

# EXHIBIT 6 – REVENUE REQUIREMENT, SUFFICIENCY/DEFICIENCY

2024 Cost of Service

Westario Power Inc.  
EB-2023-0058

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## 6.1 PROPOSED REVENUE REQUIREMENT

The 2024 Test Year Base Revenue Requirement represents the amount of revenue the utility must collect from its customers to cover its day-to-day operating costs, taxes, interest paid on debts owed to investors (in WPI's case, cooperative members), and a deemed return (profit).

WPI's 2024 revenue requirement is calculated to be \$13,089,920.

Table 1 - Test Year Revenue Requirement (RRWF Model) below originates from the OEB's Revenue Requirement Workform. It presents WPI's proposed 2024 Test Year Revenue Requirement as calculated in the OEB's Revenue Requirement Work:

**Table 1 - Test Year Revenue Requirement (RRWF Model)**

Particulars	Application
OM&A Expenses	\$6,971,717
Amortization/Depreciation	\$2,409,135
Property Taxes	\$49,008
Income Taxes (Grossed up)	\$218,219
Other Expenses	\$ -
Return	
Deemed Interest Expense	\$1,594,360
Return on Deemed Equity	\$2,690,550
<b>Service Revenue Requirement (before Revenues)</b>	<b>\$13,932,989</b>
Revenue Offsets	\$843,069
<b>Base Revenue Requirement (excluding Transformer Ownership Allowance credit adjustment)</b>	<b>\$13,089,920</b>
Distribution revenue	\$13,089,920
Other revenue	\$843,069
<b>Total revenue</b>	<b>\$13,932,989</b>
<b>Difference (Total Revenue Less Distribution Revenue Requirement before Revenues)</b>	<b>\$ -</b>

WPI confirms that the OEB's 2024 Revenue Requirement Workform (RRWF) accurately reflects its' proposed rates for the 2024 Test Year, and therefore there is no requirement for the applicant to file its rate generator model.

The proposed revenue requirement proposes to yield a net income of \$2,690,550. The derivation of the income is shown at Table 2 – Utility Income (RRWF Model).

Table 3 – Statement of Rate Base (RRWF Model) shows the reconciliation between the return on deemed equity included in the revenue requirement.

**Table 2 – Utility Income (RRWF Model)**

Particulars	Initial Application
<b>Operating Revenues:</b>	
Distribution Revenue (at Proposed Rates)	\$13,089,920
Other Revenue <sup>(1)</sup>	\$843,069
Total Operating Revenues	\$13,932,989
<b>Operating Expenses:</b>	
OM+A Expenses	\$6,971,717
Depreciation/Amortization	\$2,409,135
Property taxes	\$49,008
Capital taxes	\$ -
Other expense	\$ -
Subtotal (lines 4 to 8)	\$9,429,860
Deemed Interest Expense	\$1,594,360
Total Expenses (lines 9 to 10)	\$11,024,220
<b>Utility income before income taxes</b>	<b>\$2,908,769</b>
Income taxes (grossed-up)	\$218,219
<b>Utility net income</b>	<b>\$2,690,550</b>

**Table 3 – Statement of Rate Base (RRWF Model)**

Particulars	Capitalization Ratio		Cost Rate	Return
	Initial Application			
	(%)	(\$)	(%)	(\$)
<b>Debt</b>				
Long-term Debt	56.00%	\$40,243,270	3.62%	\$1,456,671
Short-term Debt	4.00%	\$2,874,519	4.79%	\$137,689
<b>Total Debt</b>	60.00%	\$43,117,789	3.70%	\$1,594,360
<b>Equity</b>				
Common Equity	40.00%	\$28,745,193	9.36%	\$2,690,550
Preferred Shares	0.00%	\$ -	0.00%	\$ -
<b>Total Equity</b>	40.00%	\$28,745,193	9.36%	\$2,690,550
<b>Total</b>	100.00%	\$71,862,982	5.96%	\$4,284,910

## 6.1.1 Trend Analysis and Change from 2018 Cost of Service

Table 4 – Movement in Revenue Requirement from last COS (2018) below shows the movement from WPI's 2018 board-approved revenue requirement to the 2024 proposed revenue requirement, along with a high-level explanation of the changes from the 2018 Board Approved Cost of Service. A more in-depth description of the changes is presented in each component's respective Exhibits.

**Table 4 – Movement in Revenue Requirement from last COS (2018)**

Rate Year and Particulars	Rev. Req.	Change from 2018	
2018 Board Approved Revenue Requirement	<b>\$10,669,547</b>		
Operation Maintenance Admin Costs	\$1,160,684	Increase in Operating expenses to reflect increases in unplanned and inflationary costs	Ex 4
Depreciation Expense	\$426,380		Ex 6
Net Fixed Assets	\$21,430,543	Increase in Average Net Fixed Assets	Ex 2
Working Capital Allowance	\$73,990	Reduction in WCA because of lower Cost of Power	Ex 2
Rate Base	<b>\$21,504,533</b>	Movement in Rate (Asset) Base	Ex 2
Return on Capital	\$1,229,657	Increase in Return on Capital	Ex 5
PILs	-\$28,911	Increase in PILs due to increase in Assets	Ex 6
Property Taxes	\$14,008	Inflationary increase in property taxes	Ex 4
Other Revenues	-\$381,445	Reduction in Other Revenues	Ex 6
<b>Increase in Revenue Requirement</b>	<b>\$2,406,365</b>		Ex 6

The following two tables, Table 5 – Trend in Revenue Requirement and

Table 6 - Variance Analysis of Revenue Requirement, present WPI's Revenue Requirement trend starting from the 2013 Board Approved year to the 2024 proposed Revenue Requirement. The year-over-year changes in WPI's Revenue Requirement beginning from the 2018 Board Approved year through to the 2024 proposed Revenue Requirement.

### Table 5 – Trend in Revenue Requirement (2018 to 2024)

Particular	Last Board Approved	2018	2019	2020	2021	2022	2023	2024
OM&A Expenses	\$5,811,033	\$5,456,933	\$5,908,501	\$5,929,941	\$6,739,075	\$7,885,682	\$6,697,382	\$6,971,717
Depreciation Expense	\$1,982,755	\$1,926,937	\$1,685,681	\$1,777,404	\$1,785,531	\$1,936,866	\$2,181,129	\$2,409,135
Property Taxes	\$35,000	\$34,925	\$34,842	\$34,827	\$30,937	\$44,788	\$47,256	\$49,008
Total Distribution Expenses	\$7,828,788	\$7,418,795	\$7,629,023	\$7,742,173	\$8,555,543	\$9,867,336	\$8,925,767	\$9,429,860
Regulated Return on Capital	\$3,055,253	\$3,016,097	\$3,236,475	\$3,447,364	\$3,585,734	\$3,585,734	\$4,084,706	\$4,284,910
Grossed up PILs	\$247,130	-\$21,000	-\$49,000	-\$223,000	\$208,000	-\$282,000	\$119,172	\$218,219
Service Revenue Requirement	\$11,131,171	\$10,413,893	\$10,816,498	\$10,966,537	\$12,349,277	\$13,171,070	\$13,129,644	\$13,932,989
Less: Revenue Offsets	-\$461,624	-\$490,590	-\$740,932	-\$700,650	-\$636,798	-\$824,231	-\$793,183	-\$843,069
Base Revenue Requirement	\$10,669,547	\$9,923,303	\$10,075,567	\$10,265,887	\$11,712,480	\$12,346,838	\$12,336,461	\$13,089,920
YoY change (\$)		-746,244	152,264	190,320	1,446,593	634,359	-10,377	753,459
YoY Change (%)		-6.99%	1.53%	1.89%	14.09%	5.42%	-0.08%	6.11%
From last CoS (\$)								2,420,373
From last CoS (%)								22.68%



**Table 6 - Variance Analysis of Revenue Requirement**

								Test Year	Variance over last CoS
Particular	Last Board Approved	2018	2019	2020	2021	2022	2023	2024	
OM&A Expenses	5,811,033	5,456,933	5,908,501	5,929,941	6,739,075	7,885,682	6,697,382	6,971,717	
Year over year change (\$)		-354,100	451,568	21,440	809,133	1,146,607	-1,188,300	274,335	1,160,684
Year over year change (%)		-6.09%	8.28%	0.36%	13.64%	17.01%	-15.07%	4.10%	19.97%
Depreciation Expense	1,982,755.00	1,926,936.73	1,685,680.56	1,777,404.39	1,785,531.48	1,936,865.89	2,181,128.67	2,409,134.80	
Year over year change (\$)		-55,818	-241,256.17	91,723.83	8,127.09	151,334.41	244,262.78	228,006.14	426,380
Year over year change (%)		-2.82%	-12.52%	5.44%	0.46%	8.48%	12.61%	10.45%	21.50%
Property Taxes	35,000.00	34,925.34	34,841.99	34,827.45	30,937.00	44,787.98	47,256.00	49,008.00	
Year over year change (\$)		-75	-83.35	-14.54	-3,890.45	13,850.98	2,468.02	1,752.00	14,008
Year over year change (%)		-0.21%	-0.24%	-0.04%	-11.17%	44.77%	5.51%	3.71%	40.02%
Total Distribution Expenses	7,828,788	7,418,795	7,629,023	7,742,173	8,555,543	9,867,336	8,925,767	9,429,860	
Year over year change (\$)		-409,993	210,228	113,150	813,370	1,311,793	-941,569	504,093	1,601,072
Year over year change (%)		-5.24%	2.83%	1.48%	10.51%	15.33%	-9.54%	5.65%	20.45%
Regulated Return on Capital	3,055,253	3,016,097	3,236,475	3,447,364	3,585,734	3,585,734	4,084,706	4,284,910	
Year over year change (\$)		-39,156	220,377	210,889	138,370	0	498,972	200,204	1,229,657
Year over year change (%)		-1.28%	7.31%	6.52%	4.01%	0.00%	13.92%	4.90%	40.25%
Grossed up PILs	247,130	-21,000	-49,000	-223,000	208,000	-282,000	119,172	218,219	
Year over year change (\$)		-268,130	-28,000	-174,000	431,000	-490,000	401,172	99,047	-28,911
Year over year change (%)		-108.50%	133.33%	355.10%	-193.27%	-235.58%	-142.26%	83.11%	-11.70%
<b>Service Revenue Requirement</b>	<b>11,131,171</b>	<b>10,413,893</b>	<b>10,816,498</b>	<b>10,966,537</b>	<b>12,349,277</b>	<b>13,171,070</b>	<b>13,129,644</b>	<b>13,932,989</b>	
Year over year change (\$)		-717,278	402,605	150,039	1,382,740	821,793	-41,426	803,345	2,801,818
Year over year change (%)		-6.44%	3.87%	1.39%	12.61%	6.65%	-0.31%	6.12%	25.17%
Less: Revenue Offsets	-461,624	-490,590	-740,932	-700,650	-636,798	-824,231	-793,183	-843,069	
Year over year change (\$)		-28,966	-250,342	40,281	63,853	-187,434	31,048	-49,886	-381,445
Year over year change (%)		6.27%	51.03%	-5.44%	-9.11%	29.43%	-3.77%	6.29%	82.63%
<b>Base Revenue Requirement</b>	<b>10,669,547</b>	<b>9,923,303</b>	<b>10,075,567</b>	<b>10,265,887</b>	<b>11,712,480</b>	<b>12,346,838</b>	<b>12,336,461</b>	<b>13,089,920</b>	
Year over year change (\$)		-746,244	152,264	190,320	1,446,593	634,359	-10,377	753,459	2,420,373
Year over year change (%)		-6.99%	1.53%	1.89%	14.09%	5.42%	-0.08%	6.11%	22.68%

As illustrated in the above tables, the proposed revenue requirement for the Test Year (2024) is 22.68% higher than the 2018 Cost of Service Approved Revenue Requirement. WPIs represents a 2.96% annual compound growth rate.

## **6.2. OPERATION, MAINTENANCE & ADMINISTRATION COSTS (REF: EXHIBIT 4)**

The OM&A variance between 2018 to 2024, which increased by 1,160,664, is summarized below, and details are presented throughout Exhibit 4.

## **6.3 DEPRECIATION EXPENSES (REF: EXHIBIT 2)**

The depreciation expense has increased proportionately with the increase in net fixed assets. Details of historical capital expenses and their related depreciation expenses are summarized below and are presented in detail in Exhibit 2.

## **6.4 RETURN ON CAPITAL (REF: EXHIBIT 5)**

The regulated return on capital, summarized below, which increased by 1,229,657, is explained in Exhibit 5.

## **6.5 TAXES & PAYMENTS IN-LIEU OF TAXES (PILS)**

WPI has used the 2024 OEB PILs Tax Work Form model to calculate the amount of taxes for inclusion in its 2024 rates. PILs have been computed under MIFRS accounting policies. WPI's external auditor KPMG completed the PILS model to ensure that the current and proposed tax rates have been applied, that the amount of PILS calculated appears reasonable, and that the integrity checks established in the Boards Minimum Filing Requirements have been adhered to.

WPI is required to calculate payment in lieu of income taxes ("PILs") based on its taxable income for the Test Year of 2024.

WPI notes that it does not pay property taxes as its office space is leased. Property Taxes on the distribution system are recorded in OM&A.

WPI files Federal/Provincial tax returns annually.

There have been no exceptional circumstances that would require specific tax planning measures to minimize taxes payable. There are no outstanding audits, reassessments, or disputes relating to the tax returns filed by WPI.

There are non-utility activities included in WPI's financial results. Therefore the amount of PILs payable is calculated accordingly in the proposed allowance to be included in the revenue requirement.

WPI's PILs are projected to be in the amount of \$218,219.

The income tax sheet from the OEB's Revenue Requirement Work form is presented in Table 7 - Tax Provision for the Test Year (RRWF Model) below, and the PILs model is being filed in conjunction with WPIs application. The most recent federal and provincial tax returns are presented in Attachment A of WPIs Exhibit.

**Table 7 - Tax Provision for the Test Year (RRWF Model)**

<u>Particulars</u>	<u>Application</u>
<u><b>Determination of Taxable Income</b></u>	
Utility net income before taxes	\$2,690,550
Adjustments required to arrive at taxable utility income	(\$2,085,301)
Taxable income	<u>\$605,249</u>
<u><b>Calculation of Utility income Taxes</b></u>	
Income taxes	\$160,391
Total taxes	<u>\$160,391</u>
Gross-up of Income Taxes	<u>\$57,828</u>
Grossed-up Income Taxes	<u>\$218,219</u>
PILs / tax Allowance (Grossed-up Income taxes + Capital taxes)	<u>\$218,219</u>
Other tax Credits	\$ -
<u><b>Tax Rates</b></u>	
Federal tax (%)	15.00%
Provincial tax (%)	<u>11.50%</u>
Total tax rate (%)	<u>26.50%</u>

WPI is not claiming Apprenticeship Training Tax Credits.

WPI confirms that it uses the stand-alone principle when determining PILs amounts.

- ✓ WPI has exercised sound tax planning, and that for rate-setting purposes, it maximized tax credits and took the maximum deductions allowed if it made sense for the utility to do so.
- ✓ A copy of the most current Federal and Provincial taxes is presented in Attachment 1 of WPIs Exhibit.
- ✓ Detailed calculations of Income Tax or PILs are shown in the OEB PILs model filed along with WPIs application.
- ✓ There were no adjustments (e.g., Tax credits, CCA adjustments) for the Historical, Bridge, and Test Years, and as such, no supporting schedules and calculations and explanations for "other additions" and "other deductions" were required.

### **6.5.1 Non- Recoverable and Disallowed Expenses**

WPI confirms that expenses deemed non-recoverable in the revenue requirement (e.g., individual charitable donations) or disallowed for regulatory purposes have been excluded from the regulatory tax calculation.

### **6.5.2 Accelerated CCA**

WPI, has complied with the Accelerated Investment Incentive program, which provides for the first-year increase in CCA deductions on eligible capital assets acquired after November 20, 2018.

WPI confirms that it has recorded the impact of the CCA rules changes in Account 1592 - PILs and Tax Variances – CCA Changes for November 21, 2018, up to 2024 Test Year. The worksheet showing the calculations of the entire revenue requirement impact is filed along with WPIs application. The DVA model shows the full revenue requirement impact recorded in Account 1592.

WPI acknowledges the OEB's practice with respect to the impact of changes in taxes due to regulatory or legislated tax changes during an incentive rate-setting period has been to share the impacts between distributor shareholders and ratepayers on a 50/50 basis. WPI is proposing to dispose of 100%.

WPI also understands that WPIs practice may not apply concerning CCA rules; therefore, the utility proposes to dispose of its balances in the same manner as it disposes of its other deferral and variance accounts through the DVA rate rider mechanism.

WPI is not proposing to smooth the impact of the CCA rules changes and disposition over the IRM period. The utility is proposing not to continue using Account 1592 going forward unless there are new changes to the CCA rules.

### 6.5.3 PILs Integrity Check

WPI confirm to the best of their knowledge that the following integrity checks have been completed in its application. In completing the PILs model, BDO confirms that.

- ✓ The depreciation and amortization added back in the application's PILs model agree with the numbers disclosed in the rate base section of the application.
- ✓ the capital additions and deductions in the UCC/ CCA Schedule 8 agree with the rate base section for historical, bridge, and test years.
- ✓ Schedule 8 of the most recent federal T2 tax return filed with the application has a closing December 31<sup>st</sup> historic year UCC that agrees with the opening bridge year UCC at January 1;
- ✓ The CCA deductions in the application's PILs tax model for historical, bridge, and test years agree with the numbers in the UCC schedules for the same years filed in the application.
- ✓ Loss carry-forwards, if any, from the tax returns (Schedule 4) agree with those disclosed in the application.
- ✓ CCA is maximized even if there are tax loss carry-forwards; and
- ✓ A statement is included in the application as to when the losses, if any, will be fully utilized.

### 6.6 OTHER REVENUE

Other Distribution Revenues are distribution-related revenues but are sourced from means other than distribution rates. For WPIs reason, other revenues are deducted from WPI's proposed revenue requirement.

Other Distribution Revenues includes items such as:

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

A detailed breakdown of the related USoA account is shown in Table 8 – OEB Appendix 2-H on the next page.

Year-over-year variance analysis over the materiality threshold of \$50,000 follows at Section 6.1.3.1 - Other Revenue Variance Analysis.

Table 8 – OEB Appendix 2-H

Reporting Basis	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS
	2018	2018	2019	2020	2021	2022	2023	2024
USoA Description	Board Approved							
4235-Miscellaneous Service Revenues	-\$100,000	-\$88,590	-\$106,081	-\$243,741	-\$263,790	-\$423,178	-\$287,034	-\$304,838
4225-Late Payment Charges	-\$200,000	-\$111,644	-\$99,699	-\$73,839	-\$74,504	-\$81,674	-\$91,464	-\$97,137
4082-Retail Services Revenues	-\$14,546	-\$4,846	-\$16,788	-\$27,275	-\$25,740	-\$25,639	-\$26,493	-\$28,318
4084-Service Transaction Requests (STR) Revenues	-\$171	-\$285	-\$408	-\$455	-\$192	-\$225	-\$198	-\$212
4086-SSS Administration Revenue	-\$68,500	-\$67,643	-\$68,573	-\$68,953	-\$69,981	-\$70,711	-\$74,190	-\$79,296
4210-Rent from Electric Property	-\$130,774	-\$158,916	-\$165,763	-\$147,507	-\$134,757	-\$135,233	-\$149,832	-\$159,126
4220-Other Electric Revenues	-\$42	\$32	-\$199	\$0	\$0	\$0	\$0	\$0
4240-Provision for Rate Refunds	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
4245-Government Assistance Directly Credited to Income	-\$35,747	-\$48,554	-\$253,172	-\$179,820	-\$134,854	-\$104,342	-\$109,848	-\$116,662
4325-Revenues from Merchandise Jobbing, etc.	-\$59,500	-\$257,999	-\$203,892	\$2,952	-\$5,263	-\$12,010	\$0	\$0
4330-Costs and Expenses of Merchandising Jobbing, etc.	\$59,500	\$160,580	\$33,496	\$697	\$0	\$0	\$0	\$0
4355-Gain on Disposition of Utility and Other Property	-\$1,244	-\$15,279	-\$26,819	-\$10,321	-\$259	\$0	\$0	\$0
4360-Loss on Disposition of Utility and Other Property	\$0	\$24,290	\$181,103	\$13,233	\$0	\$0	\$0	\$0
4362-Loss from Retirement of Utility and Other Properties	\$140,000	\$192,207	-\$34,492	\$107,794	\$124,210	\$66,396	\$50,000	\$53,101
4375-Sub-account Generation Facility Revenues	\$0	-\$2,794	-\$1,397	\$0	-\$30,514	\$0	\$0	\$0
4380-Expense of Non-Rae Regulated Utility Operations	\$0	\$3,059	\$156,486	\$0	\$19,400	72,706	\$0	\$0
4390-Miscellaneous Non-Operating Income	\$0	\$0	\$0	\$0	\$0	-\$7,253	-\$14,124	-\$15,001
4395-Rate-Payer Benefit Including Interest	-\$20,600	-\$27,053	-\$3,980	-\$14,898	-\$13,619	\$0	\$0	\$0
4405-Interest and Dividend Income	-\$30,000	-\$87,154	-\$130,753	-\$58,517	-\$26,935	-\$103,069	-\$90,000	-\$95,580
<b>Total</b>	<b>-\$461,624</b>	<b>-\$490,590</b>	<b>-\$740,932</b>	<b>-\$700,650</b>	<b>-\$636,798</b>	<b>-\$824,231</b>	<b>-\$793,183</b>	<b>-\$843,069</b>

<b>Specific Service Charges</b>	-\$100,000	-\$88,590	-\$106,081	-\$243,741	-\$263,790	-\$423,178	-\$287,034	-\$304,838
<b>Late Payment Charges</b>	-\$200,000	-\$111,644	-\$99,699	-\$73,839	-\$74,504	-\$81,674	-\$91,464	-\$97,137
<b>Other Distribution/Operating Revenues</b>	-\$249,780	-\$280,212	-\$504,904	-\$424,010	-\$365,523	-\$336,150	-\$360,561	-\$383,614
<b>Other Income or Deductions</b>	\$88,156	-\$10,144	-\$30,247	\$40,941	\$67,019	\$16,771	-\$54,124	-\$57,480
<b>Total</b>	<b>-\$461,624</b>	<b>-\$490,590</b>	<b>-\$740,932</b>	<b>-\$700,650</b>	<b>-\$636,798</b>	<b>-\$824,231</b>	<b>-\$793,183</b>	<b>-\$843,069</b>

4405 – Interest Expenses	2018 Actual <sup>2</sup>	2019 Actual <sup>2</sup>	2020 Actual <sup>2</sup>	2021 Actual <sup>2</sup>	2022 Actual	Bridge Year (as of 202309303)	Test Year
Interest and Dividend Income acc# 440500	-\$13,029	-\$69,716	-\$27,592	-\$9,057	-\$2,341	-\$8,096	-\$16,566
Interest Regulatory Assets acc # 440510	-\$74,125	-\$61,037	-\$30,926	-\$17,879	-100,728	-\$165,501	-\$79,014
Total	-\$87,154	-\$130,753	-\$58,518	-\$26,936	-\$103,069	-\$173,597	-\$95,580

### 6.1.1 Other Revenues Variance Analysis

WPI offers the following explanations for variances over \$25,000.

Table 9 - Variance Analysis of Other Operating Revenues below present year-over-year variances of other operating revenues:

**Table 9 - Variance Analysis of Other Operating Revenues 2018BA – 2018**

Reporting Basis	2018		Var Analysis	Var Analysis
	2018	2018	\$	%
USoA Description	Board Approved			
4225-Late Payment Charges	-\$200,000	-\$111,644	\$88,356	44.18%
4362-Loss from Retirement of Utility and Other Properties	\$140,000	\$192,207	\$52,207	37.29%

- **4225-Late Payment Charges:**

Late payment penalties were lower than anticipated in the company's 2018 application. Despite the utility's best attempts to develop a reasonable budget, the charges are often beyond the utility's control.

- **4362-Loss from Retirement of Utility and Other Properties:**

The actual increase relates to the scrapped wire, cable, UG transformers and higher than OEB approved smart meters and poles.

**Table 10 - Variance Analysis of Other Operating Revenues 2018 – 2019**

Reporting Basis	2018		Var Analysis	Var Analysis
	2018	2019	\$	%
USoA Description				
4325-Revenues from Merchandise Jobbing, etc.	-\$257,999	-\$203,892	\$54,107	20.97%
4360-Loss on Disposition of Utility and Other Property	\$24,290	\$181,103	\$156,813	645.59%
4380-Expenses for Non-Rate-Regulated Operations	\$3,059	\$156,486	\$153,428	5016.22%

## 2018 Actual compared to 2019 Actual.

- **4325-Revenues from Merchandise Jobbing, etc.:**

Revenues from Jobbing can be very sporadic and reactive. They occur as needed and are for the most part out of the control of the utility.

- **4360-Loss on Disposition of Utility and Other Property**

The increase relates to the extra UG transformers and higher than previous year number of smart meters and poles.

- **4380- Expense of Non-Rate Regulated Utility Operations**

The full amount relates to the consulting fees.

**Table 11 - Variance Analysis of Other Operating Revenues 2019 – 2020**

Reporting Basis			Var Analysis	Var Analysis
	2019	2020	\$	%
<b>USoA Description</b>				
<b>4225-Late Payment Charges</b>	-\$99,699	-\$73,839	\$25,860	25.94%
<b>4245-Government Assistance Directly Credited to Income</b>	-\$253,172	-\$179,820	\$73,353	28.97%
<b>4325-Revenues from Merchandise Jobbing, etc.</b>	-\$203,892	\$2,952	\$206,845	101.45%
<b>4362-Loss from Retirement of Utility and Other Properties</b>	-\$34,492	\$107,794	\$142,286	412.52%
<b>4405-Interest and Dividend Income</b>	-\$130,753	-\$58,517	\$72,236	55.25%

## 2019 Actual compared to 2020 Actual.

- **4225-Late Payment Charges:**

Late Payment charges were lower than anticipated and are out of the control of the utility. Given the fact that 2020 represents the first year of the pandemic, the utility was pleased to see that customers were able to pay their bills on time.

- **4245-Government Assistance Directly Credited to Income**

The majority of the increase relates to the \$67k contributions from the customers amortized to income.

- **4325-Revenues from Merchandise Jobbing,**

Similar to the prior year, jobbing revenue may fluctuate and be reactive in nature. They occur as required and are largely beyond the control of the utility.



- **4362-Loss from Retirement of Utility and Other Properties**

The increase relates to the extra scrap transformers, as well as decommissioning of Southampton MS2 unit.

- **4405-Interest and Dividend Income**

This variance represents the interest revenues on loans and swaps which change with interest rates and the total debt instruments the company holds that particular year.

**Table 12 - Variance Analysis of Other Operating Revenues 2020 – 2021**

<i>Reporting Basis</i>			Var Analysis	Var Analysis
	2020	2021	\$	%
<b>USoA Description</b>				
<b>4245-Government Assistance Directly Credited to Income</b>	-\$179,820	-\$134,854	\$44,966	25.01%
<b>4405-Interest and Dividend Income</b>	-\$58,517	-\$26,935	\$31,582	53.97%

**2020 Actual compared to 2021 Actual.**

- **4245-Government Assistance Directly Credited to Income**

Year over year changes relate to the amortization of government assistance only.

- **4405-Interest and Dividend Income**

This difference represents the interest revenues on loans and swaps that fluctuate with interest rates, as well as the total debt instruments held by the company that year.

**Table 13 - Variance Analysis of Other Operating Revenues 2021 – 2022**

<i>Reporting Basis</i>			Var Analysis	Var Analysis
	2021	2022	\$	%
<b>USoA Description</b>				
<b>4245-Government Assistance Directly Credited to Income</b>	-\$134,854	-\$104,342	\$30,512	22.63%

**2020 Actual compared to 2021 Actual.**

- **4245-Government Assistance Directly Credited to Income**

Year over year changes relate to the amortization of government assistance only.

**Table 14 - Variance Analysis of Other Operating Revenues 2022 – 2023**

<i>Reporting Basis</i>			Var Analysis	Var Analysis
	2022	2023	\$	%
<b>USoA Description</b>				
<b>4235-Miscellaneous Service Revenues</b>	-\$423,178	-\$287,034	<b>\$136,144</b>	32.17%

**2020 Actual compared to 2021 Actual.**

- **4235-Miscellaneous Service Revenues**

The full uptick of the service revenues in 2022 is related to the large credit obtained from one customer.

## 6.6.2 Proposed Specific Service Charges

**Table 15 – Proposed Specific Service Charge**

### **SPECIFIC SERVICE CHARGES**

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

No charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, or as specified herein.

It should be noted that this schedule does not list any charges, assessments, or credits that are required by law to be invoiced by a distributor and that are not subject to Ontario Energy Board approval, such as the Global Adjustment and the HST.

#### **Customer Administration**

Arrears certificate	\$	15.00
Statement of account	\$	15.00
Pulling post dated cheques	\$	15.00
Duplicate invoices for previous billing	\$	15.00
Request for other billing information	\$	15.00
Easement letter	\$	15.00
Income tax letter	\$	15.00
Notification charge	\$	15.00
Account history	\$	15.00
Credit reference/credit check (plus credit agency costs)	\$	15.00
Returned cheque (plus bank charges)	\$	15.00
Charge to certify cheque	\$	15.00
Legal letter charge	\$	15.00
Account set up charge/change of occupancy charge (plus credit agency costs if applicable)	\$	30.00
Meter dispute charge plus Measurement Canada fees (if meter found correct)	\$	30.00
Special meter reads	\$	30.00

#### **Non-Payment of Account**

Late payment - per month (effective annual rate 19.56% per annum or 0.04896% compounded daily rate)	%	1.50
Reconnection charge - at meter - during regular hours	\$	65.00
Reconnection charge - at meter - after regular hours	\$	185.00
Reconnection charge - at pole - during regular hours	\$	185.00
Reconnection charge - at pole - after regular hours	\$	415.00

#### **Other**

Service call - customer-owned equipment	\$	30.00
Service call - after regular hours	\$	165.00
Temporary service - install & remove - overhead - no transformer	\$	500.00
Temporary service - install & remove - underground - no transformer	\$	300.00
Temporary service - install & remove - overhead - with transformer	\$	1,000.00
Specific charge for access to the power poles - \$/pole/year (with the exception of wireless attachments)	\$	37.38

WPI is not proposing any changes or new charges to the current Specific Service Charges approved by the OEB in previous applications.

The applicant confirms that it has reconciled amounts between Specific Service Charges and Other Revenues.

Revenues from MicroFit are recorded in account 4235 in accordance with OEB policy.

No Rates and Charges have been included in the utility's Conditions of Service.

### **Wireline Pole Attachment Charges**

WPI confirms that it has used Decision and Order EB-2021-0304 which states that *effective January 1, 2023, the wireline pole attachment charge will be \$37.78 per attached, per year, per pole* to determine its 2023-2024 budgets in account 4210 which is used to record revenues from Wireline Pole Attachment Charges from Rogers, Bell and Hydro One.

### **MicroFIT Monthly Service Charge**

WPI is proposing no change to the MicroFIT Monthly Service Charge of \$10.00 as was approved in the LDC's 2018 Cost of Service rate application.

### **6.6.3 Revenue from Affiliate Transactions, Shared Services, Corporate Cost Allocation.**

WPI has no affiliates and as such, does not have any affiliate transactions, shared services, and corporate cost allocation that will be affecting its 2024 rates.

## 6.7 REVENUE DEFICIENCY OR SURPLUS

### 6.7.1 Calculation of Revenue Deficiency or Sufficiency

WPI is in a deficiency position of \$13,932,989. The sufficiency is calculated as the difference between the 2024 Test Year Revenue Requirement and the Forecast Test Year Revenue Requirement at the applicant's 2023 approved distribution rates.

Revenue Deficiency = (current rates @ 2024 load forecast + revenue offsets) – (proposed rates @ 2024 load forecast + revenue offsets)

Table 16 – Revenues at current rates and 2024 load forecast and Table 17 - Revenues at proposed rates and 2024 load forecast shows the details of the derivation of the two comparators.

**Table 16 – Revenues at current rates and 2024 load forecast**

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	193,221,398	0			\$0	\$0
General Service < 50 kW	\$0.0151	kWh	70,181,854	1,056,578			\$0	\$1,056,578
General Service > 50 to 4999 kW	\$4.2596	kW	444,572	1,893,676	0.60	183035	\$109,821	\$1,783,855
Unmetered Scattered Load	\$0.0224	kWh	213,149	4,781			\$0	\$4,781
Sentinel Lighting	\$35.3339	kW	16	565			\$0	\$565
Street Lighting	\$5.7191	kW	6,650	38,032			\$0	\$38,032
Large User								
<b>Total Variable Revenue</b>			<b>264,067,639</b>	<b>2,993,632</b>		183035	\$109,821	\$2,883,811
<b>2024 Rates at 2024 Load</b>								
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	\$31.24	21,879	\$8,201,778	\$0	\$8,201,778	100.19%		67.03%
General Service < 50 kW	\$31.07	2,690	\$1,002,862	\$1,056,578	\$2,059,440	47.65%	49.12%	15.73%
General Service > 50 to 4999 kW	\$258.64	154	\$478,889	\$1,783,855	\$2,262,744	21.16%	69.74%	12.91%
Unmetered Scattered Load	\$6.03	47	\$3,415	\$4,781	\$8,196	39.04%	58.31%	0.06%
Sentinel Lighting	\$6.82	8	\$681	\$565	\$1,247	51.21%	45.32%	0.01%
Street Lighting	\$6.81	6,345	\$518,483	\$38,032	\$556,515	87.28%	6.80%	4.25%
Large User								
<b>Total Fixed Revenue</b>		<b>31,123</b>	<b>\$10,206,109</b>	<b>\$2,883,811</b>	<b>\$13,089,920</b>			

**Table 17 - Revenues at proposed rates and 2024 load forecast**

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	193,221,398	\$0			\$0	\$0
General Service < 50 kW	\$0.0135	kWh	70,181,854	\$947,455			\$0	\$947,455
General Service > 50 to 4999 kW	\$2.7296	kW	444,572	\$1,213,502	-0.60	183035	-\$109,821	\$1,103,681
Unmetered Scattered Load	\$0.0210	kWh	213,149	\$4,476			\$0	\$4,476
Sentinel Lighting	\$33.0736	kW	16	\$529			\$0	\$529
Street Lighting	\$5.3299	kW	6,650	\$35,444			\$0	\$35,444
Large User								
Total Variable Revenue			264,067,639	\$2,201,407		183035	-\$109,821	\$2,091,586
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	\$31.30	21,879	\$8,217,703	\$0	\$8,217,703	100.00%		67.03%
General Service < 50 kW	\$30.40	2,690	\$981,236	\$947,455	\$1,928,692	50.88%	49.12%	15.73%
General Service > 50 to 4999 kW	\$258.64	154	\$478,889	\$1,103,681	\$1,582,571	30.26%	69.74%	12.91%
Unmetered Scattered Load	\$5.65	47	\$3,200	\$4,476	\$7,676	41.69%	58.31%	0.06%
Sentinel Lighting	\$6.39	8	\$638	\$529	\$1,168	54.68%	45.32%	0.01%
Street Lighting	\$6.38	6,345	\$485,745	\$35,444	\$521,189	93.20%	6.80%	4.25%
Large User								
Total Fixed Revenue		31,123	\$10,167,412	\$2,091,586	\$12,258,998			
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	193,221,398	0			\$0	\$0
General Service < 50 kW	\$0.0151	kWh	70,181,854	1,056,578			\$0	\$1,056,578
General Service > 50 to 4999 kW	\$4.2596	kW	444,572	1,893,676	0.60	183035	\$109,821	\$1,783,855
Unmetered Scattered Load	\$0.0224	kWh	213,149	4,781			\$0	\$4,781
Sentinel Lighting	\$35.3339	kW	16	565			\$0	\$565
Street Lighting	\$5.7191	kW	6,650	38,032			\$0	\$38,032
Large User								
Total Variable Revenue			264,067,639	2,993,632		183035	\$109,821	\$2,883,811
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	\$31.24	21,879	\$8,201,778	\$0	\$8,201,778	100.19%		67.03%
General Service < 50 kW	\$31.07	2,690	\$1,002,862	\$1,056,578	\$2,059,440	47.65%	49.12%	15.73%
General Service > 50 to 4999 kW	\$258.64	154	\$478,889	\$1,783,855	\$2,262,744	21.16%	69.74%	12.91%
Unmetered Scattered Load	\$6.03	47	\$3,415	\$4,781	\$8,196	39.04%	58.31%	0.06%
Sentinel Lighting	\$6.82	8	\$681	\$565	\$1,247	51.21%	45.32%	0.01%
Street Lighting	\$6.81	6,345	\$518,483	\$38,032	\$556,515	87.28%	6.80%	4.25%
Large User								
Total Fixed Revenue		31,123	\$10,206,109	\$2,883,811	\$13,089,920			
				Integrity Check	\$13,089,920			

The revenue sufficiency presented on the next page is an excerpt from the Revenue Requirement Work Form. The drivers for the revenue deficiency are discussed in the next section.

**Table 18 - Revenue Deficiency (RRWF)**

Particulars	Initial Application	
	At Current Approved Rates	At Proposed Rates
Revenue Deficiency from Below		\$833,571
Distribution Revenue	\$12,259,026	\$12,256,349
Other Operating Revenue		
Offsets - net	\$843,069	\$843,069
<b>Total Revenue</b>	<b>\$13,102,095</b>	<b>\$13,932,989</b>
Operating Expenses	\$9,429,860	\$9,429,860
Deemed Interest Expense	\$1,594,360	\$1,594,360
<b>Total Cost and Expenses</b>	<b>\$11,024,220</b>	<b>\$11,024,220</b>
<b>Utility Income Before Income Taxes</b>	<b>\$2,077,875</b>	<b>\$2,908,769</b>
Tax Adjustments to Accounting Income per 2013 PILs model	(\$2,085,301)	(\$2,085,301)
<b>Taxable Income</b>	<b>(\$7,426)</b>	<b>\$823,468</b>
Income Tax Rate	26.50%	26.50%
<b>Income Tax on Taxable Income</b>	<b>\$ -</b>	<b>\$218,219</b>
<b>Income Tax Credits</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Utility Net Income</b>	<b>\$2,077,875</b>	<b>\$2,690,550</b>
<b>Utility Rate Base</b>	<b>\$71,862,982</b>	<b>\$71,862,982</b>
Deemed Equity Portion of Rate Base	\$28,745,193	\$28,745,193
Income/ (Equity Portion of Rate Base)	7.23%	9.36%
Target Return - Equity on Rate Base	9.36%	9.36%
Deficiency/Sufficiency in Return on Equity	-2.13%	0.00%
Indicated Rate of Return	5.11%	5.96%
Requested Rate of Return on Rate Base	5.96%	5.96%
Deficiency/Sufficiency in Rate of Return	-0.85%	0.00%
Target Return on Equity	\$2,690,550	\$2,690,550
Revenue Deficiency/(Sufficiency)	\$612,675	\$ -
<b>Gross Revenue Deficiency/(Sufficiency)</b>	<b>\$833,571</b>	<b>(1)</b>

## 6.7.2 Causes of Revenue Deficiency

WPI's existing rates are based on the Board-approved rates in 2018 as an outcome of a cost-of-service rate application and subsequent annual adjustments to its' base distribution rates in years 2018 to 2023 under the Board's Annual Incentive Regulation mechanism.

As illustrated in the previous section, the revenue deficiency is determined to be \$833,571.

The deficiency is in line with the applicant's directives from its Board of directors to reduce rates while maintaining the integrity of its service to customers, distribution system, safety, and reliability.

The major contributors of the increase in revenue requirement from 2018 Board Approved to Test Year (2024) are presented in the following table with explanations following.

**Table 19 – Change in Revenue Requirement**

Particular	2018	2024	Diff
<b>Long Term Debt</b>	4.24%	3.62%	-0.62%
<b>Short Term Debt</b>	2.29%	4.79%	2.50%
<b>Return on Equity</b>	9.00%	9.36%	0.36%
<b>Weighted Debt Rate</b>	4.11%	3.70%	-0.41%
<b>Regulated Rate of Return</b>	<b>6.07%</b>	<b>5.96%</b>	<b>-0.10%</b>
<b>Controllable Expenses</b>	\$5,846,033	\$7,020,725	\$1,174,692
<b>Power Supply Expense</b>	\$50,685,050	\$50,496,893	-\$188,157
<b>Total Eligible Distribution Expenses</b>	\$56,531,083	\$57,517,618	\$986,535
<b>Working Capital Allowance Rate</b>	7.50%	7.50%	0.00%
<b>Total Working Capital Allowance ("WCA")</b>	<b>\$4,239,831</b>	<b>\$4,313,821</b>	<b>\$73,990</b>
<b>Avg Gross Assets</b>	\$74,439,550	\$86,096,163	\$11,656,613
<b>Avg Acc Depr</b>	\$28,320,932	\$18,547,003	-\$9,773,930
<b>Average Fixed Asset</b>	\$46,118,617	\$67,549,160	\$21,430,543
<b>Working Capital Allowance</b>	\$4,239,831	\$4,313,821	\$73,990
<b>Rate Base</b>	<b>\$50,358,448</b>	<b>\$71,862,982</b>	<b>\$21,504,533</b>
<b>Regulated Rate of Return</b>	6.07%	5.96%	-0.10%
<b>Regulated Return on Capital</b>	<b>\$3,055,253</b>	<b>\$4,284,910</b>	<b>\$1,229,657</b>
<b>Deemed Interest Expense</b>	\$1,242,349	\$1,594,360	\$352,011
<b>Deemed Return on Equity</b>	\$1,812,904	\$2,690,550	\$877,646
<b>OM&amp;A</b>	\$5,811,033	\$6,971,717	\$1,160,684
<b>Property Taxes</b>	\$35,000	\$49,008	\$14,008
<b>Depreciation Expense</b>	\$1,982,755	\$2,409,135	\$426,380
<b>PILs</b>	\$247,130	\$218,219	-\$28,911
<b>Revenue Offset</b>	-\$461,624	-\$843,069	-\$381,445
<b>Revenue Requirement</b>	<b>\$10,669,547</b>	<b>\$13,089,920</b>	<b>\$2,420,373</b>
			<b>22.68%</b>



The table above shows that the Rate Base of \$71,862,982 in 2024 is higher than the 2018 Board-approved amount of \$50,538,448 by \$21,504,533.

The factors contributing to the change in the rate base are discussed in detail at Exhibit 2 and follow the Distribution System Plan.

The Working Capital Allowance has marginally increased by \$73,990 mostly as result of the cost of power changes.

Increased Operations, Maintenance, and Administration (OM&A) expenses are another driver of the revenue deficiency. Projected OM&A for the Test Year 2024 is \$1,160,684 higher than the 2018 Board-approved amount.

WPI's OM&A actual costs have seen a compound annual growth rate of all years of 2.64% which is above the annual inflation rates but is necessary for the utility to be able to provide service to its growing distribution area and related system.

The cost drivers underlying WPIs increase are explained in Exhibit 4.

All customers' rates will be affected. However, WPI does not have any discrete customer groups that may be materially impacted by changes to other rates and charges.

## **APPENDICES**

### List of Appendices

Appendix 6A	2022 Tax Return

## **APPENDIX 6A**