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7 – Cost Allocation

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COST ALLOCATION OVERVIEW

Introduction:

In a staff discussion paper released on November 28, 2007, Board Staff provided some guidelines on both the allocation of costs and on general fixed-variable rate design.

These guidelines provide for target band-widths for individual customer class revenue-to-cost ratios as well as some guidance on fixed pricing.

Board staff suggested the following generic guidelines starting on page 8 of the Nov. 28 document, note any value below 100% is a subsidization received and anything above 100% is subsidization towards other classes:

- Residential Class
 - Revenue to cost ratios between 85% and 115%
- General Service < 50 kW
 - Revenue to cost ratios between 80% and 120%
- Unmetered Scattered Load
 - Revenue to cost ratios between 80% and 120%
- General Service > 50 to 4,999 kW
 - Revenue to cost ratios between 80% and 180%
- Street Light
 - Revenue to cost ratios between 70% to 120%

Specific Approval Requests:

West Coast Huron is requesting the following revenue allocations based on allocations from its Cost Allocation Filing:

- Residential Class
 - Revenue Allocation = 48.94%
- General Service < 50 kW

- Revenue Allocation = 15.50%
- General Service 50 to 499 kW
 - Revenue Allocation = 11.97%
- General Service 500 to 4,999 kW
 - Revenue Allocation = 5.15%
- Large User
 - Revenue Allocation = 13.49%
- Street Light
 - Revenue Allocation = 4.49%
- Sentinel Light
 - Revenue Allocation = 0.11%
- Unmetered Scattered Load
 - Revenue Allocation = 0.34%

Elenchus Cost Allocation Study Results

Customer Class Name	Status	Existing Rates (a)			Cost Allocation - Minimum Fixed Rate (b)			Cost Allocation - Maximum Fixed Rate (b)		
		Rate	Fixed %	Variable %	Rate	Fixed %	Variable %	Rate	Fixed %	Variable %
Residential	Continued	\$14.20	52.89%	47.11%	\$9.60	28.73%	71.27%	\$25.38	75.97%	24.03%
GS <50	Continued	\$33.72	52.58%	47.42%	\$13.86	18.67%	81.33%	\$37.00	49.86%	50.14%
GS 50 - 499 kW	Continued	\$396.04	68.93%	31.07%	\$88.72	15.44%	84.56%	\$396.04	68.93%	31.07%
GS 500 kW - 4999 kW	Continued	\$2,974.29	78.47%	21.53%	\$329.76	8.70%	91.30%	\$2,974.29	78.47%	21.53%
Large Use >5MW	Continued	\$9,509.57	53.11%	46.89%	\$1,216.25	4.08%	95.92%	\$9,509.57	31.92%	68.08%
Street Light	Continued	\$1.97	52.16%	47.84%	\$0.52	6.78%	93.22%	\$11.35	148.55%	-48.55%
Sentinel	Continued	\$5.69	100.00%		\$16.28	53.97%	46.03%	\$35.39	117.36%	-17.36%
Unmetered Scattered Load	Continued	\$33.73	80.66%	19.34%	\$124.56	436.21%	-336.21%	\$232.88	815.54%	-715.54%

(a) per sheet C3

(b) Rates per sheet F2; %s base

Customer Class Name	Status	Existing Fixed/Variable Split (c)			Rate Application			Base Revenue Requirement \$		
		Rate	Fixed %	Variable %	Fixed Rate	Fixed %	Variable %	Total (d)	Fixed (e)	Variable (f)
Residential	Continued	\$17.67	52.89%	47.11%	\$17.67	52.89%	47.11%	1,296,513	685,757	610,756
GS <50	Continued	\$39.02	52.58%	47.42%	\$37.00	49.86%	50.14%	410,523	204,701	205,822
GS 50 - 499 kW	Continued	\$396.04	68.93%	31.07%	\$396.04	68.93%	31.07%	317,157	218,614	98,543
GS 500 kW - 4999 kW	Continued	\$2,974.29	78.47%	21.53%	\$2,974.29	78.47%	21.53%	136,445	107,074	29,371
Large Use >5MW	Continued	\$15,819.53	53.11%	46.89%	\$9,509.57	31.92%	68.08%	357,464	114,115	243,349
Street Light	Continued	\$3.99	52.16%	47.84%	\$3.99	52.16%	47.84%	119,024	62,079	56,945
Sentinel	Continued	\$30.16	100.00%		\$30.16	100.00%		2,895	2,895	
Unmetered Scattered Load	Continued	\$23.03	80.66%	19.34%	\$23.03	80.66%	19.34%	8,909	7,186	1,723

(c) %s per Existing Rates, Rate

(d) per sheet F3

(e) Based on Rate Application Fixed Rate and # customers/connections (sheet C2)

(f) Total amount (d) less Fixed amount (e)

Customer Class Name	Status	Transf. Allowance (\$/kW):		Gross \$ Variable (h)	Resulting Variable		Existing Var. Rate (j)	Base Revenue \$	
		kW	Rate		Rate (i)	per		Fixed (k)	Gross (l)
Residential	Continued			610,756	\$0.0229	kWh	\$0.0184	685,757	1,296,513
GS <50	Continued			205,822	\$0.0142	kWh	\$0.0116	204,701	410,523
GS 50 - 499 kW	Continued	37,080	\$0.60	22,248	\$1.7549	kW	\$1.7549	218,614	339,405
GS 500 kW - 4999 kW	Continued	32,194	\$0.60	19,316	\$1.5123	kW	\$1.5123	107,074	155,761
Large Use >5MW	Continued	156,689	\$0.60	94,013	\$2.1531	kW	\$1.2431	114,115	451,477
Street Light	Continued			56,945	\$21.8180	kW	\$10.7843	62,079	119,024
Sentinel	Continued				#DIV/0!	kW	\$10.8387	2,895	2,895
Unmetered Scattered Load	Continued			1,723	\$0.0204	kWh	\$0.0299	7,186	8,909

(g) kW volume multiplied by Rate

(h) Variable Base Revenue Requ

(i) Gross Variable amount \$ (h),

(k) per (e) above

(l) Gross Variable amount (h), plus Fixed Base Revenue (k)

* Greater or 'Directly Related', 'Minimum System' v

West Coast Huron Energy
EB-2012-0175
Exhibit: 7
Tab: 1
Schedule: 1

Customer Class Name	Status	Base Revenue Requirement %			Base Revenue Requirement \$ ³		
		Cost Allocation ¹	Existing Rates ²	Rate Application	Cost Allocation	Existing Rates	Rate Application
Residential	Continued	52.41%	48.94%	48.94%	1,388,371	1,296,513	1,296,513
GS <50	Continued	12.82%	16.67%	15.50%	339,665	441,509	410,523
GS 50 - 499 kW	Continued	8.15%	14.90%	11.97%	215,927	394,671	317,157
GS 500 kW - 4999 kW	Continued	2.83%	6.41%	5.15%	75,001	169,792	136,445
Large Use >5MW	Continued	16.71%	10.09%	13.49%	442,647	267,399	357,464
Street Light	Continued	6.51%	2.76%	4.49%	172,352	73,210	119,024
Sentinel	Continued	0.14%	0.03%	0.11%	3,667	680	2,895
Unmetered Scattered Load	Continued	0.43%	0.19%	0.34%	11,301	5,155	8,909
TOTAL		100.00%	100.00%	100.00%	2,648,930	2,648,930	2,648,930

¹ from sheet F2

² from sheet C3

³ Base Revenue Requirement (from sheet F1), mul.

Customer Class Name	Status	Revenue Offsets ⁴		Base Revenue Requirement \$			Service Revenue Requirement \$ ⁵		
		%	\$	Cost Allocation	Existing Rates	Rate Application	Cost Allocation	Existing Rates	Rate Application
Residential	Continued	59.52%	62,259	1,388,371	1,296,513	1,296,513	1,450,630	1,358,772	1,358,772
GS <50	Continued	13.98%	14,623	339,665	441,509	410,523	354,288	456,132	425,146
GS 50 - 499 kW	Continued	7.74%	8,098	215,927	394,671	317,157	224,024	402,769	325,255
GS 500 kW - 4999 kW	Continued	3.80%	3,976	75,001	169,792	136,445	78,977	173,769	140,421
Large Use >5MW	Continued	8.97%	9,386	442,647	267,399	357,464	452,033	276,785	366,849
Street Light	Continued	5.17%	5,406	172,352	73,210	119,024	177,757	78,616	124,430
Sentinel	Continued	0.18%	193	3,667	680	2,895	3,859	872	3,087
Unmetered Scattered Load	Continued	0.63%	660	11,301	5,155	8,909	11,961	5,815	9,569
TOTAL		100.00%	104,600	2,648,930	2,648,930	2,648,930	2,753,530	2,753,530	2,753,530

⁴ %s from sheet F2; total \$ from sheet F1

⁵ Revenue Offsets plus Base Revenue Requirement

Customer Class Name	Status	Service Revenue Requirement			Variance	Target Range	
		Rate Application	Cost Allocation	Revenue to Cost Ratio ⁶		Floor	Ceiling
Residential	Continued	1,358,772	1,450,630	0.94	0.94	0.85	1.15
GS <50	Continued	425,146	354,288	1.20	1.29	0.80	1.20
GS 50 - 499 kW	Continued	325,255	224,024	1.45	1.80	0.80	1.20
GS 500 kW - 4999 kW	Continued	140,421	78,977	1.78	2.20	0.80	1.20
Large Use >5MW	Continued	366,849	452,033	0.81	0.61	0.85	1.15
Street Light	Continued	124,430	177,757	0.70	0.44	0.70	1.20
Sentinel	Continued	3,087	3,859	0.80	0.23	0.80	1.20
Unmetered Scattered Load	Continued	9,569	11,961	0.80	0.49	0.80	1.20
TOTAL		2,753,530	2,753,530	1.00	1.00		

⁶ Rate Application value divided by Cost Allocation

⁷ from sheet F2

WCHE engaged Elenchus to prepare a Cost Allocation for the purpose of this COS rate application as detailed in the above table. West Coast Huron Energy utilized its revenue to cost ratios from its cost allocation model utilizing its existing classes to determine rate class's revenue allocations. Some of the ratio's fall outside the bandwidth provided by The Board.

West Coast Huron Energy is not proposing to bring its entire rate classes to 100% of their Cost allocation from the updated Cost allocation model included in this application. WCHE has moved some classes to more reflect the Boards guidelines in this matter.

Summary of Results and Proposed Changes

Goderich Hydro Customer Impacts

Class	Consumption kWh	Consumption kW	May 2012 Bill	May 2013 Bill	Difference \$	Bill Impact %	Max	Min
Residential	100		\$ 27.89	\$ 36.38	\$ 8.49	30.44%	30.44%	7.44%
	250		\$ 47.68	\$ 57.13	\$ 9.45	19.82%		
	500		\$ 80.68	\$ 91.74	\$ 11.06	13.71%		
	Average Customer	800	\$ 120.27	\$ 133.25	\$ 12.98	10.79%		
	1,000		\$ 146.66	\$ 160.94	\$ 14.28	9.74%		
	1,500		\$ 212.63	\$ 230.13	\$ 17.50	8.23%		
	2,000		\$ 278.61	\$ 299.33	\$ 20.72	7.44%		
General Service Less Than 50 kW	1,000		\$ 159.34	\$ 173.27	\$ 13.93	8.74%	8.74%	4.35%
	2,000		\$ 284.12	\$ 302.97	\$ 18.85	6.63%		
Average Customer	3,000		\$ 408.92	\$ 432.66	\$ 23.74	5.81%		
	5,000		\$ 686.88	\$ 723.01	\$ 36.13	5.26%		
	10,000		\$ 1,380.15	\$ 1,443.53	\$ 63.38	4.59%		
	15,000		\$ 2,078.96	\$ 2,169.41	\$ 90.45	4.35%		
General Service 50 - 499 kW	15,000	55	\$ 946.52	\$ 1,046.76	\$ 100.24	10.59%	14.72%	10.36%
Average Customer	20,000	125	\$ 1,447.65	\$ 1,650.73	\$ 203.08	14.03%		
	50,000	250	\$ 2,627.52	\$ 3,014.27	\$ 386.75	14.72%		
	125,000	350	\$ 4,234.21	\$ 4,750.50	\$ 516.29	12.19%		
	250,000	450	\$ 7,301.45	\$ 8,057.66	\$ 756.21	10.36%		
General Service 500 - 4,999 kW	700,000	1,700	\$ 25,576.11	\$ 29,085.90	\$ 3,509.79	13.72%		
Large User	7,000,000	15,000	\$ 173,284.43	\$ 218,779.71	\$ 45,495.28	26.25%		
Unmetered Scattered Load - Avg Cu	100		\$ 46.42	\$ 39.13	-\$ 7.29	-15.70%		
Street Lighting - Avg Customer	50	1	\$ 17.02	\$ 31.37	\$ 14.35	84.31%		
Sentinel	50	1	\$ 21.05	\$ 36.38	\$ 15.33	72.83%		