,274.50	\$19,144.10	88.12%	11.88%	0.32%
Street Lighting	\$7.9500	2,254	\$215,031.60	\$3,009.44	\$218,041.04	98.62%	1.38%	3.61%
<b>Total Fixed Revenue</b>		<b>12,208</b>	<b>\$4,677,825.77</b>	<b>\$1,197,093.09</b>	<b>\$5,874,918.86</b>			

The following two tables show the revenue for 2024 using both current 2023 rates and proposed rates. The difference of \$679,623 is equal to the net revenue deficiency. The adjustments to taxable income result in a zero-dollar amount for PILs At Current Approved Rates calculation in the Revenue Requirement Workform tab 8 which shows the net deficiency as \$539,662. The difference being the PILs amount of \$140,029.

**Table 6.6: Projected Test Year Distribution Revenue at Current Rates**

2023 Rates at 2024 Load								
Test Year Projected Revenue from Existing Variable Charges								
Customer Class Name	Variable Distribution Rate	per	Test Year Volume	Gross Variable Revenue	Transform. Allowance Rate	Transform. Allowance kW's	Transform. Allowance \$'s	Net Variable Revenue
Residential	\$0.0000	kWh	79,654,824	\$0			\$0	\$0
General Service < 50 kW	\$0.0129	kWh	45,316,433	\$584,582			\$0	\$584,582
General Service > 50 kW	\$2.6057	kW	221,036	\$575,952	(\$0.5600)	28,940	(\$16,207)	\$559,746
Large User	\$2.6057	kW	60,000	\$156,342	(\$0.5600)	60,000	(\$33,600)	\$122,742
Unmetered Scattered Load	\$0.0060	kWh	379,083	\$2,275			\$0	\$2,275
Street Lighting	\$1.9144	kW	1,572	\$3,009			\$0	\$3,009
<b>Total Variable Revenue</b>				<b>\$1,322,160</b>		<b>88,940</b>	<b>(\$49,807)</b>	<b>\$1,272,354</b>

2023 Rates at 2024 Load								
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	\$31.97	8,404	\$3,224,030.64	\$0.00	\$3,224,030.64	100.00%	0.00%	53.32%
General Service < 50 kW	\$43.56	1,523	\$795,841.20	\$584,581.99	\$1,380,423.19	57.65%	42.35%	22.83%
General Service > 50 kW	\$311.31	127	\$473,035.55	\$559,745.80	\$1,032,781.34	45.80%	54.20%	17.08%
Large User	\$4,080.99	1	\$48,971.88	\$122,742.00	\$171,713.88	28.52%	71.48%	2.84%
Unmetered Scattered Load	\$23.43	60	\$16,869.60	\$2,274.50	\$19,144.10	88.12%	11.88%	0.32%
Street Lighting	\$7.95	2,254	\$215,031.60	\$3,009.44	\$218,041.04	98.62%	1.38%	3.61%
<b>Total Fixed Revenue</b>		<b>12,368</b>	<b>\$4,773,780.46</b>	<b>\$1,272,353.72</b>	<b>\$6,046,134.18</b>			

**Table 6.7: Projected Test Year Distribution Revenue at Proposed Rates**

2024 Rates at 2024 Load		Test Year Projected Revenue from Proposed Variable Charges						
Customer Class Name	Variable Distribution Rate	per	Test Year Volume	Gross Variable Revenue	Transform. Allowance Rate	Transform. Allowance kW's	Transform. Allowance \$'s	Net Variable Revenue
Residential	\$0.0000	kWh	79,654,824	\$0.00			\$0	\$0
General Service < 50 kW	\$0.0144	kWh	45,316,433	\$650,292.62			\$0	\$650,293
General Service > 50 kW	\$2.8904	kW	221,036	\$638,871.24	(\$0.5600)	28,940	(\$16,207)	\$622,665
Large User	\$2.8356	kW	60,000	\$170,138.96	(\$0.5600)	60,000	(\$33,600)	\$136,539
Unmetered Scattered Load	\$0.0067	kWh	379,083	\$2,530.17			\$0	\$2,530
Street Lighting	\$2.1296	kW	1,572	\$3,347.72			\$0	\$3,348
<b>Total Variable Revenue</b>				<b>\$1,465,180.71</b>		<b>88,940</b>	<b>(\$49,807)</b>	<b>\$1,415,374</b>

  

2024 Rates at 2024 Load		Test Year Projected Revenue from Proposed Fixed Charges						
Customer Class Name	Fixed Rate	Customers (Connections)	Fixed Charge Revenue	Variable Revenue	TOTAL	% Fixed Revenue	% Variable Revenue	% Total Revenue
Residential	\$35.56	8,404	\$3,586,431.62	\$0.00	\$3,586,431.62	100.00%	0.00%	53.32%
General Service < 50 kW	\$48.46	1,523	\$885,298.67	\$650,292.62	\$1,535,591.30	57.65%	42.35%	22.83%
General Service > 50 kW	\$346.30	127	\$526,207.67	\$622,664.69	\$1,148,872.35	45.80%	54.20%	17.08%
Large User	\$4,539.72	1	\$54,476.62	\$136,538.96	\$191,015.58	28.52%	71.48%	2.84%
Unmetered Scattered Load	\$26.06	60	\$18,765.85	\$2,530.17	\$21,296.02	88.12%	11.88%	0.32%
Street Lighting	\$8.84	2,254	\$239,202.48	\$3,347.72	\$242,550.20	98.62%	1.38%	3.61%
<b>Total Fixed Revenue</b>		<b>12,368</b>	<b>\$5,310,382.91</b>	<b>\$1,415,374.15</b>	<b>\$6,725,757.07</b>			

Based on these revenue projections above, the proposed net income and the net income if rates were left at current levels can be compared.

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**Table 6.8: Net Income at Current and Proposed Rates**

<b>Particulars</b>	<b>Test Year at Proposed Rates</b>	<b>Test Year at Current Rates</b>
<b><u>Operating Revenues:</u></b>		
Distribution Revenue (at Proposed Rates)	\$6,725,757	\$6,046,134
Other Revenue	\$608,681	\$608,681
<b>Total Operating Revenues</b>	<b>\$7,334,438</b>	<b>\$6,654,815</b>
<b><u>Operating Expenses:</u></b>		
OM&A Expenses	\$3,571,884	\$3,571,884
Depreciation/Amortization	\$1,417,700	\$1,417,700
Property taxes	\$43,384	\$43,384
<b>Total Operating Expenses</b>	<b>\$5,032,969</b>	<b>\$5,032,969</b>
Deemed Interest Expense	\$830,536	\$830,536
<b>Total Expenses</b>	<b>\$5,863,504</b>	<b>\$5,863,504</b>
<b>Utility income before income taxes</b>	<b>\$1,470,933</b>	<b>\$791,310</b>
Income taxes (grossed-up)	\$140,029	\$0
<b>Net income</b>	<b>\$1,330,905</b>	<b>\$791,310</b>
<b>Net Revenue Deficiency (RRWF)</b>	<b>\$539,594</b>	
<b>Net Revenue Deficiency (remove PILs difference of \$140,029)</b>	<b>\$679,623</b>	

2

3 The drivers of the revenue deficiency are set out below. NOTL Hydro compared the revenue  
 4 requirement, based on actual expenditures, with actual distribution revenue. As NOTL Hydro has  
 5 had only IRM adjustments to its rates the actual distribution revenue would have only increased  
 6 with inflationary rate increases and growth from 2019-2023.

7



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**Table 6.9: Revenue Deficiency Drivers**

<b>Driver</b>	<b>Explanation</b>	<b>Impact</b>
Inflation	The deficiency is determined by comparing the 2024 load at current (2023) and projected rates. In an IRM year the current rates would be increased by the rate of inflation less NOTL Hydro's productivity factor. A rate of 4.85% has been used as the estimate for 2024 inflation using the OEB methodology.	\$293,238
Return on Capital	The weighted average rate of return is proposed to increase from 5.88% to 6.08%	71,339
PILs	PILs has increased above the rate of inflation.	24,083
Newly required costs	These are costs that have increased to meet regulatory and legal requirements. These include smart MIST meters and related reporting, locates, cyber security, customer billing, control room and station maintenance. More detailed explanations are provided in Exhibit 6.	227,920
Other expenses less growth	Costs have also increased for a number of other reasons. Some costs have had increases well above the rate of inflation (insurance, benefits, billing supplies), others have been due to choices by NOTL Hydro to provide better service (GIS analyst, underground services) and some have been due to the loss of cost offsets (CDM, AFT). Offsetting all of these increased costs has been the benefit of growth.	63,043
<b>Gross Deficiency</b>		<b>\$679,623</b>

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3 There were no changes in methodologies or accounting policies having an impact on the  
 4 determination of the revenue deficiency.

5

6 The Revenue Requirement Work Form (RRWF) has been included as Appendix A.

## 2.6.2 Payment in Lieu of Taxes and Property Taxes

### 2.6.2.1 Income Taxes of PILS

The table below provides the tax rates used in the determination of PILs.

**Table 6.10: Corporate tax Rates**

	2019	2019	2020	2021	2022	2023	2024
Tax Rates	Board Appr	Actual	Actual	Actual	Actual	Bridge	Test
Effective Date	2019-01-01	2019-01-01	2020-01-01	2020-01-01	2020-01-02	2020-01-02	2020-01-03
<b>Federal income tax</b>							
General corporate rate	38.00%	38.00%	38.00%	38.00%	38.00%	38.00%	38.00%
Federal tax abatement	(10.00%)	(10.00%)	(10.00%)	(10.00%)	(10.00%)	(10.00%)	(10.00%)
Adjusted federal rate	<b>28.00%</b>	<b>28.00%</b>	<b>28.00%</b>	<b>28.00%</b>	<b>28.00%</b>	<b>28.00%</b>	<b>28.00%</b>
Rate reduction	(13.00%)	(13.00%)	(13.00%)	(13.00%)	(13.00%)	(13.00%)	(13.00%)
	<b>15.00%</b>	<b>15.00%</b>	<b>15.00%</b>	<b>15.00%</b>	<b>15.00%</b>	<b>15.00%</b>	<b>15.00%</b>
<b>Ontario income tax</b>							
Ontario income tax	11.50%	11.50%	11.50%	11.50%	11.50%	11.50%	11.50%
<b>Combined federal and Ontario</b>	<b>26.50%</b>	<b>26.50%</b>	<b>26.50%</b>	<b>26.50%</b>	<b>26.50%</b>	<b>26.50%</b>	<b>26.50%</b>
<b>Effective tax rate</b>	<b>26.50%</b>	<b>26.50%</b>	<b>26.50%</b>	<b>26.50%</b>	<b>26.50%</b>	<b>24.16%</b>	<b>24.33%</b>
<b>Federal &amp; Ontario Small Business</b>							
Federal small business threshold	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Ontario Small Business Threshold	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Federal small business rate	10.00%	10.00%	9.00%	9.00%	9.00%	9.00%	9.00%
Ontario small business rate	3.50%	3.50%	3.20%	3.20%	3.20%	3.20%	3.20%

The table below provides the calculation of taxable income. NOTL Hydro pays an annual dividend to Niagara-on-the-Lake Energy. The dividend is paid on an after-tax basis and therefore has no tax impact.

NOTL Hydro's 2022 tax returns are required to be filed by June 30, 2023. As such they have not been finalized by NOTL Hydro tax advisors as of the date of filing of this Cost of Service application. When the finalized tax returns have been received and filed with the Ministry of Finance they will also be filed as an addendum to this application.

**Table 6.11: Taxable Income Calculation**

	T2 S1 line #	2019BA	2019	2020	2021	2022	2023	2024
Amount calculated on line 9999 from Schedule 125		1,094,015	1,413,879	1,664,912	1,299,187	1,672,713	1,262,752	1,330,905
Provision for income taxes - current	101	-	388,116	268,399	437,662	511,395		
Provision for income taxes - deferred	102	-	-	-	-	(235,495)		
<b>Income/(Loss) before PILs/Taxes (Accounting) <sup>1</sup></b>		<b>1,094,015</b>	<b>1,801,995</b>	<b>1,933,311</b>	<b>1,736,849</b>	<b>1,948,613</b>	<b>1,262,752</b>	<b>1,330,905</b>
<b>Additions:</b>								
Interest and penalties on taxes	103		3	3,778	-	-	-	-
Amortization of tangible assets	104	1,240,733	1,029,633	1,043,226	1,227,391	1,276,739	1,347,691	1,417,700
Gain on sale of eligible capital property from Schedule 10	108					27,515		
Loss on disposal of assets	111		46,711	39,080	21,432	24,457	84,457	24,457
Charitable donations	112		6,500	10,860	4,797	5,003	-	-
Non-deductible club dues and fees	120				1,000			
Non-deductible meals and entertainment expense	121	1,789	1,347	704	918	852	852	852
Reserves from financial statements- balance at end of year	126	630,204	568,809	616,613	653,973	526,482	533,449	547,943
<b>Other Additions:</b>								
Customer Deposits 12(1)(a)		377,590	654,371	655,826	595,987	-	-	-
Tax included in net movement in reg balances		-	-	1,096,047				
Capital Contributions Received 12(1)(x)		787,136	1,539,628	293,079	656,519	609,776	1,250,028	575,000
Amorization of ICM asset				53,565		-	-	-
Miscellaneous other additions	296	1,164,726	2,193,999	2,098,517	1,252,506	609,776	1,250,028	575,000
<b>Total Additions</b>		<b>3,037,452</b>	<b>3,847,002</b>	<b>3,812,778</b>	<b>3,162,017</b>	<b>2,470,824</b>	<b>3,216,477</b>	<b>2,565,952</b>
<b>Deductions:</b>								
Gain on disposal of assets per financial statements	401			7,796	13,136	66,082	-	-
Capital cost allowance from Schedule 8	403	1,983,602	1,768,061	1,840,568	1,983,194	1,962,922	2,008,708	2,161,523
Reserves from financial statements - balance at beginning of year	414	601,740	530,608	568,809	616,613	653,973	526,482	533,449
Unrealized gain on derivatives (4340)			7,223			-	-	-
Customer Deposits 20(1)(m)		377,590	654,371	655,826	595,987	-	-	-
Amortization of deferred capital contributions		115,513	100,645	123,958	139,925	154,856	172,243	191,425
Adjustment for regulatory assets			366,075		377,602	1,400,352		
Capital contributions received		787,136	1,539,628	293,079	656,519	609,776	1,250,028	575,000
Tax included in regulatory balances			250,679	627,180	206,574	-	-	-
Remeasurement of post-employment benefits			-	14,669		-	-	-
ICM Proceeds in P&L				729,258		-	-	-
Miscellaneous other deductions	396	1,280,239	2,918,621	2,443,970	1,976,607	2,164,984	1,422,271	766,425
<b>Total Deductions</b>		<b>3,865,581</b>	<b>5,217,290</b>	<b>4,861,143</b>	<b>4,589,550</b>	<b>4,847,961</b>	<b>3,957,461</b>	<b>3,461,397</b>
<b>NET INCOME (LOSS) FOR TAX PURPOSES</b>								
		<b>265,885</b>	<b>431,707</b>	<b>884,946</b>	<b>309,316</b>	<b>(428,524)</b>	<b>521,768</b>	<b>435,460</b>
Charitable donations from Schedule 2	311		11,754	10,860	4,797	-	-	-
<b>TAXABLE INCOME (LOSS)</b>		<b>265,885</b>	<b>419,953</b>	<b>874,086</b>	<b>304,519</b>	<b>(428,524)</b>	<b>521,768</b>	<b>435,460</b>

The following is the source of the data in the taxable income calculation for the bridge and test years:

- **Net Income** – As calculated for NOTL Hydro’s capital structure in Exhibit 5
- **Amortization of Tangible assets** – From the fixed asset continuity schedule in Exhibit 2
- **Loss on Disposal of Assets** – From the fixed asset continuity schedule in Exhibit 2
- **Charitable Donations** – excluded from OM&A so not needed to deduct
- **Meals and Entertainment** – estimated based on historical deductions
- **Reserves from Financial Statements** – NOTL Hydro has only two reserves as shown below; the reserve for bad debts and the reserve for post-employment benefits.

**Table 6.12: Financial Statement Reserves**

	2019BA		2019		2020		2021		2022		2023		2024	
	Changes (+/-)	Year end balance	Changes (+/-)	Year end balance	Changes (+/-)	Year end balance	Changes (+/-)	Year end balance	Changes (+/-)	Year end balance	Changes (+/-)	Year end balance	Changes (+/-)	Year end balance
Accounting Reserves not deducted for tax purposes:														
General reserve for bad debts		95,418	9,737	34,023	4,702	38,725	325	39,050	950	40,000	-	40,000	-	40,000
Other Post-Employment Benefits		534,786	28,464	534,786	43,102	577,888	37,035	614,923	(128,441)	486,482	6,967	493,449	14,494	507,943
<b>TOTAL</b>	-	<b>630,204</b>	<b>38,201</b>	<b>568,809</b>	<b>47,804</b>	<b>616,613</b>	<b>37,360</b>	<b>653,973</b>	<b>(127,491)</b>	<b>528,482</b>	<b>6,967</b>	<b>533,449</b>	<b>14,494</b>	<b>547,943</b>
<b>TOTAL RESERVES</b>	-	<b>630,204</b>	<b>38,201</b>	<b>568,809</b>	<b>47,804</b>	<b>616,613</b>	<b>37,360</b>	<b>653,973</b>	<b>(127,491)</b>	<b>528,482</b>	<b>6,967</b>	<b>533,449</b>	<b>14,494</b>	<b>547,943</b>

- **Capital Contributions** – these are both added and subtracted
- **Amortization of Deferred Capital Contributions** - From the fixed asset continuity schedule in Exhibit 2
- **Capital Cost Allowance** – As per the calculations below:

**Table 6.13: 2023 CCA Calculation**

Class	Class Description	2023								
		UCC Beginning of Year	Additions	Proceeds of Disposition	UCC Before 1/2 Yr Adjustment	1/2 Year Rule (1/2 Additions Less Disposals)	Reduced UCC	Rate %	Bridge Year CCA	UCC End of Bridge Year
1	Distribution System - post 1987	6,672,580	0.00	0.00	\$ 6,672,580	\$ -	\$ 6,672,580	4%	\$ 266,903	\$ 6,405,677
1b	Non-residential Buildings Reg. 1100(1)(a.1) election	447,884	500,000.00	0.00	\$ 947,884	\$ 250,000	\$ 697,884	6%	\$ 41,873	\$ 906,011
2	Distribution System - pre 1988	1,804,344	0.00	0.00	\$ 1,804,344	\$ -	\$ 1,804,344	6%	\$ 108,261	\$ 1,696,083
6	Fencing	1,279	0.00	0.00	\$ 1,279	\$ -	\$ 1,279	10%	\$ 128	\$ 1,151
8	General Office/Stores Equip/Smart Grid	402,456	12,000.00	0.00	\$ 414,456	\$ 6,000	\$ 408,456	20%	\$ 81,691	\$ 332,765
10	Vehicles	203,197	463,000.00	0.00	\$ 666,197	\$ 231,500	\$ 434,697	30%	\$ 130,409	\$ 535,788
10.1	Certain Automobiles	51,721	0.00	0.00	\$ 51,721	\$ -	\$ 51,721	30%	\$ 15,516	\$ 36,205
17	New Electrical Generating Equipment Acq'd after Feb 27/00 Other Than Bldgs	10,981	0.00	0.00	\$ 10,981	\$ -	\$ 10,981	8%	\$ 878	\$ 10,103
45	Computers & Systems Software acq'd post Mar 22/04	41	0.00	0.00	\$ 41	\$ -	\$ 41	45%	\$ 18	\$ 22
47	Distribution System - post February 2005	15,031,491	3,029,499.79	0.00	\$ 18,060,991	\$ 1,514,750	\$ 16,546,241	8%	\$ 1,323,699	\$ 16,737,292
50	Computer Hardware	60,323	21,497.00	0.00	\$ 81,820	\$ 10,749	\$ 71,071	55%	\$ 39,089	\$ 42,731
14.1	Goodwill	4,835	0.00	0.00	\$ 4,835	\$ -	\$ 4,835	5%	\$ 242	\$ 4,593
	<b>SUB-TOTAL - UCC</b>	<b>\$ 24,691,132</b>	<b>\$ 4,025,997</b>	<b>\$ -</b>	<b>\$ 28,717,129</b>	<b>\$ 2,012,998</b>	<b>\$ 26,704,130</b>		<b>\$ 2,008,708</b>	<b>\$ 26,708,420</b>

**Table 6.14: 2024 CCA Calculation**

Class	Class Description	2024								
		UCC Beginning of Year	Additions	Disposals (Negative)	UCC Before 1/2 Yr Adjustment	1/2 Year Rule (1/2 Additions Less Disposals)	Reduced UCC	Rate %	Test Year CCA	UCC End of Test Year
1	Distribution System - post 1987	6,405,677	0.00	0.00	\$ 6,405,677	\$ -	\$ 6,405,677	4%	\$ 256,227	\$ 6,149,450
1b	Non-residential Buildings Reg. 1100(1)(a.1) election	906,011	13,441.00	0.00	\$ 919,452	\$ 6,721	\$ 912,731	6%	\$ 54,764	\$ 864,688
2	Distribution System - pre 1988	1,696,083	0.00	0.00	\$ 1,696,083	\$ -	\$ 1,696,083	6%	\$ 101,765	\$ 1,594,318
6	Fencing	1,151	0.00	0.00	\$ 1,151	\$ -	\$ 1,151	10%	\$ 115	\$ 1,036
8	General Office/Stores Equip/Smart Grid	332,765	12,000.00	0.00	\$ 344,765	\$ 6,000	\$ 338,765	20%	\$ 67,753	\$ 277,012
10	Vehicles	535,788	455,000.00	0.00	\$ 990,788	\$ 227,500	\$ 763,288	30%	\$ 228,986	\$ 761,801
10.1	Certain Automobiles	36,205	0.00	0.00	\$ 36,205	\$ -	\$ 36,205	30%	\$ 10,861	\$ 25,343
17	New Electrical Generating Equipment Acq'd after Feb 27/00 Other Than Bldgs	10,103	0.00	0.00	\$ 10,103	\$ -	\$ 10,103	8%	\$ 808	\$ 9,294
45	Computers & Systems Software acq'd post Mar 22/04	22	0.00	0.00	\$ 22	\$ -	\$ 22	45%	\$ 10	\$ 12
47	Distribution System - post February 2005	16,737,292	1,420,000.00	0.00	\$ 18,157,292	\$ 710,000	\$ 17,447,292	8%	\$ 1,395,783	\$ 16,761,509
50	Computer Hardware	42,731	75,337.00	0.00	\$ 118,068	\$ 37,669	\$ 80,399	55%	\$ 44,220	\$ 73,848
14.1	Goodwill	4,593	0.00	0.00	\$ 4,593	\$ -	\$ 4,593	5%	\$ 230	\$ 4,364
	<b>SUB-TOTAL - UCC</b>	<b>\$ 26,708,420</b>	<b>\$ 1,975,778</b>	<b>\$ -</b>	<b>\$ 28,684,198</b>	<b>\$ 987,889</b>	<b>\$ 27,696,309</b>		<b>\$ 2,161,523</b>	<b>\$ 26,522,676</b>

Based on the corporate federal and provincial tax rates and the taxable income, the income tax expense is calculated

1

**Table 6.15: Income Tax Expense**

	2019BA	2019	2020	2021	2022	2023	2024							
<b>Regulatory Taxable Income</b>	<b>265,885</b>	<b>419,953</b>	<b>874,086</b>	<b>304,519</b>	<b>(428,524)</b>	<b>521,768</b>	<b>435,460</b>							
<b>Ontario Income Taxes</b>														
Income tax payable	Ontario Income Tax	11.50% 30,577	11.50% 48,295	11.50% 100,520	11.50% 35,020	11.50% 0	11.50% 60,003	11.50% 50,078						
Small business credit														
Ontario Small Business Threshold														
Rate reduction	0.00%	0	0.00%	0	0.00%	0	0.00%	0						
Ontario Income tax			48,295	100,520	35,020	0	60,003	50,078						
<b>Combined Tax Rate and PILs</b>														
Effective Ontario Tax Rate	11.50%	11.50%	11.50%	11.50%	11.50%									
Federal tax rate	15.00%	15.00%	15.00%	15.00%	15.00%									
Combined tax rate	26.50%	26.50%	26.50%	26.50%	26.50%	24.16%	24.33%							
<b>Total Income Taxes</b>		<b>70,460</b>	<b>111,288</b>	<b>231,633</b>	<b>80,698</b>	<b>(113,559)</b>	<b>126,064</b>	<b>105,957</b>						
Investment Tax Credits		0	0	0	0	0	0							
Miscellaneous Tax Credits		0	0	0	0	0	0							
<b>Total Tax Credits</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>							
<b>Corporate PILs/Income Tax Provision</b>		<b>70,460</b>	<b>111,288</b>	<b>231,633</b>	<b>80,698</b>	<b>0</b>	<b>126,064</b>	<b>105,957</b>						
Corporate PILs/Income Tax Provision Gross Up	73.50%	25,404	73.50%	40,124	73.50%	83,514	73.50%	29,095	73.50%	0	75.84%	40,162	75.67%	34,072
<b>Income Tax (grossed-up)</b>		<b>95,863</b>	<b>151,412</b>	<b>315,147</b>	<b>109,793</b>	<b>0</b>	<b>166,226</b>	<b>140,029</b>						

2

3

**4 Accelerated CCA**

5 As the filing guidelines note, in June 2019 the federal government introduced the Accelerated  
 6 Investment Incentive Program (AIIP) which is an optional program that provides for higher CCA  
 7 deductions on new capital investments.

8

9 NOTL Hydro reviewed this program with its Board of Directors and decided not to opt into the  
 10 program. The reason for this was one of fairness to ratepayers. NOTL Hydro is allowed to include  
 11 expected current taxes or amounts estimated to be payable in its rates. Current ratepayers  
 12 therefore benefit from any actions that defer taxes such as this program. However, NOTL Hydro  
 13 makes its investments not just for ratepayers today but for ratepayers many decades in the future.  
 14 To the extent that accelerated tax deferrals are achieved today, at some point these taxes will still  
 15 have to be paid and that obligation will fall on future ratepayers.

16

17 NOTL Hydro realizes that there is a degree of arbitrariness about this. Most CCA rates are faster  
 18 than the depreciation rates used by LDCs so that this deferral is happening anyway. Also, as  
 19 long as LDCs continue to invest in their infrastructure the tax deferral from the new spending will  
 20 offset the reversals of the previous deferrals. Given that this particular deferral was optional and  
 21 that we cannot forecast what the expenditure demands of LDCs will be decades from now, NOTL  
 22 Hydro felt that not utilizing this program was fairer to future rate payers.

## 2.6.2.2 Other Taxes

NOTL Hydro owns the property at its office, the property at its two transformation stations and the property of one former distribution station. The increase in property taxes of 24% is summarized below.

**Table 6.16: Property Tax Expense**

	2019BA	2019	2020	2021	2022	2023	2024
Property Taxes	\$34,955	\$35,495	\$41,701	\$42,226	\$42,743	\$43,384	\$43,384

NOTL Hydro is not subject to any other taxes other than property taxes for the purpose of this application.

## 2.6.2.3 Non-recoverable and Disallowed Expenses

NOTL Hydro does not make political donations but does contribute to the United Way by matching the contributions of employees. These donations have not been included in OM&A and so are therefore also excluded from the calculation of regulatory tax.

## 2.6.3 Other Revenue

### Total Other Revenue

Other Distribution Revenues are revenues that are distribution related but are sourced from means other than distribution rates.

Other Distribution Revenues is broken down into the following categories:

- Specific Service Charges
- Late Payment Charges
- Other Distribution Revenues
- Other Income and Expenses

**Table 6.17: Other Revenue Summary**

Reporting Basis	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS
	2019	2019	2020	2021	2022	2023	2024
USoA Description	Board Appr	Actual	Actual	Actual	Actual	Bridge	Test
Specific Service Charges	63,854.49	113,058.94	89,160.94	85,565.01	151,167.80	97,099.40	97,654.40
Late Payment Charges	54,283.84	49,816.77	16,564.08	34,255.46	33,156.04	33,156.04	33,156.04
Other Distribution/Operating Revenues	313,375.16	266,673.92	312,799.98	344,945.16	370,105.92	410,861.12	394,865.98
Other Income or Deductions	50,934.01	(145,294.9)	(253,263.6)	365,092.97	988,165.49	23,004.09	83,004.09
Total	482,447.50	284,254.69	165,261.42	829,858.60	1,542,595.25	564,120.65	608,680.51

**Specific Service Charges**

A detailed breakdown of Specific Service Charges is shown in the table below.

**Table 6.18: Specific Service Charges**

<i>Specific Service Charges</i>	2019 BA	2019	2020	2021	2022	2023	2024
Misc Revenue - microFIT service charge	17,160.00	14,601.60	17,349.41	17,726.34	17,301.97	17,520.00	17,520.00
Misc Revenue Stale Dated Cheques	0.00	396.06	0.00	222.42	4,535.83	0.00	0.00
Misc Rev Suppliers Discounts	148.51	1,294.55	983.70	482.68	1,171.20	1,171.20	1,171.20
FIT charge	3,310.44	5,280.94	5,214.86	5,359.03	5,500.52	5,749.92	5,749.92
Arrears Certificate	685.39	600.00	926.54	564.81	255.00	255.00	255.00
Easement Letter	67.50	15.00	90.00	135.00	135.00	135.00	135.00
Account history	260.00	270.00	240.00	105.00	105.00	105.00	105.00
Credit reference/credit check (plus credit agency costs)	896.03	375.00	510.00	360.00	330.00	330.00	330.00
Returned Cheque charge (plus bank charges)	1,158.09	1,035.00	1,080.00	795.00	615.00	615.00	615.00
Account set up charge / change of occupancy charge	31,522.50	24,510.00	30,840.00	35,130.00	29,040.00	29,040.00	29,040.00
Meter dispute charge plus Measurement Canada fees (if meter found correct)	0.00	30.00	0.00	0.00	0.00	0.00	0.00
Reconnection at meter - during regular hours	3,472.98	1,960.00	2,250.00	1,425.00	1,615.00	1,615.00	1,955.00
Reconnection at pole - after regular hours	555.00	555.00	185.00	0.00	555.00	555.00	675.00
Miscellaneous Revenue Customer Premises		61,472.49	28,537.07	22,280.54	88,697.68	38,697.68	38,697.68
Markup	4,603.06	663.30	954.36	979.19	990.60	990.60	990.60
<b>Total Specific Service Charges</b>	<b>63,854.49</b>	<b>113,058.94</b>	<b>89,160.94</b>	<b>85,565.01</b>	<b>151,167.80</b>	<b>97,099.40</b>	<b>97,654.40</b>

Most specific service charges are driven by customer activity so NOTL Hydro has little control over service volumes. Nevertheless, volumes of most charges are consistent from year to year and that is reflected in the forecast revenues for 2023 and 2024.

One exception is miscellaneous revenue customer premises. This varies considerably from year to year as includes larger non-capital jobs for other utility businesses. For instance, in 2022, NOTL Hydro performed \$10k of underground services for Bell with their broadband expansion and \$40k for CNP to assist them in recovering from their ice storm in Fort Erie and Port Colborne just after Christmas. Neither of these projects is likely to repeat and that has been reflected in the projected revenue.

The microFIT service charge revenue is based on a charge of \$10. This charge deviates from the generic OEB charge for this service and was approved in the 2019 Cost of Service application EB-2018-0056. NOTL Hydro is maintaining the approved \$10 charge in its service charge rates for approval.

**Late Payment Charges**

**Table 6.19: Late Payment Charges**

	2019 BA	2019	2020	2021	2022	2023	2024
<b>Total Late Payment Charges</b>	<b>\$54,283.84</b>	<b>\$49,816.77</b>	<b>\$16,564.08</b>	<b>\$34,255.46</b>	<b>\$33,156.04</b>	<b>\$33,156.04</b>	<b>\$33,156.04</b>

Late payment charge revenue is relatively stable and has been forecast to remain at 2022 levels.

1 **Other Distribution Revenue**

2  
3 **Table 6.20: Other Distribution Revenue**

	2019 BA	2019	2020	2021	2022	2023	2024
Retailer Service Agreement – monthly fixed charge (per retailer)	\$14,199.20	9,852.00	10,641.84	11,111.72	12,082.48	12,082.48	12,082.48
Service Transaction Request	\$78.50	103.75	133.87	104.52	42.41	42.41	42.41
Standard Supply Service – Administrative Charge - Residential	\$24,457.13	24,124.39	24,450.11	24,503.65	24,770.90	25,181.38	25,181.38
Standard Supply Service – Administrative Charge - USL	\$78.00	80.19	80.87	83.33	160.38	154.50	154.50
Standard Supply Service – Administrative Charge - Streetlights	\$15.00	15.25	15.30	15.25	15.25	15.00	15.00
Standard Supply Service – Administrative Charge - GS<50	\$4,025.00	3,874.28	3,976.34	4,133.67	4,136.16	4,396.50	4,396.50
Standard Supply Service – Administrative Charge - GS>50	\$393.00	311.92	310.03	307.30	319.65	381.00	381.00
Standard Supply Service – Administrative Charge - Large User	\$3.00	2.05	3.06	3.05	1.51	0.00	0.00
Specific Charge for Access to the Power Poles – per pole/year	\$147,578.31	120,479.66	145,888.51	154,349.29	162,580.17	185,253.50	150,076.15
ROOM RENTAL P.O.P. SITE	\$4,234.75	4,385.27	541.87	4,208.13	4,911.50	4,911.50	4,911.50
ROOF RENTAL FIT	\$2,800.00	2,800.00	2,800.00	2,800.00	2,800.00	2,800.00	2,800.00
RENT FROM SMALL CELL ANTENNAS	\$0.00	0.00	0.00	3,400.00	3,400.00	3,400.00	3,400.00
Deferred Revenue Recognized (IFRS)	\$115,513.28	100,645.16	123,958.18	139,925.25	154,885.51	172,242.85	191,425.06
<b>Total Other Distribution Revenues excluding 4080</b>	<b>313,375.16</b>	<b>266,673.92</b>	<b>312,799.98</b>	<b>344,945.16</b>	<b>370,105.92</b>	<b>410,861.12</b>	<b>394,865.98</b>

4  
5  
6 Other distribution revenues are stable on a year-to-year basis with two exceptions.

7  
8 Pole rental revenue is forecast to drop in 2024 by \$30k. This reflects the reduction in the OEB  
9 approved pole rental rate to \$34.76 in 2022 from \$44.50. Though NOTL Hydro reduced the rate  
10 it charged its telecom pole attachment customers, NOTL Hydro was allowed to continue to book  
11 the full revenue through the use of a variance account until the next rebasing. In 2024, the use  
12 of that variance account will cease.

13  
14 The Recognition of Deferred Revenue is also increasing each year. Customer contributions to  
15 capital projects are booked to the Deferred Revenue account and amortized at the same rate as  
16 the corresponding asset. This balance is expected to grow with continued customer activity.

17  
18 **Other Income and Expenses**

19 **Table 6.21: Other Income and Expenses**

	Total 2019 BA	Total 2019	Total 2020	Total 2021	Total 2022	Total 2023	Total 2024
<b>Other Income and Expenses</b>							
REGULATORY DEBIT	\$0.00	(\$29,603.89)	(\$50,387.66)	(\$13,692.15)	(\$7,213.03)	\$0.00	\$0.00
REGULATORY CREDIT	\$0.00	\$0.00	\$0.00	\$0.00	\$130,925.93	\$0.00	\$0.00
4305 CGAAP Accounting Changes	\$0.00	(\$89,992.58)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
SPECIAL PURPOSE RECOVERY CHARGE	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
REVENUE FROM JOBS	\$37,213.35	\$62,360.46	\$48,450.08	\$98,761.36	\$111,199.59	\$82,705.10	\$82,705.10
PROFIT/LOSS ON INVESTMENT	\$0.00	(\$50,364.00)	(\$255,112.00)	\$287,094.00	\$672,909.00	\$0.00	\$0.00
GAIN ON DISP OF PROPERTY	\$0.00	\$15,000.00	\$950.00	\$2,000.00	\$60,690.13	\$0.00	\$0.00
LOSS ON DISPOSAL OF PROPERTY	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
LOSS FROM RETIREMENT OF PROPERTY	\$0.00	(\$61,710.78)	(\$39,079.76)	(\$21,432.19)	(\$24,456.91)	(\$84,456.91)	(\$24,456.91)
REVENUES NON-UTILITY OPERATIO	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
EXPENSES NON-UTILITY OPERATIO	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
CDM REV	\$300,000.00	\$171,642.60	\$230,499.17	\$17,964.45	\$3,075.37	\$0.00	\$0.00
CDM EXP	(\$300,000.00)	(\$192,557.45)	(\$208,753.52)	(\$27,072.53)	(\$3,241.64)	\$0.00	\$0.00
MISC INCOME SALE OF SCRAP	\$3,507.03	\$13,941.11	\$6,846.29	\$11,135.63	\$5,391.82	\$5,391.82	\$5,391.82
MISC INCOME ADMIN EXP RECOVER	\$5,924.21	\$10,031.76	\$9,544.56	\$9,791.16	\$9,906.24	\$9,906.24	\$9,906.24
INT & DIV INCOME MISCELLANEOUS (Values for Variance Accounts removed)	\$0.00	\$0.00	\$0.00	\$0.00	\$2,892.63	\$0.00	\$0.00
INT & DIV INCOME CIBC T-BILLS	\$1,170.23	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
INT & DIV INCOME CIBC 69-0211	\$3,119.19	\$5,957.83	\$3,779.26	\$543.24	\$9,457.84	\$9,457.84	\$9,457.84
RSVA CARRYING CHARGE INT REV (Values for Variance Accounts removed)	\$0.00	\$0.00	\$0.00		\$16,628.52	\$0.00	\$0.00
<b>Total Other Income and Expenses</b>	<b>\$50,934.01</b>	<b>(\$145,294.94)</b>	<b>(\$253,263.58)</b>	<b>\$365,092.97</b>	<b>\$988,165.49</b>	<b>\$23,004.09</b>	<b>\$83,004.09</b>

20  
21 Notable other income and expense accounts included the following:



1 **Regulatory Debit and Credit** – These are used to record the variances in the large use customer  
2 demand above and below 5,000 kW. These are not real income to NOTL Hydro as they are  
3 returned to customers.  
4

5 **Revenue from Jobs** – This will vary from year-to-year based on customer requirements. It  
6 contains the markups on customer jobs and services charged to cover overhead costs on top of  
7 the direct labour and materials costs. 2022 was higher than normal due to work on behalf of Bell  
8 Canada.  
9

10 **Gain or Loss on Disposal of Property** – NOTL Hydro periodically has property that it no longer  
11 needs and can sell. In 2019 some revenue was realized on the sale of a bucket truck that was  
12 replaced and in 2022 an excess piece of property that was previously used for a substation was  
13 sold for \$60k. These are non-recurring events so no revenue has been forecast for 2023 and  
14 2024.  
15

16 **Loss from Retirement of Property** – Assets that are damaged and need replacing (transformers  
17 with leaks, storm damage, etc.) are not usually fully depreciated. Likewise, assets replaced during  
18 system renewal projects are not always fully depreciated. The write-offs of the unamortized  
19 balances are booked to this account. The balances are usually fairly consistent though in 2023  
20 the write-offs are forecast to be higher due to the Virgil underground project.  
21

22 **Profit/loss on Investment** – This account contains the gain/loss on the mark-to-market of the  
23 swaps used to lock in long-term rates on borrowings from CIBC. The MTM is required by IFRS.  
24 Over the course of the loan the MTM will net to zero. As a non-cash and timing item this has  
25 been shown as zero in 2023 and 2024.  
26

27 **CDM** – Revenues and expenses related to the previous CDM programs are booked to these  
28 accounts. NOTL Hydro does not currently have any CDM programs so no activity has been  
29 forecast for 2023 and 2024.  
30  
31

## 32 **Proposed Changes to Specific Service Charges**

33 NOTL Hydro has reviewed the impact of the proposed changes to specific service charges and  
34 assessed the impact to be less than \$600. There is little or no demand for most of these services.

1 There are no discrete customer groups that will be materially affected by the changes to the  
2 charges.

3

#### 4 **Revenue from Affiliates**

5 Revenue from affiliates is provided in detail in Section 4.3.2 of Exhibit 4. Most of the revenue has  
6 been booked to offset costs so reduces OM&A and has not been booked to other revenue. The  
7 one exception is the mark-up on services to cover overhead costs which is included in Revenue  
8 from Jobs as described above. Transfer pricing and allocation of cost methods do not result in  
9 cross-subsidization between regulated and non-regulated lines of business and are in compliance  
10 with Article 340 of APH.

11

1

## 2 **Appendix**

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3 List of Appendices

<b>Appendix 6A</b>	notlh_2024_rev_req_workform_(oeb_2023_model) – Filed in Excel
<b>Appendix 6B</b>	notlh_2024_test-year_income_tax_pils_(2023_oeb_model) – Filed in Excel

4

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