

EXHIBIT 7 – COST ALLOCATION

EB-2016-0089

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1 Cost Allocation Study Requirements

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3 Ex.7/Tab 1/Sch.1 – Overview of Cost Allocation

4
5 LUI has prepared and is filing a cost allocation informational filing consistent with its understanding of the
6 Directions and Policies in the Board’s reports of November 28, 2007 Application of Cost Allocation for
7 Electricity Distributors, and March 31, 2011 Review of Electricity Distribution Cost Allocation Policy (EB-
8 2010-0219) (the “Cost Allocation Reports”) and all subsequent updates.

9 The main objectives of the original informational filing in 2006 were to provide information on any apparent
10 cross-subsidization among a distributor’s rate classifications and to support future rate applications. As part
11 of its 2012 Cost of Service Rate Application, LUI updated the cost allocation revenue to cost ratios with
12 2012 base revenue requirement information. The revenue to cost ratios from the 2012 application are
13 presented below. Note that the ratio for the General Service 3000-4999 was phased in over several years.

14 **Table 7.0: Previously Approved Ratios (2012 COS)**

Customer Class Name	2012 Approved Revenue to Cost Ratio
Residential	94.80%
General Service <50 kW	99.60%
General Service 50-2999 kW	120.00%
General Service 3000-4999 kW	57.50%
Street Lighting	111.70%
Sentinel Lights	117.20%
Unmetered Scattered Load	94.80%

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16 The Cost Allocation Study for 2017 allocates the 2017 test year costs (i.e., the 2017 forecast revenue
17 requirement) to the various customer classes using allocators that are based on the forecast class loads
18 (kW and kWh) by class, customer counts, etc.

19 LUI has used the updated OEB-approved Cost Allocation Model and followed the instructions and
20 guidelines issued by the OEB to enter the 2017 data into this model. All references to sheet I3, I4, I6, I7,
21 O1, and O2 are found in LUI’s 2017 Cost Allocation Model.

22 LUI populated the information on Sheet I3 Trial Balance Data with the 2017 forecasted data, Target Net
23 Income, PILs, deemed interest on long term debt, and the targeted Revenue Requirement and Rate Base.

24 On I4, Break-out of Assets, LUI updated the allocation of the accounts based on 2017 values.

1 In Sheet I5.1, Miscellaneous Data, LUI updated the deemed equity component of rate base, kilometer of
 2 roads in the service area, working capital allowance, the proportion of pole rental revenue from secondary
 3 poles, and the monthly service charges.

4 As instructed by the Board, in Sheet I5.2, Weighting Factors, LUI has used LDC specific factors rather than
 5 continuing to use OEB approved default factors. The utility has applied service and billing and collecting
 6 weightings for each customer classification.

7 These weightings are based on a review of time and costs incurred in servicing its customer classes; they
 8 are discussed further below.

9 **Table 7.1: Weighting Factors**

	Residential	General Service < 50 kW	General Service 50-2999 kW	General Service 3000-4999 kW	Street Lighting	Sentinel Lights	Unmetered Scattered Load
Insert Weighting Factor for Services Account 1855	1.0	2.0	10.0	10.0	1.0	1.0	1.0
Insert Weighting Factor for Billing and Collecting	1.0	2.0	7.0	7.0	1.0	0.1	5.0

10

11 **Proposed Services Weighting Factors**

12 **Residential:** The Services weighting factor was set to “1”, per Cost Allocation instruction sheet.

13 **General Service less than 50 kW:** the proposed Services weighting factor of 2.0 reflects that
 14 these customers require greater capacity than residential customers as well as increased levels of
 15 engineering and planning. Furthermore, this class typically is more complex than Residential
 16 servicing as it may include the creation of a unique work order and may require after hour
 17 attendance to mitigate against interruptions during normal business hours.

18 **General Service 50-2999 kW, and General Service 3000-4999 kW:** The proposed Services
 19 weighting factor of 10.0 reflects that these customers require greater capacity than residential
 20 customers as well as increased levels of engineering and planning. Both classes require more
 21 work than Residential and GS less than 50 kW both from a design and construction perspective.

22 **Street Lighting, Sentinel Load, and Unmetered Scattered Load:** A services weighting factor of
 23 1 is proposed for these customer classes as the costs incurred to provide services for these
 24 customer classes are the responsibility of the Town of Cobourg, excluding unmetered scattered
 25 load.

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1 **Proposed Billing and Collecting Weighting Factors**

2 **Residential:** the Billing weighting factor is set at “1”, as per the Cost Allocation instruction sheet.

3 **General Service less than 50 kW:** The proposed Billing and Collecting weighting factor is 2.
 4 Compared to the residential customer class, the utility receives more phone calls from smaller
 5 businesses that are managing costs.

6 **General Service 50-2999 kW, and General Service 3000-4999 kW:** The weighting factor of 7
 7 reflects the increased customer service time that is spent with the larger customers. Furthermore,
 8 these customers are periodically monitored to assess their kVA demand and assess whether the
 9 customer should be moved to another General Service rate class.

10 **Street Lighting, Sentinel Lights, and Unmetered Scattered Load:** This customer class does not
 11 give rise to collecting activity and therefore collecting costs have not been allocated. The weighting
 12 factor reflects the extremely low volume of bills issued.

13 In Sheet I6.1 Revenue has been populated with the 2017 Test Year forecast data as well as
 14 existing rates.

15 Sheet I6.2 has been updated with the required Bad Debt and Late Payment revenue data as well
 16 as customer/connection number information devices.

17 LUI updated the capital cost meter information on Sheet I7.1 and the meter reading information on
 18 I7.2 to reflect its recently completed deployment of smart meters. LUI used similar costs as
 19 proposed in LUI’s 2012 Cost of Service (EB-2011-0250).

20 The data entered on Sheet I8 reflects the findings of the 2004 hour by hour data being scaled to be
 21 consistent with the 2017 load forecast and the inspection of the scaled data to identify the system
 22 peaks and class specific peaks. The scaling factor used by rate class is illustrated in Table 7.2.

23 LUI’s demand data from sheet I8 in LUI’s 2012 Cost Allocation model has been provided in
 24 Appendix A.

25 **Table 7.3: Scaling Factors**

Rate Class	2017 Forecast (kWh)	2005 Actual (kWh)	Scaling Factor
Residential	79,373,076	72,247,325	1.0986
GS <50 kW	32,807,440	33,461,965	0.9804
GS 50-2999 kW	115,252,929	125,603,976	0.9176
GS 3000-4999 kW	14,887,925	61,881,063	0.2406
Street Lighting	1,434,543	2,001,724	0.7167
Sentinel Lights	43,654	54,199	0.8054
Unmetered Scattered Load	599,974	470,547	1.2751

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Unmetered Scattered Loads

LUI communicates with unmetered load customers to assist them in understanding the regulatory requirements in which LUI operates. Since LUI's largest customer in this category is the Town of Cobourg, LUI confirms load and rate impact whenever increases are completed. LUI also communicated the rate increase forecasted for this rate application and the impacts to its customers.

Embedded Distributor Class

Lakefront Utilities Inc. is not a host to any distributor.

Standby Rates

LUI is not seeking approval on a final basis, or changes to standby charges.

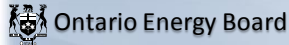
New Customer Class

LUI is not proposing to include a new customer class.

Eliminated Customer Class

LUI is not proposing to eliminate any customer class.

1 Sheet I6.1 of the Cost Allocation Model



2016 Cost Allocation Model

EB-2016-0000

Sheet I6.1 Revenue Worksheet -

Total kWhs from Load Forecast	244,399,541
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Total kW from Load Forecast	331,842
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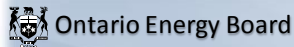
Deficiency/sufficiency (RRWF 8. cell F51)	- 56,307
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Miscellaneous Revenue (RRWF 5. cell F48)	447,972
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ID	Total	1	2	3	5	7	8	9	
		Residential	GS <50	GS 50-2999 kW	GS 3000-4999 kW	Street Light	Sentinel	Unmetered Scattered Load	
Billing Data									
Forecast kWh	CEN	244,399,541	79,373,076	32,807,440	115,252,929	14,887,925	1,434,543	43,654	599,974
Forecast kW	CDEM	331,842			291,085	36,771	3,853	133	
Forecast kW, included in CDEM, of customers receiving line transformer allowance		228,887			192,116	36,771			
Optional - Forecast kWh, included in CEN, from customers that receive a line transformation allowance on a kWh basis. In most cases this will not be applicable and will be left blank.		-							
KWh excluding KWh from Wholesale Market Participants	CEN EWMP	244,399,541	79,373,076	32,807,440	115,252,929	14,887,925	1,434,543	43,654	599,974
Existing Monthly Charge			\$13.14	\$23.96	\$78.03	\$5,800.89	\$4.08	\$4.95	\$14.23
Existing Distribution kWh Rate			\$0.0113	\$0.0086					\$0.0371
Existing Distribution kW Rate					\$3.4597	\$2.2564	\$25.8268	\$12.2032	
Existing TOA Rate					\$0.60	\$0.60			
Additional Charges						\$7.00		(\$13.00)	
Distribution Revenue from Rates		\$4,495,565	\$2,343,017	\$594,629	\$1,130,265	\$152,580	\$231,670	\$4,815	\$38,589
Transformer Ownership Allowance		\$137,332	\$0	\$0	\$115,270	\$22,062	\$0	\$0	\$0
Net Class Revenue	CREV	\$4,358,233	\$2,343,017	\$594,629	\$1,014,995	\$130,518	\$231,670	\$4,815	\$38,589

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1 Sheet 16.2 of the Cost Allocation Model



2016 Cost Allocation Model

EB-2016-0000

Sheet 16.2 Customer Data Worksheet -

		1	2	3	5	7	8	9	
	ID	Total	Residential	GS <50	GS 50-2999 kW	GS 3000-4999 kW	Street Light	Sentinel	Unmetered Scattered Load
Billing Data									
Bad Debt 3 Year Historical Average	BDHA	\$60,512	\$54,460	6,051	\$0	\$0	\$0	\$0	\$0
Late Payment 3 Year Historical Average	LPHA	\$68,477	\$59,324	\$7,257	\$878	\$7	\$13	\$359	\$639
Number of Bills	CNB	123,070	106,620	13,041.95	1,578.85	12	24.00	645.36	1,147.54
Number of Devices	CDEV						2,699	54	77
Number of Connections (Unmetered)	CCON	2,830					2,699	54	77
Total Number of Customers	CCA	10,542	9,171	1,087	132	1	2	54	96
Bulk Customer Base	CCB	-							
Primary Customer Base	CCP	10,697	9,171	1,087	132	1	157	54	96
Line Transformer Customer Base	CCLT	10,607	9,171	1,087	42	1	157	54	96
Secondary Customer Base	CCS	10,529	9,171	1,087	119	1	2	54	96
Weighted - Services	CWCS	15,375	9,171	2,174	1,190	10	2,699	54	77
Weighted Meter -Capital	CWMC	3,540,249	2,468,950	649,577	413,772	7,950	-	-	-
Weighted Meter Reading	CWMR	133,343	107,244	12,984	12,527	588	-	-	-
Weighted Bills	CWNB	149,666	106,620	26,084	11,052	84	24	65	5,738

Bad Debt Data

Historic Year:	2012	24,834	22,350	2,483					
Historic Year:	2013	131,877	118,690	13,188					
Historic Year:	2014	24,824	22,341	2,482					
Three-year average		60,512	54,460	6,051	-	-	-	-	-

Street Lighting Adjustment Factors

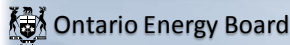
NCP Test Results	4 NCP
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Class	Primary Asset Data		Line Transformer Asset Data	
	Customers/ Devices	4 NCP	Customers/ Devices	4 NCP
Residential	9,171	74,815	9,171	74,815
Street Light	2,699	1,280	2,699	1,280

Street Lighting Adjustment Factors	
Primary	17.2012
Line Transformer	17.2012

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1 Sheet I8 of the Cost Allocation Model



2016 Cost Allocation Model

EB-2016-0000
Sheet I8 Demand Data Worksheet -

This is an input sheet for demand allocators.

CP TEST RESULTS	12 CP
NCP TEST RESULTS	4 NCP

Co-incident Peak	Indicator
1 CP	CP 1
4 CP	CP 4
12 CP	CP 12

Non-co-incident Peak	Indicator
1 NCP	NCP 1
4 NCP	NCP 4
12 NCP	NCP 12

Customer Classes	Total	1	2	3	5	7	8	9
		Residential	GS <50	GS 50-2999 kW	GS 3000-4999 kW	Street Light	Sentinel	Unmetered Scattered Load
CO-INCIDENT PEAK								
1 CP								
Transformation CP	TCP1	39,595	12,726	6,059	18,767	1,960	-	83
Bulk Delivery CP	BCP1	39,595	12,726	6,059	18,767	1,960	-	83
Total Sytem CP	DCP1	39,595	12,726	6,059	18,767	1,960	-	83
4 CP								
Transformation CP	TCP4	159,013	51,789	23,034	74,802	9,089	-	299
Bulk Delivery CP	BCP4	159,013	51,789	23,034	74,802	9,089	-	299
Total Sytem CP	DCP4	159,013	51,789	23,034	74,802	9,089	-	299
12 CP								
Transformation CP	TCP12	418,242	127,828	59,410	205,145	25,080	-	779
Bulk Delivery CP	BCP12	418,242	127,828	59,410	205,145	25,080	-	779
Total Sytem CP	DCP12	418,242	127,828	59,410	205,145	25,080	-	779
NON CO-INCIDENT PEAK								
1 NCP								
Classification NCP from Load Data Provider	DNCP1	46,524	19,139	6,059	18,955	1,960	314	87
Primary NCP	PNCP1	46,524	19,139	6,059	18,955	1,960	314	87
Line Transformer NCP	LTNCP1	46,524	19,139	6,059	18,955	1,960	314	87
Secondary NCP	SNCP1	46,524	19,139	6,059	18,955	1,960	314	87
4 NCP								
Classification NCP from Load Data Provider	DNCP4	184,796	74,815	23,034	76,224	9,089	1,280	315
Primary NCP	PNCP4	184,796	74,815	23,034	76,224	9,089	1,280	315
Line Transformer NCP	LTNCP4	132,904	74,815	23,034	24,332	9,089	1,280	315
Secondary NCP	SNCP4	177,513	74,815	23,034	68,941	9,089	1,280	315
12 NCP								
Classification NCP from Load Data Provider	DNCP12	490,959	185,268	59,410	216,451	25,080	3,806	828
Primary NCP	PNCP12	490,959	185,268	59,410	216,451	25,080	3,806	828
Line Transformer NCP	LTNCP12	343,604	185,268	59,410	69,096	25,080	3,806	828
Secondary NCP	SNCP12	470,279	185,268	59,410	195,771	25,080	3,806	828

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3 No Direct Allocations were entered on Sheet I9.

- The revenue to cost ratios calculated on Sheet O1 of the Cost Allocation model updated for the 2017 Test
- year are provided at the next page.
- Sheet O-1 of the Cost Allocation Model



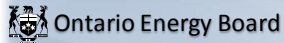
EB-2016-0000
Sheet O1 Revenue to Cost Summary Worksheet -

Instructions:
 Please see the first tab in this workbook for detailed instructions

Class Revenue, Cost Analysis, and Return on Rate Base

Rate Base		1	2	3	5	7	8	9
Assets	Total	Residential	GS <50	GS 50-2999 kW	GS 3000-4999 kW	Street Light	Sentinel	Unmetered Scattered Load
crev Distribution Revenue at Existing Rates	\$4,358,233	\$2,343,017	\$594,629	\$1,014,995	\$130,518	\$231,670	\$4,815	\$38,589
mi Miscellaneous Revenue (mi)	\$447,972	\$302,546	\$59,153	\$60,144	\$5,701	\$12,032	\$937	\$7,459
	Miscellaneous Revenue Input equals Output							
Total Revenue at Existing Rates	\$4,806,205	\$2,645,563	\$653,782	\$1,075,139	\$136,219	\$243,703	\$5,753	\$46,047
Factor required to recover deficiency (1 + D)	1.0129							
Distribution Revenue at Status Quo Rates	\$4,414,540	\$2,373,288	\$602,311	\$1,028,108	\$132,204	\$234,663	\$4,878	\$39,087
Miscellaneous Revenue (mi)	\$447,972	\$302,546	\$59,153	\$60,144	\$5,701	\$12,032	\$937	\$7,459
Total Revenue at Status Quo Rates	\$4,862,512	\$2,675,834	\$661,465	\$1,088,252	\$137,905	\$246,696	\$5,815	\$46,546
Expenses								
di Distribution Costs (di)	\$678,869	\$366,110	\$82,912	\$173,566	\$21,027	\$31,562	\$1,339	\$2,352
cu Customer Related Costs (cu)	\$608,637	\$461,660	\$84,591	\$50,050	\$1,396	\$45	\$121	\$10,774
ad General and Administration (ad)	\$1,136,733	\$720,999	\$148,322	\$205,800	\$21,496	\$27,921	\$1,314	\$10,880
dep Depreciation and Amortization (dep)	\$1,061,439	\$600,845	\$147,552	\$252,540	\$34,088	\$22,297	\$1,393	\$2,723
INPUT PILs (INPUT)	\$134,477	\$72,505	\$18,263	\$35,058	\$4,759	\$3,345	\$182	\$366
INT Interest	\$515,652	\$278,020	\$70,029	\$134,431	\$18,246	\$12,825	\$699	\$1,402
Total Expenses	\$4,135,807	\$2,500,139	\$551,670	\$851,446	\$101,012	\$97,994	\$5,049	\$28,497
Direct Allocation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
NI Allocated Net Income (NI)	\$726,705	\$391,811	\$98,692	\$189,453	\$25,715	\$18,074	\$985	\$1,976
Revenue Requirement (includes NI)	\$4,862,512	\$2,891,950	\$650,362	\$1,040,898	\$126,726	\$116,068	\$6,033	\$30,473
	Revenue Requirement Input equals Output							
Rate Base Calculation								
Net Assets								
dp Distribution Plant - Gross	\$29,796,177	\$16,291,446	\$3,994,187	\$7,623,170	\$1,061,196	\$700,500	\$42,296	\$83,382
gp General Plant - Gross	\$3,630,624	\$1,963,650	\$480,975	\$954,878	\$126,895	\$88,594	\$5,290	\$10,341
accum dep Accumulated Depreciation	(\$13,222,245)	(\$7,327,314)	(\$1,798,518)	(\$3,264,114)	(\$481,913)	(\$296,065)	(\$18,146)	(\$36,174)
co Capital Contribution	(\$3,003,879)	(\$1,649,550)	(\$349,074)	(\$523,893)	(\$98,623)	(\$66,416)	(\$5,874)	(\$10,455)
Total Net Plant	\$17,200,676	\$9,278,227	\$2,327,570	\$4,490,051	\$607,555	\$426,613	\$23,566	\$47,094
Directly Allocated Net Fixed Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
COP Cost of Power (COP)	\$31,818,751	\$10,333,703	\$4,271,251	\$15,004,955	\$1,938,282	\$186,765	\$5,683	\$78,112
OM&A Expenses	\$2,424,239	\$1,548,769	\$315,826	\$429,416	\$43,919	\$59,528	\$2,775	\$24,006
Directly Allocated Expenses	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal	\$34,242,990	\$11,882,472	\$4,587,077	\$15,434,372	\$1,982,200	\$246,293	\$8,458	\$102,118
Working Capital	\$2,568,224	\$891,185	\$344,031	\$1,157,578	\$148,665	\$18,472	\$634	\$7,659
Total Rate Base	\$19,768,900	\$10,169,412	\$2,671,601	\$5,647,629	\$756,220	\$445,085	\$24,200	\$54,753
	Rate Base Input equals Output							
Equity Component of Rate Base	\$7,907,560	\$4,067,765	\$1,068,640	\$2,259,052	\$302,488	\$178,034	\$9,680	\$21,901
Net Income on Allocated Assets	\$726,705	\$175,695	\$109,794	\$236,806	\$36,893	\$148,701	\$766	\$18,049
Net Income on Direct Allocation Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Income	\$726,705	\$175,695	\$109,794	\$236,806	\$36,893	\$148,701	\$766	\$18,049
RATIOS ANALYSIS								
REVENUE TO EXPENSES STATUS QUO%	100.00%	92.53%	101.71%	104.55%	108.82%	212.54%	96.38%	152.74%
EXISTING REVENUE MINUS ALLOCATED COSTS	(\$56,306)	(\$246,387)	\$3,420	\$34,240	\$9,493	\$127,635	(\$281)	\$15,574
	Deficiency Input equals Output							
STATUS QUO REVENUE MINUS ALLOCATED COSTS	\$0	(\$216,116)	\$11,102	\$47,353	\$11,179	\$130,628	(\$218)	\$16,073
RETURN ON EQUITY COMPONENT OF RATE BASE	9.19%	4.32%	10.27%	10.48%	12.20%	83.52%	7.92%	82.41%

1 Sheet O-2 of the Cost Allocation Model



2016 Cost Allocation Model

EB-2016-0000

Sheet O2 Monthly Fixed Charge Min. & Max. Worksheet -

Output sheet showing minimum and maximum level for Monthly Fixed Charge

Summary

	1	2	3	5	7	8	9
	Residential	GS <50	GS 50-2999 kW	GS 3000-4999 kW	Street Light	Sentinel	Unmetered Scattered Load
Customer Unit Cost per month - Avoided Cost	\$6.38	\$10.95	\$55.42	\$192.21	\$0.01	\$0.77	\$10.57
Customer Unit Cost per month - Directly Related	\$9.94	\$16.73	\$86.76	\$311.98	\$0.01	\$0.91	\$18.63
Customer Unit Cost per month - Minimum System with PLCC Adjustment	\$18.47	\$27.52	\$110.79	\$338.90	\$3.21	\$9.92	\$29.60
Existing Approved Fixed Charge	\$13.14	\$23.96	\$78.03	\$5,800.89	\$4.08	\$4.95	\$14.23

Information to be Used to Allocate PILs, ROD, ROE and A&G

		1	2	3	5	7	8	9
	Total	Residential	GS <50	GS 50-2999 kW	GS 3000-4999 kW	Street Light	Sentinel	Unmetered Scattered Load
General Plant - Gross Assets	\$3,630,624	\$1,963,650	\$480,975	\$954,878	\$126,895	\$88,594	\$5,290	\$10,341
General Plant - Accumulated Depreciation	(\$1,106,175)	(\$598,283)	(\$146,543)	(\$290,932)	(\$38,662)	(\$26,993)	(\$1,612)	(\$3,151)
General Plant - Net Fixed Assets	\$2,524,448	\$1,365,366	\$334,432	\$663,947	\$88,233	\$61,601	\$3,678	\$7,190
General Plant - Depreciation	\$261,905	\$141,653	\$34,696	\$68,883	\$9,154	\$6,391	\$382	\$746
Total Net Fixed Assets Excluding General Plant	\$14,676,228	\$7,912,860	\$1,993,138	\$3,826,104	\$519,321	\$365,012	\$19,888	\$39,904
Total Administration and General Expense	\$1,136,733	\$720,999	\$148,322	\$205,800	\$21,496	\$27,921	\$1,314	\$10,880
Total O&M	\$1,287,506	\$827,770	\$167,503	\$223,616	\$22,423	\$31,607	\$1,461	\$13,126

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1 **Class Revenue Requirements**

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3 **Ex.7/Tab 2/Sch.1 – Class Revenue Analysis**

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5 Table 7.4 below shows the results of the cost allocation updated 2012 Test Year Study. These results are
 6 used to compare, and analyze the allocation under each option and to help the utility determine its 2017
 7 Test Year proposed ratios.

8 **Table 7.4: Previously Approved Ratios (2012 Cost of Service)**

Customer Class Name	Service Revenue Requirement		Miscellaneous Revenue		Base Revenue Requirement		Revenue-Cost Expenses %
Residential	2,283,006	51.68%	212,698	56.20%	2,070,308	51.25%	94.80%
GS <50 kW	640,458	14.50%	53,016	14.01%	587,442	14.54%	99.60%
GS 50-2999 kW	1,106,793	25.05%	75,443	19.93%	1,031,350	25.53%	120.00%
GS 3000-4999 kW	106,960	2.42%	11,487	3.04%	95,473	2.36%	57.50%
Street Lighting	233,225	5.28%	21,518	5.69%	211,707	5.24%	111.70%
Sentinel Lights	6,070	0.14%	524	0.14%	5,546	0.14%	117.20%
Unmetered Scattered Load	41,456	0.94%	3,775	1.00%	37,681	0.93%	94.80%
Total	4,417,968	100.00%	378,461	100.00%	4,039,507	100.00%	

9

10 The table below shows the allocation percentage and base revenue requirement allocation under existing
 11 rates, cost allocation results and proposed 2017 allocation.

12 **Table 7.5: Base Revenue Requirement under 3 scenarios**

Customer Class Name	Proposed Base Revenue Requirement %					
	Cost Allocation Results		Existing Rates		Proposed Allocation	
Residential	58.66%	2,589,404	53.76%	2,373,288	55.10%	2,432,411
General Service < 50 kW	13.39%	591,209	13.64%	602,311	13.70%	604,792
General Service 50-2999 kW	22.22%	980,755	23.29%	1,028,108	23.30%	1,028,588
General Service 3000-4999 kW	2.74%	121,025	2.99%	132,204	3.00%	132,436
Street Lighting	2.36%	104,036	5.32%	234,663	4.10%	180,996
Sentinel Lights	0.12%	5,096	0.11%	4,878	0.11%	4,856
Unmetered Scattered Load	0.52%	23,014	0.89%	39,087	0.69%	30,460
TOTAL	100.00%	4,414,540	100.00%	4,414,540	100.00%	4,414,540

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14 Table 7.6 below shows the revenue offset allocation which resulted from Cost Allocation Study (Sheet O1)

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1 **Table 7.6: Revenue Offset Allocation as per Cost Allocation Study**

Customer Class Name	Revenue Offset	%
Residential	(302,546)	67.54%
General Service < 50 kW	(59,153)	13.20%
General Service 50-2999 kW	(60,144)	13.43%
General Service 3000-4999 kW	(5,701)	1.27%
Street Lighting	(12,032)	2.69%
Sentinel Lights	(937)	0.21%
Unmetered Scattered Load	(7,459)	1.67%
Total	(447,972)	100.00%

2
 3 Table 7.7 shows the allocation of the service revenue requirement under the same 3 scenarios.

4 **Table 7.7: Service Revenue Requirement under 3 scenarios**

Customer Class Name	Service Revenue Requirement \$		
	Existing Rates	Cost Allocation	Rate Application
Residential	2,675,834	2,891,950	2,734,957
General Service < 50 kW	661,465	650,362	663,945
General Service 50-2999 kW	1,088,252	1,040,898	1,088,731
General Service 3000-4999 kW	137,905	126,726	138,137
Street Lighting	246,695	116,068	193,029
Sentinel Lights	5,815	6,033	5,793
Unmetered Scattered Load	46,546	30,473	37,919
Total	4,862,512	4,862,512	4,862,512

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1 Revenue-to-Cost Ratios

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3 Ex.7/Tab 3/Sch.2 – Cost Allocation Results and Analysis

4

5 The table on the next page shows Appendix 2-P of the Board Appendices. The appendix provides
6 information on previously approved ratios and proposed ratios. The section following Appendix 2-P
7 addresses the method and logic used to update the ratios from the Cost Allocation study to the proposed
8 ratios.

9 **Appendix 2-P: Cost Allocation**

A) Allocated Costs

10

Classes	Costs Allocated from Previous Study	%	Costs Allocated in Test Year Study (Column 7A)	%
Residential	\$ 2,409,184	54.53%	\$ 2,891,950	59.47%
GS < 50 kW	\$ 642,799	14.55%	\$ 650,362	13.38%
GS 50-2999 kW	\$ 922,322	20.88%	\$ 1,040,898	21.41%
GS 3000-4999 kW	\$ 186,017	4.21%	\$ 126,726	2.61%
Street Lighting	\$ 208,734	4.72%	\$ 116,068	2.39%
Sentinel Lighting	\$ 5,177	0.12%	\$ 6,033	0.12%
Unmetered Scattered Load (USL)	\$ 43,735	0.99%	\$ 30,473	0.63%
Total	\$ 4,417,968	100.00%	\$ 4,862,512	100.00%

B) Calculated Class Revenues

11

Classes (same as previous table)	Column 7B	Column 7C	Column 7D	Column 7E
	Load Forecast (LF) X current	L.F. X current approved rates	LF X proposed rates	Miscellaneous Revenue
Residential	\$ 2,589,404	\$ 2,373,288	\$ 2,432,411	\$ 302,546
GS < 50 kW	\$ 591,209	\$ 602,311	\$ 604,792	\$ 59,153
GS 50-2999 kW	\$ 980,755	\$ 1,028,108	\$ 1,028,588	\$ 60,144
GS 3000-4999 kW	\$ 121,025	\$ 132,204	\$ 132,436	\$ 5,701
Street Lighting	\$ 104,036	\$ 234,663	\$ 180,996	\$ 12,032
Sentinel Lighting	\$ 5,096	\$ 4,878	\$ 4,856	\$ 937
Unmetered Scattered Load (USL)	\$ 23,014	\$ 39,087	\$ 30,460	\$ 7,459
Total	\$ 4,414,540	\$ 4,414,540	\$ 4,414,540	\$ 447,972

C) Rebalancing Revenue-to-Cost (R/C) Ratios

Class	Previously Approved Ratios	Status Quo Ratios	Proposed Ratios	Policy Range
	Most Recent Year: 2012	(7C + 7E) / (7A)	(7D + 7E) / (7A)	
	%	%	%	%
Residential	94.80%	92.53	94.57	85 - 115
GS < 50 kW	99.60%	101.71	102.09	80 - 120
GS 50-2999 kW	120.00%	104.55	104.60	80 - 120
GS 3000-4999 kW	57.50%	108.82	109.00	80 - 120
Street Lighting	111.70%	212.54	166.31	80 - 120
Sentinel Lighting	117.20%	96.38	96.02	80 - 120
Unmetered Scattered Load (USL)	94.80%	152.74	124.43	80 - 120

D) Proposed Revenue-to-Cost Ratios

Class	Proposed Revenue-to-Cost Ratios			Policy Range
	2017	2018	2019	
	%	%	%	
Residential	94.57	94.57	94.57	85 - 115
GS < 50 kW	102.09	102.09	102.09	80 - 120
GS 50-2999 kW	104.60	104.60	104.60	80 - 120
GS 3000-4999 kW	109.00	109.00	109.00	80 - 120
Street Lighting	166.31	166.31	166.31	80 - 120
Sentinel Lighting	96.02	96.02	96.02	80 - 120
Unmetered Scattered Load (USL)	124.43	124.43	124.43	80 - 120

Table 7.8 below shows LUI's proposed Revenue to Cost reallocation based on an analysis of the proposed results from the Cost Allocation Study vs. the Board imposed floor and ceiling ranges.

Table 7.8: Proposed Allocation

Revenue to Cost Ratio Allocation

Customer Class Name	Calculated R/C Ratio	Proposed R/C Ratio	Variance
Residential	93%	95%	(0.02)
General Service < 50 kW	102%	102%	(0.00)
General Service 50-2999 kW	105%	105%	(0.00)
General Service 3000-4999 kW	109%	109%	(0.00)
Street Lighting	213%	166%	0.46
Sentinel Lights	96%	96%	0.00
Unmetered Scattered Load	153%	124%	0.28

Target Range	
Floor	Ceiling
85%	115%
80%	120%
80%	120%
80%	120%
80%	120%
80%	120%
80%	120%

Revenue to Cost Adjustment		
2017	2018	2019
95%	95%	95%
102%	102%	102%
105%	105%	105%
109%	109%	109%
166%	166%	166%
96%	96%	96%
124%	124%	124%

The proposed Revenue to cost ratio is adjusted by changing the allocation percentage for each class. The utility reviews and assesses the bill impacts for each class before adjusting the Revenue to Cost ratios.

Per the Filing Requirements for Transmission and Distribution Applications dated July 16, 2015, LUI has completed OEB Appendix 2-P with the results of the 2016 cost allocation study. The Allocated cost table (Table A), calculated class revenues (Table B) and Rebalancing Revenue-to-Cost (Revenue to Cost) Ratios (Table C) are summarized above.

1 Attachment A - LUI's 2012 Cost Allocation Sheet 18 Demand Data
 2



2012 COST ALLOCATION
Lakefront Utilities Inc.
EB-2011-0250
August-26-11

Sheet 18 Demand Data Worksheet - Initial Application

This is an input sheet for demand allocators.

CP TEST RESULTS	12 CP
NCP TEST RESULTS	4 NCP

Co-incident Peak	Indicator
1 CP	CP 1
4 CP	CP 4
12 CP	CP 12

Non-co-incident Peak	Indicator
1 NCP	NCP 1
4 NCP	NCP 4
12 NCP	NCP 12

Customer Classes			1	2	3	5	7	8	9
Total			Residential	General Service Less Than 50 kW	General Service 50 to 2,999 kW	General Service 3,000 to 4,999 kW	Street Lighting	Sentinel Lighting	Unmetered Scattered Load
CO-INCIDENT PEAK									
1 CP									
Transformation CP	TCP1	45,179	15,643	6,110	17,843	5,187	272	18	106
Bulk Delivery CP	BCP1	45,179	15,643	6,110	17,843	5,187	272	18	106
Total Sytem CP	DCP1	45,179	15,643	6,110	17,843	5,187	272	18	106
4 CP									
Transformation CP	TCP4	178,773	58,497	22,581	74,099	22,581	616	40	359
Bulk Delivery CP	BCP4	178,773	58,497	22,581	74,099	22,581	616	40	359
Total Sytem CP	DCP4	178,773	58,497	22,581	74,099	22,581	616	40	359
12 CP									
Transformation CP	TCP12	470,039	149,585	57,847	212,058	48,633	893	57	965
Bulk Delivery CP	BCP12	470,039	149,585	57,847	212,058	48,633	893	57	965
Total Sytem CP	DCP12	470,039	149,585	57,847	212,058	48,633	893	57	965
NON CO-INCIDENT PEAK									
1 NCP									
Classification NCP from Load Data Provider									
Primary NCP	DNCP1	53,111	18,309	6,836	20,729	6,836	277	18	106
Line Transformer NCP	LTNCP1	32,401	18,309	6,836	6,855	-	277	18	106
Secondary NCP	SNCP1	51,788	18,309	6,836	19,406	6,836	277	18	106
4 NCP									
Classification NCP from Load Data Provider									
Primary NCP	PNCP4	198,631	70,596	25,285	81,380	19,808	1,107	71	384
Line Transformer NCP	LTNCP4	124,356	70,596	25,285	26,913	-	1,107	71	384
Secondary NCP	SNCP4	193,436	70,596	25,285	76,185	19,808	1,107	71	384
12 NCP									
Classification NCP from Load Data Provider									
Primary NCP	PNCP12	524,274	174,822	65,215	231,093	48,633	3,290	212	1,009
Line Transformer NCP	LTNCP12	320,973	174,822	65,215	76,424	-	3,290	212	1,009
Secondary NCP	SNCP12	509,521	174,822	65,215	216,340	48,633	3,290	212	1,009