

Renfrew Hydro Inc.

Exhibit 7

EB-2016-0166 - 2017 Cost of Service

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Cost Allocation Study Requirements

Ex.7/Tab 1/Sch.1 - Overview of Cost Allocation

RHI has prepared and is filing a cost allocation informational filing consistent with its understanding of the Directions and Policies in the Board's reports of November 28, 2007 Application of Cost Allocation for Electricity Distributors, and March 31, 2011 Review of Electricity Distribution Cost Allocation Policy (EB-2010-0219) (the "Cost Allocation Reports") and all subsequent updates. RHI has used the OEB's Cost Allocation model for the purpose of the study.

The main objectives of the original informational filing in 2006 were to provide information on any apparent cross-subsidization among a distributor's rate classifications and to support future rate applications. As part of its 2010 Cost of Service Rate Application, RHI updated the cost allocation revenue to cost ratios with 2010 base revenue requirement information. The revenue to cost ratios from the 2010 application are presented below. Note that the ratios for the General Service > 50 and Street Lights were phased in over several years.

Table 7.1: Previously Approved Ratios (2010 COS)

Customer Class Name	2010 Approved Revenue to Cost Ratio
Residential	1.17
General Service < 50 kW	1.00
General Service > 50 to 4999 kW	0.80
USL	0.64
Street Lighting	0.39

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

RHI has used the updated OEB-approved Cost Allocation Model and followed the instructions and guidelines issued by the OEB to enter the 2017 data into this model.

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

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

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

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

The utility notes that it is not requesting Standby rates. The utility is not proposing to eliminate or introduce any new class nor is it proposing any changes to the composition of its classes. RHI also notes that it is not a host distributor therefore the related filing requirements in that regard do not apply in this case.

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

Table 7.2: Weighting Factors

	Residential	GS <50	GS>50- Regular	Street Light	Unmetered Scattered Load
Insert Weighting Factor for Services Account 1855	1.00	1.50	5.00	0.00	0.00
Insert Weighting Factor for Billing and Collecting	1.00	1.50	4.00	1.00	1.00

Proposed Services Weighting Factors

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

1 **General Service less than 50 kW:** The proposed Services weighting factor of 1.50 reflects
2 that these customers require greater capacity than do residential customers as well as
3 increased levels of engineering and planning. Furthermore, this class typically is more
4 complex than Residential servicing as it may include the creation of a unique work order and
5 may require after hour attendance to mitigate against interruptions during normal business
6 hours.

7 **General Service greater than 50 kW:** The proposed Services weighting factor of 5.00
8 reflects that these customers require a greater capacity than residential or GS<50
9 customers as well increased levels of engineering and planning. This class generally
10 requires more servicing requirements from a design and construction perspective than the
11 GS<50 customers.

12 **Street Lighting and USL:** A Services weighting factor of 0 is proposed for both customer
13 classes as the costs incurred to provide Services for Street Lighting are the responsibility of
14 the Town of Renfrew, and Services for Unmetered Scattered Load are the responsibility of
15 the customer.

16 **Proposed Billing and Collecting Weighting Factors**

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

18 **General Service less than 50 kW:** The billing and collecting weighting factor of “1.5” is
19 proposed because these customers are periodically monitored to assess if their kVA
20 demand qualifies them to move into the GS>50kW class. Consequently, the LDC is reading
21 both kVA demand data as well as kWh data for these customers. However, RHI prints less
22 bills and receives fewer calls when compared to the Residential Class.

23 **General Service greater than 50 kW:** The proposed billing and collecting weighting factor
24 is 4.00 as there is additional staff time required to prepare and finalize the bill. The collecting
25 costs are higher than those incurred when dealing with General Service < 50 kW customers.

26 **Street Lighting:** The proposed weighting factor is 1.00. This customer class does not give
27 rise to Collecting activity and so no Collecting costs have been allocated.

1 **USL:** The proposed weighting factor is 1.00. Like Street Lighting, this class does not give
2 rise to Collecting costs.

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

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

7 RHI updated the capital cost meter information on Sheet I7.1 and the meter reading information
8 on I7.2 to reflect its recently completed deployment of smart meters.

9 The data entered on sheet I8 reflects the findings of the 2004 hour by hour load data being
10 scaled to be consistent with the 2017 load forecast and the inspection of the scaled data to
11 identify the system peaks and class specific peaks.

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Table 7.3: Load Profiles from 2010 CoS

Customer Classes		Total	Residential	GS <50	GS>50- Regular	Street Light	Unmetered Scattered Load
CO-INCIDENT PEAK							
1 CP							
Transformation CP	TCP1	18,509	5,990	3,069	9,433		17
Bulk Delivery CP	BCP1	18,509	5,990	3,069	9,433	-	17
Total Sytem CP	DCP1	18,509	5,990	3,069	9,433	-	17
4 CP							
Transformation CP	TCP4	71,493	23,664	10,446	37,029	284	70
Bulk Delivery CP	BCP4	71,493	23,664	10,446	37,029	284	70
Total Sytem CP	DCP4	71,493	23,664	10,446	37,029	284	70
12 CP							
Transformation CP	TCP12	194,710	61,368	28,115	104,458	567	202
Bulk Delivery CP	BCP12	194,710	61,368	28,115	104,458	567	202
Total Sytem CP	DCP12	194,710	61,368	28,115	104,458	567	202
NON CO_INCIDENT PEAK							
1 NCP							
Classification NCP from Load Data Provider	DNCP1	22,252	8,186	3,568	10,189	284	25
Primary NCP	PNCP1	22,252	8,186	3,568	10,189	284	25
Line Transformer NCP	LTNCP1	17,561	8,186	3,568	5,498	284	25
Secondary NCP	SNCP1	17,561	8,186	3,568	5,498	284	25
4 NCP							
Classification NCP from Load Data Provider	DNCP4	85,325	31,668	13,421	39,006	1,135	
Primary NCP	PNCP4	85,325	31,668	13,421	39,006	1,135	95
Line Transformer NCP	LTNCP4	70,922	31,668	13,421	24,603	1,135	95
Secondary NCP	SNCP4	70,922	31,668	13,421	24,603	1,135	95
12 NCP							
Classification NCP from Load Data Provider	DNCP12	225,971	79,335	33,618	109,354	3,404	260
Primary NCP	PNCP12	225,971	79,335	33,618	109,354	3,404	260
Line Transformer NCP	LTNCP12	176,172	79,335	33,618	59,555	3,404	260
Secondary NCP	SNCP12	176,172	79,335	33,618	59,555	3,404	260

Table 7.4: Demand Data for 2017 Test Year (adjusted for 2017 Load Forecast)

			1	2	3	7	9
<u>Customer Classes</u>		Total	Residential	GS <50	GS>50- Regular	Street Light	Unmetered Scattered Load
CO-INCIDENT PEAK							
1 CP							
Transformation CP	TCP1	15,453	5,095	2,678	7,660	-	20
Bulk Delivery CP	BCP1	15,453	5,095	2,678	7,660	-	20
Total Sytem CP	DCP1	15,453	5,095	2,678	7,660	-	20
4 CP							
Transformation CP	TCP4	59,647	20,129	9,113	30,071	251	83
Bulk Delivery CP	BCP4	59,647	20,129	9,113	30,071	251	83
Total Sytem CP	DCP4	59,647	20,129	9,113	30,071	251	83
12 CP							
Transformation CP	TCP12	162,296	52,201	24,528	84,828	503	237
Bulk Delivery CP	BCP12	162,296	52,201	24,528	84,828	503	237
Total Sytem CP	DCP12	162,296	52,201	24,528	84,828	503	237
NON CO_INCIDENT PEAK							
1 NCP							
Classification NCP from Load Data Provider	DNCP1	17,956	6,724	3,113	7,842	251	25
Primary NCP	PNCP1	17,956	6,724	3,113	7,842	251	25
Line Transformer NCP	LTNCP1	17,956	6,724	3,113	7,842	251	25
Secondary NCP	SNCP1	17,956	6,724	3,113	7,842	251	25
4 NCP							
Classification NCP from Load Data Provider	DNCP4	71,439	26,937	11,708	31,676	1,005	111
Primary NCP	PNCP4	71,439	26,937	11,708	31,676	1,005	111
Line Transformer NCP	LTNCP4	71,439	26,937	11,708	31,676	1,005	111
Secondary NCP	SNCP4	71,439	26,937	11,708	31,676	1,005	111
12 NCP							
Classification NCP from Load Data Provider	DNCP12	188,937	67,484	29,329	88,804	3,015	305
Primary NCP	PNCP12	188,937	67,484	29,329	88,804	3,015	305
Line Transformer NCP	LTNCP12	188,937	67,484	29,329	88,804	3,015	305
Secondary NCP	SNCP12	188,937	67,484	29,329	88,804	3,015	305

1 **Sheet I-6 of the Cost Allocation Model**

2 No Direct Allocations were entered on Sheet I9.

Total kWhs from Load Forecast	85,344,276
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Total kW from Load Forecast	121,031
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Deficiency/sufficiency (RRWF 8. cell F51)	- 290,308
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Miscellaneous Revenue (RRWF 5. cell F48)	107,550
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			1	2	3	7	9
	ID	Total	Residential	GS <50	GS>50- Regular	Street Light	Unmetered Scattered Load
Billing Data							
Forecast kWh	CEN	85,344,276	28,929,066	11,749,297	43,433,994	1,082,279	149,640
Forecast kW	CDEM	121,031			118,024	3,007	
Forecast kW, included in CDEM, of customers receiving line transformer allowance		69,011			69,011		
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	85,344,276	28,929,066	11,749,297	43,433,994	1,082,279	149,640
Existing Monthly Charge			\$13.97	\$31.25	\$189.27	\$2.95	\$43.63
Existing Distribution kWh Rate			\$0.0145	\$0.0137	\$2.5331	\$7.2483	\$0.0099
Existing Distribution kW Rate							
Existing TOA Rate					\$0.60		
Additional Charges							
Distribution Revenue from Rates		\$1,899,617	\$1,062,369	\$316,081	\$437,512	\$64,254	\$19,401
Transformer Ownership Allowance		\$41,407	\$0	\$0	\$41,407	\$0	\$0
Net Class Revenue	CREV	\$1,858,210	\$1,062,369	\$316,081	\$396,106	\$64,254	\$19,401

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Sheet I-8 of the Cost Allocation Model

			1	2	3	7	9
<u>Customer Classes</u>		Total	Residential	GS <50	GS>50- Regular	Street Light	Unmetered Scattered Load
CO-INCIDENT PEAK							
1 CP							
Transformation CP	TCP1	15,453	5,095	2,678	7,660	-	20
Bulk Delivery CP	BCP1	15,453	5,095	2,678	7,660	-	20
Total Sytem CP	DCP1	15,453	5,095	2,678	7,660	-	20
4 CP							
Transformation CP	TCP4	59,647	20,129	9,113	30,071	251	83
Bulk Delivery CP	BCP4	59,647	20,129	9,113	30,071	251	83
Total Sytem CP	DCP4	59,647	20,129	9,113	30,071	251	83
12 CP							
Transformation CP	TCP12	162,296	52,201	24,528	84,828	503	237
Bulk Delivery CP	BCP12	162,296	52,201	24,528	84,828	503	237
Total Sytem CP	DCP12	162,296	52,201	24,528	84,828	503	237
NON CO_INCIDENT PEAK							
1 NCP							
Classification NCP from Load Data Provider	DNCP1	17,956	6,724	3,113	7,842	251	25
Primary NCP	PNCP1	17,956	6,724	3,113	7,842	251	25
Line Transformer NCP	LTNCP1	17,956	6,724	3,113	7,842	251	25
Secondary NCP	SNCP1	17,956	6,724	3,113	7,842	251	25
4 NCP							
Classification NCP from Load Data Provider	DNCP4	71,439	26,937	11,708	31,676	1,005	111
Primary NCP	PNCP4	71,439	26,937	11,708	31,676	1,005	111
Line Transformer NCP	LTNCP4	71,439	26,937	11,708	31,676	1,005	111
Secondary NCP	SNCP4	71,439	26,937	11,708	31,676	1,005	111
12 NCP							
Classification NCP from Load Data Provider	DNCP12	188,937	67,484	29,329	88,804	3,015	305
Primary NCP	PNCP12	188,937	67,484	29,329	88,804	3,015	305
Line Transformer NCP	LTNCP12	188,937	67,484	29,329	88,804	3,015	305
Secondary NCP	SNCP12	188,937	67,484	29,329	88,804	3,015	305

- 2 The revenue to cost ratios calculated on Sheet O1 of the Cost Allocation model updated for the
3 2017 Test Year are provided below.

1

Sheet O-1 of the Cost Allocation Model

Rate Base Assets			1	2	3	7	9
		Total	Residential	GS <50	GS>50-Regular	Street Light	Unmetered Scattered Load
crev mi	Distribution Revenue at Existing Rates	\$1,858,210	\$1,062,369	\$316,081	\$396,106	\$64,254	\$19,401
	Miscellaneous Revenue (mi)	\$107,550	\$64,907	\$14,440	\$21,994	\$5,860	\$349
	Miscellaneous Revenue Input equals Output						
	Total Revenue at Existing Rates	\$1,965,760	\$1,127,275	\$330,521	\$418,099	\$70,114	\$19,751
	Factor required to recover deficiency (1 + D)	1.1562					
	Distribution Revenue at Status Quo Rates	\$2,148,518	\$1,228,343	\$365,462	\$457,989	\$74,292	\$22,432
	Miscellaneous Revenue (mi)	\$107,550	\$64,907	\$14,440	\$21,994	\$5,860	\$349
	Total Revenue at Status Quo Rates	\$2,256,068	\$1,293,249	\$379,902	\$479,983	\$80,152	\$22,782
di cu ad dep INPUT INT	Expenses						
	Distribution Costs (di)	\$439,735	\$213,670	\$62,620	\$151,456	\$10,873	\$1,116
	Customer Related Costs (cu)	\$521,630	\$412,596	\$66,930	\$31,980	\$7,015	\$3,109
	General and Administration (ad)	\$587,915	\$382,681	\$79,250	\$112,463	\$10,941	\$2,580
	Depreciation and Amortization (dep)	\$247,981	\$122,031	\$38,644	\$82,736	\$4,139	\$431
	PILs (INPUT)	\$23,047	\$10,525	\$3,476	\$8,551	\$449	\$45
	Interest	\$180,866	\$82,598	\$27,277	\$67,108	\$3,527	\$357
	Total Expenses	\$2,001,175	\$1,224,102	\$278,196	\$454,294	\$36,945	\$7,638
NI	Direct Allocation	\$0	\$0	\$0	\$0	\$0	\$0
	Allocated Net Income (NI)	\$254,894	\$116,405	\$38,441	\$94,575	\$4,970	\$503
	Revenue Requirement (includes NI)	\$2,256,068	\$1,340,507	\$316,637	\$548,869	\$41,916	\$8,141
	Revenue Requirement Input equals Output						
Rate Base Calculation							
dp gp accum dep co	Net Assets						
	Distribution Plant - Gross	\$13,816,002	\$6,544,173	\$2,057,121	\$4,936,278	\$251,937	\$26,493
	General Plant - Gross	\$1,752,573	\$798,482	\$264,131	\$652,414	\$34,092	\$3,453
	Accumulated Depreciation	(\$9,556,595)	(\$4,603,816)	(\$1,415,200)	(\$3,350,387)	(\$169,091)	(\$18,101)
	Capital Contribution	(\$72,866)	(\$26,821)	(\$10,389)	(\$34,383)	(\$1,139)	(\$134)
	Total Net Plant	\$5,939,114	\$2,712,018	\$895,664	\$2,203,922	\$115,800	\$11,710
	Directly Allocated Net Fixed Assets	\$0	\$0	\$0	\$0	\$0	\$0
	COP	Cost of Power (COP)	\$11,715,807	\$3,971,296	\$1,612,908	\$5,962,489	\$148,572
OM&A Expenses		\$1,549,280	\$1,008,947	\$208,799	\$295,899	\$28,830	\$6,805
Directly Allocated Expenses		\$0	\$0	\$0	\$0	\$0	\$0
Subtotal		\$13,265,087	\$4,980,243	\$1,821,708	\$6,258,388	\$177,402	\$27,347
Working Capital		\$994,882	\$373,518	\$136,628	\$469,379	\$13,305	\$2,051
Total Rate Base		\$6,933,995	\$3,085,537	\$1,032,292	\$2,673,301	\$129,105	\$13,762
		Rate Base Input equals Output					
Equity Component of Rate Base		\$2,773,598	\$1,234,215	\$412,917	\$1,069,320	\$51,642	\$5,505
Net Income on Allocated Assets		\$254,894	\$69,148	\$101,706	\$25,689	\$43,207	\$15,144
Net Income on Direct Allocation Assets		\$0	\$0	\$0	\$0	\$0	\$0
Net Income		\$254,894	\$69,148	\$101,706	\$25,689	\$43,207	\$15,144
RATIOS ANALYSIS							
REVENUE TO EXPENSES STATUS QUO%		100.00%	96.47%	119.98%	87.45%	191.22%	279.85%
EXISTING REVENUE MINUS ALLOCATED COSTS		(\$290,308)	(\$213,231)	\$13,884	(\$130,770)	\$28,199	\$11,610
		Deficiency Input equals Output					
STATUS QUO REVENUE MINUS ALLOCATED COSTS		(\$0)	(\$47,257)	\$63,265	(\$68,886)	\$38,237	\$14,641
RETURN ON EQUITY COMPONENT OF RATE BASE		9.19%	5.60%	24.63%	2.40%	83.67%	275.11%

1

Sheet O-2 of the Cost Allocation Model

	1	2	3	7	9
<u>Summary</u>	Resident ial	GS <50	GS>50- Regular	Street Light	Unmetered Scattered Load
Customer Unit Cost per month - Avoided Cost	\$8.95	\$14.63	\$50.38	\$0.48	\$7.48
Customer Unit Cost per month - Directly Related	\$14.28	\$22.75	\$78.72	\$0.79	\$12.27
Customer Unit Cost per month - Minimum System with PLCC Adjustment	\$20.88	\$31.23	\$106.74	\$2.38	\$15.84
Existing Approved Fixed Charge	\$13.97	\$31.25	\$189.27	\$2.95	\$43.63

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3

Class Revenue Requirements

Ex.7/Tab 2/Sch.1 - Class Revenue Analysis

The table below shows the results of the cost allocation updated 2017 study. These results are used to compare, analyze the allocation under each option, and help the utility determine its 2017 proposed ratios.

Table 7.5: Results of the Cost Allocation Study

<u>Cost Allocation Results</u>	REVENUE ALLOCATION (sheet O1)							CUSTOMER UNIT COST PER MONTH (sheet O2)		
	Service Rev Req (row40)		Misc. Revenue (mi) (row19)		Base Rev Req (row80)		Rev2Cost Expenses %	Avoided Costs (Minimum Charge)	Directly Related	Minimum System with PLCC * adjustment
Residential	1,340,507	59.42%	64,907	60.35%	1,275,600	59.37%	96.47%	\$8.95	\$14.28	\$20.88
General Service < 50 kW	316,637	14.03%	14,440	13.43%	302,197	14.07%	119.98%	\$14.63	\$22.75	\$31.23
General Service > 50 to 4999 kW	548,869	24.33%	21,994	20.45%	526,875	24.52%	87.45%	\$50.38	\$78.72	\$106.74
Unmetered Scattered Load	8,141	0.36%	349	0.32%	7,791	0.36%	279.85%	\$7.48	\$12.27	\$15.84
Street Lighting	41,916	1.86%	5,860	5.45%	36,055	1.68%	191.22%	\$0.48	\$0.79	\$2.38
TOTAL	2,256,068	100.00%	107,550	100.00%	2,148,518	100.00%				

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

Table 7.6: Base Revenue Requirement Under 3 Scenarios

Customer Class Name	Proposed Base Revenue Requirement %					
	Cost Allocation Results		Existing Rates		Proposed Allocation	
Residential	59.37%	1,275,600	57.17%	1,228,343	57.18%	1,228,548
General Service < 50 kW	14.07%	302,197	17.01%	365,462	17.09%	367,076
General Service > 50 to 4999 kW	24.52%	526,875	21.32%	457,989	22.06%	473,885
Unmetered Scattered Load	0.36%	7,791	1.04%	22,432	0.82%	17,600
Street Lighting	1.68%	36,055	3.46%	74,292	2.86%	61,410
TOTAL	100.00%	2,148,518	100.00%	2,148,518	100.00%	2,148,518

1 Table 7.7 below shows the revenue offset allocation which resulted from Cost Allocation Study
2 (Sheet O1).

3 **Table 7.7: Revenue Offset Allocation as per Cost Allocation Study**

Customer Class Name	Revenue Offsets	
	%	\$
Residential	60.35%	64,907
General Service < 50 kW	13.43%	14,440
General Service > 50 to 4999 kW	20.45%	21,994
Unmetered Scattered Load	0.32%	349
Street Lighting	5.45%	5,860
TOTAL	100.00%	107,550

4
5 Table 7.8 shows the allocation of the service revenue requirement under the same 3 scenarios.

6 **Table 7.8: Service Revenue Requirement under 3 Scenarios**

Customer Class Name	Service Revenue Requirement \$		
	Existing Rates	Cost Allocation	Rate Application
Residential	1,293,249	1,340,507	1,293,455
General Service < 50 kW	379,902	316,637	381,515
General Service > 50 to 4999 kW	479,983	548,869	495,878
Unmetered Scattered Load	22,782	8,141	17,950
Street Lighting	80,152	41,915	67,270
TOTAL	2,256,068	2,256,068	2,256,068

7

Revenue-to-Cost Ratios

Ex.7/Tab 3/Sch.1 - Cost Allocation Results and Analysis

Per the Filing Requirements for Transmission and Distribution Applications dated July 17, 2013, RHI has completed OEB Appendix 2-P with the results of the 2017 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 below.

The Appendix provides information on previously approved ratios and proposed ratios. The section following Appendix 2-P addresses the method and logic used to update the ratios from the Cost Allocation study to the proposed ratios.

- 1 The table below shows the utility's proposed Revenue to Cost reallocation based on an analysis
2 of the proposed results from the Cost Allocation Study vs the Board imposed floor and ceiling
3 ranges.

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

Please complete the following four tables.

A) Allocated Costs

Classes	Costs Allocated from Previous Study	%	Costs Allocated in Test Year Study (Column 7A)	%
Residential	\$1,061,717.54	57.18%	\$1,340,506.67	59.42%
General Service < 50 kW	\$315,830.88	17.01%	\$316,636.63	14.03%
General Service > 50 to 4999 kW	\$395,641.47	21.31%	\$548,868.73	24.33%
Unmetered Scattered Load	\$19,399.10	1.04%	\$8,140.75	0.36%
Street Lighting	\$64,219.76	3.46%	\$41,915.50	1.86%
		0.00%		0.00%
Total	\$1,856,808.75	100.00%	\$2,256,068.29	100.00%

B) Calculated Class Revenues

(from CA - O1 row 18)

Classes (same as previous table)		Column 7B Load Forecast (LF) X current approved rates	Column 7C L.F. X current approved rates X (1 + d)	Column 7D LF X proposed rates	Column 7E Miscellaneous Revenue
Residential		\$1,061,717.54	\$1,228,342.51	\$1,228,548.10	\$64,906.69
General Service < 50 kW		\$315,830.88	\$365,462.04	\$367,075.57	\$14,439.89
General Service > 50 to 4999 kW		\$395,641.47	\$457,989.15	\$473,884.63	\$21,993.52
Unmetered Scattered Load		\$19,399.10	\$22,432.48	\$17,600.12	\$349.42
Street Lighting		\$64,219.76	\$74,291.94	\$61,409.69	\$5,860.49
Total		\$1,856,808.75	\$2,148,518.12	\$2,148,518.12	\$107,550.00

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

Class		Previously Approved Ratios	Status Quo Ratios	Proposed Ratios	Policy Range
		Most Recent Year:	(7C + 7E) / (7A)	(7D + 7E) / (7A)	
		2010			
		%	%	%	%
Residential		117.00	96.47	96.49	85 - 115
General Service < 50 kW		100.00	119.98	120.49	80 - 120
General Service > 50 to 4999 kW		80.00	87.45	90.35	80 - 120
Unmetered Scattered Load		64.00	279.85	220.49	80 - 120
Street Lighting		39.00	191.22	160.49	85 - 115

D) Proposed Revenue-to-Cost Ratios

Class		Proposed Revenue-to-Cost Ratios			Policy Range
		2017	2018	2019	
		%	%	%	%
Residential		96.49			85 - 115
General Service < 50 kW		120.49			80 - 120
General Service > 50 to 4999 kW		90.35			80 - 120
Unmetered Scattered Load		220.49	160	120	80 - 120
Street Lighting		160.49	120		85 - 115

Table 7.9: Proposed Allocation

Customer Class Name	Calculated R/C Ratio	Proposed R/C Ratio	Variance
Residential	0.96	0.96	-0.00
General Service < 50 kW	1.20	1.20	-0.01
General Service > 50 to 4999 kW	0.87	0.90	-0.03
Unmetered Scattered Load	2.80	2.20	0.59
Street Lighting	1.91	1.60	0.31

* Ratios highlighted in pink fell outside of the floor to ceiling range.

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.

The utility does not propose to change any classes that fall within the range unless the purpose is to recover the shortfall of classes that fell outside the range. (In previous decisions, the Board expressed reluctance to move revenue-to-cost ratios to 100% for each rate class in an effort to remove cross-subsidization. The Board stated that there are data limitations inherent in cost allocation models, and noted that as a practical matter, there may be little difference between a revenue-to-cost ratio of near 100% and the theoretical ideal of 100%.

RHI proposes to maintain the ratio for the Residential class at 96% as it fell within the range and is also close to recovering its cost. The General Service <50kW at 1.20 was also not adjusted as it fell within the Board prescribed range. At current rates, the General Service>50kW is under-recovering revenues in comparison to its allocated costs. The utility opted to adjust from 0.87 to 0.90 to recover the shortfall of bringing the Streetlight and Unmetered Scattered Load classes closer to the ceiling of 120%.

The calculated ratio for the Streetlights and Unmetered Scattered Load ended well above the imposed lower limit (floor) of 120%. Although the classes only recover a small percentage of the revenue requirement (2.86% and 0.82% respectively), the utility must nonetheless be mindful of the bill impacts for this class. RHI proposes to adjust the Street Light class down to 1.2 over a period of three years 2017-2019, and proposes to adjust the Unmetered Scattered Load over two years 2017-2018. Implementing the Revenue to Cost reallocation over a period of time

- 1 helps minimize the bill impacts. For further details about the class specific bill impacts, please
- 2 refer to Exhibit 8.