

E2.1.5.6 Regulated Return on Equity (ROE)

Report Summary

Filing Due Year 2024	Filing Form Name 2.1.5.6	RRR Filing No 36501
Reporting Period and Company Name April	Licence Type Distributor	Status Submitted
Report Version 0	Extension Granted	Extension Deadline
Filing Due Date May 01, 2024	Reporting From January 1, 2023	Reporting To December 31, 2023
Submitted On April 15, 2024	Submitter Name Benoit Lamarche	Expiry Date April 30, 2024

Checklist

Checkbox Overview

No.	Questions
Y	1. Have you read the ROE filing guide for completing the RRR 2.1.5.6 ROE filing?
Y	2. Have you reviewed and confirmed the accuracy of the RRR 2.1.7 trial balance?
Y	3. Have you reviewed and confirmed all auto-populated/linked cells on the form for accuracy?
Y	4. Have you resolved (i.e. re-filing the RRR 2.1.7 balance or contact the IRE) any issues that you may have noted with the auto-populated/linked cells?
Y	5. Regarding the input cells, have you ensured that the signs of the numbers entered align with the RRR 2.1.7 trial balance?

Input Appendices tab

Y	1. Have you completed and reviewed Appendix 1 if you have non-rate regulated business that is recorded in the RRR 2.1.7 trial balance?
Y	2. Have you included all other adjustment(s) in Appendix 1?
Y	3. Have you identified and included in Appendix 1 all adjustments for non-rate regulated activities?
Y	4. Have you completed and reviewed Appendix 2 if you have non-recoverable donations that are recorded in the RRR 2.1.7 trial balance?
Y	5. Have you completed and reviewed Appendix 3 regarding net interest/carrying charge from DVAs?
Y	6. Have you included in Appendix 4 all adjustments so that the interest expense in cell dc is related to debt only?
Y	7. Have you completed and reviewed Appendix 4 on deemed debt?
Y	8. Have you included all adjustments regarding regulated PP&E in Appendix 5?
Y	9. Have you completed and reviewed Appendix 5 regarding regulated PP&E?
Y	10. Have you completed and reviewed Appendix 6 regarding current tax for regulatory purposes?
Y	11. Have you included in Appendix 6 the tax effects of all non-regulatory items?
Y	12. Have you reviewed the RRR Filing Guide and determined the accurate tax treatment regarding the activities in regulatory accounts in Appendix 6?

ROE Summary tab

Y	1. Have you entered the input cells for the the Unrealized (gains)/losses on interest rate swaps (cell c) and identified the USoA(s), if applicable?
Y	2. Have you entered the input cells for the Actuarial (gains)/losses on OPEB and/or Pensions not approved by the OEB (cell d) and identified the USoA(s), if applicable?

Over and Under-earning driver tabs

Y	1. Have you completed and reviewed Appendices 7 and 8 if the ROE status for the year (cell z2) shows "Over-earning"?
Y	2. Have you completed and reviewed Appendices 9 and 10 if the ROE status for the year (cell z2) shows "Under-earning"?
Y	3. Have you submitted the Q4 RRR 2.1.2 customers if you are required to complete over/under-earning driver tabs?
Y	4. Have you submitted the RRR 2.1.5.4 annual billings if you are required to complete over/under-earning driver tabs?

Submitting the form

Y	1. Have you clicked the Checkmark button to update all the calculations on the form?
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- Y 2. Have you validated the accuracy of the Achieved ROE% as calculated in cell y on the ROE Summary tab?
 Y 3. Have you retained the necessary supporting documents for the ROE filing?

Input Appendices (1 to 6)

Appendix 1

Non-rate regulated items and other adjustments

CDM revenues (recorded in Account 4375)	- aa	0.00	
CDM expenses (recorded in Account 4380)	- ab	0.00	
CDM - Net revenues/expenses	- ac=aa+ab	0.00	
Renewable generation revenues (recorded in Account 4375)	- ad	0.00	
Renewable generation expenses (recorded in Account 4380)	- ae	0.00	
Renewable generation - Net revenues/expenses	- af=ad+ae	0.00	
Water services revenues (recorded in Account 4375)	- ag	0.00	
Water services expenses (recorded in Account 4380)	- ah	0.00	
Water services - Net revenues/expenses	- ai=ag+ah	0.00	
Non-rate regulated utility rental income/investment income (recorded in Account 4385)	-aj		Please provide USoAs
Depreciation expense on non-rate regulated assets	- ak		

Other adjustments:

Please list the other revenue items that were not approved by the OEB (Please specify):

- al
- am

Please list the other expense items that were not approved by the OEB (Please specify):

- an
- ao
- ap

Total non-rate regulated items and other adjustments - aq =ac+af+ai+aj+ak+al+am+an+ao+ap

0.00

Appendix 2

Non-Recoverable Donations

Data Source

Recoverable donations:	- ba	4,750.00	All donations RRR 2.1.7 - Control account USoA 6205
	- bb	2,000.00	LEAP Funding RRR 2.1.7 - Sub-account LEAP Funding USoA 6205
LEAP Funding approved in the distributor's last CoS	- bb1	2,000.00	CoS Decision and Order (for reference only)
Other recoverable donations approved, please specify:	- bb2		(the greater of 0.12% of a distributor's OEB-approved distribution revenue requirement, or \$2,000)
Calculated LEAP funding as per Board approved formula (for reference only)	- bc		
	- bd		
	- be=ba-bb-bc-bd		
Non-Recoverable Donations		2,750.00	

Appendix 3

Net interest/carrying charges on Deferral and Variance Accounts (DVAs)

Interest expense on DVAs (recorded in Account 6035)	- ca	6,248.44
Interest income on DVAs (recorded in Account 4405)	- cb	7,346.49
	- cc=ca+cb	
Net interest/carrying charges from DVAs		13,594.93

Appendix 4

Interest Adjustment for Deemed Debt

			Data Source
Interest expense as per RRR 2.1.7	- da	6,406.38	RRR 2.1.7 - Sum of USoA 6005-6045 inclusive
Less:	- db = ca		
Interest expense on DVAs (recorded in Account 6035)		6,248.44	Appendix 3 cell (ca)
Unrealized (gains)/losses on interest rate swaps if recorded in Account 6035	- db1		
Other adjustments, please specify:	- db2		
	- db3		
	- dc=da-db-db1-db2-db3		
Interest expense after adjustments		157.94	
Regulated deemed debt, as per ROE Summary tab	- dd	2,902,970	ROE Summary tab cell (v1) + (w1)
Weighted average debt rate (%)	- %de	3.34	
Deemed interest	- df=dd*de	96,959.21	CoS Decision and Order
	- dg=dc-df		
Interest adjustment for deemed debt		-96,801.27	

Appendix 5

Property Plant & Equipment (PP&E)

			Data Source
Prior year "Closing balance - regulated PP&E (NBV)"	- ea	4,412,393.81	Prior year "Closing balance - regulated PP&E (NBV)" data in RRR 2.1.5.6
Adjustments if required, please explain the nature	- eb		
Opening balance - regulated PP&E (NBV)	- ec=ea+eb	4,412,393.81	
Total PP&E (NBV) - Closing Balance	- ed	4,552,580.10	RRR 2.1.7 - Sum of USoA 1605-2075, 2440 , and 2105-2180 inclusive
Construction Work-in-Progress (CWIP)	- ee	0.00	RRR 2.1.7 - USoA 2055
Non-distribution assets (NBV)	- ef	-374.03	RRR 2.1.7 - USoA 2075 + USoA 2180
Less other adjustments, please specify:	- eg		
	- eh		
	- ei		
	- ej		
	- ek		
	- el=ed-ee-ef-eg-eh-ei-ej-ek		
Adjusted closing balance - regulated PP&E (NBV)		4,552,954.13	

Appendix 6

Current Tax for Regulatory Purposes		Tax Provision/ (Recovery)	
Current Tax Provision/(Recovery) as per the Audited Financial Statements (AFS)		- fa	32,840.00
Reassessment of taxes from prior years included in current tax provision as per AFS (add Tax Payable/(Recovery))	- fa1		
Loss carry forward from prior years included in current tax provision as per AFS	- fa2		
Actual Tax rate (%)	- %xy	15.50	
Current Tax Adjustment required to reconcile to RRR 2.1.7 trial balance		- fb	
Current Tax Provision/(Recovery) as per RRR 2.1.7 USoA 6110		- fc	32,840.00
Check balance - Does fa+fb=fc?		- fa+fb = fc?	CORRECT
Adjustment items	(Income)/Expense		
Non-rate regulated items (Appendix 1)	- gd=aq	0.00	- fd=gd*xy 0.00
Non-recoverable donations (Appendix 2)	- ge=be	2,750.00	- fe=ge*xy 426.25
Activity in Regulatory Accounts included in taxable income on Schedule 1, if applicable	- gf		- ff=gf*xy 0.00
Net carrying charges on DVAs (Appendix 3)	- gg=cc	13,594.93	- fg=gg*xy 2,107.21
Add back Actual interest expense (Appendix 4)	- gh=dc	157.94	- fh=gh*xy 24.48
Deduct Deemed Interest Expense (Appendix 4)	- gi=-df	-96,959.21	- fi=gi*xy -15,028.68
CCA on Non-rate regulated assets	- gj		- fj=gj*xy 0.00
CEC adjustment on Goodwill from acquisitions or other intangible assets that were not approved in the distributor's last CoS	- gk		- fk=gk*xy 0.00
CCA adjustment on PP&E from acquisitions that were not approved in the distributor's last CoS	- gl		- fl=gl*xy 0.00
Other adjustments (Please specify)			
	- gm		- fm=gm*xy 0.00
	- gn		- fn=gn*xy 0.00
	- go		- fo=go*xy 0.00
Total Adjustment Items	gp=gd+ge+gf+gg+gh+gi+gj+gk+gl+gm+gn+go	-80,456.34	fp=fd+fe+ff+fg+fh+fi+fj+fk+fl+fm+fn+fo -12,470.74
Current Tax Provision/(Recovery) for the purposes of calculating Regulated ROE	- fq=fc+fp		20,369.26

ROE Summary

Instructions

A distributor shall report, in the form and manner determined by the OEB, the Regulated Return on Equity (ROE) earned in the reporting year.

The reported ROE is to be calculated on the same basis as was used in the distributor's last Cost of Service (CoS).

The sign of the input cells are to be aligned with the sign of the accounts reported in RRR 2.1.7. Generally, revenue/gain items are to be entered as negative numbers and expense/loss items are to be entered as positive numbers. Please read the RRR Filing Guide for the detailed guidance on the inputs of the form and appendices.

[Click here for tips and examples \(from RRR Filing Guide\)](#)

Information from the distributor's last CoS Decision and Order and the successfully submitted RRR 2.1.7 trial balance have been pre-populated in this form.

Please review each input for accuracy and contact Industry Relations Enquiry if you have any questions

CoS Decision and Order Info

			Data Source
The CoS Decision and Order EB number for the ROE	- xx	EB-2022-022	CoS Decision and Order (last CoS establishing the current reporting year's base rates)
Accounting standard used in CoS Decision and Order	- yy	Modified International Financial Reporting Standards (MIFRS)	CoS Decision and Order

Regulated Net Income

			Data Source
Regulated net income (loss), as per RRR 2.1.7	- a	274,753.15	RRR 2.1.7 - USoA 3046 * (-1)
Adjustment items:			
Non-rate regulated items and other adjustments (Appendix 1)	- b	0.00	Appendix 1 cell (aq)
Unrealized (gains)/losses on interest rate swaps (Not applicable if recorded in Other Comprehensive Income)	- c		Please provide USoAs
Actuarial (gains)/losses on OPEB and/or Pensions not approved by the OEB	- d		
Non-recoverable donations (Appendix 2)	- e	2,750.00	Appendix 2 cell (be)
Net interest/carrying charges from DVAs (Appendix 3)	- f	13,594.93	Appendix 3 cell (cc)
Interest adjustment for deemed debt (Appendix 4)	- g	-96,801.27	Appendix 4 cell (dg)
Adjusted regulated net income before tax adjustments			
Add back:	- h=a+b+c+d+e+f+g	194,296.81	
Future/deferred taxes expense	- i	0.00	RRR 2.1.7 - USoA 6115
Current income tax expense (Does not include future income tax)	- j	32,840.00	RRR 2.1.7 - USoA 6110
Deduct:			
Current income tax expense for regulated ROE purposes (Appendix 6)	- k	20,369.26	Appendix 6 cell (fq)
Adjusted regulated net income	- l=h+i+j-k	206,767.55	

Deemed Equity

			Data Source
Rate base:	- m	3,940,367.73	RRR 2.1.7 - Sum of USoA 4705-4751 inclusive
Cost of power	- n1	801,101.02	RRR 2.1.7 - Sum of USoA 4505-4640, 4805-5695, 6105, 6205, 6210, and 6225, then subtract ROE Summary cell (d) and subtract ROE Summary cell (e)

Operating expenses before any applicable adjustments

Please provide USoAs

Other Adjustments:

- n2

Adjusted operating expenses	- n=n1-n2	801,101.02	
Total Cost of Power and Operating Expenses	- o=m+n	4,741,468.75	
Working capital allowance % as approved in the last CoS Decision and Order	- % p	7.50	CoS Decision and Order
Total working capital allowance (\$)	- q=o*p	355,610.16	
PP&E			
Opening balance - regulated PP&E (NBV) (Appendix 5)	- r	4,412,393.81	Appendix 5 cell (ec)
Adjusted closing balance - regulated PP&E (NBV) (Appendix 5)	- s	4,552,954.13	Appendix 5 cell (el)
Average regulated PP&E	- t=(r+s)/2	4,482,673.97	
Total rate base	- u=q+t	4,838,284.13	
Regulated deemed short-term debt % and \$	- % v 4.00	- v1=v*u 193,531.37	Cell (v) from CoS Decision and Order
Regulated deemed long-term debt % and \$	- % w 56.00	- w1=w*u 2,709,439.11	Cell (w) from CoS Decision and Order
Regulated deemed equity % and \$	- % x 40.00	- x1=x*u 1,935,313.65	Cell (x) from CoS Decision and order

Regulated Rate of Return on Deemed Equity (ROE)**Data Source**

Achieved ROE %	- % y=l/x1	10.68	
Deemed ROE % from the distributor's last CoS Decision and Order	- % z	8.66	CoS Decision and Order
Difference - maximum deadband 3%	- % z1=y-z	2.02	
ROE status for the year (Over-earning/Under-earning/Within 300 basis points deadband)	- z2 Within		If the distributor is in an over-earning position as indicated in cell (z2), please complete Appendices 7 & 8. If the distributor is in an under-earning position as indicated in cell (z2), please complete Appendices 9 & 10.

Over Earning Drivers

Over-earning Drivers - Appendices 7 & 8

Instructions If the distributor's achieved ROE % is 300 basis points **above** the deemed ROE %, please complete Appendices 7 and 8.

Table 7.2 Regulated Net Income Variances: The revenue/gain variances are to be calculated as the achieved revenue/gain amounts for the reporting year minus the approved amounts in the last CoS. The cost/expense variances are to be calculated as the approved cost/expense amounts in the last CoS minus the achieved amounts for the reporting year.

Table 7.3 Regulated Deemed Equity Variances: The variances are to be calculated as the achieved working capital allowance/average regulated PP&E for the reporting year minus the approved amounts in the last CoS.

Appendix 7

Drivers for Over-earners

Table 7.1: Breakdown of the ROE difference into Regulated Net Income and Regulated Deemed Equity

Components of the ROE calculation	Deemed last CoS	Achieved	Variance \$	Variance %*
ROE Amount (\$)	173,766	206,768	33,002	19
Regulated Deemed Equity (\$)	1,859,040	1,935,314	76,274	4
ROE (%)	9	11		2

* Variance % for ROE Amount and Regulated Deemed Equity are calculated using the following equation :
 Variance % = Variance \$ / Deemed last CoS * 100

Table 7.2: Regulated Net Income Variances

Nature of the Variances	Variance \$	Detailed Explanation
Change in Distribution revenues	- ha	
Rate riders that are recorded in distribution revenues collected for the year	- hb=ii	0
Change in Other revenues	- hc	
Cost Variances:		
Change in OM&A expenses	- hd	
Change in Amortization expense	- he	
Change in Other expenses	- hf	
Change in Current tax expense	- hg	
Other variances for revenues, costs, etc. if any (Please specify the nature of the other variances provided below):		
	- hh	
	- hi	
	- hj	
	- hk	
	- hl	
Total variance explained for regulated net income in Table 7.2	- hm=ha+hb+hc+hd+he+hf+hg+hh+hi+hj+hk+hl	0
Total variance for regulated net income per Table 7.1 (\$)	- hn	33,002
Total variance explained (%)	- % ho=hm/hn	0

Table 7.3: Regulated Deemed Equity Variances

Nature of the Variances	Variance \$	Detailed Explanation
Change in Working capital allowance (\$)	- hp	
Change in Average regulated PP&E (NBV)	- hq	
Total variance explained for rate base (A) (\$)	- hr=hp+hq	0
Total variance for regulated deemed equity per Table 7.1 (\$)	- hs=hr*40%	0
Total variance for regulated deemed equity per Table 7.1 (\$)	- ht	76,274
Total variance explained (%)	- % hv=hs/ht	0

Appendix 8

Earning above the 300 Basis Points per Customer/Connection per Month by main rate classes

Table 8.1: Rate riders that are recorded in distribution revenues

Rate riders (Note 1)	Revenue collected (+) / refunded (-) in the year (\$)	Effective date	Sunset date
Foregone revenue rate rider	- ia		
Smart meters disposition rate rider	- ib		
Lost revenue adjustment mechanism (LRAM) rate rider	- ic		
Other rate riders (please specify as below):			
	- id		
	- ie		
	- if		
	- ig		
	- ih		
Total	ii=ia+ib+ic+id+ie+if+ig+ih		
			0

Note 1: Please do not include the revenues collected from SMIRR. For the rate rider revenues, please show the calculation by each of the rate rider.

Table 8.2: Net \$ for ROE over the 300 basis points excluding rate rider revenues

Regulated Deemed Equity approved in the distributor's last CoS (\$)	ROE % above the 300 Basis points deadband	ROE \$ above the 300 Basis points deadband	Rate rider revenues collected in the year (Table 8.1) (\$)	Net \$ for ROE over the 300 basis points excluding rate rider revenues
ij	% ik=z1-3	il=ij*ik	im=ii	in=il-im
1,859,040	0	0	0	0

Table 8.3: Estimated customer impact (per month) for ROE over the 300 basis points

Rate Class	Annual billings distribution revenue account 4080 (RRR 2.1.5.4)	Prior year number of customers/co nnections (RRR 2.1.2 q4)	Current year number of customers/co nnections (RRR 2.1.2 q4)	Average number of customers / connections	Allocated Net \$ for ROE over the 300 basis points per customer/connection per month
Residential	1,031,595	2,395	2,437	2,416	0
General Service < 50 kW	123,825	171	172	172	0
General Service >= 50 kW	62,703	9	9	9	0
Large User	0	0	0	0	0
Sub Transmission Customers	0	0	0	0	0
Embedded Distributor(s)	1,560	0	0	0	0
Street Lighting Connections	28,209	589	599	594	0
Sentinel Lighting Connections	0	0	0	0	0
Unmetered Scattered Load Connections	3,362	17	17	17	0
Total Annual Billing Distribution	1,251,255				

Under Earning Drivers

Under-earning Drivers - Appendices 9 & 10

Instructions

If your achieved ROE% is 300 basis points **below** the deemed ROE%, please complete Appendices 9 and 10.

Table 9.2 Regulated Net Income Variances: The revenue/gain variances are to be calculated as the achieved revenue/gain amounts for the reporting year minus the approved amounts in the last CoS. The cost/expense variances are to be calculated as the approved cost/expense amounts in the last CoS minus the achieved amounts for the reporting year.

Table 9.3 Regulated Deemed Equity Variances: The variances are to be calculated as the achieved working capital allowance/average regulated PP&E for the reporting year minus the approved amounts in the last CoS

Appendix 9

Drivers for Under-earners

Table 9.1: Breakdown of the ROE difference into Regulated Net Income and Regulated Deemed Equity

Components of the ROE calculation	Deemed last CoS	Achieved	Variance \$	Variance %*
ROE Amount (\$)	173,766.00	206,767.55	33,001.55	18.99
Regulated Deemed Equity (\$)	1,859,040.00	1,935,313.65	76,273.65	4.10
ROE (%)	8.66	10.68		2.02

* Variance % for ROE Amount and Regulated Deemed Equity are calculated using the following equation :

$$\text{Variance \%} = \text{Variance \$} / \text{Deemed last CoS} * 100$$

Overall comment on variance between approved and achieved ROE

Table 9.2: Regulated Net Income Variances

Nature of the Variances	Variance \$	Detailed Explanation
Revenue Variances:		
Change in Distribution revenues	- ja	
Rate riders that are recorded in distribution revenues collected for the year	- jb=ki 0.00	
Change in Other revenues	- jc	
Cost Variances:		
Change in OM&A expenses	- jd	
Change in Amortization expense	- je	
Change in Other expenses	- jf	
Change in Current tax expense	- jg	
Other variances for revenues, costs, etc., if any (Please specify the nature of the other variances provided below):		
	- jh	
	- ji	
	- jj	
	- jk	
	- jl	
Total variance explained for regulated net income in Table 9.2 (\$)	- jm=ja+jb+jc+jd+je+jf+jg+jh+ji+jj+jk+jl 0.00	

Total variance for regulated net income per Table 9.1 (\$)

- jn 33,001.55

Total variance explained (%)

- % jo=jm/jn

Table 9.3: Regulated Deemed Equity Variances

0.00

Nature of the Variances	Variance \$	Detailed Explanation
Change in Working capital allowance (\$)	- jp	
Change in Average regulated PP&E (NBV)	- jq	

Total variance explained for rate base (A) (\$)

Total variance explained for rate base (A) (\$)	- jr=jp+jq	0.00
Total variance explained for regulated deemed equity (A X 40%) (\$)	- js=jr*40%	0.00
		Total variance for regulated deemed equity per Table 9.1 (\$)
Total variance for regulated deemed equity per Table 9.1 (\$)	- jt	76,273.65
Total variance explained (%)	$\%jv=js/jt$	0.00

Appendix 10

Earning below the 300 basis points per Customer/Connection per month by main rate classes

Table 10.1: Rate riders that are recorded in distribution revenues

Rate riders (Note 1)	Revenue collected (+) / refunded (-) in the year (\$)	Effective date	Sunset date
Foregone revenue rate rider	- ka		
Smart meters disposition rate rider	- kb		
Lost revenue adjustment mechanism (LRAM) rate rider	- kc		
Other rate riders (Please specify as below):			
	- kd		
	- ke		
	- kf		
	- kg		
	- kh		
Total	- ki=ka+kb+kc+kd+ke+kf+kg+kh		0.00

Note 1: Please do not include the revenues collected from SMIRR. For the rate rider revenues, please show the calculation by each of the rate rider.

Table 10.2: Net \$ for ROE under the 300 basis points excluding rate rider revenues

Regulated Deemed Equity approved in the distributor's last CoS (\$)	ROE % below the 300 Basis points deadband	ROE \$ below the 300 Basis points deadband	Rate rider revenues collected in the year (Table 10.1)
Net \$ for ROE under the 300 basis points excluding rate rider revenues	kj 1,859,040.00	% kk=z1+3 0.00	kl=kj*kk 0.00
km=ki 0.00	kn=kl+km 0.00		

Table 10.3: Estimated customer impact (per month) for ROE under the 300 basis points

Rate Classes	Annual Billings Distribution Revenue Account 4080 (RRR 2.1.5.4)	Prior Year number of Customer Connections (RRR 2.1.2Q4)	Current Year number of Customer Connections (RRR 2.1.2Q4)	Average of customers/ connections	Allocated net \$ for ROE under the 300 basis points per customer/connec tion per month
Residential	1,031,595.24	2,395	2,437	2,416.00	0.00
General Service < 50 kW	123,824.81	171	172	171.50	0.00
General Service >= 50 kW	62,703.41	9	9	9.00	0.00
Large User	0.00	0	0	0.00	0.00
Sub Transmission Customers	0.00	0	0	0.00	0.00
Embedded Distributor(s)	1,560.00	0	0	0.00	0.00
Street Lighting Connections	28,208.96	589	599	594.00	0.00
Sentinel Lighting Connections	0.00	0	0	0.00	0.00
Unmetered Scattered Load Connections	3,362.34	17	17	17.00	0.00
Total Annual Billing Distribution	1,251,254.76				