

UNION RATE ZONES
 Summary of 2018 Draft Actuals and 2019 Updated Forecast for Capital Pass-Through Projects Revenue Requirement

Line No.	Particulars (\$000's)	Parkway West				Parkway Projects				2016 Dawn-Parkway Expansion Project			
		2018 Draft Actuals (a)	2019 Updated Forecast (b)	Change (c) = (b-a)	2018 Draft Actuals (d)	2019 Updated Forecast (e)	Change (f) = (e-d)	2018 Draft Actuals (g)	2019 Updated Forecast (h)	Change (i) = (h-g)			
1	Rate Base Investment	1,092	1,454	362	-	-	-	2,464	-	(2,464)			
2	Capital Expenditures Average Investment	213,974	209,671	(4,303)	182,727	177,731	(4,995)	329,689	323,231	(6,458)			
Revenue Requirement Calculation:													
Operating Expenses:													
3	Operating and Maintenance Expenses	1,320	1,373	53	621	621	-	951	894	(57)			
4	Depreciation Expense (1)	5,479	5,509	29	4,995	4,995	-	8,255	8,229	(26)			
5	Property Taxes	572	594	11	939	939	-	1,096	1,100	4			
6	Total Operating Expenses (line 3 + line 4 + line 5)	7,372	7,485	93	6,555	6,556	-	10,302	10,223	(79)			
Required Return:													
7	Interest Expense	5,231	5,126	(105)	4,467	4,345	(122)	7,090	6,951	(139)			
8	Equity Return	6,879	6,740	(138)	5,874	5,714	(161)	10,599	10,391	(208)			
9	Total Required Return (line 7 + line 8) (2)	12,110	11,867	(244)	10,342	10,059	(283)	17,688	17,342	(346)			
Income Taxes:													
10	Income Taxes - Equity Return (3)	2,480	2,430	(50)	2,118	2,060	(58)	3,821	3,747	(75)			
11	Income Taxes - Utility Timing Differences (4)	(4,066)	(3,281)	786	(3,938)	(3,234)	704	(7,411)	(6,233)	1,178			
12	Total Income Taxes (line 10 + line 11)	(1,586)	(850)	736	(1,820)	(1,174)	646	(3,590)	(2,486)	1,104			
13	Total Revenue Requirement (line 6 + line 9 + line 12)	17,896	18,482	586	15,077	15,441	363	24,401	25,079	678			
14	Incremental Project Revenue Adjustment (5)	-	-	-	-	-	-	-	-	-			
15	Capital Pass-through Adjustments (line 13 - line 14)	17,896	18,482	586	15,077	15,441	363	24,401	25,079	678			

Notes:

- (1) Depreciation expense at 2013 Board-approved depreciation rates.
- (2) The required return assumes a capital structure of 36% common equity at the 2013 Board-approved return of 8.93% and 64% long-term debt. The assumed long-term debt for rates for 2019 are 3.82% for Parkway West and Parkway Growth projects, 3.36% for 2016 Dawn-Parkway Expansion and Burlington to Oakville projects, and 3.29% for 2017 Dawn-Parkway Expansion and Panhandle Reinforcement projects.
- (3) Taxes related to the equity component of the return at a tax rate of 26.5%.
- (4) Taxes related to the utility timing differences are negative as the capital cost allowance deduction in arriving at taxable income exceeds the provision of book depreciation in the year.
- (5) Incremental project revenue reflected as an increase to Rate M12 and Rate C1 billing units used to set rates during the 2014-2018 IRM term except for 30,393 GJ/d of capacity related to the 2017 Dawn-Parkway Project for 2018 and the incremental revenue of the Panhandle Reinforcement Project. Incremental project revenue in 2018 of the 2017 Dawn-Parkway project includes proportional short-term sales for January to October and entire capacity sold long-term M12 Dawn-Parkway for November and December. Incremental project revenue of the Panhandle Reinforcement Project treated as a reduction to the capital pass-through adjustment amount and includes incremental transmission and distribution margin.

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Line No.	Particulars (\$000's)	Burlington to Oakville Project		2017 Dawn-Parkway Expansion Project		Panhandle Reinforcement Project		Total	
		2018 Draft Actuals (j)	2019 Updated Forecast (k)	2018 Draft Actuals (m)	2019 Updated Forecast (n)	2018 Draft Actuals (p)	2019 Updated Forecast (q)	2018 Draft Actuals (s)	2019 Updated Forecast (t)
			Change (l) = (k-j)		Change (o) = (n-m)		Change (r) = (q-p)		Change (u) = (t-s)
1	Rate Base Investment	1,455	-	32,959	15,244	36,454	6,735	74,424	23,433
2	Capital Expenditures	79,289	78,224	569,940	578,948	203,412	220,477	1,579,030	1,586,283
	Average Investment								
	Revenue Requirement Calculation:								
	Operating Expenses:								
3	Operating and Maintenance Expenses	-	16	2,035	2,076	-	16	4,927	4,995
4	Depreciation Expense (1)	1,720	1,737	16,035	17,236	4,473	4,925	40,958	42,631
5	Property Taxes	122	125	1,075	1,075	1,776	1,848	5,580	5,670
6	Total Operating Expenses (line 3 + line 4 + line 5)	1,842	1,878	19,145	20,386	6,249	6,788	51,465	53,296
	Required Return:								
7	Interest Expense	1,705	1,682	12,001	12,190	4,283	4,642	34,777	34,937
8	Equity Return	2,549	2,515	18,322	18,612	6,539	7,088	50,763	51,060
9	Total Required Return (line 7 + line 8) (2)	4,254	4,197	30,323	30,802	10,822	11,730	85,540	85,997
	Income Taxes:								
10	Income Taxes - Equity Return (3)	919	907	6,606	6,710	2,358	2,556	18,302	18,409
11	Income Taxes - Utility Timing Differences (4)	(1,847)	(1,574)	(19,681)	(16,784)	(5,498)	(5,234)	(42,442)	(36,339)
12	Total Income Taxes (line 10 + line 11)	(928)	(667)	(13,075)	(10,075)	(3,140)	(2,678)	(24,139)	(17,930)
13	Total Revenue Requirement (line 6 + line 9 + line 12)	5,168	5,408	36,393	41,114	13,931	15,840	112,865	121,363
14	Incremental Project Revenue Adjustment (5)	-	-	917	-	3,607	4,568	4,525	4,568
15	Capital Pass-through Adjustments (line 13 - line 14)	5,168	5,408	35,475	41,114	10,324	11,272	108,341	116,795

Notes:

- (1) Depreciation expense at 2013 Board-approved depreciation rates.
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