

MILTON HYDRO DISTRIBUTION INC.

EXHIBIT 6

REVENUE DEFICIENCY
OR SUFFICIENCY



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EXHIBIT 6 – REVENUE DEFICIENCY OR SUFFICIENCY

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LIST OF ATTACHMENTS

Attachment 6-1	REVENUE REQUIREMENT WORKFORM
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1 **6.1. REVENUE DEFICIENCY - OVERVIEW**

2
3 The information in this Exhibit supports Milton Hydro's request in its Application for an increase
4 in its revenue requirement to support its proposed capital and operating budgets for 2023 Test
5 Year; service its debt; pay its deemed PILs; and earn its allowed ROE.

6
7 Milton Hydro has included the following information in this Exhibit, excluding energy costs (i.e.,
8 Cost of Power and associated costs) and revenues:

- 9
10 • Determination of Net Utility Income
11
12 • Statement of Rate Base
13
14 • Actual Utility Return on Rate Base
15
16 • Indicated Rate of Return
17
18 • Requested Rate of Return
19
20 • Deficiency or Sufficiency in Revenue
21
22 • Gross Deficiency or Sufficiency in Revenue

23
24 Milton Hydro has determined that its Revenue Deficiency for the 2023 Test Year is \$4,350,355.

25
26 The calculations on which this determination is based are set out below. The Revenue
27 Deficiency calculation does not include the following:

- 28
29 • Recovery of Deferral and Variance Accounts;
30
31 • Other electricity charges which include Energy Commodity, Transmission Charges and
32 Wholesale Market Service Charges; and
33
34 • These items are considered elsewhere in this Application and are treated either as
35 recoveries of regulatory assets or regulatory liabilities on the Balance Sheet, or as energy
36 related costs recorded in the OEB-prescribed Retail Settlement Variance Accounts.



1 **6.2 REVENUE REQUIREMENT**

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3 Milton Hydro's Revenue Requirement consists of the following:

- 4
5 • Administrative & General, Billing & Collecting Expense
6
7 • Operation & Maintenance Expense
8
9 • Depreciation Expense
10
11 • Property Taxes
12
13 • Income Taxes/PILs
14
15 • Deemed Interest & Return on Equity
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17 Milton Hydro's revenue requirement is primarily received through electricity distribution rates
18 with Other Revenue from OEB approved specific service charges such as Late Payment
19 Charges and Other Miscellaneous Charges. The Other Revenues are detailed in EXHIBIT 3 –
20 Operating Revenues and are treated as revenue offsets against Milton Hydro's Service
21 Revenue Requirement to calculate Base Revenue Requirement upon which class specific
22 distribution rates are calculated.

23
24 Milton Hydro has included the OEB's Revenue Requirement Work Form ("RRWF") as
25 Attachment 6-1 to this Exhibit and has also filed the Excel model.

26
27 Milton Hydro has ensured that numbers entered in the RRWF reconcile with the appropriate
28 numbers in other Exhibits to this Application.

29
30 **6.3. Determination of Net Income**

31
32 Milton Hydro has determined its allowable 2023 Test Year Net Income to be \$3,934,446. The
33 following Table 6-1 provides the detailed Net Income calculations.



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Table 6-1 Determination of Net Income

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

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6.4. Statement of Rate Base

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



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Table 6-2 Rate Base

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

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6.5. Actual Utility Return on Rate Base

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

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Table 6-3 Return on Rate Base

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

4

Indicated Rate of Return

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

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Requested Rate of Return

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

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

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1 Also as summarized in Table 6-3 above, in the absence of a change to distribution rates for
2 2023, as proposed in this Application, and if the 2022 Approved rates remained unchanged,
3 Milton Hydro's Return on Rate Base would be \$3,040,589 or 2.68%.

4
5 **6.6 Deficiency or Sufficiency in Revenue**

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

9
10 **Gross Deficiency or Sufficiency in Revenue**

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



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Table 6-4 Revenue Deficiency Calculation

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



6.7. Cost Drivers on Revenue Deficiency

Table 6-5 below outlines the contributors to the Revenue Deficiency by Revenue Requirement component. Column A lists the 2016 approved amounts. Column B lists the 2023 revenue at existing rates shown in Table 6-4 above, allocated to each Revenue Requirement component based on the proportions in Column A. It is Milton Hydro's view that Column B estimates the Revenue Requirement components for revenue at existing rates based on the components assumed in existing rates. Column C lists the 2023 Test Year proposed components. Finally, Column D represents the difference between Column C and Column B which provides an estimate of the Revenue Requirement components for the Revenue Deficiency of \$4,350,354.

Table 6-5 Revenue Deficiency by Revenue Requirement Component

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

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

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

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

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



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

4
5 • Amortization costs increased by \$1,766,378 from 2016 OEB approved to 2023 Test Year
6 which is different than the increase for the same period of \$1,071,157 from the table above.
7 Milton Hydro has assets that are relatively new, since it is a high growth utility, this would
8 contribute to an increase in depreciation and amortization. For more details on explanation
9 of the variance between 2016 OEB approved Amortization and 2023 Test Year Amortization
10 please refer to Exhibit 4.6.

11
12 • PILS increased by \$457,891 primarily due to an increase in taxable income. See Exhibit
13 sub-section 4.7. INCOME TAXES AND PAYMENTS IN LIEU OF TAXES AND PROPERTY
14 TAXES for more.



EXHIBIT 6

ATTACHMENT 6-1

REVENUE REQUIREMENT WORKFORM



Ontario Energy Board

Revenue Requirement Workform (RRWF) for 2023 Filers

Version 1.00



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



Ontario Energy Board

Revenue Requirement Workform (RRWF) for 2023 Filers

[1. Info](#)

[2. Table of Contents](#)

[3. Data Input Sheet](#)

[4. Rate Base](#)

[5. Utility Income](#)

[6. Taxes PILs](#)

[7. Cost of Capital](#)

[8. Rev Def Suff](#)

[9. Rev Req](#)

[10. Load Forecast](#)

[11. Cost Allocation](#)

[12. Residential Rate Design](#)

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

[14. Tracking Sheet](#)

Notes:

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

Revenue Requirement Workform (RRWF) for 2023 Filers

Data Input ⁽¹⁾

	Initial Application ⁽²⁾		(6)		Per Board Decision
1	Rate Base				
Gross Fixed Assets (average)	\$187,041,882		\$ 187,041,882		\$187,041,882
Accumulated Depreciation (average)	(\$82,017,555) ⁽⁵⁾		(\$82,017,555)		(\$82,017,555)
Allowance for Working Capital:					
Controllable Expenses	\$15,133,537		\$ 15,133,537		\$15,133,537
Cost of Power	\$98,955,674		\$ 98,955,674		\$98,955,674
Working Capital Rate (%)	7.50% ⁽⁹⁾	0.00%	7.50% ⁽⁹⁾	0.00%	7.50% ⁽⁹⁾
2	Utility Income				
Operating Revenues:					
Distribution Revenue at Current Rates	\$20,420,991	\$0	\$20,420,991	\$0	\$20,420,991
Distribution Revenue at Proposed Rates	\$24,771,346	\$0	\$24,771,346	\$0	\$24,771,346
Other Revenue:					
Specific Service Charges	\$321,846	\$0	\$321,846	\$0	\$321,846
Late Payment Charges	\$226,280	\$0	\$226,280	\$0	\$226,280
Other Distribution Revenue	\$1,119,716	\$0	\$1,119,716	\$0	\$1,119,716
Other Income and Deductions	\$533,522	\$0	\$533,522	\$0	\$533,522
Total Revenue Offsets	\$2,201,364 ⁽⁷⁾	\$0	\$2,201,364	\$0	\$2,201,364
Operating Expenses:					
OM+A Expenses	\$14,933,345		\$ 14,933,345		\$14,933,345
Depreciation/Amortization	\$4,916,957		\$ 4,916,957		\$4,916,957
Property taxes	\$200,193		\$ 200,193		\$200,193
Other expenses					
3	Taxes/PILs				
Taxable Income:					
Adjustments required to arrive at taxable income	(\$2,021,577) ⁽³⁾	\$0	(\$2,021,577)	\$0	(\$2,021,577)
Utility Income Taxes and Rates:					
Income taxes (not grossed up)	\$502,825	\$0	\$502,825	\$0	\$502,825
Income taxes (grossed up)	\$684,115		\$684,115		\$684,115
Federal tax (%)	15.00%	0.00%	15.00%	0.00%	15.00%
Provincial tax (%)	11.50%	0.00%	11.50%	0.00%	11.50%
Income Tax Credits	(\$4,085)	\$0	(\$4,085)	\$0	(\$4,085)
4	Capitalization/Cost of Capital				
Capital Structure:					
Long-term debt Capitalization Ratio (%)	56.00%	0.00%	56.0%	0.00%	56.0%
Short-term debt Capitalization Ratio (%)	4.00% ⁽⁸⁾	0.00%	4.0% ⁽⁸⁾	0.00%	4.0% ⁽⁸⁾
Common Equity Capitalization Ratio (%)	40.00%	0.00%	40.0%	0.00%	40.0%
Preferred Shares Capitalization Ratio (%)	100.0%		100.0%		100.0%
Cost of Capital					
Long-term debt Cost Rate (%)	3.54%	0.00%	3.54%	0.00%	3.54%
Short-term debt Cost Rate (%)	1.17%	0.00%	1.17%	0.00%	1.17%
Common Equity Cost Rate (%)	8.66%	0.00%	8.66%	0.00%	8.66%
Preferred Shares Cost Rate (%)					



Revenue Requirement Workform (RRWF) for 2023 Filers

Rate Base and Working Capital

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

(1) Allowance for Working Capital - Derivation

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



Revenue Requirement Workform (RRWF) for 2023 Filers

Utility Income

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

Notes

Other Revenues / Revenue Offsets

(1)	Specific Service Charges	\$321,846	\$ -	\$321,846	\$ -	\$321,846	\$ -	\$321,846
	Late Payment Charges	\$226,280	\$ -	\$226,280	\$ -	\$226,280	\$ -	\$226,280
	Other Distribution Revenue	\$1,119,716	\$ -	\$1,119,716	\$ -	\$1,119,716	\$ -	\$1,119,716
	Other Income and Deductions	\$533,522	\$ -	\$533,522	\$ -	\$533,522	\$ -	\$533,522
	Total Revenue Offsets	\$2,201,364	\$ -	\$2,201,364	\$ -	\$2,201,364	\$ -	\$2,201,364



Revenue Requirement Workform (RRWF) for 2023 Filers

Taxes/PILs

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



Revenue Requirement Workform (RRWF) for 2023 Filers

Capitalization/Cost of Capital

Line No.	Particulars	Capitalization Ratio		Cost Rate	Return
		(%)	(\$)	(%)	(\$)
Initial Application					
	Debt				
1	Long-term Debt	56.00%	\$63,605,370	3.54%	\$2,250,497
2	Short-term Debt	4.00%	\$4,543,241	1.17%	\$53,156
3	Total Debt	60.00%	\$68,148,611	3.38%	\$2,303,653
	Equity				
4	Common Equity	40.00%	\$45,432,407	8.66%	\$3,934,446
5	Preferred Shares	0.00%	\$ -	0.00%	\$ -
6	Total Equity	40.00%	\$45,432,407	8.66%	\$3,934,446
7	Total	100.00%	\$113,581,019	5.49%	\$6,238,100
Per Board Decision					
	Debt				
1	Long-term Debt	56.00%	\$63,605,370	3.54%	\$2,250,497
2	Short-term Debt	4.00%	\$4,543,241	1.17%	\$53,156
3	Total Debt	60.00%	\$68,148,611	3.38%	\$2,303,653
	Equity				
4	Common Equity	40.00%	\$45,432,407	8.66%	\$3,934,446
5	Preferred Shares	0.00%	\$ -	0.00%	\$ -
6	Total Equity	40.00%	\$45,432,407	8.66%	\$3,934,446
7	Total	100.00%	\$113,581,019	5.49%	\$6,238,100
	Debt				
8	Long-term Debt	56.00%	\$63,605,370	3.54%	\$2,250,497
9	Short-term Debt	4.00%	\$4,543,241	1.17%	\$53,156
10	Total Debt	60.00%	\$68,148,611	3.38%	\$2,303,653
	Equity				
11	Common Equity	40.00%	\$45,432,407	8.66%	\$3,934,446
12	Preferred Shares	0.00%	\$ -	0.00%	\$ -
13	Total Equity	40.00%	\$45,432,407	8.66%	\$3,934,446
14	Total	100.00%	\$113,581,019	5.49%	\$6,238,100

Revenue Deficiency/Sufficiency

Line No.	Particulars	Initial Application		Per Board Decision		Per Board Decision	
		At Current Approved Rates	At Proposed Rates	At Current Approved Rates	At Proposed Rates	At Current Approved Rates	At Proposed Rates
1	Revenue Deficiency from Below		\$4,350,355		\$4,350,355		\$4,350,355
2	Distribution Revenue	\$20,420,991	\$20,420,991	\$20,420,991	\$20,420,991	\$20,420,991	\$20,420,991
3	Other Operating Revenue Offsets - net	\$2,201,364	\$2,201,364	\$2,201,364	\$2,201,364	\$2,201,364	\$2,201,364
4	Total Revenue	\$22,622,355	\$26,972,710	\$22,622,355	\$26,972,710	\$22,622,355	\$26,972,710
5	Operating Expenses	\$20,050,494	\$20,050,494	\$20,050,494	\$20,050,494	\$20,050,494	\$20,050,494
6	Deemed Interest Expense	\$2,303,653	\$2,303,653	\$2,303,653	\$2,303,653	\$2,303,653	\$2,303,653
8	Total Cost and Expenses	\$22,354,148	\$22,354,148	\$22,354,148	\$22,354,148	\$22,354,148	\$22,354,148
9	Utility Income Before Income Taxes	\$268,207	\$4,618,562	\$268,207	\$4,618,562	\$268,207	\$4,618,562
10	Tax Adjustments to Accounting Income per 2013 PILs model	(\$2,021,577)	(\$2,021,577)	(\$2,021,577)	(\$2,021,577)	(\$2,021,577)	(\$2,021,577)
11	Taxable Income	(\$1,753,370)	\$2,596,985	(\$1,753,370)	\$2,596,985	(\$1,753,370)	\$2,596,985
12	Income Tax Rate	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%
13	Income Tax on Taxable Income	(\$464,643)	\$688,201	(\$464,643)	\$688,201	(\$464,643)	\$688,201
14	Income Tax Credits	(\$4,085)	(\$4,085)	(\$4,085)	(\$4,085)	(\$4,085)	(\$4,085)
15	Utility Net Income	\$736,936	\$3,934,447	\$736,936	\$3,934,447	\$736,936	\$3,934,447
16	Utility Rate Base	\$113,581,019	\$113,581,019	\$113,581,019	\$113,581,019	\$113,581,019	\$113,581,019
17	Deemed Equity Portion of Rate Base	\$45,432,407	\$45,432,407	\$45,432,407	\$45,432,407	\$45,432,407	\$45,432,407
18	Income/(Equity Portion of Rate Base)	1.62%	8.66%	1.62%	8.66%	1.62%	8.66%
19	Target Return - Equity on Rate Base	8.66%	8.66%	8.66%	8.66%	8.66%	8.66%
20	Deficiency/Sufficiency in Return on Equity	-7.04%	0.00%	-7.04%	0.00%	-7.04%	0.00%
21	Indicated Rate of Return	2.68%	5.49%	2.68%	5.49%	2.68%	5.49%
22	Requested Rate of Return on Rate Base	5.49%	5.49%	5.49%	5.49%	5.49%	5.49%
23	Deficiency/Sufficiency in Rate of Return	-2.82%	0.00%	-2.82%	0.00%	-2.82%	0.00%
24	Target Return on Equity	\$3,934,446	\$3,934,446	\$3,934,446	\$3,934,446	\$3,934,446	\$3,934,446
25	Revenue Deficiency/(Sufficiency)	\$3,197,511	\$0	\$3,197,511	\$0	\$3,197,511	\$0
26	Gross Revenue Deficiency/(Sufficiency)	\$4,350,355 ⁽¹⁾		\$4,350,355 ⁽¹⁾		\$4,350,355 ⁽¹⁾	



Revenue Requirement Workform (RRWF) for 2023 Filers

Revenue Requirement

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

Summary Table of Revenue Requirement and Revenue Deficiency/Sufficiency

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

Notes

⁽¹⁾ Line 11 - Line 8

⁽²⁾ Percentage Change Relative to Initial Application

Revenue Requirement Workform (RRWF) for 2023 Filers

Load Forecast Summary

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

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

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

Stage in Process:

Initial Application

Customer Class		Initial Application			Customer / Connections			Per Board Decision		
Input the name of each customer class.		Customer / Connections	kWh	kW/kVA ⁽¹⁾	Customer / Connections	kWh	kW/kVA ⁽¹⁾	Customer / Connections	kWh	kW/kVA ⁽¹⁾
		Test Year average or mid-year	Annual	Annual	Test Year average or mid-year	Annual	Annual	Test Year average or mid-	Annual	Annual
1	Residential	40,088	353,525,758							
2	GS < 50 kW	2,990	87,960,137							
3	GS >50 to 999 kW	344		595,236						
4	GS >1000 to 4999 kW	12		225,594						
5	Large Use	3		260,034						
6	Street Lighting	2,919		14,179						
7	Sentinel Lighting	231		378						
8	Unmetered and Scattered	223	1,067,791							
9										
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20										
Total			442,553,687	1,095,421		-	-		-	-



Revenue Requirement Workform (RRWF) for 2023 Filers

Cost Allocation and Rate Design

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

Stage in Application Process: *Initial Application*

A) Allocated Costs

Name of Customer Class ⁽³⁾	Costs Allocated from Previous Study ⁽¹⁾	%	Allocated Class Revenue Requirement ⁽¹⁾	%
<i>From Sheet 10. Load Forecast</i>				
(7A)				
1 Residential	\$ 10,963,823	67.23%	\$ 18,708,337	69.36%
2 GS < 50 kW	\$ 2,107,285	12.92%	\$ 3,161,607	11.72%
3 GS >50 to 999 kW	\$ 1,896,276	11.63%	\$ 3,418,069	12.67%
4 GS >1000 to 4999 kW	\$ 477,713	2.93%	\$ 555,620	2.06%
5 Large Use	\$ 468,592	2.87%	\$ 699,903	2.59%
6 Street Lighting	\$ 20,653	0.13%	\$ 315,263	1.17%
7 Sentinel Lighting	\$ 337,476	2.07%	\$ 56,885	0.21%
8 Unmetered and Scattered	\$ 34,996	0.21%	\$ 57,025	0.21%
9				
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18				
19				
20				
Total	\$ 16,306,814	100.00%	\$ 26,972,710	100.00%
			Service Revenue Requirement (from Sheet 9)	\$ 26,972,709.67

- (1) Class Allocated Revenue Requirement, from Sheet O-1, Revenue to Cost || RR, row 40, from the Cost Allocation Study in this application. This excludes cost variance accounts. For Embedded Distributors, Account 4750 - Low Voltage (LV) Costs are also excluded.
- (2) Host Distributors - Provide information on any embedded distributor(s) as a separate class, if applicable. If embedded distributors are billed in a General Service the allocated costs and revenues of the embedded distributor(s) in the applicable class, and also complete Appendix 2-Q.
- (3) Customer Classes - If these differ from those in place in the previous cost allocation study, modify the customer classes to match the proposal in the current closely as possible.

B) Calculated Class Revenues

	Name of Customer Class	Load Forecast (LF) X current approved rates (7B)	LF X current approved rates X (1+d) (7C)	LF X Proposed Rates (7D)	Miscellaneous Revenues (7E)
1	Residential	\$ 14,373,804	\$ 17,435,906	\$ 17,435,906	\$ 1,597,793
2	GS < 50 kW	\$ 2,365,881	\$ 2,869,893	\$ 2,869,893	\$ 230,834
3	GS >50 to 999 kW	\$ 2,313,136	\$ 2,805,911	\$ 2,807,875	\$ 236,923
4	GS >1000 to 4999 kW	\$ 510,521	\$ 619,279	\$ 619,279	\$ 41,741
5	Large Use	\$ 522,350	\$ 633,628	\$ 633,628	\$ 55,341
6	Street Lighting	\$ 260,279	\$ 315,727	\$ 315,727	\$ 28,422
7	Sentinel Lighting	\$ 31,732	\$ 38,491	\$ 36,528	\$ 5,269
8	Unmetered and Scattered	\$ 43,288	\$ 52,510	\$ 52,510	\$ 5,041
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					
	Total	\$ 20,420,991	\$ 24,771,346	\$ 24,771,346	\$ 2,201,364

- (4) In columns 7B to 7D, LF means Load Forecast of Annual Billing Quantities (i.e., customers or connections, as applicable X 12 months, and kWh, kW or kVA Revenue quantities should be net of the Transformer Ownership Allowance for applicable customer classes. Exclude revenues from rate adders and rate riders.
- (5) Columns 7C and 7D - Column Total should equal the Base Revenue Requirement for each.
- (6) Column 7C - The OEB-issued cost allocation model calculates "1+d" on worksheet O-1, cell C22. "d" is defined as Revenue Deficiency/Revenue at Current Rates.
- (7) Column 7E - If using the OEB-issued cost allocation model, enter Miscellaneous Revenues as it appears on worksheet O-1, row 19.

C) Rebalancing Revenue-to-Cost Ratios

	Name of Customer Class	Previously Approved Ratios	Status Quo Ratios	Proposed Ratios	Policy Range
		Most Recent Year:	(7C + 7E) / (7A)	(7D + 7E) / (7A)	
		%	%	%	%
1	Residential	97.83%	101.74%	101.74%	85 - 115
2	GS < 50 kW	109.47%	98.07%	98.07%	80 - 120
3	GS >50 to 999 kW	97.83%	89.02%	89.08%	80 - 120
4	GS >1000 to 4999 kW	120.00%	118.97%	118.97%	80 - 120
5	Large Use	115.00%	98.44%	98.44%	85 - 115
6	Street Lighting	97.83%	109.16%	109.16%	80 - 120
7	Sentinel Lighting	60.00%	76.93%	73.48%	80 - 120
8	Unmetered and Scattered	104.42%	100.92%	100.92%	80 - 120
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- (8) Previously Approved Revenue-to-Cost (R/C) Ratios - For most applicants, the most recent year would be the third year (at the latest) of the Price Cap IR per the applicant, rebased in 2012 with further adjustments to move within the range over two years, the Most Recent Year would be 2015. However, the ratios equal to those after the adjustment in 2014.
- (9) Status Quo Ratios - The OEB-issued cost allocation model provides the Status Quo Ratios on Worksheet O-1. The Status Quo means "Before Rebalancing"
- (10) Ratios shown in red are outside of the allowed range. Applies to both Tables C and D.

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

Name of Customer Class	Test Year	Proposed Revenue-to-Cost Ratio		Policy Range
		Price Cap IR Period 1	Price Cap IR Period 2	
1 Residential	101.74%	101.74%	101.74%	85 - 115
2 GS < 50 kW	98.07%	98.07%	98.07%	80 - 120
3 GS >50 to 999 kW	89.08%	89.08%	89.08%	80 - 120
4 GS >1000 to 4999 kW	118.97%	118.30%	118.30%	80 - 120
5 Large Use	98.44%	98.44%	98.44%	85 - 115
6 Street Lighting	109.16%	109.16%	109.16%	80 - 120
7 Sentinel Lighting	73.48%	80.00%	80.00%	80 - 120
8 Unmetered and Scattered	100.92%	100.92%	100.92%	80 - 120
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(11) The applicant should complete Table D if it is applying for approval of a revenue-to-cost ratio in 2021 that is outside of the OEB's policy range for any customer class. The applicant should show that the distributor is likely to enter into the 2022 and 2023 Price Cap IR models, as necessary. For 2022 and 2023, enter the planned revenue-to-cost ratio as "Change" or "No Change" in 2019 (in the current Revenue/Cost Ratio Adjustment Workform, Worksheet C1.1 'Decision - Cost Revenue Adjustment, column TBD for class(es) that will be entered as 'Rebalance'.

Revenue Requirement Workform (RRWF) for 2023 Filers

Rate Design and Revenue Reconciliation

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

Stage in Process:		Initial Application		Class Allocated Revenues			Fixed / Variable Splits ²			Distribution Rates				Revenue Reconciliation			
Customer and Load Forecast					From Sheet 11. Cost Allocation and Sheet 12. Residential Rate Design			Percentage to be entered as a fraction between 0 and 1		Transformer Ownership Allowance ¹ (\$)	Monthly Service Charge		Volumetric Rate		MSC Revenues	Volumetric revenues	Distribution Revenues less Transformer Ownership
Customer Class	Volumetric Charge Determinant	Customers / Connections	kWh	kW or kVA	Total Class Revenue Requirement	Monthly Service Charge	Volumetric	Fixed	Variable		Rate	No. of decimals	Rate	No. of decimals			
1 Residential	kWh	40,088	353,525,758	-	\$ 17,435,906	\$ 17,435,906	\$ -	100.00%	0.00%			\$0.0000	kWh	4	\$ 17,438,098.75	\$ -	\$ 17,438,098.75
2 GS < 50 kW	kWh	2,990	87,960,137	-	\$ 2,869,893	\$ 800,100	\$ 2,069,793	27.88%	72.12%	\$ 22.30	2	\$0.0235	kWh		\$ 800,099.68	\$ 2,067,063.2271	\$ 2,867,162.90
3 GS >50 to 999 kW	kW	344	-	595,236	\$ 2,807,875	\$ 434,386	\$ 2,373,488	15.47%	84.53%	\$ 42.807		\$4.0594	kW		\$ 434,386.28	\$ 2,416,299.5136	\$ 2,807,878.76
4 GS >1000 to 4999 kW	kW	12	-	225,594	\$ 619,279	\$ 119,203	\$ 500,076	19.25%	80.75%	\$ 118.660		\$27.80	kW		\$ 119,203.20	\$ 618,736.3579	\$ 619,279.48
5 Large Use	kW	3	-	260,034	\$ 633,628	\$ 119,004	\$ 514,624	18.78%	81.22%			\$3,305.66	kW		\$ 119,003.76	\$ 514,633.5396	\$ 633,637.30
6 Street Lighting	kW	2,919	-	14,179	\$ 315,727	\$ 113,857	\$ 201,870	36.06%	63.94%			\$3.25	kW		\$ 113,857.05	\$ 201,870.1658	\$ 315,727.22
7 Sentinel Lighting	kW	231	-	378	\$ 36,528	\$ 17,977	\$ 18,551	49.22%	50.78%			\$6.48	kW		\$ 17,977.42	\$ 18,550.8550	\$ 36,528.28
8 Unmetered and Scattered	kWh	223	1,067,791	-	\$ 52,510	\$ 28,429	\$ 24,082	54.14%	45.86%			\$10.63	kWh		\$ 28,428.63	\$ 24,132.0825	\$ 52,560.71
9	-	-	-	-											\$ -	\$ -	\$ -
10	-	-	-	-											\$ -	\$ -	\$ -
11	-	-	-	-											\$ -	\$ -	\$ -
12	-	-	-	-											\$ -	\$ -	\$ -
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19	-	-	-	-											\$ -	\$ -	\$ -
20	-	-	-	-											\$ -	\$ -	\$ -
Total Transformer Ownership Allowance										\$ 161,467						Total Distribution Revenues	\$ 24,770,873.40
											Rates recover revenue requirement					Base Revenue Requirement	\$ 24,771,345.67
																Difference	-\$ 472.27
																% Difference	-0.002%

Notes:

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

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

